ANNUAL REPORT 2020

CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

Annual Report and Financial Statements for 2020

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Letter from the Chairman

2020 was deeply impacted by the health emergency caused by the Covid-19 spread. The effects of the pandemic had social, economic and financial fallouts worldwide. In this scenario, banks played a crucial role as they proactively provided support to households and businesses, also with loans guaranteed by the State and loan repayment moratoria.

This could be done because the banking system proved well capitalized and able to rely, thanks also to the policy deployed by the ECB, on wide liquidity margins. Close control on asset quality and continuing disposal of non-performing loans enhanced its strength and ability to lend. The goods news of the start of the vaccination campaign and the support provided by the budget policy and by the use of EU funds within the Next Generation EU programme gives grounds to expect appreciable recovery in 2021.

In this scenario, its trust in Italy's ability to respond has informed the main strategic choices of **Crédit Agricole Italia**, which has continued to invest in innovation, to believe in human capital and to operate to the benefit of young people, households and businesses in its communities.

The 2020 results give once again evidence of the Banking Group's ability to generate sustainable profitability, despite the health emergency. Net income, excluding impairment on goodwill, **came to Euro 206 million**, a figure that reports extra adjustments of loans both for future impacts caused by Covid-19 and for the ongoing derisking process, totalling Euro 192 million. **Net income** would be of approximately Euro **264 million** excluding the contribution to the banking system and non-recurring expenses incurred to manage the health emergency. 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 synergies, posted aggregate net income of Euro **737 million** and Euro 77.6 billion worth of loans to the economy.

The Banking Group's capital strength has been proved over the years, with the minimum capital requirements set by the ECB always exceeded, with the Fully Loaded CET 1 Ratio at 14% and the Total Capital Ratio at 19,7%. Its reliability has been acknowledged by investors, as they enthusiastically welcomed the dual-tranche Covered Bond issue with 8 and 25 year maturity, which, at the beginning of the year, proved very successful as the longest maturity issue ever made in Italy up that moment.

In 2020, the Bank's operations focused on providing support to the economy, in order to ensure that the productive and social fabric could survive the emergency while fostering economic recovery. Pursuing this objective, the support provided to households and businesses comprised an amount of Euro **2.6 billion** worth of State-guaranteed loans already disbursed, as well as an **amount of Euro 10.8 billion worth of moratoria**. Furthermore, the Group granted over **41thousand loans under the Liquidity Decree Law** and developed a cooperation protocol with **SACE, "Garanzia Italia"**, intended to support the recovery of the production sector.

Also in the most difficult phases, **full operativeness in all geographical areas** was ensured to customers through to the implementation of tools and services that could be developed thanks to the investments made in previous years in technological innovation. In addition to the above, a **specific task force** was set up consisting of over 120 personnel members and tasked with the management of all extraordinary needs of customers, as well as with the deployment of health and protection protocols ensuring the safety of all personnel and customers. As regards innovation and safety, the number of personnel members enabled for **smart working** has reached 80%; this work arrangement has had a very good impact also on social relations, corporate culture and work organization. Thanks also to these measures, the Customer Recommendation Index increased by 8 points, thus with the Group ranking second among commercial banks in Italy.

Despite the emergency, Crédit Agricole Italia has never stopped and has continued on its way towards growth while constantly focusing on society and new generations.

Among the most important initiatives, certainly worth mentioning is the purchase, made during the emergency peak, of **82 ventilators**, in synergy with both the shareholder and non-shareholder Foundations and with local companies, which were donated to several hospitals that urgently needed them. Another initiative was the donation of Euro 1.5 million to the **Italian Red Cross**, an amount that was raised thanks to the commitment of all the companies of Crédit Agricole in Italy, to Payroll Giving, direct contributions made by employees and donations made by customers and vendors. A key role in the success of this initiative was played by **CrowdForLife**, our crowdfunding portal, which celebrated its first year in operation with a total amount raised of approximately Euro 1.7 million.

In October 2020, **Le Village by CA Parma** was opened, an innovation hub for the Emilia-Romagna Region, which adds to the one in Milan already in operation and, right at its opening, was able to onboard 29 startups, 14 enablers and 17 partners.

Lastly, on 23 November, Crédit Agricole Italia announced a voluntary, all-cash **Public Tender Offer** for all shares in **Credito Valtellinese S.p.A.**. This offer is consistent with the Group's sustainable growth strategy, aimed at generating value for its stakeholders, local communities and regions.

The fact that it proved able to successfully address the challenges faced in 2020, while laying the foundations for the next future, is evidence that Crédit Agricole Italia is a healthy and strong player, well fit to be resilient also to unforeseeable difficulties. All this is also evidence that the watchword "working every day in the interest of customers and society" expresses the right way to follow in our daily operations in order to continue to write the story of a successful group.

The Chairman
Ariberto Fassati

Governing, Control Bodies and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRPERSONS

Xavier Musca

Annalisa Sassi(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli(*)

DIRECTORS

Evelina Christillin(°)

François-Edouard Drion(*)

Daniel Epron

Anna Maria Fellegara(°)

Lamberto Frescobaldi Franceschi Marini(°)

Nicolas Langevin

Hervé Le Floc'h

Paolo Maggioli(°)

Michel Mathieu

Andrea Pontremoli(*)

Christian Valette(*)

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

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

DEPUTY GENERAL MANAGER FOR OPERATION AND TRANSFORMATION

Vittorio Ratto

FINANCIAL REPORTING OFFICER

Pierre Débourdeaux

INDEPENDENT AUDITORS

EY S.p.A.

Key figures

Income Statement highlights ((thousands of Euro)	2020	2019	2018
Net operating income	1,893,822	1,952,962	1,937,971
Operating margin	653,940	717,812	664,527
Net profit (loss)(*)	206,174	314,069	273,898

Balance Sheet highlights (thousands of Euro)	2020	2019	2018
Loans to Customers	58,306,963	51,600,193	51,001,282
Of which securities measured at amortized cost	8,070,821	4,913,787	4,985,559
Funding from Customers	54,959,033	49,710,264	48,159,170
Indirect funding from Customers	75,425,320	71,294,531	63,484,731

Operating structure	2020	2019	2018
Number of employees	9,740	9,751	9,878
Number of branches	871	895	984

Profitability, efficiency and credit quality ratios	2020	2019	2018
Cost(°)/income ratio	61.2%	61.2%	63.6%
Net income(*)/Average equity (ROE)	3.2%	5.0%	4.6%
Net income(*)/Average tangible equity (ROTE)	4.5%	7.1%	6.9%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	5.8%	7.1%	7.6%
Net non-performing exposures/Net loans to customers (net NPE ratio)	3.0%	3.5%	3.8%
Total adjustments of non-performing loans/Gross non-performing loans	51.2%	52.6%	52.5%

Capital and liquidity ratios	2020	2019	2018
Common Equity Tier 1 ratio	14.0%	12.5%	11.2%
Tier 1 ratio	16.6%	15.0%	13.8%
Total capital ratio	19.7%	18.1%	16.8%

(*) Net profit (loss) calculated excluding goodwill impairment
(°) ratio calculated excluding ordinary and extraordinary contributions to support the banking system and Covid-19-related costs incurred to address the health emergency

Significant events

JANUARY

The Group was awarded by Milano Finanza's "Atlante delle Banche" for the most innovative product of 2019: MUTUOMAP. The tracking service on the Mobile Banking app whereby customers can follow, directly from their smartphones, the progress in their mortgage loan application processing, all the way to its finalization and can upload any missing documents online

Crédit Agricole Green Life, which is LEED Platinum certified, was entered by the World Green Building Council in the new digital library of case studies on the most cutting-edge sustainable buildings in the world.

The Crédit Agricole Italia Banking Group earmarked Euro 100 million to the benefit of virtuous enterprises for investments in green and circular economy. Indeed, that amount is reserved to businesses that have already made or have planned investments to reduce CO2 emissions and to those that are already using or will start to use recyclable materials in their production cycle

Having regard to Employer Branding, the Crédit Agricole Italia Banking Group jumped 14 ranks and got to the top position among banks. The Group was for the first time among the Top 10 in Potential Park Italia ranking of the most attractive companies for young talents on the web and social media

For the 12th year in a row, the Crédit Agricole Italia Banking Group was awarded the Top Employers certification.

MARCH

Crédit Agricole Italia purchased 82 ventilators during the emergency peak, along with other equipment, for several hospitals in its areas of operation which urgently needed them (in synergy with its shareholder Foundations: Cariparma, Piacenza e Vigevano, Carispezia, San Miniato, Lugo and the Foundations based in its regions: Cesena, Rimini, and Faenza).

Italian Decree Law no. 18 of 17 March 2020, published in the Italian Official Journal issue no 70 on 17 March 2020, the so-called "Cure Italy" Decree, introduced measures providing support to natural persons and businesses that were hit by the epidemiological emergency caused by Covid-19 spreading in Italy

The Companies of the Crédit Agricole Group in Italy joined forces and donated 1 million Euros to the Italian Red Cross. Through CrowdForLife, Crédit Agricole's crowdfunding portal, the objective of raising another 500 thousand Euro was achieved thanks to Payroll Giving, the direct contributions given by the managers and employees of Crédit Agricole Italia, Crédit Agricole FriulAdria, Agos and Amundi Italia, together with the donations made by customers and vendors.

APRIL

the Crédit Agricole Italia Banking Group deployed a strong action program for an amount of 10 billion Euros to provide support to businesses and households. Once again the Group gave evidence of its commitment to giving tangible and fast response in order to help the Italian economic and social fabric to handle the emergency supporting recovery

the Crédit Agricole Italia Banking Group confirmed its participation in the Italian Banking Association Agreement to advance payment of the amounts under wage guarantee funds, both ordinary and exception, before their payment by INPS, as well as of the ordinary allowance to be paid by the Wage Integration Fund (FIS), which were provided for by the "Cure Italy" Decree Law, and due to all workers that were laid off due to the Covid-19 emergency

Italian Decree Law no. 23 of 8 April 2020, which was published in the Italian Official Journal issue no. 94, the so-called Liquidity Decree, strengthened the measures to ensure liquidity to those businesses that suffered extensive damage due to the Covid-19 emergency

MAY

The Crédit Agricole Italia Banking Group joined the "Garanzia Italia" cooperation protocol with SACE S.p.A.to provide financial support to businesses hit by the Covid-19 emergency

JUNE

The Crédit Agricole Italia Banking Group proved once again its focus on the agri-food sector winning ABI Prize for Innovation 2020, which was awarded during the webinar organized by the Italian Banking Association. The Group won in the category "Innovation Prize for corporate banking customers: the bank for corporations" thanks to the Foraggio-SAT Protection Product of Crédit Agricole Assicurazioni

JULY

Giampiero Maioli, Senior Country Officer of Crédit Agricole for Italy and Chief Executive Officer of Crédit Agricole Italia, was appointed to office as Vice President of the Italian Banking Association (ABI). This appointment goes along with the other offices held by Giampiero Maioli at the Italian Banking Association as Member of the Board, Member of the President's Committee and Member of the Executive Committee

The Crédit Agricole Italia Banking Group proved once again right by the side of its customer in a tangible way and ready to support upgrading, energy efficiency enhancement and seismic retrofit of properties as provided for by the Italian Relaunch Decree

AUGUST

The Crédit Agricole Italia Banking Group and the Italian National Association of Builders (Ance) signed an agreement in order to provide businesses with support for seismic retrofit and energy efficiency upgrading using the new Superbonus 110% tax break introduced by the Italian Relaunch Decree-Law

SEPTEMBER

The Companies of Crédit Agricole in Italy launched "Crédit Agricole for Future" on the CrowdForLife portal, a social call to respond to the emergencies caused by the pandemic in education, inclusion and reduction of inequalities.

OCTOBER

Le Village by CA Parma, the innovation ecosystem promoted by Crédit Agricole, was officially opened and presented in Parma on 2 October and the figures achieved in its first months in operation are: 29 startups, 17 partners, 14 enablers, 10 webinars and 1 innovation challenge with the participation of 35 startups from all over the world

Crédit Agricole Italia and Leasys, the car leasing company of the FCA Group, teamed up to pursue sustainable mobility. Their innovative cooperation project was presented, which was designed to promote a new way of enjoying and using cars while respecting the environment. The project is part of "Green Way", the wider action plan of Crédit Agricole Italia, which substantiates our Group's commitment to promoting sustainable mobility and fostering a culture of mobility that respects the environment and looks at the future

NOVEMBER

Crédit Agricole Italia S.p.A. Launched an all-cash voluntary public tender offer for all the shares in Credito Valtellinese S.p.A.

The Crédit Agricole Italia Banking Group continued with its initiatives aimed at creating a work environment truly able to enhance differences, with an entire month dedicated to discussing the various forms of "Inclusion": an important topic, which the Group thoroughly addresses in its many aspects through a set of food for thought and contents made available to all employees throughout the month

The Group signed the ABI Protocol providing for easy loan repayment terms to women that are victims of gender-based violence

DECEMBER

the Crédit Agricole Italia Banking Group signed an agreement with the main national and local Confidi (Italian mutual loan-guarantee consortia) and launched the "Fidi di cantiere" initiative, intended to provide support to businesses in the construction industry. An amount of 200 million Euros was earmarked for the consortium member businesses, which can be sued for advances on contracts, to start works for the renovation of properties with the tax breaks provided for by the Relaunch Decree (Superbonus 110% tax break, Ecobonus and other "building works-related tax breaks"). The easy-term facilities will be secured by consortium guarantees of at '80%

The Crédit Agricole Group

1° FIRST

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

Key figures of 2020

52 MILLION CUSTOMERS	**48** COUNTRIES	**142,000** PERSONNEL MEMBERS
6.1 MLN€ UNDERLYING NET INCOME	**119.6 BLN€** EQUITY- GROUP SHARE	**17.2%**** CET1 RATIO

Rating

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

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

** Phased-in

The Crédit Agricole Group in Italy

TOP 3

PLAYER IN THE ITALIAN CONSUMER FINANCE MARKET*

3° THIRD

ASSET MANAGER IN ITALY**

Key figures of 2020

4.6 MILLION
CUSTOMERS

14,000
PERSONNEL MEMBERS

737 BLN€***
NET INCOME - GROUP SHARE

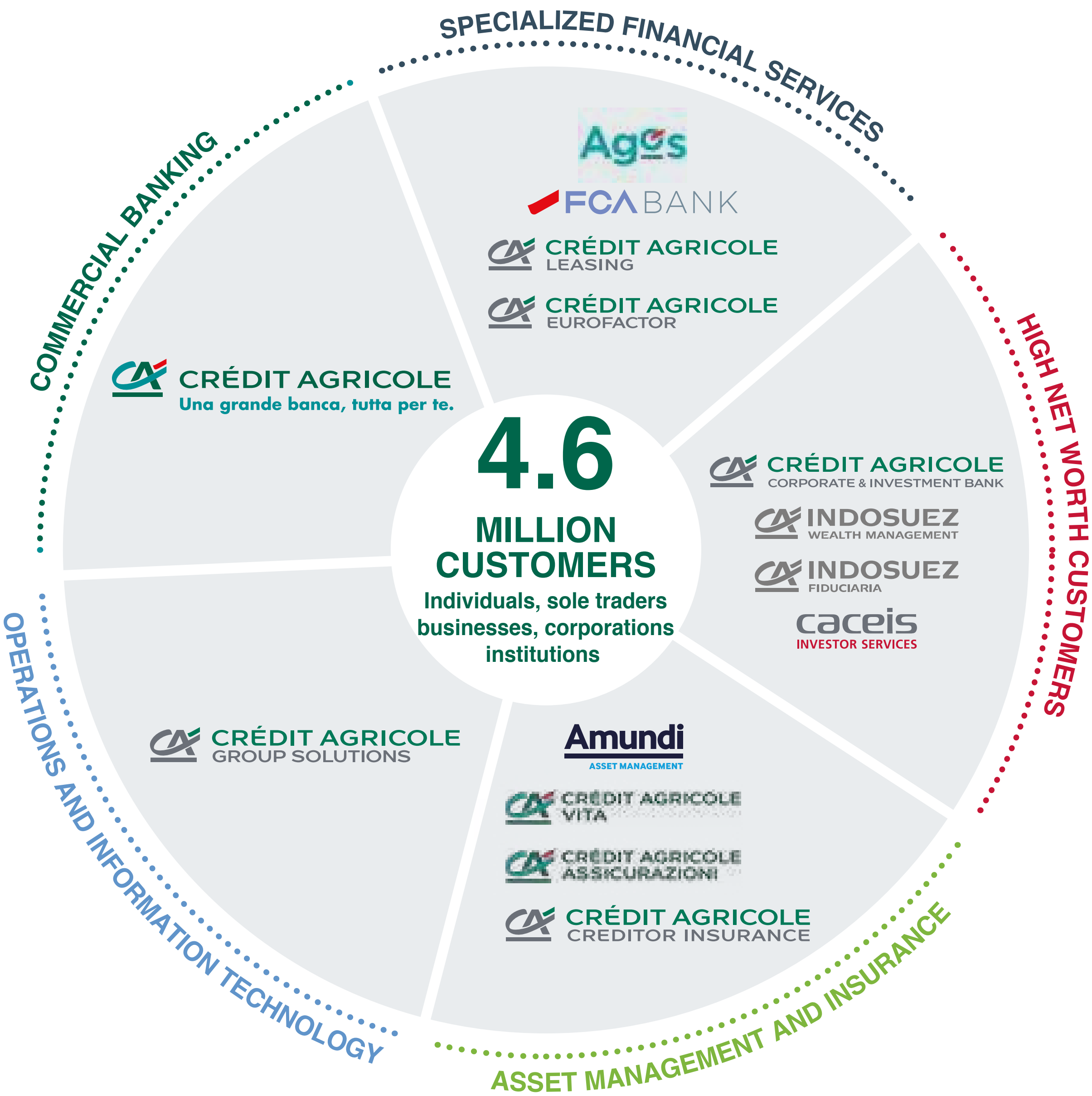
3.4 BLN€
NET OPERATING REVENUES

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

78 BLN€
LOANS TO CUSTOMERS

* Source: Agos and FCA Bank.
** Source: Assogestioni, "Mappa trimestrale del Risparmio Gestito", 3Q 2020. Data gross of duplications.
*** Of which 571 Mln€ attributable to the Crédit Agricole S.A. Group
**** Including "out-of-Group" Amundi AuM and CECEIS Assets under Custody.

The Group's offer in Italy



The Crédit Agricole Italia Banking Group

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

OVER 2 MILLION
CUSTOMERS

APPROX. 10,000
PERSONNEL MEMBERS

206* MLN€
NET INCOME - GROUP SHARE

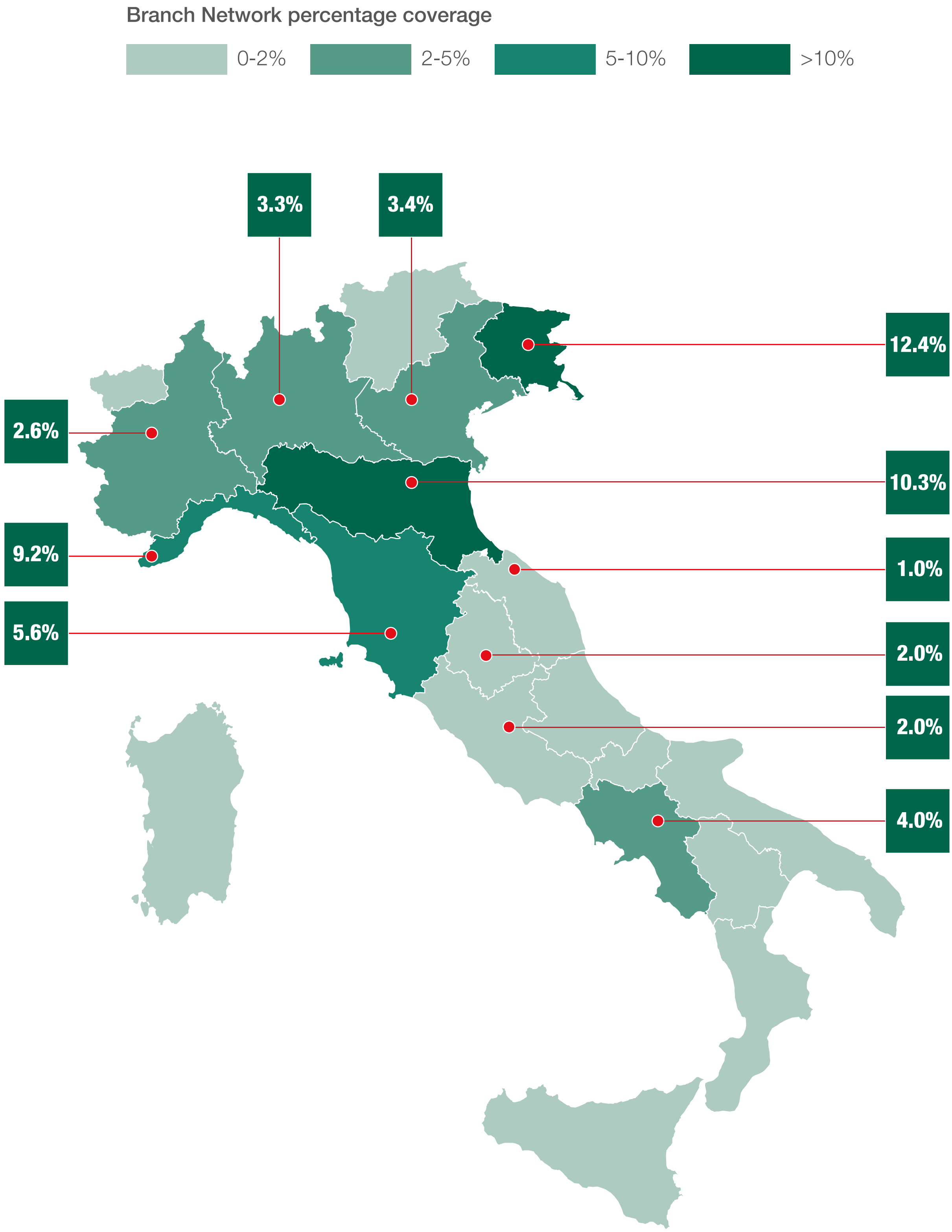
2 BLN€
NET OPERATING REVENUES

OVER
1,000
POINTS OF SALE

OVER
50 BLN€
TOTAL LOANS

* Excluding impairment on goodwill

Branch Network percentage coverage by Region



System figure - source: Bank of Italy, 31 December 2020
Group figure as at 31 December 2020

CRÉDIT AGRICOLE

Parent Company of the Crédit Agricole Italia Banking Group, it is strongly rooted in the communities it operates in and originated from local banks. In July 2019, Crédit Agricole Carispezia was merged into Crédit Agricole Italia, **expanding the area it operates in.**

829 POINTS OF SALE	**42.6 BLN€** WORTH OF LOANS	**115.2 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 **about 15,000 mutual shareholders**, giving evidence of its strong bond with the local fabric; today it is a reference point for households and businesses in Northeast Italy and is implementing an important **project to expand operations to the Veneto Region.**

195 POINTS OF SALE	**8.0 BLN€** WORTH OF LOANS	**17.1 BLN€** WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

The Crédit Agricole Italia Banking Group's leasing entity. Crédit Agricole Leasing Italia operates in the equipment, vehicle, real estate, seacraft and aircraft and renewable energy financial leasing segments. **At the end of 2020, 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 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 Italia Banking Group

2020 Annual Report and
Consolidated Financial Statements

Financial highlights and alternative performance measures

Income Statement highlights(°) (thousands of Euro)	31.12.2020	31.12.2019	Changes	
			Absolute	%
Net interest income	975,701	1,009,639	-33,938	-3.4
Net fee and commission income	879,580	919,313	-39,733	-4.3
Dividend and similar income	10,449	11,368	-919	-8.1
Income from banking activities	20,211	9,501	10,710	
Other operating income (expenses)	7,881	3,141	4,740	
Net operating income	1,893,822	1,952,962	-59,140	-3.0
Operating expenses	-1,239,882	-1,235,150	4,732	0.4
Operating margin	653,940	717,812	-63,872	-8.9
Cost of risk(a)	-429,991	-250,401	179,590	71.7
Of which net value adjustments of loans	*-413,941*	*-239,384*	*174,557*	*72.9*
Goodwill impairment	-259,611		259,611	
Profit (Loss) for the year	-53,437	314,069	-367,506	

Balance Sheet highlights (°) (thousands of Euro)	31.12.2020	31.12.2019	Changes	
			Absolute	%
Loans to customers	58,306,963	51,600,193	6,706,770	13.0
Of which securities measured at amortized cost	*8,070,821*	*4,913,787*	*3,157,034*	*64.2*
Net financial assets/liabilities at fair value	47,449	43,031	4,418	10.3
Financial assets measured at fair value through other comprehensive income	3,307,045	3,068,244	238,801	7.8
Equity investments	20,483	20,483	-	-
Property, plant and equipment and intangible assets	2,570,520	2,930,455	-359,935	-12.3
Total net assets	67,555,194	60,828,784	6,726,410	11.1
Funding from Customers	54,959,033	49,710,264	5,248,769	10.6
Indirect funding from Customers	75,425,320	71,294,531	4,130,789	5.8
of which: asset management	*39,893,012*	*37,999,461*	*1,893,551*	*5.0*
Net due to banks	2,588,795	1,360,306	1,228,489	90.3
Equity	6,350,878	6,443,796	-92,918	-1.4

Operating structure	31.12.2020	31.12.2019	Changes	
			Absolute	%
Number of employees	9,740	9,751	-11	-0.1
Average number of employees(§)	9,102	9,217	-78	-0.8
Number of branches	871	895	-24	-2.7

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 34 and 44.

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

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

Structure ratios(°)	31.12.2020	31.12.2019
Loans to Customers/Total net assets	74.4%	76.8%
Direct funding from Customers/Total net assets	81.4%	81.7%
Assets under management/Total indirect funding from Customers	52.9%	53.3%
Loans to Customers/Direct funding from Customers($)	91.4%	93.9%
Total assets/Equity	12.0	10.2

Profitability ratios(°)	31.12.2020	31.12.2019
Net interest income/Net operating income	51.5%	51.7%
Net fee and commission income/Net operating income	46.4%	47.1%
Cost(*)/income ratio	61.2%	61.2%
Net income(#)/Average equity (ROE)(a)	3.2%	5.0%
Net income(#)/Average Tangible Equity (ROTE)(a)	4.5%	7.1%
Net income(#)/Total assets (ROA)	0.3%	0.5%
Net income(#)/Risk weighted assets	0.8%	1.1%

Risk ratios(°)	31.12.2020	31.12.2019
Gross bad loans/Gross loans to Customers	2.9%	3.8%
Net bad loans/Net loans to Customers	0.9%	1.3%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	5.8%	7.1%
Net non-performing exposures/Net loans to customers (net NPE ratio)	3.0%	3.5%
Impairments of loans/Net loans to Customers(*)	0.8%	0.5%
Cost of risk(b)/Operating margin	65.8%	34.9%
Net bad loans/Total Capital(c)	11.2%	12.3%
Net non-performing loans/Net loans to Customers	3.0%	3.5%
Total Impairments of non-performing loans/Gross non-performing loans	51.2%	52.6%
Total Impairments of performing loans/Gross performing loans	0.6%	0.5%

Productivity ratios(°) (in income terms)	31.12.2020	31.12.2019
Operating expenses/No. of Employees (average)	136	134
Operating income/No. of Employees (average)	207	211

Productivity ratios (in financial terms)	31.12.2020	31.12.2019
Loans to Customers/No. of employees (average)	5,519	5,065
Direct funding from Customers($)/No. of Employees (average)	6,038	5,393
Gross banking income(d)/No. of Employees (average)	19,844	18,193

Capital and liquidity ratios	31.12.2020	31.12.2019
Common Equity Tier 1(e)/Risk-weighted assets (CET 1 ratio)	14.0%	12.5%
Tier 1(f)/Risk-weighted assets (Tier 1 ratio)	16.6%	15.0%
Total Capital(c)/Risk-weighted assets (Total Capital Ratio)	19.7%	18.1%
Risk-weighted assets (Euro thousands)	27,336,813	28,550,146
Liquidity Coverage Ratio (LCR)	242%	204%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 34 and 44.
(*) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system and Covid-19-related costs incurred to address the health emergency.
($) It includes the Covered Bonds issued with mortgage loans to customers as the underlying.
(#) Net income (excluding goodwill impairment)
(a) The ratio of net earnings to the equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisioning for risks and charges, net value adjustments of loans and impairment of securities
(c) Total Capital: total regulatory own funds.
(d) Loans to Customers + Direct Funding + Indirect Funding
(e) Common Equity Tier 1: Common Equity Tier 1
(f) Tier 1: Tier 1 Capital.

Management Report to the Consolidated Financial Statements

THE GENERAL MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

THE INTERNATIONAL MACROECONOMIC SCENARIO IN 2020[1]

2020 featured the spread of the Coronavirus epidemic and the restrictive measures deployed by the various States to contain it. The high number of Covid-19 cases and the measures deployed to control infection spreading considerably constrained economic activities, which markedly dropped, albeit to different extent in different countries and economic sectors. Although in Q3 the economic recovery was stronger than expected and the prospects of vaccine distribution are encouraging, the Covid-19 pandemic continues to be a threat to public health and for the economies of the Euro Area and of the rest of the world.

China went quickly back to an almost normal situation and, as early as after the summer, returned to full economic activity, whereas Europe and the USA are facing a second wave of the pandemic. Progressive decrease in contagion is widely expected in spring 2021, thanks to the start of vaccination. Nonetheless, there is uncertainty about vaccination timeline and the availability of vaccines, about the effectiveness of large-scale administration and about the adequacy of the present manufacturing and distribution chain.

The outcome of the presidential election in the USA brought the promise of an improvement in the international cooperation climate with the United States participating again in the world trade organizations. On the home front, in Europe, the European Council rolled out the *Next Generation EU* (NGEU) scheme and the multi-year budget. In the meanwhile, the Member States are designing, to varying degrees of speed, their Recovery and Resilience National Plans.

In this scenario, with the situation back to normal thanks to ultra-expansionary monetary policies, financial markets are moving towards a new paradigm: commodity prices are increasing – except for oil – whereas the main indexes went back to their all-time highs of the previous year.

Monetary policies

To an unparalleled crisis, Central Banks have responded with unprecedented actions. From the Federal Reserve to the ECB, they all have deployed any tool they have to mitigate the Covid-19 impact. In this economic scenario, the main central banks are deploying extraordinary **monetary policies**:

- The **Fed** has deployed extraordinary measures, decreasing the Fed funds rates by 150 basis points and taking the range to 0.00%-0.25%, from 1.50%-1.75% at the end of 2019; it also extended its Quantitative Easing program to a potentially unlimited level. Furthermore, besides having started a program for primary and secondary market purchases of investment-grade securities, the Fed has authorized banks to fully use their capital and liquidity buffers and has lowered the rate on short-term financing operations extending the duration of the loans to 90 days;
- The **European Central Bank** designed a structured set of monetary policy and banking supervision measures, aimed at managing the Coronavirus pandemic impact on the Euro Area economy, which cover the following scopes: (a) a Quantitative Easing programme of Euro 1,850 billion, called the “Pandemic Emergency Purchase Programme” (PEPP), was rolled out in order to reduce financing costs and to increase credit in the Euro Area, also extending the range of eligible assets under the purchase programme with specific regard to the corporate sector; (b) the reference interest rates were kept at all-time low levels in order to ensure that the cost of money remained modest; (c) the liquidity that banks can obtain from the ECB at very favourable terms (-1%) was increase through targeted longer-term refinancing operations (TLTRO-III) linked to the achievement of lending

1 Source: Prometeia, Forecast Report (December 2020).

targets; (d) the financing capacity of banks was increased thanks to less strict criteria on the amounts of funds to be held by banks as provisions and through the suspension of dividend payment; (e) new measures supporting liquidity were deployed with Pandemic emergency longer-term refinancing operations (PELTROs) aimed at preserving the orderly functioning of money markets providing effective liquidity support.
- The **Bank of England** cut interest rates to 0.1%. To foster lending at advantageous rates, the BoE rolled out the Term Funding Scheme with additional incentives for SMEs (TFSME), aimed at financing banks at rates close to the reference ones, along with other support tools for small and medium enterprises. Furthermore, the amount of financial resources (capital) that banks need to set against their lending to UK businesses and households was reduced.

Main economies

The various geographical areas have shown a general decrease in the Gross Domestic Product, linked to the Covid-19 pandemic negative effects, albeit with different levels of negative growth:
- The **United States** GDP decreased by -3.6% vs. 2019. Despite the rebound in Q3 (up by +7.4% vs, the previous quarter), uncertainties remain as regards the labour market and consumption. On 21 December, Congress passed state relief measures for $900 billion, to be used for federal unemployment supplement, Paycheck Protection Program loans, forgivable loans to small businesses and aid to schools, hospitals and Covid vaccine distribution. In the year, the Consumer Price Index for Urban Consumers (CPI-U) increased by 1.4% (data not seasonally adjusted); the index growth was determined by an 8.4% increase in fuel prices, which accounted for over 60% of the total increae[2]. Total non-agricultural employment decreased by 140,000 units in December and the unemployment rate came to 6.7%; the decrease iin employment reflects the recent increase in Covid-19 cases and the efforts to curb the pandemic[3];
- The GDP of **Japan** decreased by -6.0% vs. 2019. After four quarters of negative growth, in Q3 2020 the GDP started to grow again thanks to the resumption of economic activities after the strict closing down phases to fight Covid-19 spreading. In Q3 exports resumed, which were at their all-time low in May and then started to grow again, with China as the main outlet. In the last months of the year, PMIs improved, both for services and for the manufacturing sector, coming to their highest level in 2020, however remaining below the expansionary threshold. Consumption started to grow again at a considerable pace subsequent to the easing of the strictest measures. This growth is jeopardized by possible new restrictions and by less than very strong fundamentals;
- The **Chinese** economy grew by +2.0% YoY, vs. +6.1% in 2019. China's growth is getting stronger and stronger, driven by all economic sectors. For the time being, the pandemic seems to be effectively under control with a modest number of new cases and, besides having allowed the restrictive measures to be eased, it has increased the confidence of households and businesses. The industrial output returned to grow at a very strong pace as regards investments in machinery and in technological and electronic products. The growth prospects remain good but some problems remain due to the fact that the financial and debit position of businesses has worsened;
- The annual GDP of **India** decreased by -9.9%. In Q3 the Indian economy partially recovered from its collapse (the worst one of G20) in Q2, when the economy shrank by 25.2%. The recovery was driven by the good performance of the agricultural sector, but the restrictions in force to curb the pandemic nonetheless impaired the rebound of the manufacturing and service sectors. The large extension of India's informal economy, which was hard hit by the pandemic, is an obstacle to recovery in consumption, while investments are affected by an unstable financial system, which features high NPLs and the less than healthy conditions of public finance;
- **Russia**'s GDP decreased by -3.7% vs. 2019. The lower exposure of its economy to services and tourism contributed to limiting the damage. The manufacturing output decreased by 4.4% in October and the oil output, linked to OPEC+ quotas by 9.9%. The unemployment rate increased by 2 percentage points, while wages and worked hours decreased;
- The GDP of the **United Kingdom** decreased by -12.4%. The Country's productive structure is the reason underlying this performance, one of the worst ones in Europe: the manufacturing sector, which has a relatively modest weight, is the one that best recovered from the minimum levels, whereas services and construction remained quite far below their performances as at the beginning of the year. In the last months of the year, the recovery progressively lost pace and the data, especially in the qualitative surveys, showed s decrease in the economic activity, mainly triggered by the worsening of the pandemic, which required a new wave of restrictive measures. Since January 2021, the United Kingdom has been out of the European Union.

2 Source: Bureau of Labor Statistics, Consumer Price Index (January 2021).
3 Bureau of Labor Statistics, Employment Situation Summary (January 2021).

EURO AREA

Based on the most recent indicators, the economic activity in the Euro Area has been weakened by the ongoing Covid-19 health emergency, which, after slowing down in the summer, resurged with the infection curve increasing and the consequent tightening of prevention and control measures. Based on the projections made by the Eurosystem experts the GDP is expected to have decreased by -7.3%. After an accumulated loss of -15.0% in the first half of the year[4], in Q3 the Euro Area GDP grew exceeding expectations (up by +12.4% vs. the previous quarter), Added value increased in all sectors, albeit still far from its 2019 levels, and the GDP grew in all main economies but it did not go back to the values it had before the epidemic onset. Based on the information available on the reporting date, in Q4 the GDP decreased again.

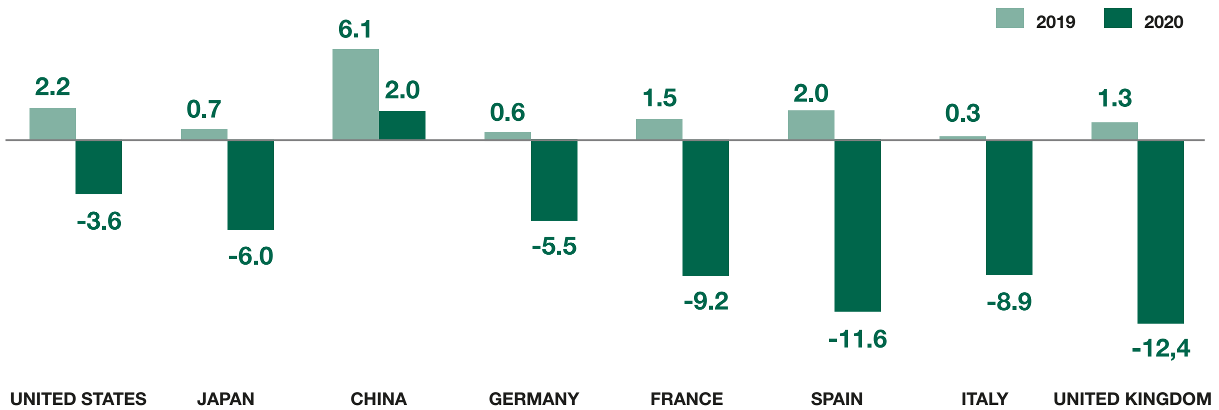
The PMIs show a reduction in economic activities: in November consumer confidence decreased across the main European countries, with retail trade confidence also moderately worsening[5]. Based on the preliminary data, in December consumer prices decreased by -0.3% year on year[2].

Germany is one of countries that were the least hit by the economic crisis. The decrease in the GDP was modest, down by **-5.5%**, vs. +0.6% in 2019, thanks to stable private consumption.

France's GDP decreased by **-9.2%** vs. +1.5% in 2019. Like in the other main European countries, the economy slowed down due to the very negative contribution of domestic demand, which markedly decreases in all its components.

In **Spain**, the GDP rebound in Q3 2020 was strong but partial only, with the Country posting the widest difference vs. the before-crisis levels in the EMU. The GDP materially decreased by -11.6%.

GDP: % YOY change



Source: Prometeia, Forecast Report (December 2020).

At its meeting of 10 December 2020, the European Council reached an agreement on the EU budget and on the EU recovery tool, Next Generation EU (NGEU). Following the agreement, on 17 December, the European Council approved the Multiannual financial framework for 2021-2027. The budget for the entire period is over Euro 1,000 billion (of which Euro 166 billion for 2021). In order for the NGEU to actually go live, all Member States must ratify the Own Resources Decision, in accordance with their constitutional requirements. To foster economic recovery, on 18 December 2020 the European Council Presidency and Parliament's negotiators reached a provisional agreement under which, after ratification, Member States may request up to 13% pre-financing after the approval of their recovery and resilience plans.

4 Source: Bank of Italy, Economic Bulletin. No. 1 (January 2021).
5 Source: Prometeia, Forecast Report (December 2020).

THE ITALIAN ECONOMY

After closing 2019 with a +0.3% growth in the GDP, in 2020 the Italian economy posted a drop in the **GDP, down by -8.9% YoY**. All the main economies in the Euro Area slowed down, albeit to different degrees, due to the deployment of restrictive measure to control the Covid-19 pandemic, which included general lockdowns in the first part of the year and, to a lesser extent, also in the last months of 2020, impacting on the economic cycle and with material consequences on all productive sectors.

As early as in the first months of 2020, the effects of the pandemic impacted production and aggregate demand: industrial output decreased by -15% in March, the first month of lockdown, and by approximately -6.0% on average in Q1, with the GDP dropping by -5.5% in the first three months of 2020 QoQ.

The deterioration in the economy impacted also the labour market, with worked hours decreasing in Q1 (down by -7.5%); whereas the impact on employment, which went down by 0.3%, was considerably mitigated by the exceptional increase in the use of social shock absorbers. In Q2, the decrease in the GDP was even more marked (down by -13% QoQ) due to the ongoing restrictive measures to curb the pandemic, although in May the economic activity resumed fostered by the measures deployed by the Government to support credit to businesses.

Concomitantly with the suspension of the social distancing measures that were in force in the first part of the year, the Italian economy strongly recovered in the summer, largely driven by the exceptional measures deployed by home and international institutions to stimulate demand. In Q3 the GDP bounced back exceeding expectations, up by +15.9% QoQ, driven by the strong recovery in the manufacturing sector and in foreign trade of goods and services. Nonetheless, the increase in infection cases in autumn caused activities to slow down again in the last months of the year. Indeed, the second pandemic wave caused the GDP to decrease again in Q4 by -2.0%; the start of the vaccination campaign is a favourable element for the medium-term outlook.

GDP AND ITS COMPONENTS - QUARTERLY CHART

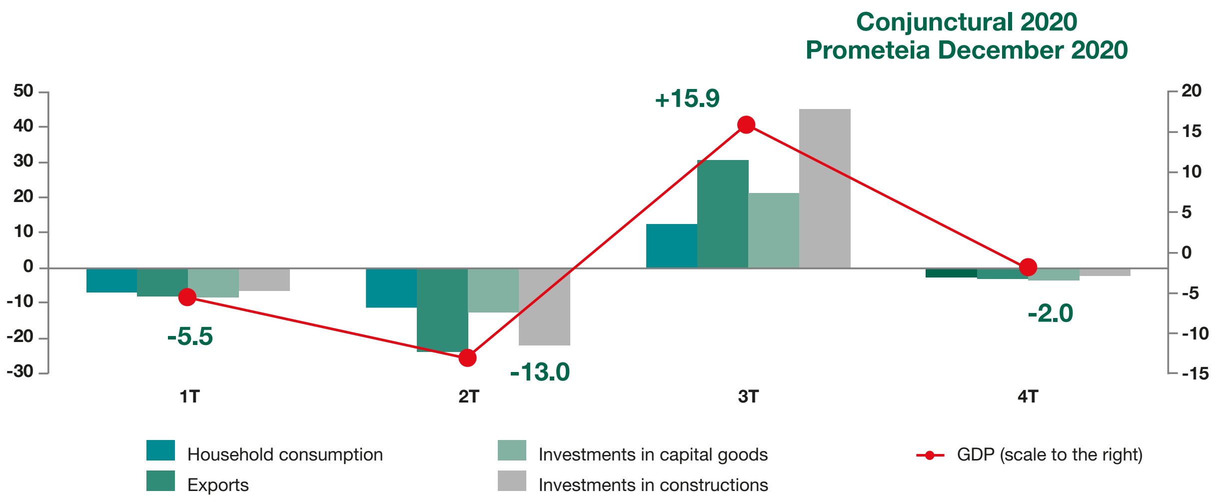


Figure 1. Source: Prometeia, Forecast Report (December 2020).

To handle the Covid-19 emergency, the Italian government deployed many resources and extraordinary measures, requesting, four times, a deviation from the budget target for a total of Euro 108 billion, taking the **GDP deficit to be used for the emergency to 6.6%**, while the **ratio of public debt to GDP increased to 159%.**

In 2020, the main rating agencies expressed their assessment of Italy's creditworthiness. In October **Standard & Poor's** confirmed the Italian sovereign debit rating at BBB and improved the outlook from negative to stable. **Fitch** and **Moody's** also confirmed their credit rating for Italy at BBB- with stable outlook and at Baa3 with stable outlook, respectively. Specifically, for Moody's, the high level of wealth and low indebtedness of Italian households are an important buffer to the present shock.

In the last part of the year, all the components of **consumer confidence**[6] increased, albeit at different paces: expectations for the economic situation, both general and of the household, improved; the sentiment on purchases of durable goods also improved markedly.

The **business confidence composite Index** also **increased**, albeit remaining lower than the one before the health emergency, driven by the manufacturing sector and by the expectations expressed by payers in the service sector about orders (market services) and sales (retail trade).

Gross fixed capital formation, i.e. gross investment rate of non-financial corporations[7], after dropping in the first part of the year, increased by +26.3% in Q3 (up by +21.2% vs. Q3 2019), while the figure for the consumer households segment jumped upward by +43.2%[8], or only by +5.0% vs. Q3 2019.

The annual industrial output[9] decreased by 11.4%. The drop was crosswise all the main industry groupings for consumer goods, the most material one ever recorded by ISTAT (the Italian National Institute of Statistics). The progressive recovery, which started after the collapse in March and April, had a setback in the last months of the year, preventing production from returning to the same levels it was before the heath emergency: in Q4 2020 the seasonally adjusted indicator still remained lower by 3.1% tvs. February 2020.

After the conjunctural slowdown in March and April 2020, the **unemployment rate**[10] came to 9.0% in December 2020 (lower than the 9.6% figure of December 2019); the employment rate decreased (coming to 58.0% vs. 58.9% in 2019), whereas the number of those Not in Education, Employment, or Training (NEET) increased, up from 34.6% in 2019 to 36.1%.

In 2020 **consumer prices**[11] decreased on average by -0.2%, vs. a +0.6% increase in 2019. Core inflation, net of energy and fresh food products, was +0.5%, as it was in 2019.

THE BANKING SYSTEM

In 2020, the banking industry was hard hit by the crisis linked to the Covid-19 pandemic and by the worsening macroeconomic scenario that was its consequence. Nonetheless, unlike in the 2008 crisis, in which credit crunch was one of the main consequences on the real economy, this time banks proactively responded supporting business and household income, also through loans guaranteed by the State and loan repayment moratoria.

The banking system as a whole is indeed stronger than it was in the past, thanks to high capitalization levels and substantial liquidity buffers. Capitalization proved well above the minimum regulatory and supervisory requirements communicated by the ECB to the leading Italian banks following the Supervisory Review and Evaluation Process (SREP).

The banking system operations were also affected by the many monetary policy and regulatory measures deployed by national and EU authorities. On the one hand, within its monetary policy measures, the ECB rolled out a programme for massive purchase of debt instruments the Pandemic emergency purchase programme (PEPP), supporting the real economy financing conditions. On the other hand, it injected more liquidity into the market and allowed lower capital requirements in order for banks to increase lending at affordable conditions.

Indeed, the direct purchase of securities by the ECB led to a decrease in the cost of debit and in the spread, especially for the countries that were hit the hardest by the health emergency, with impacts on the medium and long-term reference rates applied to customers, thus improving access to credit for households and businesses. At the same time, the favourable conditions applied to TLTRO-III generated an impact on balance sheet liabilities, giving banks a benefit in terms of cost of funding.

6 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer and Business Confidence (December 2020)
7 Source: ISTAT, Monthly note (November – December 2020).
8 Source: ISTAT, Public Administration quarterly accounts (January 2021).
9 Source: ISTAT Flash press release on Industrial Output (February 2021)
10 Source: ISTAT Flash press release on Employed and Unemployed Persons (February 2021)
11 Source: ISTAT (the Italian National Institute of Statistics), Flash press release on Consumer Prices (January 2021).

Lastly, the capitalization level of significant groups benefited from the application of the “CRR quick fix” regulatory amendments – leading to lower capital absorption on some categories of loans, including those to SMEs – and from the introduction of state guarantees, which have zero weighting.

That scenario resulted in the economic performances given below[12]:

Loans to households and businesses came to Euro 1,324 billion, increasing by 5.5% vs. the previous year. Based on the Bank of Italy’s official data, in November 2020 loans to non-financial corporations increased by 8.1%, while total loans to households increased by 2.2%.

Access to credit by non-financial corporations increased at a fast pace; the high demand for funding was met also thanks to the improvement in supply conditions, which was fostered by the state guarantees on new loans and by the monetary policy expansionary measures.

Lending to households performed unevenly: home loans increased by +2.2% YoY), consumer loans posted but a slight change (-0.4% YoY), whereas other loans grew at a faster pace (up by +4.1% YoY), benefiting from the liquidity support measures.

Despite the concerns for a possible increase in non-performing loans, coverage ratios and weights remained well under control, thanks also to a derisking process deployed over the last few years and to the continuing disposal of NPL portfolios.

In December 2020, net **bad loans**[13] were progressively decreasing and came to Euro 20.7 billion, down by -23.4% vs. the end of the previous year. The weight of net bad loans on total loans came to 1.19%, decreasing from 1.58% recorded in December 2019;

At the end of 2020, the **interest rates applied to loans to customers** were continuing in their downward trend: the average rate on total loans was 2.28%, still at very low levels; the interest rate on new home loans was 1.27% (vs. 1.44% in 2019), and the interest rate on loans to businesses was 1.30% (vs. 1.37% in 2019).

Banks’ funding increases, also subsequent to the strong increase in liabilities to the Eurosystem at the end of June, after the settlement of the fourth operation of the new set of Targeted Longer-Term Refinancing Operations (TLTRO III) whereby banks obtained Euro 22 billion worth of funding.

In December 2020, total **direct funding** (deposits from resident customers and bonds) posted a YoY increase of +7.8%. The medium and long-term funding component, consisting of bonds, decreased by over Euro 20 billion in absolute value (i.e. down by -8.6%), whereas deposits increased by over Euro 162 billion vs. the previous year, up by +10.3% YoY. Both households and businesses increased their deposits, based on different choices and situations: the former responded to the uncertainty about the future keeping more liquidity on current accounts, whereas the latter, benefiting from favourable borrowing conditions, increased their liquidity position, which, however, was not immediately reinvested in productive activities.

Yields on **direct funding** continued to decrease: The average interest rate on banks’ total funding from customers was 0.50%, vs. 0.58% in 2019.

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 2020 it came to 178 basis points decreasing vs. 190 basis points in December 2019;

As regards **asset management**[14], the system’s net inflows as at the end of 2020 came to approximately Euro 8 billion, while assets under management, thanks also to the market effect, reached a new all-time high of Euro 2,392 billion. Assets managed under mandates came to Euro 1,208 billion, accounting for 51% ot total assets under management. Assets managed under collective investment schemes came to Euro 1,184 billion and accounted for the remaining 49% of total assets under management.

12 Source: ABI Monthly Outlook (January 2021).Bank of Italy, Economic Bulletin. No. 1 (January 2021).
13 Source: ABI Monthly Outlook (February 2021).
14 Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map (December 2020)

REGULATORY AND SUPERVISORY MEASURES DEPLOYED BY INSTITUTIONS IN THE COVID-19 PANDEMIC SCENARIO

Due to the fast spread of the health emergency, in 2020 the monetary and fiscal Authorities in all the main Countries deployed important expansionary measures supporting the banking system in order to ensure that lending to the real economy continued. At the same time, the EU Institutions and the national and EU Supervisory Authorities deployed measures and issued interpretation and application guidelines aimed at providing banks with support in mitigating the economic impact of the pandemic. It was a fast and coordinated response, which contributed to handling and mitigating impacts on the financial sector. The main measures are outlined below.

The ECB Governing Council deployed a structured set of monetary policy measures, aimed at managing the increasing financial tension, which covered the following scopes:

- Stabilizing interest rates on main refinancing operations (0.00%), on marginal lending facility (0.25%) and on the ECB deposit facility (-0.50%);
- Amending the features of Targeted Medium and long term refinancing operations (TLTRO). The TLTRO programme consists of a series of operations whereby the ECB gives loans to credit institutions at advantageous conditions, in order to stimulate lending to the real economy at favourable rates. These refinancing operations are targeted in that the maximum amount (take-up) that each bank can obtain is linked to the amount of outstanding loans to households and businesses (eligible loans) and have a repayment period of 3 years. A first series of TLTROs was announced in June 2014, a second series (TLTRO II) in March 2016 and a third series (TLTRO III) in March 2019. Between March and April 2020, to handle the effects of the pandemic, the ECB Governing Council decided to modify the initial features of the TLTRO-III programme in order to preserve favourable bank lending conditions and to support the accommodative stance of monetary policy. To that effect, in accordance with the new terms, the interest rate applying to all operations outstanding between June 2020 and June 2021 (which was later extended to June 2022) will be 50 basis points below the average rate applied in the Eurosystem's main refinancing operations over the same period (-0.25%), which will become 25 basis points below the average rate of the ECB deposit facility (-0.75%) for counterparties reaching their benchmark net lending.
- Later, the terms and conditions applied to the TLTRO-III programme were further improved, with the interest rate for the June 2020 – June 2021 reduced by -50 basis points. With this measure, the interest rate for the aforementioned period may be reduced by -100 basis points for participants that equal or exceed their benchmark net lending in the period from 1 March 2020 to 31 March 2021 (special reference period), whereas, during the rest of the life of the respective TLTRO-III the applied interest rate will be equal to the average of the ECB deposit facility rate. At the same time, other support measures were introduced, whereby the maximum amount that counterparties are entitled to borrow was raised from 50% to 55% of their stock of eligible loans (net of any amounts that they have previously borrowed under any TLTRO II or TLTRO III operations that are still outstanding). The parameters regarding repayment methods and take-up were also eased: the early repayment option may be exercised as early as after 12 months rather than 24, and the take-up limit for each single operation was removed (previously equal to one third of the total amount);
- Another Quantitative Easing programme was announced, the "Pandemic Emergency Purchase Programme" (PEPP), in order to counter the risks to the monetary policy transmission mechanism in the Euro Area generated by the Covid-19 pandemic. These support measures are intended for all economic sectors and apply in equal measure to households, businesses, banks and governments of Member States. Pursuing more effective deployment of those measures, the ECB also expanded the range of eligible assets under the programme, with specific regard to the corporate sector, to non-financial commercial papers, making all commercial papers of sufficient credit quality eligible for purchase. The PEPP initial envelope was further increased by Euro 500 billion during the year to Euro 1,850 billion. The purchases will continue at least until the end of March 2022 and, in any case, until the ECB Governing Council judges that the health emergency is over; the maturing principal payments from securities purchased under the PEPP will be reinvested until at least the end of 2023;
- The pandemic emergency longer-term refinancing operations (PELTROs) announced on 30 April 2020 are intended to provide liquidity support to the Euro Area financial system and to contribute to preserving the smooth functioning of money markets by providing an effective backstop after the expiry of the bridge longer-term refinancing operations (LTROs) that started in March 2020. The PELTROs are conducted as fixed rate tender procedures with full allotment, applying an interest rate that is 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO. The first seven PELTROs were allotted on a roughly monthly basis between May and December 2020, with maturities between July and September 2021.

As regards banking supervision, the ECB, consistently with the EBA guidelines on this matter, issued relief measures in regulatory capital and operational terms for banks in the Euro Area in order not to prejudice their lending to the real economy. Pursuing that objective, the following measures were issued:

- Flexibility in the application of the prudential framework, allowing banks to operate temporarily below the level of capital conservation buffer (CCB, equal to 2.5% since 2019), below the level of capital defined by the Pillar 2 Guidance (P2G) and below the Liquidity Coverage Ratio (LCR);
- A more favourable prudential treatment for guaranteed exposures against one fifth of salary or pension and deduction of payments for intermediaries that use the standardized approach. The application of the SME supporting factor was confirmed and extended ,already in force, which, for loans to small and medium enterprises (SMEs) limits the impacts of the stringent capital requirements enforced in 2013 by CRR implementing the standards adopted by the Basel Committee (Basel 3). Lastly, intermediaries using internal models are allowed to adjust their LGD estimates in case of massive disposals of defaulted exposures made in the period between 10 June 2020 and 30 June 2025;
- The possibility to partially use Additional Tier 1 or Tier 2 instruments, to meet their Pillar 2 Requirements (P2R)., bringing forward a measure that was initially scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRD V). In accordance with these measures, banks are allowed to partially use AT1 and T2 instruments to meet their Pillar 2 Requirement (P2R), up to a maximum of 18.75% and 25% of the P2R, respectively; Thanks to these measures, funds can be freed up and used to support the economy;
- Introduction of high flexibility, for exposures backed by public guarantees within the measures deployed to handle Covid-19, regarding the treatment of non-performing loans (NPLs) in terms of both classification and provisioning taken to the income statement;
- Having regard to exposures under moratoria, the Bank of Italy stated its intention to follow the EBA Guidelines on legislative and non-legislative moratoria applying to loan repayments in response to the Covid-19 crisis (EBA/GL/2020/02). Therefore, loans under moratoria pursuant to the "Cure Italy" Decree are not to be automatically classified as forborne exposures (irrespective of whether they are non-performing or performing) but shall be assessed based also on other factors (e.g. the situation before the moratorium, outlook for the sector). Throughout the moratorium, banks shall however continue to assess whether there are signs that the borrowers the moratorium applies to are "unlikely to pay", in compliance with the policies and practices generally applied to those assessments, while taking into account the repayments plan as updated subsequent to the moratorium;
- Some operational flexibility by competent authorities in implementing specific banking supervisory measures;
- Having regard to rules for the application of Expected Credit Losses (ECL) under IFRS9, guidance was given to banks on the need to (i) apply the transitional arrangements provided for by Article 473(a) of the CRR (so-called phased-in IFRS 9) and (ii) take all due account of the predictive models in order to estimate the cost of credit risk and long-term outlooks featuring higher stability. To this effect, the ECB provided banks with the macroeconomic scenarios applying the provisioning policies under IFRS 9;
- As to dividend distributions, banks were recommended that their own funds be strengthened in order to absorb the losses resulting from the economic shock generated by the Covid-19 pandemic and that they must ensure the required support to the economy To begin with, banks were invited not to distribute dividends for the FYs 2019 and 2020, originally effective until 1 October 2020 (ECB Recommendation of 27 March 2020), and then extended to January 2021 given the continuing economic uncertainty (ECB Recommendation of 28 July 2020). Lastly, with its Recommendation of 15 December 2020, the ECB encouraged banks to exercise extreme prudence and invited them to keep, until September 2021, dividend distribution at the lower figure between 15% of 2019-2020 retained earnings and 20 basis points in terms of Common Equity Tier 1.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Covid-19 emergency - Initiatives deployed by the Crédit Agricole Italia Banking Group

On 30 January 2020, the World Health Organization (WHO) declared the outbreak of COVID-19, commonly called Coronavirus, a Public Health Emergency of International Concern and its spreading has caused the slowdown or interruption of economic and business activities in many sectors.

Since the very beginning, the Crédit Agricole Italia Banking Group has complied with all government provisions to deploy all prevention measures and ensure safety of its personnel, customers and vendors, while continuing to operate and implementing initiatives aimed at providing support to its customers and communities.

Specifically, the Crédit Agricole Italia Banking Group has put its Customer centrality and closeness commitment into practice through continuity of all key services for all customer segments and on all channels, thanks to service innovation, digital tools and technologies available with which it can ensure proactive management of relationships, while fully securing everyone's safety. Likewise, the Crédit Agricole Italia Banking Group has again proved that it stands by its communities with many support initiatives during the weeks of the emergency, aimed at providing tangible help.

Prompt response was given to the emergency by setting up task forces in charge of managing human resources, business activities and lending management.

Initiatives in terms of organization and safety to protect employees and customers

All measures and all actions fit to ensure the health and safety of employees, of customers and of the Bank could be deployed and implemented thanks to the immediate setting up of a specific task force. The task force implemented a structured and prompt plan for periodic communication to all personnel about behaviours, rules and tools, including: the design of standard protocols to manage contingencies, the activation of a toll-free number for health-related information and the creation of a database for the tracking and for operational and process management of possible infections, the deployment of specific protections for "vulnerable workers", specific rules to manage sick leaves and sanitization of the premises, the suspension of all travels and commutes, regulation of access to strategic and management sites, strict instructions for entering points of sale and the distribution of personal protective equipment.

About 45% of branches was closed to the public during the lockdown in early 2020. In the following months, a set of rules was designed both to progressively reopen those branches to the public and to strengthen safety measures in open branches (e.g. procedures to enter, mandatory protective equipment, limited number of people allowed to enter, limited number of personnel members at the points of sale, limitations to commutes, screening campaign, etc.). Furthermore, the possibility to receive training in the Easy Learning online mode was extended to all personnel throughout the emergency period.

In compliance with the government measures and in order to avoid commuting, the use of the smart working mode was extended to about 100% of the personnel of central departments during the lockdown in early 2020; afterwards, rules were defined to gradually repopulate complex premises abiding by the banks' safety protocols and making screening campaigns available to all personnel going back to the workplace.

Initiatives were carried out to increase the personnel's awareness of the importance of complying with protocols and of adopting correct behaviours, as well as activities aimed at verifying, monitoring and applying the safety measures adopted in accordance with the developments in the epidemiological scenario.

Initiatives to support customers

To ensure business continuity, a remote advisory approach has been adopted, with activities that concerned the strengthening and management of 100% of digital leads, the use of digital channels to communicate with Customers and the free-of-charge activation of the Home Banking solution, as well as the management of pensions of Customers that do not use debit cards.

The Bank has developed its strategy to support businesses in coping with the emergency with bespoke solutions, including subsidized payment terms for instalments, dedicated credit lines, loans with pre-set amounts and targeted repricing.

In 2020, lending focused on the priority of providing support to customers hit by the Covid-19 epidemic. Specifically, also applying the measures issued by the Italian Government (with specific regard to the "Cure Italy" Decree, to the Liquidity Decree and the subsequent enacting laws), as well as the agreements within the Italian banking system (the protocols signed by and between ABI and associations of enterprises, consumers and government bodies), the Crédit Agricole Italia Banking Group has deployed a structured program to provide support to households, businesses and government bodies, which comprises both loans backed by state guarantees (Central Guarantee Fund, ISMEA, Italian state body providing services to the agri-food market, and SACE), and measures for suspending repayment of outstanding loans to households, businesses and organizations.

Solutions were deployed to ensure liquidity to all the Group's Customers, also through the measures implemented by the Liquidity Decree Law of 8 April 2020 and the law enacting it.

- For SMEs, sole traders, store keepers, and small businesses, loans up to Euro 30,000 have been made available, with full and free-of-charge guarantee given by the Central Guarantee Fund, with maximum duration of 120 months, with repayment of the principal portion starting 24 months after drawdown, at very advantageous conditions;
- For corporate banking customers, loans were made available with amounts up to 25% of the customer's revenue, with maximum duration of 72 months, with repayment of the principal portion starting up to 24 months after drawdown, with the prior assessment by the Central Guarantee Fund (for corporations with revenue up to Euro 3.2 million), with gives guarantees free of charge up to 90%, or backed by SACE guarantees (for corporations with revenue up to Euro 5 billion).

In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 31 December 2020, the Crédit Agricole Italia Banking Group had originated loans backed by state guarantees for an amount of Euro 2.6 billion.

Furthermore, since March 2020, the Crédit Agricole Italia Banking Group has been giving its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period. In the reporting year, the solutions to suspend repayment were made progressively compliant with the applicable legislation entered into force and with the agreements between the Italian Banking Association (ABI) and trade associations, which the Group immediately signed in order to ensure the highest possible protection to its Customers. Therefore, households and individuals had the option to suspend payment of the full instalment of home loans for a period up to 18 months, under the measure provided for by the so-called "Fondo Gasparrini" (which provides for a state measure on part of the interest due by the customer) or to suspend the repayment of the principal portion only of home loans and other loans for up to 12 months, opting for the measure laid down in the Agreement between the Italian Banking Association (ABI) and trade associations, which was in force until 30 September 2020. Corporate banking Customers were given the possibility to suspend repayment of the principal portion of loans for 12 months under the measures laid down in the ABI Credit Agreement, whereas SMEs had the option to suspend also the full instalment until 30 September 2020 under the measure laid down by the "Cura Italia" Decree Law, which was later extended to 31 January 2021 under the Decree Law of August and then to 30 June 2021 under the 2021 Budget Law. Furthermore, the Group signed another agreement with ABI in favour of local government bodies and provided, in general, specific solutions at its own initiative to those of its Customers that did not meet the requirements to enjoy the aforementioned measures. All the above-reported initiatives have not generated any impacts on revenues (in case of full instalment suspension, the collection of interest is postponed) and no additional fees, commissions or other additional costs are charged to Customers. As at 31 December 2020, the loans whose repayment was suspended amounted to over Euro 8 billion. Furthermore, in compliance with the applicable law, the authorized amounts for additional credit lines, totalling almost Euro 2 billion, have been frozen, initially up to 31 January 2021, which was then extended to June 30 2021 under the 2021 Budget Law.

All this has been possible thanks to the Group's Customer-focused Universal Banking Model, which features strong synergy between the Crédit Agricole Italia Banking Group and all the companies of Crédit Agricole in Italy. A complete and innovative approach to support the supply chain development and the working capital needs of businesses, thanks to highly-qualified specialist services supporting the customers in the realization of their investment projects.

Initiatives to support the community

In line with the Group's raison d'être "Working every day in the interest of our customers and society", Crédit Agricole Italia has continued with its commitment to social responsibility in this period that has proved very difficult for everyone. The total value of the Group's initiatives in Italy came to approximately Euro 3 million; many initiatives were deployed in the emergency weeks to provide tangible help, which gave evidence of the Group companies' commitment to being close and standing by the community.

With an achieved target of over €1.5 million, the fundraising campaign in favour of the Italian Red Cross was successfully completed. The companies of the Crédit Agricole Group in Italy started the initiative with a donation of over one million Euros for the purchase of equipment and special vehicles for emergency and medical transportation. This important contribution opened the fundraising campaign, which went live on CrowdForLife, with the objective of supporting the "Time of Kindness" project, whereby the Italian Red Cross provided services to deliver medications, supplies and food to those in need. Part of the funds raised on CrowdForLife (about 22% of the total amount) came from the many initiatives promoted among the employees of the Crédit Agricole Group in Italy.

Furthermore, thanks to its relationships with businesses and individuals, Crédit Agricole Italia purchased 82 assisted ventilation and intensive care monitoring machines, which were donated to many hospitals in the Emilia-Romagna, Liguria and Tuscany Regions, in synergy with its shareholders Cariparma, Piacenza e Vigevano, Carispezia and San Miniato Foundations, and with companies based in the area. In addition to the aforementioned initiatives, contributions were given to the Solidarity Fund for Households of the Catholic Church Curia of Lodi and to the Diocese of Parma for activities to help vulnerable people. Contributions have been allocated to support the Cesena section of the Italian Red Cross in purchasing healthcare materials, while, to the Veneto and Friuli sections, 128 thousand pairs of gloves, 10 thousand masks and approximately 2 thousand overalls were donated. Other fundraising actions, at local level, were launched on the Group's crowdfunding portal, in cooperation with Fondazione Cariparma.

On the CrowdForLife crowdfunding portal, which celebrated its first year in operation, Crédit Agricole for Future was launched at the end of September, which is a social-scope call by the Crédit Agricole Group in Italy as a whole to support projects sharing common themes: education, inclusion and reduction of inequalities.

PERFORMANCE OF OPERATIONS

In a year in which Italy fought the health emergency, the Crédit Agricole Italia Group continued to stand out for its strength and ability to create value in a sustainable manner, playing the role of provider of support to the community, which expresses its very raison d'être. Right from the start of the emergency, the Group took action in synergy with the competent institutions to support its Customers with all the means it had available. Approximately 41,000, loans, totalling Euro 2.6 billion, were originated under the Liquidity Decree, while the moratoria that had been granted as at the end of December amounted to over Euro 8 billion. At the same time, the Bank strengthened its remote services with advanced digital tools, whereby it could ensure closeness to its Customers and increase their satisfaction, achieving levels at the top of the banking system.

Its performance in 2020 is further evidence of the Crédit Agricole Italia Group's ability to generate lasting profitability despite the difficult scenario, with net income, excluding impairment on goodwill, coming to Euro 206 million.

Income decreased by 3% YoY, mainly due to lower net interest income, which was affected by the decreasing trend in interest rates and by the slowdown in the commercial activity during the lockdown; however, in the second part of the year, it progressively and considerably recovered, with commercial performances that, in Q4 2020, were higher than those in the previous year, especially in the placement of wealth management products and origination of mortgage loans.

Operating costs decreased across all their components, whereas the contributions to the banking system funds increased (Euro 58 million vs 40.7 million in 2019), to which the non-recurring expenses incurred to manage the health emergency amounting to Euro 23 million are to be added. The cost of credit came to Euro 422 million, increasing YoY mainly because of the adjustments made based on the economic scenarios updated following the Covid-19 crisis. Having regard to the development in Customers' assets, in 2020 loans to Customers increased significantly (up by +13% YoY) following the origination of a considerable amount of loans guaranteed by the State, as did direct funding (up by +11% YoY) given the even more marked propensity to save of households linked to the health crisis.

Indirect funding also grew (up by +6% YoY) thanks to the strong increase in net inflows of assets under management, which occurred especially in Q4.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

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

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

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

Reclassified Consolidated Balance Sheet

Assets	31.12.2020	31.12.2019	Changes	
			Absolute	%
Net financial assets/liabilities at fair value	47,449	43,031	4,418	10.3
Financial assets measured at fair value through other comprehensive income (IFRS 7, para. 8 letter h))	3,307,045	3,068,244	238,801	7.8
Loans to Customers	58,306,963	51,600,193	6,706,770	13.0
Equity investments	20,483	20,483	-	-
Property, plant and equipment and intangible assets	2,570,520	2,930,455	-359,935	-12.3
Tax assets	1,455,306	1,504,346	-49,040	-3.3
Other asset items	1,847,428	1,662,032	185,396	11.2
Total assets	**67,555,194**	**60,828,784**	**6,726,410**	**11.1**

Liabilities	31.12.2020	31.12.2019	Changes	
			Absolute	%
Net due to banks	2,588,795	1,360,306	1,228,489	90.3
Funding from Customers	54,959,033	49,710,264	5,248,769	10.6
Net financial liabilities/assets at fair value	-	-	-	
Tax liabilities	231,778	275,107	-43,329	-15.7
Other liabilities	2,865,717	2,436,645	429,072	17.6
Specific-purpose provisions	410,804	459,410	-48,606	-10.6
Capital	979,235	979,233	2	-
Equity/capital instruments	715,000	715,000	-	-
Reserves (net of treasury shares)	4,758,523	4,497,693	260,830	5.8
Valuation reserves	-48,443	-62,199	-13,756	-22.1
Equity attributable to minority interests	148,189	143,256	4,933	3.4
Net Profit (Loss) for the year	-53,437	314,069	-367,506	
Total equity and net liabilities	**67,555,194**	**60,828,784**	**6,726,410**	**11.1**

Reconciliation of the official and reclassified balance sheets

Assets	31.12.2020	31.12.2019
Net financial assets/liabilities at fair value	**47,449**	**43,031**
20 a. Financial assets held for trading	95,231	97,400
20 c. Financial assets mandatorily measured at fair value	59,687	27,611
20 Financial liabilities held for trading	-107,469	-81,980
Financial assets measured at fair value through other comprehensive income	**3,307,045**	**3,068,244**
30 Financial assets measured at fair value through other comprehensive income	3,307,045	3,068,244
Loans to Customers	**58,306,963**	**51,600,193**
40 b. Loans to Customers	58,306,963	51,600,193
Equity investments	**20,483**	**20,483**
70 Equity investments	20,483	20,483
Property, plant and equipment and intangible assets	**2,570,520**	**2,930,455**
90 Property, Plant and Equipment	951,837	1,017,849
100 Intangible assets	1,618,683	1,912,606
Tax assets	**1,455,306**	**1,504,346**
110 Tax assets	1,455,306	1,504,346
Other asset items	**1,847,428**	**1,662,032**
10 Cash and cash equivalents	361,221	370,059
130 Other assets	317,089	412,428
50 Hedging derivatives (Assets)	1,026,602	759,816
60 Fair value change of financial assets in macro-hedge portfolios	137,309	119,729
120 Non-current assets held for sale and discontinued operations	5,207	–
Total assets	**67,555,194**	**60,828,784**

Liabilities	31.12.2020	31.12.2019
Net due to banks	**2,588,795**	**1,360,306**
40 a. Due from banks	-8,790,955	-4,743,595
10 a. Due to banks	11,380,898	6,105,259
To deduct: Lease liabilities	-1,148	-1,358
Funding from Customers	**54,959,033**	**49,710,264**
10 b) Due to Customers	44,477,381	40,795,173
To deduct: Lease liabilities	-232,796	-187,499
10 c) Debt securities issued	10,714,448	9,102,590
20 Financial liabilities held for trading	-	-
30 Financial liabilities designated at fair value	-	-
Tax liabilities	**231,778**	**275,107**
60 Tax liabilities	231,778	275,107
Liabilities associated with non-current assets held for sale and discontinued operations	**-**	**-**
Other liabilities	**2,865,717**	**2,436,645**
10 a. Due to banks: of which lease liabilities	1,148	1,358
10 b. Due to customers: of which lease liabilities	232,796	187,499
40 Hedging derivatives (Liabilities)	786,631	509,730
50 Fair value change of financial liabilities in macro-hedge portfolios	465,416	421,173
80 Other liabilities	1,379,726	1,316,885
Specific-purpose provisions	**410,804**	**459,410**
90 Employee severance benefits	117,404	123,894
100 Provisions for risks and charges	293,400	335,516
Capital	**979,235**	**979,233**
170 Capital	979,235	979,233
Capital/equity instruments	**715,000**	**715,000**
140 Equity instruments	715,000	715,000
Reserves (net of treasury shares)	**4,758,523**	**4,497,693**
150 Reserves	1,640,675	1,379,853
160 Share premium reserve	3,117,848	3,117,840
Valuation reserves	**-48,443**	**-62,199**
120 Valuation reserves	-48,443	-62,199
Minority interests	**148,189**	**143,256**
190 Minority interests	148,189	143,256
Net Profit (Loss) for the year	**-53,437**	**314,069**
200 Profit (Loss) for the year	-53,437	314,069
Total liabilities and equity	**67,555,194**	**60,828,784**

Balance sheet aggregates

Balance sheet aggregates strongly increased YoY. The increase in assets resulted from the measures deployed by the Group to support households and businesses under the Italian Government Decrees, especially the Liquidity Decree, with the origination of loans guaranteed by the State amounting to Euro 2.6 billion and the moratoria granted to Customers. Furthermore, in 2020 Italian Government securities were purchased for an amount of Euro 3 billion. As regards liabilities, again in the scope of the measures to support the economy, the ECB approved new targeted longer-term refinancing operations (TLTRO III), which the Group participated in. Besides this, the health crisis increased the propensity to save of individuals and businesses, with liquidity left on their accounts for future investments. The volumes of Customers' assets give evidence of the commercial revival and of the positive performance across all components:

- Loans to Customers: Up by +7.6% YoY driven by the good performance of both home loans and loans to businesses;
- Direct funding: Up by +10.6% YoY, driven by the strongly increasing trend in Customers' liquid savings and by the covered bond issue made in early 2020;
- Assets under management: Up by +5.0% YoY with a virtuous dynamic in net flows.

Loans to Customers

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
- Current accounts	1,694,587	2,431,718	-737,131	-30,3
- Mortgage loans	32,098,272	28,838,102	3,260,170	11.3
- Advances and credit facilities	14,957,137	13,769,973	1,187,164	8,6
- Non-performing loans	1,486,146	1,646,613	-160,467	-9.7
Loans to Customers	50,236,142	46,686,406	3,549,736	7.6
Securities measured at amortized cost	8,070,821	4,913,787	3,157,034	64.2
Total Loans to Customers	**58,306,963**	**51,600,193**	**6,706,770**	**13.0**

The pandemic and the consequent measures deployed by the Group to provide support to businesses and households contributed to speeding up the growth in loans to Customers (up by Euro +3.5 billion, i.e. by 7.6%), which came to over Euro 50 billion.

Specifically, the component of Mortgage loan, which came to Euro 32 billion, increased by Euro 3.3 billion YoY (+11.3%), driven by loans guaranteed by the State and by over 27 thousand new home loans.

The component of short-term loans showed opposite developments, with on the one hand, Advances and credit facilities increasing (up by +8.6%), and, on the other hand, with lower drawn amounts on overdraft facilities on current accounts (down by -30.3%), as the latter component is more sensitive to the changes in businesses' revenues, which were offset with higher use of loans under the Liquidity Decree Law.

The decrease in net non-performing loans (down by Euro-160 million, i.e. -9.7%) resulted from the disposal of NPLs made in 2020 for a total GBV of Euro 504 million and from a lower number of new non-performing loans.

Credit quality

Items	31.12.2020			31.12.2019		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	1,486,652	1,016,811	469,841	1,859,129	1,256,758	602,371
- Unlikely to Pay	1,522,816	540,108	982,708	1,583,992	566,769	1,017,223
- Past-due/overlimit loans	36,652	3,055	33,597	30,495	3,475	27,020
Non-performing loans	3,046,120	1,559,974	1,486,146	3,473,616	1,827,002	1,646,614
Performing loans - stage 2	3,129,755	199,233	2,930,522	2,774,753	159,490	2,615,263
Performing loans - stage 1	45,913,213	93,739	45,819,474	42,502,049	77,520	42,424,529
Performing loans	49,042,968	292,972	48,749,996	45,276,802	237,010	45,039,792
Loans to Customers	52,089,088	1,852,946	50,236,142	48,750,418	2,064,012	46,686,406
Securities measured at amortized cost	8,080,913	10,092	8,070,821	4,919,636	5,849	4,913,787
Total Loans to Customers	**60,170,001**	**1,863,038**	**58,306,963**	**53,670,054**	**2,069,861**	**51,600,193**

Items	31.12.2020			31.12.2019		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio
- Bad loans	2.9%	0.9%	68.4%	3.8%	1.3%	67.6%
- Unlikely to Pay	2.9%	2.0%	35.5%	3.2%	2.2%	35.8%
- Past-due/overlimit loans	0.1%	0.1%	8.3%	0.1%	0.1%	11.4%
Non-performing loans	5.8%	3.0%	51.2%	7.1%	3.5%	52.6%
Performing loans - stage 2	6.0%	5.8%	6.4%	5.7%	5.6%	5.7%
Performing loans - stage 1	88.1%	91.2%	0.20%	87.2%	90.9%	0.18%
Performing loans	**94.2%**	**97.0%**	**0.60%**	**92.9%**	**96.5%**	**0.52%**
Total	**100.0%**	**100.0%**	**3.6%**	**100.0%**	**100.0%**	**4.2%**

The development in loan volumes was achieved constantly focusing on credit quality. Furthermore, in 2020, the strategy to reduce non-performing loans continued, thus with the ratio of non-performing loans to total loans down to 5.8% in gross terms (vs. 7.1% in 2019) and to 2.96% in net terms (vs. 3.5% in 2019). This result was achieved thanks also to the disposals made in 2020 of an NPL stock worth Euro 504 million, with most disposals finalized in Q4, and thanks to effective management of new non-performing loans. The coverage ratio (the ratio of impairment losses recognized and provisioned and the amount of gross non-performing loans) remained very conservative (at 51.2% for all non-performing loans and at 68.4% for bad loans). The default rate remained stable at 1.0%.

In 2020, well before the date set by the applicable legislation but in line with the Parent Company Crédit Agricole S.A., the Group adopted the new regulation regarding the definition of Default. In its roll out phase, the New Definition of Default caused the positions classified as non-performing loans to increase for a total gross exposure of Euro 45 million with a loss of Euro 3.3 million.

Funding from Customers

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
- Deposits	1,336,293	1,687,289	-350,996	-20.8
- Current and other accounts	42,590,306	38,635,246	3,955,060	10.2
- Other items	317,987	285,139	32,848	11.5
- Repurchase agreements	-	-	-	-
Due to Customers	**44,244,586**	**40,607,674**	**3,636,912**	**9.0**
Debt securities issued	**10,714,447**	**9,102,590**	**1,611,857**	**17.7**
Total direct funding	**54,959,033**	**49,710,264**	**5,248,769**	**10.6**
Indirect funding	**75,425,320**	**71,294,531**	**4,130,789**	**5.8**
Total funding	**130,384,353**	**121,004,795**	**9,379,558**	**7.8**

The health crisis has internationally intensified the increasing trend of bank deposits; the ECB official data indeed show that, between the end of February and the end of November 2020, deposits in the Euro Area as a whole grew at a faster pace by 8.5%. In December 2020, deposits in the Italian Banking System had grown by 10.3% YoY (*source: ABI Monthly Look - January 2021*). The Group's results also showed this trend, with due to Customers, net of debt securities issued, increasing by 9% and total funding (including indirect funding) increasing by 7.8% vs. the year opening figure.

In December 2020, total funding (direct and indirect funding) came to over Euro 130 billion, increasing by more than Euro 9 billion vs. the year opening figure.

Direct funding came close to Euro 55 billion, up by Euro 5.2 billion, i.e. +10.6% vs. 2019, of which Euro 4 billion in the current accounts component (up by +10.2%, in line with the Banking System figure) whose increase is evidence of the Customers' propensity – also subsequent to the Covid-19 epidemic – to keep a high liquidity level. The component of debt securities issued came to Euro 10.7 billion increasing by €1.6 billion because of the bond issues reserved to institutional investors, of Covered Bonds with maturities of 8 and 25 years for €1.25 billion, and of Senior Non Preferred bonds for €0.41; said issues improved the Group's MREL and replaced bonds that were held by Retail Customers and had progressively reached maturity.

Indirect funding

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
- Asset management products	17,885,483	17,316,598	568,885	3.3
- Insurance products	22,007,529	20,682,863	1,324,666	6.4
Total assets under management	39,893,012	37,999,461	1,893,551	5.0
Assets under administration	35,532,308	33,295,070	2,237,238	6.7
Indirect funding	**75,425,320**	**71,294,531**	**4,130,789**	**5.8**

The Group's indirect funding came to over Euro 75 billion, increasing by Euro 4.1 billion (up by + 5.8%) vs. 31 December 2019.

Asset under management came close to Euro 40 billion, increasing by approximately €2 billion (+5%) vs. the year opening figure, thanks to the growth in net inflows, which mainly regarded the insurance component. Assets under administration, consisting of securities and products of third parties in custody, came to Euro 35.5 billion, increasing vs. the previous year figure of €33.3 billion (up by +6.7%).

Net interbank position

As at 31 December 2020, the net interbank position reported a debt of Euro 2.6 billion, resulting from the mismatch between due from banks amounting to €8.8 billion and due to banks amounting to €11.4 billion.

Financial assets held

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	95	93	2	2.2
- Equity securities and units of collective investment undertakings	59,761	51,536	8,225	16.0
- Loans	-	-		
- Financial derivatives with positive FV	95,062	73,381	21,681	29.5
Total assets	**154,918**	**125,010**	**29,908**	**23.9**
- Financial derivatives with negative FV	107,469	81,980	25,489	31.1
Total liabilities	**107,469**	**81,980**	**25,489**	**31.1**
Net Total	**47,449**	**43,030**	**4,419**	**10.3**
Financial assets measured at fair value through other comprehensive income				
- Debt securities	3,066,208	2,821,007	245,201	8.7
- Equity securities	240,837	247,237	-6,400	-2.6
- Loans	-	-	0	0.0
Total	**3,307,045**	**3,068,244**	**238,801**	**7.8**

As at 31 December 2020, the "Financial assets measured at fair value through other comprehensive income" portfolio amounted to Euro 3.3 billion, increasing by 7.8% in the component of Italian government debt securities, which came to over €3 billion.

Government securities held

	31.12.2020		
	Nominal value	Book value	Revaluation reserve
Financial assets held for trading			
Italian Government securities	11	15	X
Argentinian Government securities	47	-	X
Financial assets measured at fair value through other comprehensive income			
Italian Government securities measured at FV	2,734,000	3,066,208	30,538
Financial assets measured at amortized cost			
Italian Government securities	7,247,000	7,900,358	X
Total	**9,981,058**	**10,966,581**	**30,538**

Italian government securities in the Group's portfolio totalled approximately €11 billion, of which €7.9 billion classified as "Financial assets measured at amortized cost", increasing by €3.2 billion vs. 31 December 2019: that allocation reflects the management approach adopted by the Crédit Agricole Italia Banking Group to invest the liquidity resulting from the ECB monetary policies currently in force, which gives preference to High Quality Liquidity Assets, optimizing their contribution to net interest income and generating positive effects on liquidity ratios. In the reporting year, in order to stabilize their contribution to net interest income, the Group made net purchases for a nominal value of over Euro 3 billion.

Property, plant and equipment and intangible assets

As at the end of 2020, property, plant and equipment and intangible assets came to Euro 2,570 million. Specifically, "Property, plant and equipment" came to Euro 952 million, down by €66 million vs. 2019, due to the recognition of depreciation and the change in assets recognized as "right of use" (in compliance with IFRS16). Furthermore, the transaction for the sale-leaseback of a property in Milan made by the Parent Company Crédit Agricole Italia determined a net decrease in the balance of property, plant and equipment of approximately €31 million, equal to the difference between the book value of the sold asset and the new right of use recognized.

Intangible assets came to Euro 1,618 million, including goodwill for €1,315 million, which, due to market rates continuing to be very low, required recognition of impairment for €260 million. The impairment recognized does not generate any effect whatsoever on forward-looking profitability, cash flows, liquidity, capital strength and capital ratios.

Specific-purpose provisions

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
Employee severance benefits	117,404	123,895	-6,491	-5.2
Provisions for risks and charges	293,400	335,515	-42,115	-12.6
a) commitments and guarantees given	32,103	33,657	-1,554	-4.6
b) post-employment and similar obligations	35,816	37,325	-1,509	-4.0
c) other provisions for risks and charges	225,481	264,533	-39,052	-14.8
Total specific-purpose provisions	**410,804**	**459,410**	**-48,606**	**- 10.6**

Specific-purpose provisions came to Euro 411 million, decreasing by Euro 49 million vs. 2019. This aggregate consists of Euro 117 million worth of provision for Employee severance benefits and of Euro 293 million worth of provisions for risks and charges (personnel expenses, operational risks, misselling and other risks in business with Customers).

Equity

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%,
Share capital	979,235	979,233	2	-
Share premium reserve	3,117,848	3,117,840	8	-
Reserves	1,640,675	1,379,853	260,822	18.9
Equity instruments	715,000	715,000	-	-
Valuation reserves for financial assets through other comprehensive income	4,363	- 11,790	16,153	
Valuation reserves for actuarial gains (losses) relating to defined-benefit pension plans	- 52,806	- 50,409	-2,397	-4.8
Treasury shares	-	-	-	-
Profit (Loss) for the year	- 53,437	314,069	-367,506	
Total (book) equity	**6,350,878**	**6,443,796**	**-92,918**	**- 1.4**

As at the reporting date, the Group's equity amounted to Euro 6.35 billion, decreasing by Euro 93 million vs. 31 December 2019.

The "Equity instruments" item reports the amount of additional tier 1 (AT1) instruments issued and subscribed by the Parent Company Crédit Agricole S.A..

The Parent Company Crédit Agricole Italia does not hold treasury shares. No company of the Group holds shares in the Parent Company.

In compliance with the recommendations of the European Central Bank, in order to strengthen its capital position and thus to ensure more support to businesses and households in facing the negative impacts on the economy caused by the ongoing pandemic, in 2020 the General Meeting of Crédit Agricole Italia's Shareholders resolved not to distribute dividends on 2019 earnings.

Regulatory Capital

Categories/Values	31.12.2020	31.12.2019
A. Common Equity Tier 1 - CET1 prior to the application of prudential filters	5,629,992	5,837,992
of which CET1 instruments subject to transitional arrangements	-	-
B. CET1(+/-) prudential filters	-8,922	-8,148
C. CET1 including deductible elements and the effects of the transitional regime (A+/-B)	5,621,069	5,829,844
D. Elements to be deducted from CET1	1,806,664	2,267,652
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	-	-
F. Total Common Equity Tier 1 - CET1 (C-D+/-E)	3,814,405	3,562,191
G. Additional Tier 1 (AT1) including deductible elements and the effects of the transitional regime	725,089	726,323
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries/ associates and included in AT1 under transitional provisions	-	-
L. Total Additional Tier 1 - AT1 (G-H+/-I)	725,089	726,323
M. Tier 2 (T2) including deductible elements and the effects of the transitional regime	849,756	873,394
of which T2 instruments subject to transitional provisions	1,080	2,588
N. Elements to be deducted from T2	-	-
O. Transitional regime – Impact on T2 (+/-), including instruments issued by subsidiaries/ associates and included in T2 under transitional provisions	-	-
P. Total Tier 2 -T2 (M-N+/-O)	849,756	873,394
Q. Total own funds (F+L+P)	5,389,251	5,161,908

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
A. RISK ASSETS				
A.1 Credit and counterparty risks	77,424,407	66,734,385	24,152,955	25,286,385
1 Standardized approach	51,759,890	42,745,741	19,908,635	20,874,960
2 IRB approach	25,664,517	23,988,644	4,244,320	4,411,425
2.1 Foundation	-	-	-	-
2.2 Advanced	25,664,517	23,988,644	4,244,320	4,411,425
3 Asset-backed securities	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			1,932,236	2,022,911
B.2 Risk of value adjustments of loans			9,334	5,863
B.3 Regulatory risk			-	-
B.2 Market risks			719	8,159
1 Standardized Approach			719	8,159
2 Internal models			-	-
3 Concentration risk			-	-
B.3 Operational risk			244,655	247,079
1 Basic indicator approach			5,674	5,758
2 Standardized approach			238,981	241,321
3 Advanced approach			-	-
B.5 Other measurement elements			-	-
B.6 Total prudential requirements			2,186,945	2,284,012
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			27,336,813	28,550,146
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)			14.0%	12.5%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			16.6%	15.0%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			19.7%	18.1%

As at 31 December 2020, Common Equity Tier 1 came to Euro 3,814 million, increasing vs, the figure for the previous year (up by Euro +252 million). This increase was driven by the profit for the year, net of Crédit Agricole Italia dividend that would have been distributed, lower deductions linked to intangible assets for the new prudential treatment to be applied to software, DTA for losses and the shortfall. Said positive effects were partially offset by annual interest paid on the stock of AT1 instruments and by lower minority interests. It is pointed out that the recognized goodwill impairment has a neutral effect on capital strength, as the negative effect on the profit for the period was fully offset by the lower value of goodwill deducted from Own Funds.

In the reporting period, no Additional Tier 1 and Tier 2 subordinated instruments were issued or repaid.

The Crédit Agricole Italia Banking Group decided not to apply the transitional arrangements provided for by Regulation (EU) 2020/873, amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (e.g. the establishment of a temporary prudential filter for unrealized gains and losses on certain financial assets measured at fair value and the amendments to transitional arrangements to mitigate the impact of IFRS 9 on CET1).

Furthermore, subsequent to the Covid-19 emergency, the European Central Bank decided to bring forward the application of Article 104a of CRD 5 (which was originally supposed to enter into force on 28 December 2020) authorizing Banks to meet their Pillar 2 Requirements (P2R) with 75% of CET1. Subsequent to that decision, with a letter of 8 April 2020, the Regulator communicated the revised consolidated minimum capital requirements assigned to the Crédit Agricole Italia Banking Group, which are to be constantly complied with in 2020, setting them as follows:

- 7.98% for the CET1 ratio (vs. 8.75% previously in force);

- 9.81% for the Tier1 ratio (vs. 10.25% previously in force);
- 12.25% for the Total Capital ratio (as previously in force).

Risk-weighted assets (RWA) came to Euro 27,336 million, decreasing by approximately €1,213 million vs. 31 December 2019, mainly because of the impacts generated by the development in the prudential legislation (especially the more favourable treatment for SMEs partially offset by the new prudential treatment of software) and because of loans guaranteed by the State (€2.6 billion of newly originated loans) prevailing over short-term loans, as the latter would have generated an higher impact on risk-weighted assets.

Following the above-reported developments, the CET1 ratio as at 31 December 2020 came to 14.0% (12.5% as at 31 December 2019), the Tier 1 ratio to 16.6% (15.0% as at 31 December 2019) and the Total Capital ratio to 19.7% (18.1% as at 31 December 2019) .

Having kept the consolidated Common Equity Tier 1 ratio above the SREP requirements of 7,98% (CET1 required) is evidence of the Crédit Agricole Italia Banking Group's widely acknowledged capital strength and quality.

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:

- Net Profit (Loss) on trading activities, Net Profit (Loss) on hedging activities and Net Profit (Loss) on financial assets and liabilities measured at fair value through profit or loss have been reported under Income from Banking Activities;
- Profit 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 Income from banking activities;
- Expenses, taxes and levies recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- Expenses for the management of non-performing loans and related Recoveries have been reclassified as Net Adjustments of Loans;
- Commission income for fast loan application processing has been taken to "Net fee and commission Income" rather than being recognized under "Other operating income/expenses";
- The effect of the amortized cost of hedges of debt instruments has been reported under the "Net Interest Income" item rather than under "Gains (Losses) on Hedging Activities";
- Net provisions for risks and charges regarding commitments and guarantees given have been reclassified under "Net 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 "Net impairment of financial asset" item.
- The measurement of financial instruments to be mandatorily measured at fair value was taken to the "Net adjustments of loans" item rather than to the "Income from banking activities" item.

Reclassified income statement

	31.12.2020	31.12.2019	Changes	
			Absolute	%
Net interest income	975,701	1,009,639	-33,938	-3.4
Net fee and commission income	879,580	919,313	-39,733	-4.3
Dividend income	10,449	11,368	-919	-8.1
Income from banking activities	20,211	9,501	10,710	
Other operating income (expenses)	7,881	3,141	4,740	
Net operating income	1,893,822	1,952,962	-59,140	-3.0
Personnel expenses	-710,810	-727,755	-16,945	-2.3
Administrative expenses	-349,388	-336,379	13,009	3.9
Depreciation of property, plant and equipment and amortization of intangible assets	-179,684	-171,016	8,668	5.1
Operating expenses	-1,239,882	-1,235,150	4,732	0.4
Operating margin	653,940	717,812	-63,872	-8.9
Impairment on goodwill	-259,611	-	259,611	
Net provisioning for risks and charges	-7,973	-8,877	-904	-10.2
Net adjustments of loans	-413,941	-239,384	174,557	72.9
Net impairments of financial assets	-8,077	-2,140	5,937	
Profit (loss) on other investments	65,600	341	65,259	
Profit (loss) on continuing operations before taxes	29,938	467,752	-437,814	-93.6
Taxes on income from continuing operations	-75,151	-141,596	-66,445	-46.9
Profit (Loss) for the year	-45,213	326,156	-371,369	
Net profit (loss) for the year attributable to minority interest	-8,224	-12,087	-3,863	-32.0
Net profit (loss) for the year attributable to the Parent Company	**-53,437**	**314,069**	**-367,506**	

Reconciliation between the Official and the Reclassified Income Statements

	31.12.2020	31.12.2019
Net interest income	**975,701**	**1,009,639**
30 Net interest income	972,050	1,009,685
40 Fee and commission income: of which Deposit Fess and Commissions	1,770	
90 Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-10	-1,316
230 Calit IAS gain	1,891	1,270
Net fee and commission income	**879,580**	**919,313**
60 Net fee and commission income	879,924	912,766
To deduct: Deposit fees and commissions	-1,770	
200 Other operating expenses/income: of which Commission income from Fast Loan Application Processing	1,426	6,547
Dividends and similar income = item 70	**10,449**	**11,368**
Income from banking activities	**20,211**	**9,501**
80 Net profit (loss) on trading activities	21,304	15,147
90 Net profit (loss) on hedging activities	-12,129	-10,121
90 Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	10	1,316
100 Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	12,669	25
100 Profit (loss) on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income	-1,270	3,314
100 Profit (loss) on disposal or repurchase of: c) financial liabilities	49	-151
110 Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-527	-29
To deduct: b) other financial assets mandatorily measured at fair value of which measurement of financial instruments	105	
Other operating income (expenses)	**7,881**	**3,141**
200 Other operating expenses/income	286,006	283,784
250 Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	9,761	12,962
To deduct: expenses recovered	-279,522	-280,635
To deduct: recovered expenses for the management of non-performing loans	-4,349	-5,153
To deduct: Commission income from Fast Loan Application Processing	-1,426	-6,547
To deduct: Covid-19-related lease concessions	-698	
To deduct: Calit IAS profit	-1,891	-1,270
Net operating income	**1,893,822**	**1,952,962**
Personnel expenses = item 190 a)	**-710,810**	**-727,755**
Administrative expenses	**-349,388**	**-336,379**
190 Administrative expenses: b) other administrative expenses	-642,061	-631,902
230 Other operating expenses/income: of which expenses recovered	279,522	280,635
190 Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	13,151	14,888
Depreciation of property, plant and equipment and amortization of intangible assets	**-179,684**	**-171,016**
210 Net adjustments of/recoveries on property, plant and equipment	-85,463	-80,163
200 Other operating expenses/income of which Covid-19-related lease concessions	698	
To deduct: impairment of property, plant and equipment inventories	365	
To deduct: impairment of properties taken back at the expiry of lease contracts	2,500	
220 Net adjustments of/recoveries on intangible assets	-97,784	-90,853
Operating expenses	**-1,239,882**	**-1,235,150**
Operating margin	**653,940**	**717,812**
Impairment on goodwill = item 270	**-259,611**	**-**
Net provisioning for risks and charges = Item 200 b) other net provisioning	**-7,973**	**-8,877**
Net impairments of loans	**-413,941**	**-239,384**
100 Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	-7,834	-12,046
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-12,669	-25
110 Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss:of b) of other financial assets mandatorily measured at fair value: of which measurement of financial Instruments	-105	
130 Net adjustments for credit risk of: a) financial assets measured at amortized cost	-388,943	-218,491
To deduct: net adjustments for credit risk of: a) securities classified as financial assets measured at mortized cost	7,005	1,026
140 Profits/Losses on contract modifications without derecognition	-1,367	-3,357
190 Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-13,151	-14,888
To deduct: recovered expenses for the management of non-performing loans	4,349	5,153
200 Net provisioning for risks and charges: a) commitments and guarantees given	1,274	3,244
Impairment of properties taken back at the expiry of lease contracts	-2,500	
Impairment of securities	-8,077	-2,140
130 Net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	-7,005	-1,026
130 Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	-1,072	-1,114
Profit (loss) on other investments	**65,600**	**341**
250 Profit (losses) on equity investments	9,646	12,806
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	-9,761	-12,962
260 Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
280 Profit (losses) on disposals of investments	66,080	497
210 impairment of property, plant and equipment inventories	-365	
Profit (loss) on continuing operations before taxes	**29,938**	**467,752**
Taxes on income from continuing operations = item 300	**-75,151**	**-141,596**
Net profit for the year	**-45,213**	**326,156**
Net profit for the year attributable to minority interest	**-8,224**	**-12,087**
Net profit for the year attributable to the Parent Company	**-53,437**	**314,069**

Net operating income

Albeit decreasing vs. 2019 (down by -3%) due to the effects of the Covid-19 crisis, which especially penalized Q2 2020, in the second half of the year revenues constantly increased, driven by the commercial performance that returned as it was before the crisis.

Specifically, net interest income decreased YoY (-3%) mostly as a consequence of the further reduction in interest rates also in 2020; net fee and commission income (down by -4%), which were penalized the most in Q2, returned in Q4 as they were before the crisis, driven also by the new digital services, whereby Retail and Private banking account managers and financial advisors could work remotely with customers in the Web collaboration mode. Income from banking activities increased (up by Euro +10,7 million) driven by the growth in foreign exchange and hedging activities with Customers by approximately Euro 6 million, as well as by profits on the security portfolio.

Net interest income

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
Loans to customers measured at amortised cost	771,792	824,926	-53,133	-6.4
Loans to banks measured at amortised cost	34,644	2,494	32,150	
Debt securities issued	-96,221	-87,516	8,705	9.9
Differentials on hedging derivatives	204,557	173,775	30,782	17.7
Financial assets held for trading	-	82	-82	
Assets measured at fair value	-	-	-	
Securities measured at amortized cost	53,302	65,019	-11,717	-18.0
Securities through other comprehensive income	11,861	34,975	-23,114	-66.1
Other net interest income	-4,234	-4,116	118	2.9
Net interest income	**975,701**	**1,009,639**	**-33,938**	**-3.4**

Net interest income came to Euro 976 million, decreasing by €34 million. The performance on net interest income was negatively impacted by the trend in interest rates, which penalised the yield on loans to Customers and on Financial Assets, only partially offset by the increase in loans and by the repricing of liabilities.

Net fee and commission income

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
- guarantees issued	6,137	5,483	654	11.9
- collection and payment services	58,140	56,901	1,239	2.2
- current accounts	213,535	224,844	-11,309	-5.0
- debit and credit card services	27,736	32,402	-4,666	-14.4
Commercial banking business	**305,548**	**319,630**	**-14,082**	**-4.4**
- securities intermediation and placement	204,337	203,815	522	0.3
- intermediation in foreign currencies	3,845	4,621	-776	-16.8
- asset management	6,770	7,995	-1,225	-15.3
- distribution of insurance products	276,222	282,297	-6,075	-2.2
- other intermediation/management fee and commission income	32,437	42,901	-10,464	-24.4
Management, intermediation and advisory services	**523,610**	**541,629**	**-18,019**	**-3.3**
Tax collection services	**-**	**-**	**-**	
Other net fee and commission income	**50,421**	**58,054**	**-7,633**	**-13.1**
Total net fee and commission income	**879,580**	**919,313**	**-39,733**	**-4.3**

Net fee and commission income for 2020 came to Euro 880 million: it decreased vs. 2019 by approximately €40 million (-4%) reflecting the widespread slowdown in distribution and intermediation activities especially during the lockdown, which was followed by progressive recovery in the second part of the year, especially as regards WM products.

Breaking down this item, income from the traditional banking business came to Euro 306 million (down by -4%), whereas revenues from management, intermediation and advisory services came to Euro 523 million, decreasing by 3% only.

Dividend income

Dividends from equity investments came to Euro 10.4 million, decreasing by approximately Euro 0.9 million vs. 2019. Dividend income for the reporting year referred to the shareholding in the Bank of Italy for Euro 9 million, which was classified under “Financial assets measured at fair value through other comprehensive income”.

Income from banking activities

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
Activities on interest rates	13,955	8,010	5,945	74.2
Stocks	-233	-37	-196	
Foreign exchange	7,628	6,990	638	9.1
Commodities	3	31	-28	-90.3
Total profit (losses) on financial assets held for trading	**21,353**	**14,994**	**6,359**	**42.4**
Total profit (losses) on assets held for hedging	**-12,119**	**-8,804**	**-3,315**	**-37.7**
Net profit (loss) on financial assets and liabilities measured at fair value	**-423**	**-29**	**-394**	
Total profit (losses) on securities measured at amortized cost	**12,670**	**26**	**12,644**	
Total profit (losses) on securities through other comprehensive income	**-1,270**	**3,314**	**-4,584**	
Income from banking activities	**20,211**	**9,501**	**10,710**	

Income from banking activities came to Euro 20.2 million, up by Euro 10.7 million vs. 2019; the increase resulted, for approximately Euro 6 million, from the growth in foreign exchange activities and interest rate hedging on loans to Customers, as well as from higher realized gains on disposals of securities.

Other operating income (expenses)

The Balance of the “Other operating income/expenses” item came to Euro 7.9 million, up by Euro 4.7 million vs. 2019. The increase vs. 2019 resulted mainly from the income collected (€4.1 million) under the settlement agreement in the liability action started by Cassa di Risparmio di Rimini in 2017 against former corporate officers and regarding the FY 2009.

Operating expenses

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
- wages and salaries	-508,233	-520,715	-12,482	-2.4
- social security contributions	-135,299	-137,217	-1,918	-1.4
- other personnel expenses	-67,279	-69,823	-2,544	-3.6
Personnel expenses	**-710,810**	**-727,755**	**-16,945**	**-2.3**
- general operating expenses	-107,304	-106,700	604	0.6
- IT services	-88,935	-94,191	-5,256	-5.6
- direct and indirect taxes	-113,450	-118,164	-4,714	-4.0
- real estate property management	-12,558	-16,587	-4,029	-24.3
- legal and other professional services	-20,446	-23,535	-3,089	-13.1
- advertising and promotion expenses	-9,591	-15,225	-5,634	-37.0
- indirect personnel expenses	-6,071	-12,215	-6,144	-50.3
- contributions to SRF/DGS/SPS	-58,027	-40,703	17,324	42.6
- other expenses	-212,527	-189,694	22,833	12.0
- expenses and charges recovered	279,519	280,635	-1,116	-0.4
Administrative expenses	**-349,388**	**-336,379**	**13,009**	**3.9**
- intangible assets	-97,786	-90,853	6,933	7.6
- property, plant and equipment	-81,898	-80,163	1,735	2.2
Depreciation and amortization	**-179,684**	**-171,016**	**8,668**	**5.1**
Operating expenses	**-1,239,882**	**-1,235,150**	**4,732**	**0.4**

Operating expenses came to Euro 1,24 billion, overall stable vs. 2019, and include the impact of the higher contributions to the SRF/DGS (up by Euro +17 million) and higher costs (Euro 23 million) incurred to handle the health emergency (purchase of personal protective equipment, sanitization of premises, laptops given to employees in order for them to work from home). Net of the aforementioned costs, operating expenses decreased by Euro 36 million, i.e. down by 3%.

Lower costs resulted from the efficiency enhancement and optimization actions carried out both on the cost of personnel, down by -2% (following exits through voluntary redundancy funds, the adjustment of provisions allocated in the previous year and lower expenses for overtime, meal vouchers and travel allowances subsequent to the extension of the smart-working mode) and on administrative expenses (down by -9% taking into account costs “adjusted” by the contributions to the SRF/DGS and by Covid-19-related non-recurring expenses) thanks to the deployed cost management actions, along with decrease in operational volumes due to the lockdown. Depreciation and amortization increased (up by +5%), following the higher investments made to provide support to Customers, to the business and to digital innovation.

Net Provisions for risks and charges

The “Net Provisions for risks and charges” item came to Euro -8 million, down by approximately €1 million vs. 2019 because of lower provisions for lawsuits against the Bank and on revocatory actions set aside in the reporting period.

Net adjustments of loans

Items	31.12.2020	31.12.2019	Changes	
			Absolute	%
- bad loans	-167,166	-99,001	68,165	68.9
- Unlikely to Pay	-151,009	-129,605	21,404	16.5
- Past-due loans	-4,471	-1,951	2,520	
Non-performing loans	**-322,646**	**-230,557**	**92,089**	**39.9**
- Performing loans - stage 2	-56,397	7,055	-63,452	
- Performing loans - stage 1	-23,398	-6,034	17,364	
Performing loans	**-79,795**	**1,021**	**-80,816**	
Net losses on impairment of loans	**-402,441**	**-229,536**	**172,905**	**75.3**
Gains/Losses on contract modifications without derecognition	-1,367	-3,357	-1,990	-59.3
Measurement of financial instruments	-104	-	104	
Expenses/recovered expenses for loan management	-8,803	-9,735	-932	-9.6
Net losses on impairments of guarantees and commitments	1,274	3,244	-1,970	-60.7
Impairment of properties taken back at the expiry of lease contracts	-2,500	-	2,500	
Net adjustments of loans	**-413,941**	**-239,384**	**174,557**	**72.9**

Net value adjustments of loans and financial assets came to Euro 422 million, increasing vs. 2019 (+74.7% YoY). The component regarding net impairments of loans only came to Euro 413 million and it increased by €175 million (+73% YoY) because of the adjustments recognized in the reporting period to take account of the changes in the macroeconomic scenario impacted by Covid-19, of which €62 million for loans in stages 1 and 2 based on the forward-looking scenario as required by IFRS 9, and €130 million for loans in stage 3 mainly regarding adjustments made on the NPL portfolio in order to recognize especially the lower value assigned to real estate collaterals backing the NPLs. The cost of credit risk (the ratio of the relevant adjustments recognized in the income statement to net loans to Customers) came to 84bps (46 bps net of the above-reposted adjustments).

Net profitt (loss) on other investments

In 2020, real estate transactions were also carried out in order to enhance efficiency in the management of the real estate portfolio, whereby capital gains were made totalling Euro 66 million; this figure mainly resulted from the sale and leaseback transaction carried out by Crédit Agricole Italia on a property in Milan. In accordance with IFRS 16, the sale for a consideration of Euro 140 million resulted in a gross capital gains of approximately Euro 65 million.

Profit (loss) on continuing operations before taxes

Profit before taxes on continuing operations came to Euro 290 million, excluding impairment on goodwill, and it decreased by Euro 178 million vs. the previous year (-38%).

Taxes on income from continuing operations

Current taxes and deferred tax liabilities for the period came to Euro 75 million, at a tax rate of 25.1%.

Net profit

Excluding impairment on goodwill, net profit would be Euro 206 million, down by -34.4% YoY. The figure would be of approximately Euro 264 million excluding the contribution to the banking system and non-recurring expenses incurred to manage the health emergency.

Comprehensive income

Items		31.12.2020	31.12.2019
10.	**Net Profit (Loss) for the year**	**(45,213)**	**326,156**
	Other comprehensive income that will not be reclassified to the income statement		
20.	Equity securities designated at fair value through other comprehensive income	(7,617)	(5,023)
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(2,411)	(2,571)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
	Other comprehensive income that will be reclassified to the income statement	-	-
100.	Hedges of investments in foreign operations	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	24,452	92,257
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
170.	**Total other comprehensive income after taxes**	**14,424**	**84,663**
180.	**Comprehensive income (Item 10+170)**	**(30,789)**	**410,819**
190.	Consolidated comprehensive income attributable to Minority Interests	8,855	14,460
200.	**Consolidated comprehensive income attributable to the Parent Company**	**(39,644)**	**396,359**

Comprehensive income, taking into account the impact of goodwill impairment, is higher than the profit for the period, resulting from value increases in the components taken directly to equity reserves up by €24 million and decreases of €10 million. 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 portion attributable to minority interests (of Euro 14 million), consolidated comprehensive income attributable to the Parent Company is negative by Euro 40 million, and this figure would be Euro 220 million if goodwill impairment were not considered.

Operations and profitability by business segment

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

STRATEGIC PLAN AND BUSINESS DEVELOPMENT LINES

STRATEGIC PLAN

In 2020, the Covid-19 pandemic hit Italy and generated a deep impact in social and economic terms. The Country responded and proved its healthcare, social and institutional resilience, despite the continuous uncertainty and volatility, showing visible and tangible sign of economic recovery.

During the year, the **role played by Banks** proved fundamental in providing **support to customers and to the community and in ensuring the quality of the relationship with account managers**: Besides donations made by the Group for approximately two million Euro during the Covid-19 emergency and besides the initiatives deployed to handle the emergency, the innovation and support provided in the experienced difficulties, the Crédit Agricole Italia Banking Group also provided considerable support both through the moratoria and liquidity measures deployed by the Italian Government and through funds earmarked specifically for households and businesses.

The Group's tangible commitment was acknowledged by its Customers' judgment, which was measured through a **general improvement in the 2020 Customer Recommendation Index (CRI)** (based on the Doxa benchmark, the Crédit Agricole Italia Banking Group ranked second among traditional Banks).

Furthermore, immediately at the beginning of the emergency, the Group deployed a series of **measures aimed at protecting the health and safety of its Customers and Employees**, fostering extensive use of the **Smart Working** mode by its Employees and enabling remote interactions with Customers by strengthening distance selling processes. At the same time, a digital transformation program was sped up fostering extensive use of digital tools by Customers (for example extending the range of products that can be purchased remotely, constant updating the Internet Banking platforms, releasing the new Crédit Agricole Italia App), while keeping the account manager role at the core of the relationship with Customers, constantly focusing on customer satisfaction

In evolution terms, the **health crisis** worked as an **accelerator of structural trends** regarding Customers' behaviours (higher digitalization combined with relationship centrality) and their needs (reconsideration of protection products, higher savings), while speeding up technological trajectories and the need to invest in the skills and managerial approach of its human capital.

To meet these challenges, the Crédit Agricole Italia Banking Group established the guidelines for its **2019-2022 Medium Term Plan** and confirmed and strengthened the main transformation and development axes contained therein. Some of them are:

1. **Customer Project**
2. **People Project**
3. **Social Responsibility**
4. **Business transformation,** as an enabling factor to support the path toward change.

2020 was a year of important attainments and tangible results achieved across all the Plan axes:

1. CUSTOMER PROJECT

Consistently with the Group's values, the Customer Project pursues important commercial ambitions supported by constant enhancement of the synergies with the Group' product companies:

- **Investing in relational and operational excellence** to support **organic growth**, ranking at the **top of the market by CRI** among retail banks;
- Developing a more and more **dedicated and specialized** model, achieving **excellence in Asset Management**, investing in the **service to Customers** and in the growth of distribution capacity;
- Accelerating the development of **Non-life Bancassurance**, as a distinctive element of our offer to Customers;
- Strengthening the **specialization of the Corporate banking segment** on products/services with high added value.

In 2020, 18 months after it went live, the Customer Project is fully operational and moving towards a model that is 100% human and 100% digital.

All the planned initiatives are underway, with tangible results in terms of customer satisfaction, technological evolution, commercial strengthening, brand:

- The entire Group is engaged in the plan pursuing relational and operational excellence supporting **Customer Satisfaction**, with the objective of promoting customer satisfaction initiatives with all the employees of the Group and of disseminating the guidelines for relational excellence;
- **Digital transformation** started, also thanks to the continuous improvement in the Internet Banking platforms, the launch of the **new Crédit Agricole Italia App**, the extension of the range of products that can be purchased in the omnichannel mode, with a digital offer that has proved one of the most complete on the market through Mobile Collaboration;
- A **model for excellence in high-value segments** (Wealth Management) was developed, investing in product evolution and strengthening the sales force;
- The range of **Non-life Bancassurance products** was extended with the release of the Persona & Salute (Person&Health) product on the Home Banking platform in an omnichannel mode, in synergy with CA Assicurazioni;
- The **Off-premises distribution** new model went live– intended for Investment Services and life insurance-based investments – to achieve streamlining and time saving, for Private Bankers and Financial Advisors (to be extended in 2021 also to banking products);
- The **corporate banking** sales force and the synergies with CA-CIB have been strengthened;
- The new **Supply Chain Finance** platform went live, which is distributed by da Crédit Agricole Italia to provide businesses with services that combine new technologies with value creation (the first important Supply Chain agreements have already been signed).

2. PEOPLE PROJECT

The main objectives of the PMT second Pillar concern the enhancement of the Group's human capital:

- Developing **individual responsibility for excellence in the service to Customers**, through the evolution of the leadership model;
- Reasserting the **Group's distinctive culture** to attract and retain the best talents and to ensure managerial culture sustainability, **enhancing diversity and inclusion**, female leadership and fostering generational turnover.

In 2020, managerial and organizational transformation of the Bank was pursued, with important results in the evolution of leadership and work mode, internal transfer of Employees, welfare initiatives and inclusion policies. Specifically:

- The **sales force continued to be strengthened in qualitative and quantitative terms**, through a plan for recruitment and internal transfer of resources, which involved over 500 personnel members;
- An **extensive training plan was implemented focusing on managerial skills, on working and handle the relationship with Customers remotely**;
- **An in-house coaching school was created;**
- **A new method for full-range measurement of performances started to be tested (with the manager being assessed by his or her team);**
- Training went fully digital;
- The use of the **Smart Working** mode was strengthened and became massive, in order to meet the need to work remotely in the health emergency, for the protection of Employees;
- The **ABI protocol for suspension of loan repayment in favour of women that are victim of gender violence** was signed and the appointment of new managers ensured gender balance of the Crédit Agricole Italia Banking Group's managers (43% of newly appointed managers are women);
- Additional **welfare** initiatives (Welfare award) **and wellbeing** initiatives were developed: **People care** for psychological support to employees and their families and the **Family audit** certification was achieved (work-life balance initiatives).

3. SOCIAL RESPONSIBILITY

In terms of Social Responsibility, the ambition is to develop projects and initiatives substantiating the Group's closeness to the community, society and the environment, fostering the attractiveness and economic growth of the regions the Group operates in, stimulating the energy transition of its Customers and pursuing the ambition of becoming a responsible player in environmental protection.

In 2020, action started to substantiate the Group's commitment to energy transition, climate change and inclusion. The challenge consists in progressively evolving the business model putting sustainability at the core of key choices:

- The **range of green and sustainability-related products** was extended in cooperation with all the Group's product companies (Leasys, CaCIB, Amundi, …), Crédit Agricole Italia/**Leasys** stores in-store were opened for **long-term leases of electrical and hybrid vehicles**;
- The **Energy Policy** for optimal management of properties was formalized (**Green Life**, the Group Management Headquarters obtained the Leed Platinum certification);
- Policies for **responsible purchasing (ECO VadisGold certification on vendors**) were adopted and **policies for sustainability at the workplace** were implemented (dematerialization, waste sorting);
- The activities for the adoption of **ESG criteria in the scoring of corporations** continued, as did the activities for **carbon footprint measurement**, funds were earmarked for loans to businesses that stand out for green investments and circular economy performances, in synergy with the Group's project that involves all the entities of the Crédit Agricole Group;
- Distribution continued of **Amundi ESG-compliant** green products.

These initiatives went alongside **an important program for the transformation of the operational machine**, with the roll-out of a Digital Factory for the **revision of the Bank's processes with impacts on Customers**:

- Redesign of operational processes from a digital perspective, in order to transform account managers' operational time in commercial time for Customers;
- Industrialization/digitalization of lending processes to manage loans with an anticipatory approach;
- Omnichannel integration of services fostering **innovation and digitalization**.

In 2020, important initiatives were carried out, continuing the projects started in 2019:

- The **revision of the distribution model** continued pursuing potential-based geographical coverage, with fewer and larger Branches (~150 optimization actions completed since the start of the plan), equipped with advanced tools enabling automation of transactions;
- "Le Village by CA Parma" was opened (after the opening of Le Village by CA in Milan);
- **Support to the community** also through the Group's crowdfunding platform **CrowdforLife, with donations for over two million Euro made by the Group's entities and employees** during the Covid-19 emergency.

BUSINESS DEVELOPMENT LINES

In 2020, the Crédit Agricole Italia Banking Group strengthened its universal customer-focused banking model, with special attention to the needs of the community subsequent to the health emergency caused by the Covid-19 pandemic. The Group set up "crisis management cells" responsible for various scopes, which met several times a month to analyze the situation and give prompt and tangible responses. Having regard to the Retail segment, in order to stand by its Customers, the Bank operates along the following directions:

- Strengthening remote selling processes, with more services that Customers can use autonomously via home banking (full self) and making digital tools available to manage the relationships with the Bank remotely;
- Customer digitalization and online acquisition by streamlining and dematerializing the process for current account online opening, thus improving the user experience;
- New CRM tools to support contact in the best possible manner and keep close to Customers directly interacting with them via relational/service e-mails or SMS texts and responding to their needs and indications also through the instant feedback innovative tool;
- Initiatives to provide support to Customers with the roll-out of some actions designed for individuals (three months free of charge of the assistance service with videoconference medical consultation for Customers

already having or signing an insurance policy) and for merchants with zero merchant fee on small-amount payments. Furthermore, the Banking Group joined all the initiatives to provide support to households and businesses under the deployed legislative measures (moratoria, suspensions, liquidity loans).

Customer Base development

The Group carried out some initiatives aimed at enhancing its acquisition capacity and at reducing the loss of Customers by improving Customer satisfaction and fostering the generational bridge to younger heirs that are not yet its Customers. Furthermore, the Growth Service went live, a structure responsible for that scope within the Retail and Growth Department, implementing the coordinated approach to Customer acquisition and retention initiatives. Specifically, the activity drivers are:

- Supporting the Network in the activities aimed at Customer base growth, with resources assigned to this task within the Regional Departments (Acquisition Coordinators) and the Financial Advisors Channel;
- Developing Customer acquisition by strengthening the commercial offer and keeping a set bespoke products for the different stages in the life of Customers: School/University, Savings Plans (focus on the acquisition of affluent customers that are not borrowers), Decumulation/Generational bridge (focus on heirs);
- Extending operations to new markets.

Customer Satisfaction and Relational Excellence

The Group has set itself the objective of ranking among the top traditional Banks. Several initiatives went live aimed at improving Customers' user experience at all stages in their interaction with the Bank, irrespective of said interaction being through digital means, by phone or in person at Branches.

Furthermore, with the setting up, at the end of 2019, the Customer Satisfaction Business Unit, the Group intended to ensure full control on "Customer Satisfaction" pursuing the objective of ranking among the top Traditional Banks. The work of the Customer Satisfaction BU, which is carried out in synergy with the Commercial Network and with all the Bank's other structures (Regional Departments, Retail Banking Department, Marketing and Digital Department, Crédit Agricole Group Solutions, Organization Division, etc.), has aimed at constant improvement in Customers' user experience by increasing the number of contacts, with specific focus on Customers "that had been called less frequently". Another important element was the go-live of the instant feedback innovative tool, with digital surveys (e-mails and SMS texts) that are automatically generated upon specific contracts with Customers (so-called touch points) to get their immediate feedback.

To ensure wider and wider dissemination of the customer-focused approach, specific actions were deployed in order to increase Account Managers' knowledge and relational effectiveness, such as themed workshops addressing the most interesting sectors, in cooperation with CASA business lines.

Digital strategy and omnichannel mode integration

In order to appropriately meet the challenges that Banca is going to face in the next few years, the digital strategy was designed based on specific analyses of the digital market (*Osservatorio Finanziario Digitale*, Digital Finance, industry players such as Caffeina, Enhancers, Doing) whereby the quality of the provided services, the evolution of the Group's digital platforms and their usability can be compared to the market.

Besides the evolutionary actions already planned, the project was further accelerated by Covid-19 impact on how Customers can access banking services. Specifically, contingency processes went live for fully remote sales and with the possibility to obtain all banking products online.

The strategy is based on the following directions:

- Strengthening of digital acquisition through a campaign that started in July in partnership with the Mastercard network, with fully digital supply of products and payment product (Easyplus), which enables to make contact payments on the physical channel, e-commerce payments and already available to be uploaded in all the main mobile wallets. Since September the online supply to new customers has been carried out with the support given by a new vendor that manages end-to-end all the processes preliminary to the customer onboarding,

thus with much shorter time to account opening and consequent optimization of the lead conversion rate in terms of accounts actually opened;
- New platforms for individuals/small businesses aimed at extending the range of products/services that can be obtained via the web and mobile devices and at improving the customer experience. The Mobile App was released and, with it, Crédit Agricole Italia ranks among the most innovative players on the market. The App release was supported by a specific communication plan on different channels (social, the web and mobile devices). The new Home Banking login went live, with new graphic layout, technical architecture, new surfing mode and easier and faster access.

Customer Service evolution

Since 2019 the Customer Service project, which is part of the Group MTP, has been pursuing the development of the tools and the organization of marketing and communication activities, resources and other aspects in order to improve the performance in said scopes.

In 2020, the Customer Service succeeded in achieving higher and higher effectiveness of its relational approach to customers by phone and via the web and e-mail; it played an important role in managing Customers during the lockdown, despite difficult access to branches. In the health emergency period, the structure proved able to handle the strong increase in requests received (March – June 2020), not only in terms of listening and customer care, but also managing commercial needs from the web (mortgage loans and online opening of accounts) and renewals of MV liability insurance policies. The Customer Service evolution project, albeit slowed down by the pandemic, continued in accordance with the guidelines set out in the MTP, such as in-house monitoring and management of Social Networks and training for Specialists. Thanks to the increase in the personnel on staff provided for by the MTP, also Internet and Mobile Banking assistance activities will be partially brought back in house.

Mortgage loans

The Group kept its leading position thanks to a full range of products, proactive management of pricing to ensure visibility of its products in online shop-windows while focusing also on profitability and on control of all distribution channels.

The Group ensured support to its Customers in facing the economic impacts of the pandemic, participating in the initiatives for mortgage loan repayment suspension deployed by the Italian Banking System and further extending the range of eligible counterparties, besides ensuring full application of the moratoria on mortgage loans provided for by the legislative measures issued to handle the Covid-19 emergency (Euro 1.5 billion).

In 2020, business development and further improvement in customer satisfaction were pursued with the following drivers:
- Product innovation, in May a new “Crédit Agricole Mortgage Loan” promotion went live, giving borrowers the possibility to postpone payment of the first instalment by up to 12 months of contract signing, sending a message of closeness and support to Customers in a scenario of still ongoing uncertainty, immediately after the first phase of the pandemic. The promotion was supported by an important communication campaign;
- Process optimization, thanks to the centralization of all mortgage loan applications at the Mortgage Loan Unit, thus with more efficient loan application processing, besides the introduction of the so-called “unilateral deed” meaning that the mortgage loan contract can be signed before a notary by the borrower without a representative of the Bank being present;
- Support to energy transition, the range of green products was confirmed, whereby Customers that take out a mortgage loan to buy a property in energy classes A or B or to renovate their property by 2 energy classes or reducing emissions by at least 30% are rewarded with a lower interest rate.

Wealth Management

This segment started on a path to the development of “Wealth Management” advisory services, completing the multi-channel range of products. In H1 2020, the activities focused on providing the best possible support to Customers in facing the difficulties and uncertainties caused by the pandemic:
- Completion of the digital range of products and services, extending the web collaboration perimeter to funds and policies with first payment and after-sale services;

- Launch of new investment products and actions for liquidity conversion;
- Evolution in the Wealth Management 2.0 project, which started in 2019 and pursues improvement in the experience of high added value Customers (affluent and private banking customers) specializing the service model and progressively strengthening the relevant network, along with industrialization and digitalization of the service model for Mass Market Customers.

The “2020 Annual Product Plan” was prepared identifying new investment proposals that are consistent with the needs and behavioural assessment/profiling of Customers, such as:
- Development of the Group’s “thematic boutique” with Amundi;
- Restyling of the asset management range, evolution of the Target Maturity strategy with the placement of META funds (100% bonds, with coupons), which meet the market demand for lower exposure to equity risk;
- Actions to drive the conversion into asset under management through Dollar-cost averaging (DCA) Plans;
- CA Smart Advisory, the new Asset Management Service, went live on the entire Network in July and can be obtained also online, in order to extend the Customer base with WM products including Customers with low-net worth and digitally savvy young people.

Small Business

Activities were strongly impacted by the negative effects of the Covid-19 pandemic, with a material reduction in the business activities of firms in many economic sectors. In that scenario, the Crédit Agricole Italia Group provided support to its Customers, participating in all the initiatives deployed by the Italian Government. At the same time, planned organizational/project initiatives were carried out, as were initiatives for segment development, such as:
- Rearrangement of the Small Business portfolio transferring 33,000 Customers with growth potential to Small Business Centers, in order for them to be managed in accordance with their specific needs;
- Go-live of the Special Network segment, in order to ensure specialist management focusing on those Customers that show credit problems;
- Go-live of Atoka, a marketing intelligence tool whereby qualitative and quantitative information on all Italian firms can be obtained;
- Development of the Agri-Food segment, both with specific initiatives designed for high-potential firms and with the digitalization of the agricultural supply chain thanks to the specific App (Agriadvisor);
- Support provided to Firms that stand out for Green and Circular Economy investments with projects targeting environmental sustainability, through funds earmarked for this purpose;
- Development of the E-money segment, rolling out the “SmartPOS” new range of products, consisting of advanced terminals that enable merchants to accept a wider range of electronic payments and to improve the management of their business (new value-added services, such as electronic invoicing, integrated cash register). The promotion consisting of no charge for micro-payments and the development of the facility for advances on POS payment transaction amounts went live.

Development of synergies between business lines

- Bancassurance: in 2020 the omnichannel model was completed (the first bank in Italy), whereby Customers can underwrite insurance policies through all the available channels. Furthermore, the new Health product was launched and the Cash Back promotion went live (10% Cash Back for all Customers renewing a MV liability insurance policy with no claims in the last two years).
- Consumer Credit: consumer credit continues to play a key role among the Group’s development axes, through the partnership with AGOS. The main action lines followed in 2020 concerned the following scopes:
  - Streamlining and enrichment of the range of products and services: the product range was made simpler, more complete and better fit to meet the Customers’ needs, thanks to the introduction of new flexibilities, such as the option to start loan repayment after a few months, and the option to pay the MV liability insurance premium in instalments;
  - Optimization of the contact plan for the Network, with the support of advanced campaigns driven by the Customers’ behaviours and needs, also identifying more specific clusters;
  - Campaign to promote Green mobility, to incentivize and reward sustainable choices made by our Customers, alongside the State incentives for restart after the pandemic;;

  - Evolution of the selling process: a remote sales portal was made available to Account Managers and to the Customer Service, to manage Customers' requests during the lockdown and in the periods when access to Branches was difficult.
- The first pilot project of the Crédit Agricole Italia-Leasys co-marketing initiative, integrating the Leasys Mobility Store concept in the Crédit Agricole Italia Network, which are physical places where Customers can discover and obtain all the innovative mobility services provided by Leasys.

PRIVATE BANKING DISTRIBUTION CHANNEL

In 2020, the Private Banking structure of Crédit Agricole Italia proved again a key partner standing by its Customers in protecting and effectively managing personal and company assets; it constantly invested on **fundamental drivers, such as Customer satisfaction, the professional development of its personnel and the evolution of the service model.**

In H1, because of the global health emergency, **special focus was put on the reorganization of business processes** in order to enable both the distribution network and Customers to continue normal daily operations, keeping travelling and commuting at a minimum.

Consistently with the technological evolution that is one of the strategic axes of the business plan, the Private Banking structure **accelerated the implementation and use of digital tools** in order to enable Customers to interact with the Bank in an omnichannel mode.

Some of the most important achievements were the **evolution of remote provision of advisory services (so-called web collaboration)** and the implementation of a **digital process, fully paperless and with high operational efficiency, which is one of the features of the Off-premises distribution model** designed for the Customers of the Private Banking and Financial Advisors channels.

The new process, intended for promoting and placing financial products and services, went live at the end of 2020, after **appropriate training had been provided to the entire network of Private Bankers and Financial Advisors.**

Digital innovation within the Private Banking Channel moved forward thanks to two key drivers:
1. **Improvement in the Customer Journey and User Experience** streamlining interaction with Private Bankers for advisory services and making it more user-friendly
2. **Enhancing the efficiency of Private Bankers' activities,** in order for them to dedicate more time to advisory services and commercial development.

The Private Banking structure can rely on a **complete range of products and services, built with an open architecture approach**. The approach to wealth management is based on understanding the needs, objectives, risk appetite and behavioural profile of each Customer, in order to propose bespoke and consistent solutions, constantly monitoring the overall portfolio risk.

The range of products and services includes asset management, UCITS, insurance products, transaction services, advanced financial advisory services **(Valore Plus Solution)** and support in non-financial matters (e.g. legal and tax matters relating to wealth planning needs)

The range also comprises short and medium/long-term credit facilities designed specifically for Private Banking Customers.

In 2020, the main developments in the offered products and services were:

- Bespoke collective investment schemes issued in cooperation with Amundi SGR and Pramerica SGR **(Amundi Private Global Infrastructure 2024, Amundi Private Human Trend 2024, Pramerica Flexible Trilogy),** focusing on **specific investment themes** (e.g. megatrend, ESG);
- Bespoke issues of **CACIB Certificates**, with different types of structure and underlying assets;
- Placing of an AIF that invests in corporate bonds with a long-term time horizon **(Amundi ELTIF Leveraged Loans Europe);**

- **Extension of the Asset Management range,** thanks to the new partnership with Soprarno SGR;
- **Evolution in the Private Insurance range** extending the management lines and the range of partner insurers;
- Enablement of Private Bankers to distribute **non-life insurance policies**, in accordance with an omnichannel model;
- Go-live of a **cooperation project with Indosuez Wealth Management (so-called "Aliante Project")** aimed at optimizing the synergies within the Crédit Agricole Group, in order to improve its positioning in the Italian wealth management market, strengthening the commercial interaction between the two entities and extending the range of investment products and services that can be proposed to Customers.

Other significant initiatives in the year concerned:
- Recruiting, which was intensified in H2 2020, in order to strengthen the resources assigned to the main strategic marketplaces;
- Provision of **technical-specialist and regulatory training** to the entire Private Banking distribution network, up to the best market standards;
- **Constant synergy with the Corporate Banking structure**, also through the cooperation in the **Champions 2020** initiative focusing on top performing Italian SMEs;
- **Increasing trend shown by the DOXA survey on the satisfaction of Private Banking Customers**, thanks to the relational excellence and contact proactivity Account Managers were acknowledged for;
- **Restyling of the CRM platform (Nowdesk)** used by private bankers **to plan their commercial activities**;
- **Organization of events for Customers,** made compliant with the safety measures in force at the relevant time (e.g. Festival Verdi, Inter football matches, Champions roadshow, opening of Le Village by CA in Parma..);
- **Intensified Communication activities**, in terms of both internal communication through Skype-calls with the network and through digital workshops and seminars, in cooperation with **Advisory Private and the leading international Asset Managers**; and in terms of external communication with relational DEMs and monthly newsletters with financial contents sent to Customers.

CORPORATE BANKING DISTRIBUTION CHANNEL

In 2020, a year featuring material challenges given the economic scenario, the Corporate Banking structure pulled its weight putting its Customers' needs at the centre and being constantly close to them, thanks to remote interaction tools,, and providing tangible support with loans meeting business needs, in order to strengthen its partnership with Customers in the medium and long term.

In the reporting year, the Corporate Banking structure extended its range of products and services implementing new digital solutions and enhancing its business through several initiatives and actions, such as:
- Going live with a Supply Chain approach, whereby the needs of the Customer's entire business chain are met, thus strengthening the connection between large corporations and their SME vendors, fostering full-range and integrated management of the entire value chain;
- Partnership with FinDynamic: to go live on the market with the first ever Supply Chain Finance integrated platform specifically designed for supply chains, thanks to which the customer-vendor relationship is strengthened and virtuous growth is fostered through a certified financial affordability program for the entire industry;
- Cooperation with Le Village by CA: the two innovation hubs in Milan and Parma support the growth of startups and of the network of local businesses that are strong in innovation;
- Support provided to enterprises: with new loans guaranteed by the Central Guarantee Fund, the "Garanzia Italia" agreement with SACE and with arrangements for suspension and postponement of loan repayments;
- Constant focus on Customers and on Customer Experience in order to increase the Group promotion thanks to a proactive relationship and to the distinctive features of the Crédit Agricole Group;
- Funds earmarked for green loans: one hundred million Euro intended to support the development of firms that care for the environment and itd future;
- The use of instruments and agreements with financial institutions in order to develop products and to foster 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 "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 organization of specific initiatives held remotely for the communities (e.g. "Coffee with Enterprises", internationalization workshops, Supply Chain Finance workshops), which involve Customers for their retention and exchange on interesting topics, such as the management of financial risks, internationalization, leasing, liquidity management solutions and generational turnover;
- Support to exports and internationalization, with specialist advisory services through the Specialists Network and the International Desk to assist foreign companies in Italy and through business agreements relying on the international operations of the Crédit Agricole Group, in the services provided to Italian companies that want to become international players;
- "ITACA (**ITA**lian **C**orporate **A**mbition)", an initiative focusing on an integrated range of products and services for the Mid-Corporate segment, also through the promotion of Investment Banking products and the development of synergies within the International Group in Italy and worldwide.

THE WORKFORCE

The health emergency strongly impacted and affected the policies for human resources management of our Group. Specific processes and protocols were designed in order to ensure that the core business operations of the Commercial Network and of the Central Departments continued in an effective manner and to provide constant support to Employees and Customers.

A process was set up for daily tracking, monitoring and reporting of Covid-19 cases and quarantines, also in order to ensure prompt communication with local NHS Agencies. From the pandemic outbreak to the end of the year, the Covid-19 cases among the Group's personnel were a total of 418 (of whom 94 employees still on sick leave as at 31 December) and 1,246 employees were quarantined (of whom 51 still in quarantine as at 31 December).

Full sanitization was carried out of all the Bank's premises and rooms where infected or quarantined employees worked or where Customers positive to Covid-19 had been, in order to ensure people's safety and a healthy work environment. In total, over 500 sanitization actions were carried out at the Group's premises.

Furthermore, working from home was encouraged and the Smart Working perimeter was significantly extended from 1,343 to 7,723 employees. To provide further support, the '"Easy Learning" system (system for online training) was renewed and extensively used. Specifically, during the first phase of the pandemic, the e-learning hours were approximately 7 times as many as in the same period of the previous year.

Campaigns were carried out for antibody testing, free of charge, of all employees in complex sites. For all other employees agreements were signed (again for free-of-charge testing) with UniSalute. As at the end of year, over 5,500 antibody tests and more than 450 swab tests had been performed.

The people that the Occupational Physician assessed as «vulnerable» and those with already certified medical conditions were immediately instructed to work from home and given all the Smart Working tools. In September, some of these employees, at their request, started to be gradually brought back to work on site. Later, the process to bring back employees at the Bank's premises was slowed down because of the second phase of the pandemic.

Furthermore, a work group was set up for constant and continuous exchange and interaction with the trade unions, to which all organizational, management and prevention measures deployed to address the health emergency were explained, leading to the signing of specific agreements with the trade unions (specifically concerning the Ordinary benefits of the Industry Solidarity Fund, the extension of Smart Working" and Easy Learning, the setting up of the «Liquidity Decree» task force).

In general, industrial relations featured an essentially positive climate, oriented to cooperation between the Parties, thus with the signing of other important agreements on company bonuses, on electronic meal vouchers (with adjustment of their value), on training financing, on the extension of the second level bargaining agreement in force at the Banking Group.

Despite the pandemic, the activities continued for the implementation of the Medium-Term Plan (MTP) to 2022, which is based on 3 pillars, with one pillar specifically dedicated to People ("People Project"). That pillar provides for material actions to invest in people's training and growth, to attract and enhance new talents, external and internal, to develop digitalization, to disseminate compliance and risk management culture, to continue to innovate and optimize the branch model.

Specifically, the "People Project" has three objectives: a) managerial transformation by developing entrepreneurship and individual and collective responsibility to ensure excellence in the service to Customers; b) organizational transformation by streamlining and digitalizing the operating model, and the adoption of more and more flexible and collaborative approach to work; c) the social covenant strengthening through initiatives that foster the establishment of a distinctive culture based also on the value of sustainability, inclusion, wellbeing and respect.

The aforementioned objectives have been substantiated into actions involving all employees, in terms of development of individual responsibility and of trust and autonomy levels, and managers, in their role as facilitators of change, as well as the corporate organization as a whole, making it simpler and better fit to meet the needs and expectations of people and customers.

In terms of number, resources on the employee ledger as at 31 December 2020 were 9,740, who are broken down by entity here below:

RESOURCES ON THE EMPLOYEE LEDGER	31.12.2020
Crédit Agricole Italia	7,679
Crédit Agricole FriulAdria	1,391
Crédit Agricole Group Solutions	614
Crédit Agricole Leasing Italia	56
Total Resources of the CA Italia Banking Group	**9,740**

In the reporting year, at the Group level, net of contracts transferred/acquired, 311 resources were recruited vs. the exit of 325 resources.

Newly recruited resources were for the **Financial Advisors channel** (39 new entries), **Distribution network personnel** (206 new entries in the Retail, Private and Corporate Banking structures) and **specialist profiles** at Central Departments (for instance in the IT sector).

Personnel consists by **98.21%** of employees with permanent employment contracts, while, in terms of gender, women account for **50.2%** of total resources.

The Group operates in 11 Regions of Italy, with Crédit Agricole Italia being deeply rooted in the Emilia-Romagna and Liguria Regions and Crédit Agricole FriulAdria in the Friuli Venezia Giulia Region; **54.04%** of the Group personnel works in these three Regions.

The employees' average age is **47 years and 4 months** (breaking down by category in years point months – Senior Managers **50** – Junior Managers **53** – Professional Areas **44**), whereas the average seniority came to **19 years and 11 month** (breaking down by category in years point months– Senior Managers **15** – Junior Managers **22** – Professional Areas **18**).

Consistently with the Medium Term Plan and with the strong focus of the Group on the "People Project", high investments were made in training of resources at all levels within the Group and remote learning was extended also through the Digital Academy. Indeed, over **74 thousand man-days** worth of training were provided involving **98.3%** of the personnel, thus substantiating that training, provided through different channels, is one of the key drivers for the Group development. Specifically, several managerial training initiatives were organized on effectiveness in people management and development and on remote work and individual coaching schemes were strengthened.

As regards the actions aimed at the growth and enhancement of people, initiatives continued in order to ensure crosswise and interfunctional development of the Bank's young talents.

Moreover, again at Group level, the second step was completed in the project for surveying the skills of all Personnel (Alisei). In the reporting year, some internal communication initiatives were carried out aimed at fostering open and direct dialogue, as well as at promoting awareness and change.

As in the last few years, also in 2020, the **Crédit Agricole Italia Group** was certified as a **Top Employers** company. The annual survey, which is carried out by the Top Employers Institute, certifies the best firms in the world as regards HR: those that offer excellent work conditions, that train and develop talents at all corporate levels and that make constant efforts to improve and optimize their Best Practices in the field of Human Resources. Furthermore, within the many welfare and wellbeing initiatives, the **Family Audit** certification was achieved regarding work-life balance.

Lastly, the Group proved again its commitment to **Diversity and Inclusion** with several initiatives that had their their acme in November, with the promotion and launch of the “Month of inclusion”.

Remuneration Policies

The guidelines and directions for the Group remuneration policy are set by the Parent Company Crédit Agricole in order to ensure harmonized and consistent management at a global level; said guidelines and directions are then adopted by the Crédit Agricole Italia Banking Group, which adjusts them to its own reference scope, also in compliance with the Italian applicable legislation, and submits them to the Board of Directors of each Entity (for Crédit Agricole Italia on 20 March 2020) and, then, to the single General Meetings of Shareholders of the Banks of the Group for final approval (for Crédit Agricole Italia on 28 April 2020).

The remuneration policies of the Crédit Agricole Italia Banking Group have been designed to create value and to pursue sustainable growth; they aim at attracting, motivating and retaining personnel, as the Group believes that a culture based on merit, fairness, competitiveness and abidance by the rules is a pillar and a driver of a positive sense of identity, which is essential for medium and long term prosperity. The remuneration policies are different in accordance with the reference target personnel, 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:

- **Acknowledgement of merit,** appropriately rewarding personal contributions expressed as performances, behaviours and enacted values. Individual contributions are measured in several ways and at several levels, through assessment processes that are structured also in order to ensure fairness – internal and external – of treatment. The remuneration policies also aim at acknowledging and rewarding team work and sense of belonging. Merit-based and fair remuneration policies also ensure good attraction and retention levels. Specifically, the remuneration fixed component increases through merit-based initiatives, closely in accordance with the responsibility level managed or achieved, to the ability to consistently replicate the achieved performances (performance stability) and to the development of distinctive skills. Merit-based initiatives are promotions (the person is given a higher position) and increases in remuneration, which may regard the fixed or the variable component (the latter is linked to profitability indicators, appropriately adjusted for risk, as well as to the set capital and liquidity gates), or both;
- **Focus on risk and compliance with the legislation,** consistently with the Group’s Risk Appetite Framework (RAF) and risk governance and management policies, setting the preliminary conditions for access to incentive systems and determining conditions and limits, in order for the total amount of remuneration variable components does not decrease capitalization levels and is appropriate for the risks taken. The remuneration policy has been designed in order to foster full compliance with all applicable legislation and regulations and with the Articles of Association, the Code of Ethics and the Code of Conduct. It must take all due account of the cost and level of capital and liquidity needed to handle the undertaken activities and must be structured in order to prevent any incentives conflicting with the entity’s interest, from a long-term perspective; in general, the Group’s remuneration policies have been designed to prevent its personnel’s performances from being assessed with methods that are incompatible with the duty to act in the best interest of Customers; furthermore, they are informed with the principles of fairness in relations with Customers, of mitigation of legal and reputational risks, of protection and retention of Customers. Specifically, the Group does not implement any provisions or arrangements that may incentivize its personnel to recommend any financial instrument to Retail Customers, if the investment firm can offer a different instrument that is more suitable for the Customer’s needs or to distribute products that are not adequate to the Customers’ financial needs;
- **Affordability of the remuneration and incentive systems,** setting a relationship between labour cost and performances expected and achieved, in order for that relationship to ensure essential “self-funding” of the variable remuneration systems, affordability and income and financial equilibrium in the short, medium and long term, as well as to be consistent with the relevant market practices;
- **Competitiveness** through constant reference to market standards, also with the support of tools designed to analyse and measure work positions by specialized companies providing reference benchmarks for each

type of position, company size and market, in order to attract and retain the best managerial and professional resources in the market.

The remuneration policies of the Crédit Agricole Italia Banking Group for 2020, which were prepared in agreement with the Parent Company Crédit Agricole S.A., are compliant with the regulatory provisions contained in the 25th update of Bank of Italy Circular no. 285/2013, published on 23 October 2018. More specifically, the Group's Remuneration Policies have implemented all regulatory aspects, including those concerning: the obligations lying with "Identified Staff", the definition of "Top Staff", payout and paymix rules, the variable remuneration structure, the need to strengthen the link between the Risk Appetite Framework ("R.A.F.") and the incentive systems, the provisions regarding golden parachutes, non-competition agreements and agreements for prior notice extension, the malus and clawback clauses and the self-assessment process to determine the "identified staff"..

In 2020, the Supervisory Authorities issued some communications recommending financial institutions to be especially careful with their remuneration policies and most of all with any impact that said policies may have on keeping a sound capital base: like for dividend distribution polices, also the policy on variable remuneration may indeed have a negative impact, also a material one, on the capital base. The Supervisory Authorities specifically maintain that credit institutions must adopt a prudent and forward-looking stance in deciding on their remuneration policies.

Those recommendations, along with the new regulatory developments that will probably be issued on the deferral of the remuneration variable portion, on the determination of identified staff, on credit risk management, on sustainability and gender neutrality, are going to be assessed and, where appropriate, implemented in the Remuneration Policies in the next few years.

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 and Climate Survey

The Internal Customer Satisfaction (ICS) process has been in force for several years now and, since 2018, it has been carried out in cooperation with Doxa, as the one for the Customer Recommendation Index (CRI).

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

The process key targets are:
- To increase the Group's ability to generate effective team work between its various structures;
- 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 better flowing and more efficient.

Since 2019, the survey, which was previously addressed to Function Holders only, has been extended to all Personnel on staff at Central Departments of the participating structures, in order to:
- Provide colleagues with yet another opportunity to voice their opinion;
- Make assessment even more objective;
- Build a strong assessment culture in the Firm.

The survey results have both an absolute and a relative value, as a measurement, in following surveys, of the improvement/worsening rate of internal customer satisfaction.

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

Again in 2020, the Crédit Agricole Italia Banking Group participated in the Index of Engagement and Recommendation (IER) climate survey, which involves all the entities of the Crédit Agricole Group, started in 2016 and was adopted in Italy in 2017.

The 2020 survey, in which 86% of the Crédit Agricole Italia Banking Group's personnel took part, reported an overall increase in the personnel's engagement. Very significant are the results about how much the personnel shares the strategy and the Medium Term Plan, the knowledge of the Group's Code of Ethics and the values of focus on, responsibility to and solidarity with Customers, as well as the assessment of the managers the respondents report directly to. The perceived respect for diversity also increased.

FINANCE

The directions followed by the Crédit Agricole Italia Banking Group concerning financial balances and management rest on three main guidelines:

- The management of interest rate risk;
- The management of liquidity risk;
- Capital management.

In accordance with the policies set by Crédit Agricole S.A., the Crédit Agricole Italia Banking Group, through the Finance Department, adopted a model to determine the "cumulative gap", measured using different metrics for the various financial statement items.

Consistently with the past, the governance of interest rate risk aimed at conservative asset-liability management by hedging the Group's cumulative exposure by Bank.

As regards liquidity, the implemented refinancing strategies continued to pursue source diversification, with alternative funding sources found in the Covered Bonds market, access to EIB funds and to targeted longer-term refinancing operations (TLTRO-III)..

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

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

As regards Targeted Longer-Term Refinancing Operations,(TLTRO), between March and September 2020, the Parent Company Crédit Agricole Italia participated in TLTRO-III.

In terms of capital management, in 2020 no issues of AT1 and Tier 2 subordinated instruments had to be carried out.

Lastly, in H2 2020, Crédit Agricole Italia made three issues of Non Preferred Senior bonds for total of Euro 410 million (two issues for Euro 110 million each, with 6-year maturity, in July and in October, and an issue for Euro 190 million, with 5-year maturity in December), fully subscribed by CASA, after the bonds for Euro 440 million issued in December 2019.

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

Benchmark Rate Reform

On 2 October 2019, the Euro short-term rate (€STR) went live. In Europe, this new benchmark rate is going to fully replace EONIA at the beginning of 2022. This is the outcome of considerations made worldwide starting in 2013.

Crédit Agricole S.A. launched the Benchmarks Project, implemented also in the Crédit Agricole Italia Banking Group, to coordinate the benchmark transition at all levels in the Group and to ensure compliance with the Benchmarks Regulation (BMR, Regulation,(EU) 2016/1011).

The Project provides for specific working groups tasked with identifying and analyzing the impacts generated by the Benchmark Rate Reform; specifically, exposures and contracts linked to benchmark indices that may or will be replaced were mapped.

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

For more exhaustive information, please see Part A – Accounting Policies of the Note to the Financial Statements.

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

RISK MANAGEMENT

Objectives and policies on risk taking, management and hedging

1.1 SUMMARY OF THE SYSTEM, PERIMETER AND ROLES

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

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

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

The perimeter of detected, 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 (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 departments engaged in control functions, i.e. control function holders (Internal Audit, Compliance, Risk Management and Permanent Controls), as well as the internal control system as a whole, in accordance with the procedures implemented by Crédit Agricole at Group level; it examines and approves risk management guidelines, expresses opinions on the specific Risk Policies submitted to the Board of Directors for approval and resolves on any proposals made by the operational working groups, which all matters that are specific to the different risks are referred to;

In accordance with their respective responsibilities, the 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;
- Orientation towards a low risk profile on all main financial risks, with specific focus on limiting the exposure to market risk;
- Strict oversight on exposure to operational risk;
- Orientation towards a low Information Technology (IT) risk profile;
- A system of controls aimed at mitigating noncompliance risk (identified and monitored); accurate measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities.
- Careful mapping of all material or emerging risks that may generate impacts on the Group.

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.

During the health crisis caused by the Covid-19 pandemic, the Crédit Agricole Italia Banking Group monitored some RAF and Risk Strategy indicators more frequently with "ad hoc" reporting to the Controlling Company Crédit Agricole SA in order to promptly detect any worsening in the key indicators for the Group.

Moreover, the Group's risk appetite is also expressed by controlling qualitative risks, inherent in 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 2020, the set of documents regarding the Group's Risk Appetite Framework was updated; specifically, in terms of Governance, the following items were revised:

- The RAF Policy, which defines the RAF scope of application, the process to determine and monitor the thresholds, in order to ensure consistency between the Group's operations, complexity and sizes;
- The Policy on Material Transactions ("Operazioni di Maggior Rilievo", 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 and the map of material risks. This document also reports the quantitative ratios/indicators expressing the main risks the Group is exposed to, along with exhaustive description of the logic behind the determination of RAF thresholds and limits. For qualitative risks, the document sets forth the control processes and mitigation tools implemented by the Group.

In 2020, the Crédit Agricole Italia Banking Group carried out the usual process for the identification of material risks, in accordance with the layout received from the Controlling Company Crédit Agricole SA, and consistently with information given in the ICAAP document and in the Internal Control Annual Report (ICAR or with the Italian acronym RACI); 14 material risks were identified, falling into the credit risk, financial risks, strategic risk, operational risks and noncompliance risks macro-categories. Lastly, the Crédit Agricole Italia Banking Group and Agricole SA have always paid close attention to climate and environmental issues and, since 2020, climate risk, in its sub-categories of physical risk and energy transition, has been included in the Group's Risk Map.

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

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

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

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

In 2020, the Risk Appetite Framework continued to be strengthened as done in previous years, with the inclusion of indicators regarding Compliance and Information Technology (IT) and of specific alert thresholds for their monitoring.

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 systematically monitored, 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 and 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.

Given the impact of the crisis caused by the Covid-19 pandemic, in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis – also with new review processes supplementing ordinary ones – in order to guide the implementation of the appropriate management actions consistently with the situation of the single positions. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends, with an anticipation logic acting before the expiry of the relief measure.

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 prevent the business relationship from continuing in a performing status, to classify the position in the most appropriate category 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., whose rules and processes are exhaustively reported within the internal normative framework

Having specific regard to the acquisition and management of guarantees, the focus in on monitoring rules and procedures, on the fact that requirements laid down by the industry legislation continued to be met (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 exposures coming from the subsidiary Crédit Agricole Carispezia, which was merged by absorption into Crédit Agricole Italia in 2019, are still being rated with the standardized approach, pending the new validation of the AIRB models for the Retail Portfolio by the ECB, whose audit started in Q1 2021.

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 and Crédit Agricole Leasing Italia).

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

- Lending policies – the set lending policies govern the procedures through which the Banks and the Companies of the Crédit Agricole Italia Banking Group authorize loans and manage credit risk;
- Loan authorization: creditworthiness assessment upon the first authorization and upon review of/change in credit lines, as well as for determination of decision-making powers in terms of loan authorization;
- Loan monitoring – the use of the performance-measuring PD, combined with other variables, for performance monitoring, in order to detect and 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) and the Loss Given Default (LGD) is to be estimated taking into account also a downturn in the business cycle (downturn LGD);
- Bank reporting – the use of the risk measures produced by the Bank’s reporting model.

Said 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 2020, the hedging of interest rate risk continued using derivatives, namely Interest Rate Swaps. Hedged items were mainly fixed-rate securities recognized as assets (micro-hedging), the issued Covered Bonds and interest rate gaps detected by the internal model (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 almost entirely of Italian Government Securities with modest average duration, for amounts that have been set down by the Risk Committee of the CASA Group and approved by the Boards of Directors of the Parent Company and of its Subsidiaries. The securities that have been classified as HTCS have been hedged against interest rate risk.

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

The limits to the price risk of the 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 each Bank of the Group.

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

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

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

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

Liquidity risk

For Banks, liquidity risk, both short-term and medium-/long-term, is the risk of not being able to promptly meet their payment commitments, 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 commitments, minimizing the relevant costs.

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

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

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

Position (PRS) and of the Net Stable Funding Ratio (CRS) substantiate the Group's ability to support its assets during a crisis and, by monitoring the medium-/long-term due register, a balance can be kept between the maturities of resources and long-term uses.

As at 31 December 2020, the Group Liquidity Coverage Ratio (LCR) was 242%, once again firmly above the set compliance requirements. It is pointed out that, since 1 January 2018, the minimum requirement, on an individual basis, is 100%.

Market risk of the Trading Book;

Market risk results from the exposures on the Supervisory Trading Book. The entities of the Crédit Agricole Italia Banking Group do not typically engage in proprietary trading on financial markets and, therefore, the trading book mainly comprises residual positions from placing and trading financial Instruments on behalf of third parties. This is the reason why trading activities are to be deemed instrumental to and aimed at meeting customers' requirements.

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

The sale of derivative products to ordinary Customers by the banking entities of Group outside regulated markets (i.e. the sale of OTC derivatives) is made through a specialist team and for the only purpose of meeting Customers' operational requirements. Intermediated derivatives are hedged with back-to-back mirror transactions, in order to immunize position risk Furthermore, ISDA netting agreements with the relevant Credit Support Annexes (CSA) are signed for the exchange of collateral with the Financial Institutions the Group mainly operates with, in order to mitigate its exposure to counterparty risk.

Since 2017, the main counterparty of all new transactions has been CACIB, a financial company belonging to the Crédit Agricole Group.

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

Operational Risks

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

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 the overall management framework 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, in order be at all times fully aware of the risk issues associated with the different corporate processes, specialist control roles operate both within the Risk Management and Permanent Controls Department and within the structures engaged in operational functions and specifically:

- 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 operating corporate structures and for coordinating the implementation of permanent controls;
- Control by the Risk Management and Permanent Controls Department on Critical or Important Functions;
- PRSI (*Pilote des Risques SI*), person in charge, within the Risk Management and Permanent Controls Department, of monitoring and control of IT risks on the Information System, on Physical security and on the Business Continuity Plan (BCP);
- 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;

Risk control is also ensured through arrangements and tools designed for appropriate monitoring and 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 said meetings, together with the coordination structures Branches report to (Regional Departments), the problems detected are analyzed and an action plan for improvement is prepared.
- The Interfunctional Unit for Critical and Important Functions (CIF or with the Italian acronym FEI), having the task of monitoring and making decisions on any problems regarding the outsourcing of functions that are defined as "critical or important" in accordance with the applicable Supervisory rules;

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

Lastly, special controls are triggered where the outsourced activities can be defined as "critical/important functions" (CIF or with the Italian acronym FEI), 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, transposes the applicable Supervisory provisions and organically defines the system of required controls.

RISKS AND UNCERTAINTIES

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

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

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

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

In 2020, the monetary policy implemented by the European Central Bank and the measures deployed by the Italian Government to foster lending to the categories that were the hardest hit by the pandemic were able to mitigate the potential worsening in liquidity conditions.

The policies for risk monitoring, management and mitigation, with specific regard to credit risk, continue to be key pillars for Banks in domestic and international markets.

The Crédit Agricole Banking Group constantly monitors the quality of the loan portfolio, in terms of the portfolio as a whole, analyzing its composition in accordance with specific risk measurement parameters (internal rating system, early warning indicators, other performance-monitoring indicators), as well as in terms of single positions, designing and applying the operational processes and procedures that regulate all steps in the management of the single lending accounts, in order to ensure preventive management of any default risks. Given the impact of the crisis caused by the Covid-19 pandemic, in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis – also with new review processes supplementing ordinary ones.

The development in loans to Customers was achieved while constantly focusing on credit quality.

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

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

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

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

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

3. INTERNAL CONTROL SYSTEM

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

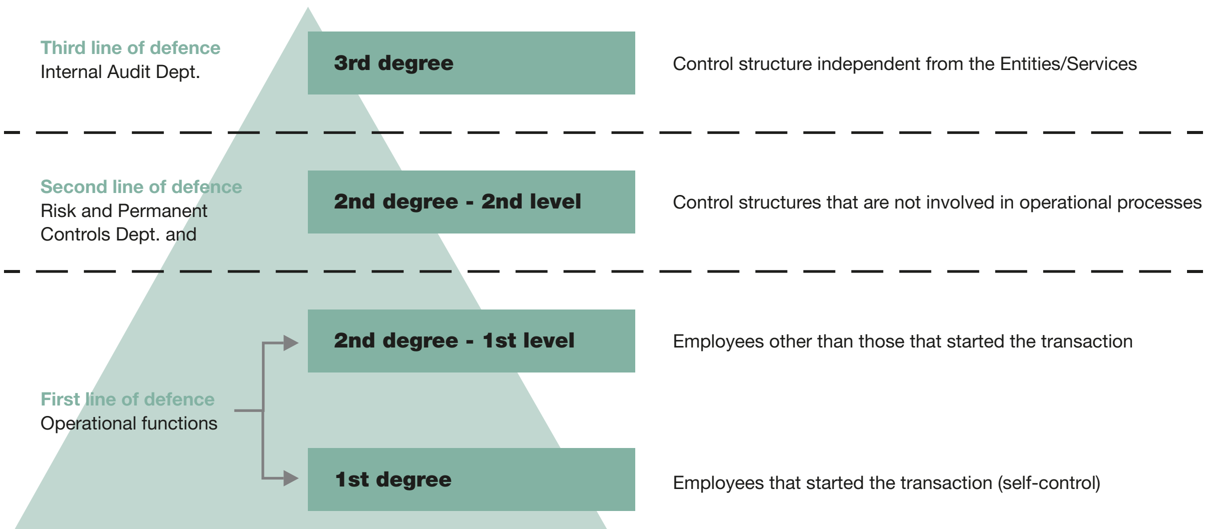
- Constant control of risks;
- Adequacy of the control activities to its organizational structure;
- Ensuring reliability, accuracy and promptness of reporting.

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

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

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

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



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

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

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

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

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

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

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

INTERNAL AUDIT

The Internal Audit Department is independent from any and operational, executive and decision-making structures or roles that entail risk-taking.

The Head of the Internal Audit Department (Chief Audit Executive CAE) reports on a solid line to the Bank's Board of Directors, whereas the Internal Audit Department (*Inspection Générale Groupe*) of the Parent Company Crédit Agricole S.A. is tasked with the oversight and coordination of Internal Audit activities. The Chief Executive Officer ensures management oversight and actual availability of the operational levers and of the appropriate financial and human resources for the Department's effective operation.

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

The Internal Audit Department

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

OTHER INFORMATION

NPE DISPOSAL

In 2020, several transactions for NPE disposal were carried out for a total gross book value (GBV) of Euro 504 million, of which Euro 461 million in bad loans and Euro 43 million in UTP.

Specifically, in Q4 2020 the main transactions were finalized concerning bad loans, with the disposal of a portfolio worth approximately Euro 246 Mln to the special-purpose entity GAIA SPV SRL and one worth Euro 172 Mln to IFIS NPL SPA. Those transactions were part of the disposal plan set out in the Group's NPE strategy and fully met the set objectives. The gross NPE ratio came to 5.85% (vs. 7.13% in December 20219) and the net NPE ratio to 2.96% (vs. 3.53% in December 2019).

PROPERTY DISPOSAL

Along with the progressive growth in size of the Crédit Agricole Italia Banking Group, its portfolio of owned properties increased; given this situation, the Group started, within the implementation of its business plan, a project for the optimization of its property portfolio aimed at monitoring the target market developments and at reducing the costs for the management of that portfolio, both by leasing out properties and by selectively selling them in case of opportunities to get good value from the assets and to decrease capital absorption.

The real estate market in Milan has long been the most active and strong in Italy, driven by structural or, however, long-term factors, as well as by massive urban regeneration actions. Milan has been continuing to attract institutional investors, operating in the main European markets and interested mainly in so-called prime properties.

Given this background, in June 2020 Crédit Agricole Italia finalized the transaction for the sale and leaseback of the owned building located in Milan, on Via Armorari to Allianz Real Estate. The buyer was selected after a competitive procedure, which started in January 2020, and after an appropriate due diligence phase.

This transaction achieved the purpose of seizing the favourable period in the real estate market, while divesting an important asset of the Group. More specifically, it was a sale-leaseback transaction, whereby, concomitantly with the transfer of the property ownership, a lease contract was signed for the entire building, which, therefore, will remain one of the most important premises of Crédit Agricole Italia in Milan.

In accordance with IFRS 16, the sale for a consideration of Euro 140 million resulted in a gross capital gains of approximately Euro 65 million, which were recognized in the income statement under item "280. Gains and losses on disposals of investments".

Again with the scope of the project for optimization of the real estate portfolio, in 2020 Crédit Agricole Italia finalized the transactions for the sale of other properties.

As at 31 December 2020, the Non-current Assets Held for Sale and Discontinued Operations category, in accordance with IFRS 5, included non-current assets for Euro 5.2 million consisting of a property for the sale of which a preliminary agreement was signed.

In 2019, the Group started to implement a plan for the reorganization of the central premises also of Crédit Agricole FriulAdria, aimed at rationalizing the use of the buildings and at facilitating any opportunity to generate value from owned properties. Within such plan, in H1 2020 Crédit Agricole FriulAdria finalized the sale of a building located in Pordenone, generating a gross capital gain of Euro 1.3 million, which was recognized in the Income Statement under item "280. Gains and losses on disposals of investments".

ISSUE OF SENIOR NON-PREFERRED BONDS

In 2020, Crédit Agricole Italia issued Senior Non-Preferred Bonds for approximately Euro 411 million, which were subscribed by Crédit Agricole S.A..

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

ALL-CASH VOLUNTARY PUBLIC TENDER OFFER MADE BY CRÉDIT AGRICOLE ITALIA FOR ALL SHARES IN CREDITO VALTELLINESE

On 23 November 2020, Crédit Agricole Italia announced an all-cash voluntary public tender offer for all shares in Credito Valtellinese S.p.A..

The tender offer is a step forward in the strategic partnership between Crédit Agricole and Credito Valtellinese, supported by strong industrial and cultural affinity, and in line with Crédit Agricole Italia's strategy of sustainable growth, which can rely also on the successful integration of other banks, as proved with the previous acquisitions.

The cooperation between Crédit Agricole and Credito Valtellinese is already strong: Crédit Agricole Vita, the Italian subsidiary of the Group life-insurance entity, is the exclusive partner of Credito Valtellinese, while its Parent Company, Crédit Agricole Assurance, is one of Credito Valtellinese's main shareholders, with an equity investment of 9.8%.

This combination develops based on a sound business plan, whereby Crédit Agricole Italia is pursuing the ambition of further strengthening its competitive position and becoming the sixth commercial banking player in the Italian market by indirect funding and the seventh bank by total assets and number of Customers, achieving a market share of ~5% at a national level (by number of branches), drawing on a shared culture of continuous support to the local communities. For Crédit Agricole Italia, the acquisition of Credito Valtellinese is an ideal opportunity for growth in terms of geographical coverage:

- Increased critical mass in areas that are complementary and adjacent to the ones already served, strengthening local coverage of Customers;
- Considerable strengthening in Northern Italy (~70% of the proforma number of branches);
- Two-fold increase in the market share in Lombardy (from 3% to over 6%), where Credito Valtellinese operates with more than 40% of its branches, thus becoming the seventh bank in the Region, a considerable improvement in the largest and wealthiest Region in Italy and, especially, in Milan;
- Size increase in the Piedmont, Marche and Lazio Regions, as well as access to new Regions, including the most dynamic metropolitan areas in Sicily, Valle d'Aosta and Trentino.

Therefore, if this transaction is successful, the Group will strengthen its competitive position in Italy, with the creation of a stronger Italian Banking Group, which will benefit from the financial strength, support, skills and range of products and services of one the largest and most successful European groups, with considerable positive impacts on the economy of the communities concerned and in the interest of all stakeholders. Specifically, the combination will generate benefits:

- For Customers, as they will be provided with an attractive and complete range of financial solutions, with access to the full range of Bancassurance products and services of the Crédit Agricole Group, a leading player in Europe;
- For the human resources of Credito Valtellinese, who will become part of a financial group that is a leading player in the industry and a top employer;
- For shareholders, thanks to an estimated good return on the investment within the third year, based on cost and funding synergies only, continuing to develop the Group's raison d'être with a strong commitment to providing support to the Italian economy and local communities,proving once again close to the regions.

Relying also on the successful integrations made in the past (specifically Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato), Crédit Agricole Italia is confident that it can integrate Credito Valtellinese keeping risks to a minimum. In Credito Valtellinese's specific case, Crédit Agricole Italia plans to achieve higher efficiency can be achieved exclusively on a voluntary basis, with a collaborative and inclusive approach to the integration process, drawing on its recent experience and following a defined governance and monitoring structure, with special focus on the inclusion of Credito Valtellinese's personnel.

The tender offer has been made for an all-cash price of €10.50 for each share in Credito Valtellinese. The price entails a total investment of Euro 737milion to be made by Crédit Agricole Italia in order to acquire 100% of the share in Credito Valtellinese. The price is at a 50.2% premium over the daily volume-weighted average price ("VWAP"), calculated on the official prices of Credito Valtellinese shares in the 6 months before the tender offer made on 23 November 2020.

Following the Offer, Crédit Agricole Italia intends to merge Credito Valtellinese by absorption into Crédit Agricole Italia, in order to ensure actual integration of its business operations with those of Credito Valtellinese.

The Offer is conditional on the obtainment by Crédit Agricole Italia of at least a 66.7% of the shares with voting rights in Credito Valtellinese, with Crédit Agricole Italia being entitled to waive that condition as long as it acquires at least 50% + 1 shares with voting rights in Credito Valtellinese. Other conditions include – inter alia – the obtainment of unconditional authorizations by the competent Authorities for antitrust and Credito Valtellinese refraining from any defensive measure (albeit authorized by the General Meeting of Credito Valtellinese shareholders).
In accordance with the time schedule announced in its press release of 23 November 2020, Crédit Agricole Italia submitted the appropriate notices and applications to the competent regulatory authorities in order to obtain the necessary regulatory authorizations. After the obtainment of the regulatory authorizations, the Offer Document will be published, after its approval by Consob, which is expected in March 2021. The end of the Offer period and its settlement are expected in May 2021.

The developments in the above offer occurred from 1 January 2021 and the date of approval of the Annual Report and Financial Statements are exhaustively described in Section 4 – Events occurred after the reporting date.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

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

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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 whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

RESEARCH AND DEVELOPMENT

For information on research and development activities, please see other parts of this Report, specifically the chapter on the Strategic Plan and Business Development Lines as regards the creation of new products and services for Customers.

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 82.05%[15] of its share capital, while the remaining portion is publicly held.

In the FY 2020, the Bank's net income was Euro 51.3 million, down by 23% vs, the previous year; this figure includes impairment of loans subsequent to the worsening of the scenario, higher contributions to the banking system funds and non-recurring expenses to manage the health emergency.

net operating revenues came to Euro 300 million, decreasing by -4.9% YoY and with fee and commission income that recovered, going back to its before-crisis levels in Q4 2020.

Operating expenses came to Euro 185 million, decreasing by Euro 2.4 million (down by -1.3%) vs. 2019 despite the €2.6 million increase in contributions to the banking system and non-recurring expenses for €3.5 million incurred to manage the health emergency.

15 Figure as at 31 December 2020

The operating margin came to Euro 115 million (down by -10.2% YoY).

Net impairment adjustments of loans came to Euro 37.6 million, increasing vs. the previous FY subsequent to the continuation of the derisking process (gross NPLs down by -17%) and to prudential extra provisions given the worsened economic scenario.

Loans to Customers (excluding securities measured at amortized cost) came to approximately Euro 8 billion (up by +3.1%); the highest growth was in mortgage loans (up by +11.1%), driven by 4,500 new Home Loans and by the origination of loans guaranteed by the State for Euro 460 million.

Credit quality continued to improve, with evidence given by the lower weight of non-performing loans on total loans (gross weight of 4.6% vs. 5.7% in 2019 and a net weight of 2% vs. 2.3% in 2019).

Direct funding grew by 10.7%, consistently with the increasing trend in the Banking System, as households and businesses showed higher propensity to setting aside liquid assets. Indirect funding came to Euro 8.1 billion (up by +1.9%); assets under management posted a higher increase coming to Euro 6.4 billion (up by +3.3%) mainly in the insurance segment (up by +6.3%).

Equity, including the profit for the period, came to Euro 714 million (up by +8.2%).

As at 31 December 2020, the Bank's personnel consisted of 1,391 people. The distribution network consists of 159 Retail Banking Branches, 16 Small Business Centers, 6 Private Banking Markets, 8 Corporate Banking Markets, 1 Mid-corp and Large-corp Area and 38 Financial Advisors.

THE PERFORMANCE OF CRÉDIT AGRICOLE GROUP SOLUTIONS OPERATIONS

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

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

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

Operating expenses came to Euro 297 million, increasing by Euro 19 million (+7%) vs. the previous period. This increase resulted from administrative expenses and depreciation and amortization.

HR costs came to Euro 56 million (accounting for 19% of total expenses) and were essentially stable year-on-year. The lower cost of the remuneration fixed component, which resulted mainly from cost capitalization and from the remuneration mix of the personnel on staff vs. 2019, was offset by the pay increase under the applicable Italian national collective bargaining agreement and by a higher number of resources seconded to the Consortium in 2020 (+36 resources on average).

Administrative expenses came to Euro 162.3 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 the largest part of operating expenses (55%). Administrative expenses increased by almost €12 million vs. the previous year, because of the non-recurring and unexpected expenses incurred to handle the Covid-19 health emergency (purchase of personal protective equipment, sanitization of premises, extension of the smartworking mode, etc.), which totalled Euro 14.3 million. Net of non-recurring expenses, this item reports lower costs vs. the previous year, thanks to lower Back Office volumes and lower project expenses, as well as thanks to savings across the logistic and real estate segments, driven also by the continuous improvement in operational efficiency.

Depreciation and amortization came to Euro 78.9 million, up by Euro 7.1 million (10%) vs. the previous year; this performance resulted from the IT investment plan aimed at supporting the business and implemented in 2016

(Euro 81 million), in 2017 (Euro 70 million), in 2018 (Euro 74 million, of which 22 for the integration of the three Fellini Banks), in 2019 (Euro 75 million) and in the reporting period (Euro 71 million).

Since the Consortium operates on a not-for-profit basis, all expenses borne for service provision were fully reallocated to the Consortium members and, consequently, the Income Statement for 2020 broke even.

THE PERFORMANCE OF CRÉDIT AGRICOLE LEASING ITALIA (CALIT) OPERATIONS

In 2020, the Italian finance lease market was hard hit by the health emergency, which negatively impacted on investments by businesses and, consequently, on lease new production. The reporting period closed with a 18.60% decrease in financed asset volumes and a 22.1% decrease in the number of transactions (Source: Assilea).

Including long-term car leases and operating leases of capital assets in the analysis, the performance of the Italian market is essentially confirmed, with new production decreasing YoY by -18% in terms of volumes and by -23.2% in terms of number of contracts (Source: Assilea).

In that unfavourable scenario, CALIT proved able to make the most of the opportunities resulting from its belonging to the Crédit Agricole Group and to propose more efficient lease solutions to meet Customers' needs, also seizing the advantages from the measures issued to support the real economy (tax credits and the Sabatini TER Act, which are incentives available to Customers that have leases in force).

The new business "vendor leases/operating leases" continued to be developed, which was started in 2019 in order to supplement the traditional and prevailing banking channel and finance leases with a new distribution channel and a new product that are less dependent on economic policies and can strengthen the relationships with the best Corporate Customers of the Group (selecting vendors on a priority basis among them) and to generate acquisition and cross-selling opportunities for the Group.

In the reporting period, the Company's business performance comprised new production volumes for Euro 675.8 million, increasing by +5.9% vs. 2019, improving, again in 2020, its all-time best results achieved in 2019, and 3,601 new contracts signed (up by -9.6% YoY).

In 2020, the weight of the vendor channel increased, coming to 12% of total volumes (vs. 5% in 2019) and to 17% of the number of contracts (8% in 2019).

The Company's 2020 new production concerned, as to 71%, equipment (62%) and vehicles (9%), whereas real estate accounted for 20%, with lower portions in rail, air and naval (6%) and renewable energy (2%), a sector where the Company proved again the leading player by financed asset volumes (source: Assilea). Shifting continued towards higher quality new production, with over 80% of volumes with low sensitivity to risk (mix of counterparty quality and asset fungibility).

Gross loans came to Euro 2.1 billion, with a YoY increase in performing ones, coming to Euro 1.9 billion (up by Euro +66 million, i.e. +3.6%) and a decrease in non-performing ones (down by Euro 5 million, i.e. -2.6%). The weight of non-performing loans came to 9.0%, decreasing vs. 2019 (-0.5%) and constantly below the market figure by more than 50% (18.3% - the latest available data are as at 30 September 2020).

In terms of profit or loss, CALIT's profit for 2020 came to Euro 0.5 million, being impacted by the health emergency.

Revenues came to Euro 31.7 million, increasing by 0.8% YoY, with lower net interest income (down by -2.4%), because of the lower average return on the portfolio (interest rate effect), which was only partially offset by the increase in volumes, and with higher "service markup" (up by +21.3%). That element reports the sum of recurring and typical revenues from the leasing business (€4.6 million, up by +€0.3 million, i.e. +6.6% YoY), of gains for early repayment (€1.9 million, up by +€0.6 million, i.e. +43% YoY), of income from proactive management of properties in the remarketing phase (€0.9 million, down by -€0.2 million. i.e. -17% YoY), the expenses incurred for the recovery, restoration and sale of returned leased assets (€2.2 million, down by -€0.2 million, i.e. -6.4% YoY) and, lastly, of non-recurring revenues (€0.1 million).

Administration expenses came to Euro 12 million, increasing by +12.7% YoY, and report €0.4 million in costs for the management and processing of requests for instalment payment suspension made by Customers (which concerned one third of the portfolio) and for the related IT implementations. Net of this component, ordinary costs however increased by +8.9% YoY, as budgeted for higher personnel expenses, other administrative expenses and depreciation and amortization, due to the inertial effects of the industrialization and digitalization process that was started in H2 2019.

The cost of risk came to Euro 19.1 million, increasing by +67% YoY. Retaining the earnings for 2020 and allocating it to higher impairment provisions, the Company has implemented a plan aimed at increasing the coverage ratio of non-performing loans, with specific regard to UTP. Furthermore, performing loans have been assessed base on the worsened Forward-looking scenarios defined and used by the Crédit Agricole Italia Group as a whole.

As regards Capital Ratios, the CET 1 Capital ratio came to 6.18% and the Total Capital ratio to 7.71% (vs. minimum regulatory requirements of 4.50% and 6.00%, respectively.

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

	31.12.2020	
	Equity	of which: Net profit for the period
Parent Company's balances	**6,515,252**	**168,206**
Effect of consolidation of subsidiaries	-164,374	38,083
Effect of the equity method accounting of significant equity investments	-	-115
Dividends received in the year	-	-
Other changes	-	-259,611
Consolidated account balances	**6,350,878**	**-53,437**

OUTLOOK

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

As regards the Crédit Agricole Italia Banking Group, it is reported that, from 31 December 2020 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 2020.

MACROECONOMIC AND BANKING OUTLOOK FOR 2021

MACROECONOMIC SCENARIO[16]

The economies of the most developed countries should post considerable growth after the marked slowdown in 2020 caused by the pandemic; nonetheless, there are several risks that may affect recovery: excessive public and private debt, the mismatch between equity markets and the actual economic performance, the delays in availability and administration of Covid-19 vaccines and further worsening of the pandemic, which would have yet other and severe consequences on the income of households and businesses. In this regard, mass vaccination programs started worldwide in December 2020. On 8 December 2020, the United Kingdom was the first country in the world to start administration to its population of a fully tried and tested Covid-19 vaccine, then followed by several other countries, including Canada, Israel and the United States. In the European Union,

16 Sources: ECO – World Scenario (December 2020); Prometeia Brief – Italy in the global economy (No.1,January 2021).

vaccination started at the end of December, with the first vaccine doses administered in Italy on 27 December 2020[17], According to forecasts:

- The **United States** economy is expected to grow by approximately 3.7% in 2021 (vs. a negative growth of -3.6% in 2020), and it is not expected to be back at before-crisis levels before 2023. An important contribution will come from the $1,900 billion stimulus package for taxpayers, which will go along the $900 billion relief measures approved in December. The recovery pace will largely depend on two factors: the virus spread and the measures the US Administration will deploy to curb it, along with the extent and timeline of additional fiscal support. As regards the virus, it has been estimated that, given the vaccination campaign, the number of cases will be swinging but will remain high for the most part of winter. However, any political will to deploy a general lockdown nationwide does seen likely and any stricter measures will be applied locally and in a targeted manner. This may cause the gap between the various economic sectors to widen, with the service sector experiencing difficulties as direct contact with Customers is necessary, while industries like the residential construction and manufacturing ones can try to bounce back. The development in the antagonism with China under the Biden presidency will also be important. In the last months of the Trump presidency, the tensions had cooled off and this process is expected to continue, although antagonism remains high in all strategic sectors (including defence, 5G, artificial intelligence and pharmaceutical) and power areas;
- **Emerging countries** will face several difficulties in 2021. Covid-19 risk may again impact on growth, which would trigger unavoidable recession. In the sector of small and medium enterprises, demand will be affected by the end of the budgetary measures deployed so far. Moreover, unemployment rates have reached – on average – higher levels than those after the 2009 crisis and this will impair recovery in household consumption. Some countries only, such as China and Russia, have already started their vaccination campaigns. Nonetheless, it can be realistically expected that vaccination will not be fully implemented before H2 2021. In this scenario, **Brazil GDP** is expected to grow by +3,3% (vs. a negative growth of -4.9% in 2020), continuing at the fast pace it had in 2020 thanks to the fiscal and monetary stimulus measures it deployed. However, even after the growth trend stabilizes after negative growth caused by the pandemic, Brazill will still face weak consumption and undersized private investments. In **Russia**, the GDP is expected to grow by +2.0% vs. a negative growth of -4.0% in 2020. Despite a very conservative policy deployed by the Central Bank, in 2021 yet another cut in interest rates may be expected, in order to support growth and achieve the price increase objective, considering the forecasted limit increase in inflation. Furthermore, the tax deferral measures deployed in 2020 will be quickly repealed and spending cuts have already been planned to decrease the to -2.4%, vs. -4.4% in 2020. **China**, the only country that achieved economic growth in 2020 (up by +2.0% YoY),is expected to bounce back by +8.8% in 2021, although the main macroeconomic indicators show that the economic slowdown that started in previous years has not stopped. In 2020, Beijing provided stimulus for growth through investments, focusing on the revival of production to the detriment of domestic demand, as show by the decrease in the prices of the main food products and raw materials. Therefore average inflation in 2021 is expected to be 0.6% and 2.2% in 2022. Moreover, changes by about 25 basis points will likely be made to reference interest rates both in 2021 and in 2022, in order to normalize the monetary policy. The growth achieved in 2021 will also reduce China's budget deficit, from 1.7% of the GDP in 2020 to 0.6% of the GDP in 2021 and to 0.0% of the GDP in 2022.;
- The GDP of the **United Kingdom** is expected to grow by +4.6%, after decreasing by as much as -12.4% in 2020. Since January 2021, the UK has no longer been in the EU single market and in the Customs Union and, despite the last minute agreement reached to prevent a no-deal Brexit, the new rules in force since 1 January (customs procedures, rules on product origin, regulatory checks on goods, regulatory amendments) will prove obstacles for growth in 2021. This, along with the new lockdown that was deployed at the end of the year and will probably be in force at least until March 2021, with cause persistent weakness in consumption growth in the service sector.

After cutting the Fed funds rates by 150 basis points taking the range to 0.00%-0.25%, from 1.50%- 1.75% at the end of 2019, and after extending its Quantitative Easing program to a potentially unlimited level, the **Federal Reserve**, at the December meeting of the Federal Open Market Committee, confirmed that the United States monetary policy stance would remain unchanged.

The **ECB** recalibrated its monetary policy instruments and increased their flexibility in order to ensure smooth functioning of financial markets, keeping interest rates unchanged. As expected, the Pandemic Emergency Purchase Programme was increased by Euro 500 billion and extended to March 2022, while targeted longer-term refinancing operations were extended to June 2022. These measures will enable banks to provide liquidity to businesses and households at very favourable conditions.

17 Our World in Data: https://ourworldindata.org/covid-vaccinations (viewed on: 18 March 2021)

EURO AREA[18]

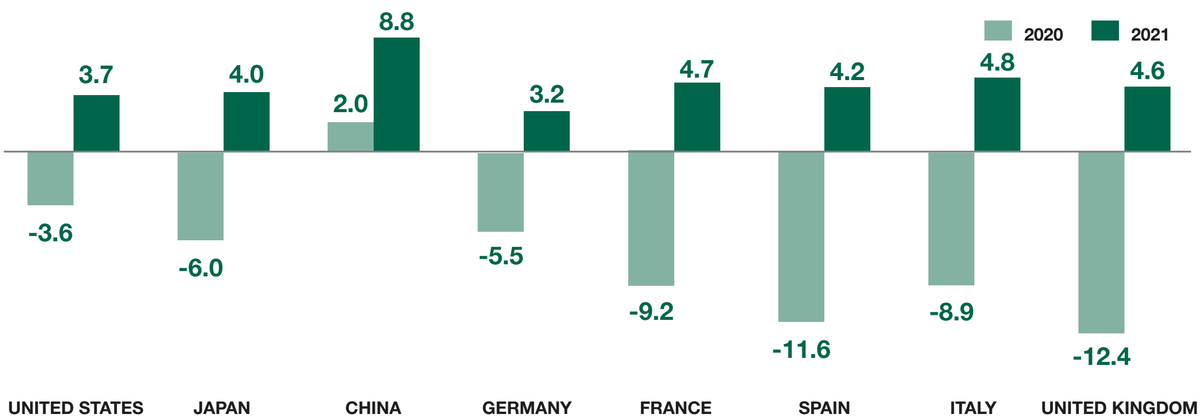
The outlook for 2021 in **Europe** depends essentially on the Covid-19 spread. The GDP is expected to grow by +3.8% in 2021 and by +3.9% in 2022 (vs. a negative growth of -7.3% in 2020), and its growth rate will depend on the level of support provided by economic policies: indeed, vaccine availability will contribute only to reducing the risk of resurgence, without being able to have any significant impact on the macroeconomic performance. Despite the large difference in the economic figures for Q2 and Q3 2020, -11.7% and +12.4% respectively, the rebound expected in Q1 2021 (up by +1.8% QoQ) will allow but partial recovery in activities vs. the reporting date. The assumption that mobility restrictions are going to be partially eased will affect the entire first half of 2021, with the GDP growing by +0.9% only in H2.

The uncertainty on how the pandemic can be brought under control will continue to rein in spending decisions of both consumers and investors, also in H2 2021. Growth in investments is expected to be modest (+2.7% in 2021 and +4.6% in 2022 vs. a negative growth of -9.6% in 2020) and to be driven mainly by public investments and by the construction sector. Investments by businesses will likely concentrate on the replacement of equipment or on innovation and, to a much lesser extent, on increasing production capacity. A better figure should come from private consumption, which is expected to increase by +3.8% in 2021 and by +3.7% in 2022.

The outlook for the main economies in the Euro Area is given below.

- in **Germany**, the GDP is expected to grow by **3.2%** in 2021, vs. a negative growth of -5.5% in 2020. The German economy is the one that decreased less in 2020 and, therefore, the outlook for 2021 is positive, but without the momentum expected of other EU partners that were harder hit by the consequences of the pandemic;
- in **France**, the GDP is expected to bounce back by **+4.7%**, after decreasing by -9.2% in 2020, driven by strong recovery in domestic consumption. Much will depend on the **pandemic development** and on the deployment of any further restrictive measures, which may negatively impact employment and, thus, slow down the growth rate of household consumption towards before-crisis levels;
- in **Spain**, the GDP is expected to grow by **+4.2%** in 2021, after strongly decreasing by -11.6% in 2020. Domestic demand will be the main driver of recovery, initially consumption and investments, whereas, in Q2, also exports and international tourism will contribute to the recovery.

GDP: % YoY change



Source: Prometeia - Brief, Italy in the global economy (No. 1 January 2021).

THE ITALIAN ECONOMY[8]

The outlook for 2021 depends strictly on both the pandemic development and on the measures deployed, on the one hand, to curb the spreading of the infection and, on the other hand, to mitigate the related impacts on the economic activity. Nevertheless, **Italy's** GDP is expected to bounce back by +4.8% in 2021, after its heavy negative growth of -9.1% in 2020. **Considerable support to the economic activity will come from the budgetary policy and from the use of the EU funds** available within the NGEU; indeed, the planned budget measures, including those that will be financed with EU funds, are estimated able to increase the GDP by a total of approximately 2.5

18 Sources: ECO – World Scenario (December 2020); Prometeia Brief – Italy in the global economy (No.1,January 2021).

percentage points in the 2021-23 three-year period. Furthermore, thanks to the actions taken by the Eurosystem, the governments and by the EU institutions, the yields of 10-year Italian Government securities should remain at their present all time-low levels also in 2021. In this way, the spread vs. the German Bunds with the same maturity would remain between 130 and 150 basis points. Interest rates continuing to be low and the support measures deployed by the Government have also largely mitigated liquidity and insolvency risks businesses are exposed to and should continue to prove able to ensure that the crisis fallouts on the indebtedness of businesses and on credit quality remain under control and do not generate any material tightening in financing conditions.

In 2021, **exports** are expected to grow by +8.4%8, vs. the -15.2% negative growth in 2020, with this increase driven by the trade of goods, which would go back to before-crisis levels as early as at the beginning of 2021, whereas services would be longer affected by the weakness in international tourist flows.

Investments should grow by 10.1%12 in 2021, after markedly dropping in 2020. The recovery in capital accumulation should be driven by the favourable conditions credit can be obtained at and by the budgetary policy measures, among those funded through the NGEU. Specifically, the component consisting of machinery, equipment and vehicles should increase on average by more than 9% a year, benefiting to very large extent from the incentives financed with EU funds.

In 2021, the **manufacturing sector**[19] is expected to grow, albeit modestly (+1.1%) thanks to the recovery in world trade and to domestic demand being more expansionary, also vs. 2019 (+0.2%).

Consumption expenditure[3] is expected to increase by 3.9% after dropping by -8.0% in 2020. Household consumption should grow at a faster pace (+4.3%), while public expenditure should grow by 2.8%.

The **unemployment rate**[5] was materially impacted by the economic crisis, although it improved in H2 2020, and it is expected to come to 11.1% in 2021 (vs. 9.4% in 2020). Its improving trend will be supported also by investments gaining momentum driven by the EU funds for economic recovery.

THE BANKING SCENARIO

The scenario banks operate in remains complex, considering also the weakness in the international economy, the still negative money market rates and the deep transformations imposed by technological innovation and competition, also of non-banking players.

Furthermore, in 2021 the effects of the crisis will not yet have faded, albeit economic recovery is expected. Capital strength and high liquidity levels, along with constant monitoring of the stock of non-performing loans – which are however quite far from the high levels they reached in the past – will enable the banking system to face next year relying on sound foundations.

The cost of credit should remain high, albeit lower than in 2020, due to a likely increase in the stock of non-performing loans. The prospects for a recovery in profitability **are expected to improve from 2021, but credit riskiness and weak traditional margins will put the system's profits under pressure** also in the next few years.

Based on these elements, for 2021 the expected performances of the main balance sheet aggregates are given below:

- Loans increasing by +0.8% YoY: despite the improvement in the economy, the growth in loans will slow down, also subsequent to the end of the measures supporting liquidity (moratoria and State guarantees on loans). Conversely, loans to households will grow again (+3.0% YoY), subsequent to the recovery in consumption of durable goods, which were postponed in the previous year, which will drive the growth in consumer credit and the improvement in the demand for mortgage loans, which comprises the need for new homes.
- Funding from customers up by +6.8% YoY: the ongoing uncertainty will continue to drive households' propensity to save and, also in 2021, their preference for more liquid forms. Only from 2022, direct funding will shift towards forms with longer-maturities.

19 Source: Prometeia, Analysis of Industrial Sectors (October 2020).

- Indirect funding up by +3.8% YoY: the growth in asset management products (funds, insurance and wealth management) will continue, up by +4.7% while assets under administration will remain stable (-0.3 YoY). Net funding will benefit from the formation of savings and the downsizing of liquidity accumulation vs. 2020. From a forward-looking standpoint, interest rates remaining very low for a long time will continue to drive demand for asset management products, seeking higher returns. As regards insurance, the biggest contribution will come from the distribution of life and non-life protection products.

After a setback in 2020, when ROE was markedly lower than in 2019, the banking industry profitability will grow again in 2021. Recovery prospects, which were already modest before the pandemic, are still linked to the improvement in the macroeconomic conditions and to risk control. Specifically, for 2021 the expected performances of the main income statement aggregates are given below:

- Revenues are expected to decrease by -1.8% YoY. Net interest income is expected to increase by +5.8% YoY in 2021, driven by the benefit resulting from the ECB funds and by the growth in intermediated volumes; revenues from services are also expected to increase, albeit at a modest pace, after the setback caused by the deployed restrictive measures. Specifically, net fee and commission income will be driven both by liquidity management services (keeping and managing current accounts, collections and payments) and by revenues from the distribution of indirect funding products. Conversely, sundry revenues from services are expected to decrease, due to lower profits from trading, fair value measurement and dividends, which will be affected by the non-recurring component ceasing to apply.
- Operating costs are expected to decrease by -7.3% YoY. The decrease in costs will be driven by the process, which has been going on for quite some time now, to **rationalize the physical structure** (employees and branches), reflecting the implementation of business plans and the recent M&A, which had exactly the objective of increasing the efficiency of structures; conversely, the need to make investments in **digitalization** and change of the **service model** will cause costs to increase The changes forced by the pandemic have led to wider use of telematic and electronic means of contact, for both information and contact signing. S regards work organization, the telecommuting mode extended to a wide range of employees may lead to savings on administrative costs.
- Net adjustments of loans and provisions for loans are expected to decrease by -7.6% YoY. In 2021, at the end of the support measures and of the effects of the flexibility granted in the application of some prudential rules, also on loans under moratoria, loan impairments will remain high, albeit decreasing vs, 2020. The impact of the new definition of default will add to the aforementioned impairments, as other adjustments will have to be made in order for the coverage ratios to be compliant with the supervisory expectations and the cost of risk will consequently increase.

A driver for profitability recovery is the creation of economies of scales through consolidation, a process that already started in 2020 and that would seem also supported by new approach of the supervisor to M&A, pending the implementation of a EU regulatory framework that removes the obstacles to cross-border consolidation.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE – INFORMATION PURSUANT TO ARTICLE 123-BIS PARAGRAPH 2, LETTER B) OF ITALIAN LEGISLATIVE DECREE 58/98 (THE ITALIAN CONSOLIDATED LAW ON FINANCE -TUF)

INTERNAL CONTROL SYSTEM

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

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

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

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

The internal control system provides for the involvement of the Top Management, of the Collective Bodies, of the Organismo di vigilanza (Body in charge of offence prevention – AML, Terrorism Financing, etc. – provided for by the Italian Law), of the structures engaged in control functions, of all 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 system of normative instruments 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 (which includes the Validation Unit) and the Compliance Department, which are responsible for second degree – second level controls;
- The Internal Audit Department, which is responsible for third-degree controls.

Moreover, in accordance with the provisions of Article 154-bis of the Italian Consolidated 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 “Critical and Important Functions (CIF or with the Italian acronym FEI)”, 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:

- Coordinates and leads the process for the definition of the Risk Appetite Framework and, once a year or more frequently where required by new scenarios and/or new needs, it proposes the Risk Capacity limits, the Risk Tolerance thresholds and the Risk Appetite (the risk appetite is set by the CFO Finance and Financial Reporting Governance);
- 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 of Crédit Agricole Italia is independent from any operational structure or role of the Bank and of its subsidiaries.

In order to ensure the appropriate independence in exercising the Function, the Head of the Department (Chief Audit Executive or CAE) reports on a solid line to the Bank's Board of Directors. The independence of the Internal Audit Department is ensures also by the role of the Chief Executive Officer, who ensures management oversight and actual availability of the operational levers and of the appropriate financial and human resources for the Department's effective operation.

The Internal Audit Department (*Inspection Générale Groupe*) of the Controlling Company Crédit Agricole S.A. is responsible for steering and coordinating the activities of the Department; therefore, it defines the implementation guidelines for harmonized application in all the Companies of the Group (without prejudice to full compliance with the local legislation) of the audit model, methods and tools.

The CAE is appointed by the Board of Directors of the company, after obtaining the opinion of the Board of Auditors; his or her appointment may be terminated with the same methods and explicit reason.

The CAE is entitled to contract, independently and with no limitation, the Governance Bodies of the companies of the Group to report material information and sits on the Risk and Internal Control Committee.

The CAE also submits the Audit Plan to the Board of Directors of Crédit Agricole Italia, to the Internal Control Audit Committee of Crédit Agricole Italia, to the Board of Auditors, to the Chief Executive Officer of Crédit Agricole Italia, to the General Managers and to the Governance Bodies of the subsidiary companies.

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..

The Department also provides support and assistance to other corporate structures (advisory activities), the nature and extent of which are agreed with the strictures concerned and which aim at improving governance, risk management and organization control processes, with no decision-making responsibility lying with the Internal Audit Department.

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 Chief Audit Executive reports to the competent Bodies on the main outcomes of the performed activities,on the progress in the Audit Plan implementation and in the implementation of the requested corrective actions (recommendations) as well as on the evolution of the available resources.

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.

In case any activities that are material for the proper operations of he internal controls system are outsourced, the Internal Audit Department has the power to access also the activities carried out by any outsourcers.

The Internal Audit Department operates with staff that has the appropriate knowledge, expertise and skills, in accordance with the best practices and with the International Standards for the Professional Practice of Internal Auditing, as well as with the methods implemented by the Internal Audit Department of the Controlling Company Crédit Agricole S.A.

In performing its tasks, the Department uses structured risk assessment methods, consistently with those of the Controlling Company, in order to identify any points of attention and the main new risk factors.

In accordance with risk assessment outcomes and with the subsequent priorities, as well as with any specific requests for in-depth review made by Corporate Governance Bodies, by the Internal Audit Department of the Controlling Company and by the Top Management, the Internal Audit Department prepares an Annual Audit Plan, in agreement with the Controlling Company, based on which it operates during the year, as well as a multi-year Plan, which is submitted to the Internal Control Audit Committee and to the Board of Directors for its approval.

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

COMPLIANCE DEPARTMENT

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

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

The Compliance Department has the mission of controlling and managing noncompliance risks, by continuously identifying the legislation and regulations that apply to the Group, as well as by measuring and assessing their impact on the corporate processes and procedures and by defining the relevant prevention and control policies in the perimeter it is responsible for. Specifically, its objective is 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, the prevention of risks regarding market abuse, the protection of personal data pursuant to the applicable legislation, the prevention and mitigation of corruption and fraud risks, the protection of the Group's Companies, employees and top officers against risks of penalties, financial losses and reputational damage, also through advisory services and assistance, risk control and compliance with internal regulations and external legislation on ICT (ICT compliance) pursuant to Bank of Italy Circular no. 285 of 17 December 2013, as well as with any applicable legislation for which specialist control is not already in place..

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

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

MANAGER IN CHARGE

Pursuant to 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 LAW ON FINANCE (TUF)

The "main features of the existing risk management and internal control systems regarding the financial reporting process" are given below, pursuant to Article 123-bis paragraph 2, letter b) of the Italian Consolidated 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 decided to use the "COSO Report" principles and guidelines, a widely used, also internationally, benchmark model for the assessment of internal control systems, limited to the part on financial reporting. Based on the aforementioned model, the control system is set up through the stages of: comparison between the as-is situation and the adopted benchmark model; identification of any shortcomings or needs for improvement; implementation of corrective actions and assessment of the internal control system in order to provide supporting grounds to the statements made by the Manager in charge. The fact that an adequate system of administrative and accounting procedures is in place and properly operating over time is verified in accordance with specific methods set out in an internal methodological framework. The analysis scope takes into account also the components of the structure of the corporate internal controls that are relevant for financial reporting; these controls operate crosswise the single line corporate processes.

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

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

Identification of risks on financial reporting

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

Qualitative elements may also be taken into account.

Once having determined 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.

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

STATUTORY AUDIT OF THE ACCOUNTS

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

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

The statutory audit of the accounts has been assigned to the company EY S.p.A. until the approval of the 2020 Annual Report and Financial Statements.

SOCIAL RESPONSIBILITY

The non-financial data and information of the Crédit Agricole Italia Banking Group are part of the Consolidated Non-Financial Statement prepared by the French Parent Company Crédit Agricole S.A.; therefore, the Crédit Agricole Italia Banking Group would be entitled to the exemption pursuant to Article 6 of Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter "D.Lgs 254/2016") for reporting entities that belong to a Group that prepares a Consolidated Non-Financial Statement. Nevertheless, in agreement with the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group decided not to opt for the exemption provided for by the aforementioned Article 6 of D.Lgs 254/2016 and has prepared its Consolidated Non-Financial Statement (NFS) as at 31 December 2020 in compliance with D.Lgs 254/2016.

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

CRÉDIT AGRICOLE

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

- the adequacy in relation to the company's characteristics and
- the actual application of the administrative and accounting procedures for the formation of the consolidated financial statement during the course of the 2020 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 2020:

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

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

Parma, 24 March 2021

Giampiero Maioli	Pierre Débourdeaux
Chief Executive Officer	Senior Manager in charge of the preparation of the Company accounting statements

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

Capitale Sociale euro 979.234.664,00 i.v. - Iscritta al Registro Imprese di Parma, Codice Fiscale n. 02113530345, aderente al Gruppo IVA Crédit Agricole Italia, Partita Iva n. 02886650346. Codice ABI 6230.7. Iscritta all'Albo delle Banche al n. 5435. Aderente al Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale di Garanzia. Capogruppo del Gruppo Bancario Crédit Agricole Italia iscritto all'Albo dei Gruppi Bancari al n. 6230.7 - Società soggetta all'attività di Direzione e Coordinamento di Crédit Agricole S.A.

Report of the Board of Auditors on the activities performed and on the separate and consolidated Financial Statements as at 31 December 2020 – Non-Financial Statement

Dear Shareholders,

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

In 2020, the Board of Auditors performed its institutional duties in compliance with the Italian Civil Code, with Italian Legislative Decrees 385/1993 (the Italian Consolidated Law on Banking, Italian acronym TUB), 58/1998 (the Italian Consolidated Law on Finance, Italian acronym TUF) and 39/2010 as amended and/or supplemented, with the Articles of Association and with the provisions issued by the competent Authorities exercising supervision and control, and in accordance also with the standards of conduct recommended by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (the Italian National Council of Chartered Accountants and Accounting Experts, Italian acronym CNDCEC).

Appointment and activities of the Board of Auditors

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

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

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

As regards the activities performed, in 2020 the Board held 54 meetings, having average duration of 2 hours. In 2021 and up to the date of this Report, the Board held 22 meetings.

In 2020, the Board of Auditors also attended

1. all the General Meetings of Shareholders, all the meetings of the Board of Directors and Executive Committee; therefore, it can vouch that those meetings were held in compliance with the Articles of Association and with the applicable legislation governing the operations of the relevant Bodies and, at such meetings, the Board obtained exhaustive information on the exercise of the respective responsibilities and powers, as well as on the most material transactions;

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

In the reporting year, this Board supervised:
- Full compliance with the applicable rules of law and regulations and with the Articles of Association, correct management, the adequacy of the organizational and accounting structures (as regards the aspects falling within the Board's responsibility);

The effectiveness and operation of the overall system of internal controls;
- The adequacy of the system for risk management and control;
- Correct exercise of strategic and management control carried out by CA Italia in its capacity as the Parent Company.

Specifically, the Board:
- Obtained information from the Directors, thanks to its participation in the meetings of the Board of Directors and of the Board Committees and in the meetings with the Top Management (Chief Executive Officer, Deputy General Manager in charge of Retail Banking, Deputy General Manager in charge of Corporate Banking), on the general performance and outlook of operations, as well as on the most material transactions, in terms of their size or features, carried out by the Company.
- Worked in close cooperation with the Boards of Auditors of the Subsidiaries, also through joint meetings held with their respective Control Bodies;
- Carried out its self-assessment on 15 June 2020, with reference to the 2019 period, verifying its own adequacy in terms of composition, professional skills, availability of time and operation. The above self-assessment was carried out in accordance with Article 29 of the Company's Articles of Association in force, which is compliant with the applicable regulations;
- Implemented its annual work plan that provided for regular meetings especially with the Top Management, the Heads of Central Departments engaged in control functions (Compliance, Risk Management and Permanent Controls, Internal Audit) and the Heads of Departments and Divisions engaged in the management of operations and administration for the review of the reports prepared by them;
- Carried out professional refresher and training activities, also by participating in external events.
- Worked in cooperation, also through specific meetings and contacts, with the Organismo di Vigilanza, the Body in charge of offence prevention - AML, Terrorism Financing, etc. - provided for by Italian Legislative Decree No. 231/01.

Moreover, in 2020 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 2019" was submitted to the Board of Directors on 28 April 2020 after being examined by this Board, whereas the "ICAAP Report as at 31 December 2020" is going to be submitted to the Board of Directors on 28 April 2021;
- Report and self-assessment of money-laundering and terrorism financing risks;
- Assessment of the procedures for the outsourcing of cash-handling activities;
- Report on internal validation activities and annual report prepared by the Internal Audit Department on the AIRB System;
- Increase in the maximum amount of Covered Bonds issued;
- Report prepared by the Internal Audit Department on the operational management of Covered Bonds;

Besides the above activities, the Board was asked for its opinion or to examine requests made by Regulators, as reported in the specific paragraph.

Having regard to the problems caused by the Covid-19 pandemic, in 2020 and up to today's date, the Board ensured to be constantly informed of the updated situation, especially about the main aspects given below:
- Initiatives in terms of organization and safety to protect employees and customers
- Initiatives to provide Customers with support, also under the relevant measures issued by the Government;
- Monitoring of the monetary policy measures and capital and operational relief measures deployed by the ECB for the banks of the Euro Area, in order preserve their lending capacity.

Through its activities also in said scopes, this Board did not find any problems to be reported and, quite to contrary, worth mentioning is the response capacity of the Banking Group and its personnel, who has always ensured a high level of service also in the peaks of the pandemic.

Atypical of unusual transactions and Transactions with related parties

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

As regards intra-group transactions and transactions with related parties, this Board also acknowledges that, in paragraph 2 of "Part H" of the Note to the Financial Statements, the material transactions finalized in 2020 are properly reported.

Moreover, in the reporting period, this Board monitored the following material transactions: also through the verifications performed by the Risk Management and Permanent Controls Department on the so-called Operazioni di Maggior Rilievo (material transactions):
- Issues of Covered Bonds for a total of Euro 2.25 billion;
- Participation in the ECB TLTRO III, to a total of Euro 9.5 billion;
- Sale and leaseback of the property owned by the bank located on Via Armorari in Milan for a total of Euro 140 million;
- Activities for the selection of Partners for Application Development Management (ADM) and IT Infrastructure Outsourcing;
- All-cash voluntary public tender offer for all the shares in Credito Valtellinese S.p.A. The tender offer has been made for an all-cash price of €10.50 for each share in Credito Valtellinese. The price entails a total investment of Euro 737milion to be made by Crédit Agricole Italia in order to acquire 100% of the share in Credito Valtellinese.

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, with no breach of its independence;
- Monitoring the statutory audit of annual accounts, both separate and consolidated;
- Verifying and monitoring the independence of the audit firm tasked with the statutory audit of the accounts pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the Decree and to Article 6 of Regulation (EU) 537/2014 of 16 April 2014, especially as regards the provision of services other than statutory audit (non-audit services) to the audited entity, in compliance with Article 5 of the Regulation;
- Supervising the procedure for the selection of statutory auditors or audit firms and recommending statutory auditors or audit firms to be appointed pursuant to Article 16 of Regulation (EU) 537/2014.

Having regard to this duty, it is pointed out that the engagement of EY S.p.a. ends with the approval of the Annual Report and Financial Statements as at 31 December 2020: consequently, in agreement and in cooperation with the relevant Structures of the Parent Company, this Board started a complex activity to identify the audit firm to be retained for the Statutory Audit of the Accounts for the next nine years. This activity is reported in the "*Reasoned proposal of the Board of Auditors of Credit Agricole Italia S.p.a. pursuant to Italian Legislative Decree no. 39/2010 on the appointment of the audit firm to be tasked with the statutory audit of the accounts for the period 2021-2029 and determination of fees*", which was filed in the records of the General Metering of Shareholders convened on 28 April 2021.

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.

In this regard, pursuant to the aforementioned Article 19, in 2020 and up to the date of this Report to the Shareholders, this Board performed continuous monitoring of the activities carried out by the Independent Audit Firm.

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

It is specifically pointed out that, on 15 July 2020, the Independent Audit Firm sent a document called "Letter with comments by the Independent Audit Firm", whereby the Audit Firm reported on some aspects of the company's activities deemed worthy of attention.

In addition to the aforementioned exchange of information, the Board of Auditors examined the following reports that were issued by the Statutory Auditor EY S.p.A. on 1 April 2021 and that set forth the matters examined during the various meetings held since the previous report to the Shareholders:
- The Audit Report on the Consolidated Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the "Separate and Consolidated Financial Statements" paragraph;
- The Audit Report on the Separate Financial Statements issued pursuant to Article 14 of Italian Legislative Decree No. 39/2010 and to Article 10 of Regulation (EU) No. 537/2014, which is dealt with in the "Separate and Consolidated Financial Statements" paragraph;
- The Independent Auditors' Report pursuant to Article 3, paragraph 10 of Italian Legislative Decree No. 254 of 30 December 2016 and to Article 5 of CONSOB Regulation No. 20267 concerning the Consolidated Non-Financial Statement as at 31 December 2020;
- The Additional Report, also issued on 1 April 2021, pursuant to Article 11 of Regulation (EU) No. 537/2014, including the annual confirmation of independence, also issued on 1 April 2021, 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 2020, pursuant to Article 19 of Italian Legislative Decree No. 39/2010, the Board of Auditors verified and monitored the independence of the audit firm EY S.p.A. tasked with the statutory audit of the accounts, pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned Decree and to Article 6 of Regulation (EU) 537/2014, especially as regards the provision of non-audit services to the audited entity. Moreover, as reported in the previous paragraph, the Board of Auditors received the statement confirming the Audit Firm's independence, finding no inconsistencies.

Relations with Supervisory Authorities

Having regard to the relations with Supervisory Authorities, the Board of Auditors performed its duties in accordance with the applicable legislation, was regularly informed of all communications received and constantly followed the preparation of the related responses and requested activities. Of the received requests, the following ones are specifically reported:
- Bank of Italy-IVASS joint communication of 17 March 2020, which was sent to all banks and all financial Intermediaries giving instructions to verify their policies for the offer of insurance products linked to loans;

- Request of the Bank of Italy of 27 April 2020 for further clarifications on the actions that has been planned and started, as well as on the progress of the remediation and restitutory activities carried out subsequent to the audits performed by the Bank of Italy in 2018 and reported in 2019;
- Request for information sent by the Bank of Italy to the banking system on 10 June 2020 and on 28 September 2020 about the implementation of the measures deployed by the Government to ensure access to credit during the pandemic;
- Letter from the ECB – Supervisory Board of 4 December 2020 regarding "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic".

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

Supervisory activities on the adequacy of the internal control system

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

Therefore, the Group has implemented an internal controls system consisting of the set of rules, functions, structures, resources, processes and procedures that have been designed to ensure the achievement of the following objectives:
- Compliance of corporate operations with the applicable legislation and supervisory regulations, as well as with the internal policies, regulations and procedures.
- Effectiveness and efficiency of the corporate processes as implemented;
- Verifying that the set corporate strategies and policies are properly implemented;
- Keeping risks within the limits set in the Risk Appetite Framework;
- Safeguarding the value of assets and protecting from losses;
- Reliability and security of corporate information and IT procedures;
- Preventing the risk that the entities of the Group may be involved, also unintentionally, in unlawful activities (with specific regard to money/laundering, usury and terrorism financing);

As set forth in the Report on Corporate Governance and Ownership Structure, the types of controls within CA Italia are structured as follows:
1. Permanent control, which comprises:
   - 1st-degree controls, exercised on a continuous basis by the employees performing the transactions, by the persons they report to on a solid line, or executed by the automated systems for transaction processing; the activities for the production of accounting data and for the preparation of the Annual Report and Financial Statements are subject to specific first-degree controls that are carried out within the accounting units;
   - 2nd-degree/first-level (2.1) controls, which are carried out by persons engaged in operating tasks, but other than those directly involved in the transactions subject to control; specifically, within the central administrative structures, controls are performed to monitor all departments and roles that can access the accounting information system;
   - 2nd degree/second level (2.2) controls, which are carried out by staff who is engaged in specialist functions for top level permanent controls and is not authorized to take risks, i.e. staff engaged in Compliance, Risk Management and Permanent Controls functions.
2. Periodic control, which is performed by the Internal Audit Department on a periodic basis through remote verifications, on-site inspections and audits of documents.

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

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

Supervisory activities on the adequacy of financial reporting process

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

On 24 March 2021, the Manager in Charge and the Chief Executive Officer signed the certifications on the separate and consolidated financial statements as at 31 December 2020 required by Article 81-ter of the Issuers’ Regulation approved by CONSOB with Resolution 11971/1999 as amended and supplemented.

This Board of Auditors also examined the half-yearly and annual reports prepared by the Manager in Charge and the “Letter of comments by the Independent Auditors” sent on 15 July 2020 and regarding some points of attention in the Company’s business operations, as well as the Additional Report issued on 1° April 2021, pursuant to Article 11 of the aforementioned EU Regulation: no one of these documents reports any material shortcomings in the internal control systems concerning the Company’s financial reporting and/or accounting system.

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

Supervisory activities on the adequacy of the risk management system

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

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

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

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

Remuneration policies

The Board of Auditors has acknowledged that, at its meeting held on 24 March 2021, the Board of Directors approved the “Remuneration Policies of the Crédit Agricole Italia Banking Group for 2021 and the actual figures for 2020” document, which shall be submitted to the General Meeting of Shareholders. This document sets out the principles and standards used to design, implement and monitor the Group’s remuneration systems. It was reviewed by the Internal Audit Department, which did not report any anomalies.

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

Annual Report and separate and consolidated financial statements

The Financial Statements as at 31 December 2020 are governed by Italian Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 issued by the Bank of Italy on 22 December 2005, as updated and were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) applicable and in force as at 31 December 2020, and endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In the Note to the Financial Statements, the Management Body stated that no exceptions were made to the application of the IAS/IFRS.

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

The Consolidated Financial Statements as at 31 December 2020 are governed by Italian Legislative Decree No. 38 of 28 February 2005 and by Circular No. 262 of the Bank of Italy of 22 December 2005, as amended, and were prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS) as well as with the relevant interpretations issued by IFRIC, endorsed by the European Commission pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. As specified by the Directors in the Note to the Consolidated Financial Statements, the consolidation perimeter consists, in addition to the Parent Company Crédit Agricole Italia S.p.A., of its subsidiaries of which in paragraph 1 of Part A of the Note to the Consolidated Financial Statements.

Having regard to the Consolidated Financial Statements as at 31 December 2020, 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.

Having regard to the loss of Euro 53.4 million reported in the consolidated financial statements 2020, it is pointed out that it resulted from the recognition of goodwill impairment for Euro 259.6 million. Said adjustment was given close attention by the Board of Auditors and is exhaustively described in the Note to the Financial Statements and by the Independent Auditors in paragraph “Key aspects of the audit of the accounts”.

All the above being given, on 1 April 2021, this Board of Auditors received the Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014 on the financial statements as at 31 December 2020, whereby the Independent Auditors express their judgement that 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 2020, of its performance and cash flows for the reporting year, in compliance with the International Financial Reporting Standards endorsed by the European Union and with the measures implementing Article 9 of Italian Legislative Decree No. 38 of 28 February 2005 and Article 43 of Italian Legislative Decree No. 136 of 18 August 2015."*

Furthermore, this Board acknowledged that, on 24 March 2021, the Manager in Charge and the Chief Executive Officer signed the certifications on the separate and consolidated financial statements as at 31 December 2020 required 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 2020 and have been prepared in compliance with the applicable law.

As regards the effects on the Company's Financial Statements and business operations linked to the coronavirus (Covid-19) epidemic, which broke out in continental China at the end of 2019 and then spread to other Countries, including Italy, the Company appropriately expressed its considerations both in the Management Report and in the Note to the Financial Statements, in accordance, among other regulations, with "Warning notice no. 1/21" issued by CONSOB (Italian Securities and Exchange Commission)on 16 February 2021[20] and with the Communication of the Bank of Italy of 15 December 2020[21]. In this regard, it is represented that the information requested by the Bank of Italy were included in the accounting documents, whereas, having regard to CONSOB Warning notice, it is deemed appropriate to refer to the information reported in the specific paragraph of the Note to the Consolidated Financial Statements (section 5, Part A), pointing out as follows:

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

In such a complex scenario featuring deep uncertainty on the recession duration and effects, on the effectiveness of the measures deployed by Governments to provide support to households and businesses and the monetary policy changes available, it can be concluded that the Group will be able to meet the risks and uncertainties caused by the emergency. The assessment of the Group's ability to continue to operate as a going concern has taken into account the reached capitalization level, which has a reassuring buffer above the requirements set by the ECB (CET1 ratio at 14.0% well above the 7.98% as per the SREP) , the present liquidity level above the regulatory threshold (LCR 242%) and the healthy and prudent management that has always been a distinctive feature of the Group's operations, ensuring sound development through strategies pursuing sustainable growth.

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which the Group will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Group's assets.

In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period. The issued accounting measures, which are outlined in next paragraph, focused on:

- *The determination of Expected Credit Losses under IFRS9, use of forward-looking scenarios and post-model adjustments;*

20 CONSOB - "COVID 19 – Measures to support the economy - Warning notice on the information to be provided by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards"

21 Bank of Italy – "Provisions supplementing Circular no. 262 "Banks' financial statements: layouts and preparation" concerning the impacts of the Covid-19 pandemic and of the measures to support the economy and amendments to IAS/IFRS"

- *The identification of guidelines for the treatment of concessions to debtors and consequent assessments of any material increase in credit risk;*
- *Transparency and completeness of the related information in the financial statements;*
- *Measurement and impairment testing of non-financial assets.*

On its part, this Board ensured the implementation of everything that Regulator requested in terms of strengthening information flows with the structures and roles in charge of preparing the Annual Report and Financial Statements and with the independent auditors, with special regard to the assessments made by the Group about the grounds for a going-concern basis of accounting and on the adequacy of the internal control system, regarding which no anomalies or points of attention were found.

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 24 March 2021 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. Lastly, this Board acknowledged the report issued by the Audit Firm on 1° April 2021 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

Having regard to dividend distribution, the Board of Directors of Credit Agricole Italia S.p.a. proposed to allocate the Company's net profit of Euro 168,206,243 as follows:
- Euro 3,768,879, equal to 2.24% of the net profit to Legal Reserve;
- Euro 1,200,000 to charity, to be used for social and cultural initiatives, in accordance with the Articles of Association;
- Euro 90,119,026 to dividends to the Shareholders;
- Euro 73,118,338 to extraordinary reserve.

As set out in the proposal included in the Annual Report, on 15 December 2020, the ECB encouraged banks to exercise prudence and invited them not to distribute dividends or to keep, until September 2021, dividend distribution at the lower figure between 15% of 2019-2020 retained earnings and 20 basis points in terms of Common Equity Tier 1 (CET 1). In the same Recommendation, banks that nonetheless intend to pay dividends are invited to assess their capital strength and self-financing capacity, both present and forward-looking, in a challenging manner and to pay dividends only after having discussed the matter with the Supervisory Authority. Complying with said Recommendation, Crédit Agricole Italia submitted, through its Parent Company Crédit Agricole S.A., its dividend distribution proposal to the European Central Bank and received a positive feedback.

Conclusions

Dear Shareholders,

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

Based on the outcome of the activities performed by the firm tasked with the statutory audit of accounts "EY S.p.A." as contained in its Independent Auditor's Report pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010, and to Article 10 of Regulation (EU) No. 537/2014, and based on the Statements made by the Chief Executive Officer and by the Manager in charge of the preparation of the corporate accounting documents, the Board of Auditors unanimously deems that there are no reasons why you should not approve the draft Annual Report and Financial Statements for the financial year closed as at 31 December 2020, as prepared and submitted to you by the Board of Directors.

This Board also agrees with the proposal for the allocation of the profit for the period as formulated by the Board of Directors on 24 March because of the ongoing emergency.

Parma, Italy, 6 April 2021

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

Independent Auditors' Report

Building a better working world

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Crédit Agricole Italia Banking Group (the "Group"), which comprise the balance sheet as at December 31, 2020, 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, 2020 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.

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Capitale Sociale Euro 2.525.000,00 i.v.
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We identified the following key audit matters:

Key Audit Matter	Audit Response
Classification and valuation of loans to customers	
Loans to customers measured at amortized cost presented in line item 40 b) of the balance sheet amount to about Euro 58.3 billion and represent approximately 76%of total assets. Net impairment losses for credit risk on financial assets measured at amortized cost, included in line item 130 a) of the income statement, amounted to Euro 389 million. The classification and valuation of loans to customers is relevant for the audit because the amount of loans is significant for the financial statements as a whole and because the amount of the related impairment losses is determined by the directors through the use of estimates that have a high degree of complexity and subjectivity. Moreover, these estimation processes have been revised to reflect the current uncertainty on the evolution of the macro economic scenario as a consequence of the Covid-19 pandemic spread and of the support measures provided by the Italian Government including, in particular, the moratoria on loan repayments and the new or renegotiated loans supported by State guarantees. Among these estimation factors, the following are particularly relevant: • the identification and calibration of parameters for determining a significant increase in credit risk, as compared to when the financial instrument was initially recognized, for the purpose of allocating exposures between the Stage 1 and the Stage 2 (performing loans); • the set-up of models and parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for the calculation of the expected credit losses (ECL) for 1 year for exposures classified in Stage 1 and lifetime for exposures classified in Stage 2; these models incorporate forward looking information developed at the parent company Crédit Agricole S.A. level on the basis of a multi scenario approach; • the detection of evidence of impairment, with the consequent classification of exposures in Stage 3 (non-performing loans) also as a result of the adoption of the New Definition of Default; • for exposures classified in Stage 3, the determination of criteria for the estimate of the expected cash flows on the basis of the recovery strategy. The disclosures regarding the changes in the quality of the loans to customers portfolio and the classification and measurement criteria adopted is	In relation to this aspect, also on the basis of the changes made to the collective expected credit losses estimation processes in order to take into account the increased uncertainty deriving from the Covid-19 pandemic spread, our audit procedures included, among others: • the update of our understanding of the policies, processes and controls applied by management in relation to the classification and measurement of loans to customers and the execution of test on key controls, including those relating to IT applications, in order to verify their operational effectiveness; • the execution of substantive procedures aimed at verifying on a sample basis the correct classification and measurement of credit exposures, with a focus on exposures affected by moratoria on repayments; • the understanding of the methodology applied for the impairment losses calculated by applying a statistical methodology and the reasonableness of the assumptions adopted, which include the updated macro-economic scenarios and their weighting; • the execution 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; • the performance of comparative analyses of the loans to customers portfolio and of the related coverage levels, with reference to the most significant changes as compared to the previous year; • the verification, through the analysis of the supporting documentation, of the accounting for the loans disposals occurred in the year, as envisaged by the NPL strategy aimed at the reduction of the stock of non-performing loans. The procedures reported above have been performed also with the support of our specialists in valuations of financial instruments and information technology. Furthermore, we examined the adequacy of the disclosures provided in the notes to the financial statements.

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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.

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 1,126 million, of which Euro 440 million are "non-convertible" into tax credits (since they are not included in the scope of Law 214/2011), deriving from tax losses that can be carried forward indefinitely and from other deductible temporary differences.

In order to ascertain the existence of the conditions for the recognition of "non-convertible" deferred tax assets, management performed the probability test required by the international accounting standard IAS 12 "Income Taxes" by considering the expected taxable income of Crédit Agricole Italia S.p.A., as well as considering its participation to the tax consolidation regime of the Crédit Agricole S.A. Group in Italy.

The assessment of the recoverability of the "non-convertible" deferred tax assets is a key audit matter for the audit because their amount is significant for the financial statements as a whole, and because the valuation is based on assumptions and estimates that have a high degree of complexity and subjectivity, in particular in the current context of uncertainty deriving from the Covid-19 pandemic spread; these assumptions and estimates include:

- the estimation of future taxable income in the period considered for the recovery;
- the interpretation of the applicable tax legislation.

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

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

- the 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;
- the analysis of the management estimates related to the Bank's forecasted income statement and balance sheet and of the additional assumptions used for the purpose of estimating future taxable income;
- the analysis 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;
- the verification of the accuracy of the calculation made to develop the Probability Test.

The procedures reported above have been performed also with the support of our specialists in business valuations and tax matters.
Moreover, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Goodwill Impairment test

Goodwill included in line item 100 of the balance sheet of the consolidated financial statements for the year ended December 31, 2020 amounts to Euro 1,316 million and is entirely allocated to the Retail / Private cash-generating unit (CGU).

As required by IAS 36 "Impairment of assets", goodwill is not subject to systematic amortization but is subject, at least once a year, to an impairment test

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 tests on key controls in order to verify their operational effectiveness;

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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 recoverable amount, determined by discounting the expected cash flows in accordance with the methodology internally developed by the Crédit Agricole S.A. Group and by developing assumptions, which by their nature entail the Directors' use of judgment.

In this context, for the purpose of estimating future cash flows, management used the budget figures for the year 2021 and the medium and long term financial forecast for the period 2022-2025. The medium long-term financial forecast estimation has a high level of complexity and require a particular judgment by Directors as a consequence of the current uncertainty scenario due to the Covid-19 pandemic spread.

As a result of the impairment test, as of December 31, 2020 an impairment of goodwill of Euro 259.6 million was recognized, included in the line item 270 of the consolidated income statement, with an impact on both cash generating units (CGU), equal to:

- Euro 73.2 million on the Business/Corporate CGU, fully impaired;
- Euro 186.4 million on the Retail/Private CGU.

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 and on the basis of the complexity of the related calculation, we considered the Goodwill Impairment Test as a key audit matter.

The disclosures regarding the goodwill 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.

- a comparison of the actual results achieved in the 2020 with the corresponding budget figures, in order to understand the reasons underlying the main differences;
- examination of the correctness of the goodwill impairment booked.

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

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

Sale & Lease Back transaction

In June 2020 a Sale & Lease Back transaction was finalized with a third party on a building owned by the Bank for a consideration of Euro 140 million. The transaction resulted on a gain on disposal equal to Euro 65 million included in the line item 280 of the income statement, the recognition of a lease liability of Euro 42 million, representing the present value of the future lease payments, and of a right of use of Euro 14 million.

Since the transaction is significant for the financial statements as a whole, we considered this transaction as a key audit matter.

The disclosures regarding the Sale & Lease Back are provided in Part A- Accounting policies, in Part B - Information on the balance sheet of the notes to the

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

- the analysis of the transaction approval process by those charged with governance;
- the analysis of the contractual agreements;
- the verification of the amount received as consideration for the asset disposal;
- the analysis of the conditions required by the applicable accounting principles for the derecognition of the asset;
- the verification of the proper accounting of the gain on disposals of the asset, of the right of use and of the lease liability.

financial statements, in Part C- Information on the Income Statement and in Part M –Disclosure of Leases .

The procedures reported above have been performed also with the support of our real estate specialists.

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

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

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

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

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

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

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

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

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks; obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as

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Building a better working world

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, 2020, 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, 2020 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, 2020 and comply with the applicable laws and regulations.

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

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

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

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

Milan, April 1, 2021

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

Assets		31.12.2020	31.12.2019
10.	Cash and cash equivalents	361,221	370,059
20.	Financial assets measured at fair value through profit or loss (IFRS 7 para. 8 letter a))	154,918	125,010
	a) financial assets held for trading;	95,231	97,400
	b) financial assets designated at fair value;	-	-
	c) other financial assets mandatorily measured at fair value	59,687	27,610
30.	Financial assets measured at fair value through other comprehensive income (IFRS 7, para. 8 letter h))	3,307,045	3,068,244
40.	Financial assets measured at amortized cost (IFRS 7 para. 8 letter f))	67,097,918	56,343,788
	a) due from banks	8,790,955	4,743,595
	b) loans to customers	58,306,963	51,600,193
50.	Hedging derivatives	1,026,602	759,816
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	137,309	119,729
70.	Equity investments	20,483	20,483
80.	Reinsurers' share of technical provisions	-	-
90.	Property, Plant and Equipment	951,837	1,017,849
100.	Intangible assets	1,618,683	1,912,606
	- of which goodwill	1,315,925	1,575,536
110.	Tax assets	1,455,306	1,504,346
	a) current	329,479	304,325
	b) deferred	1,125,827	1,200,021
120.	Non-current assets held for sale and discontinued operations	5,207	-
130.	Other assets	317,089	412,429
Total assets		**76,453,618**	**65,654,359**

BALANCE SHEET – LIABILITIES

Liabilities and Equity		31.12.2020	31.12.2019
10.	Financial liabilities measured at amortized cost (IFRS 7 para. 8 letter g))	66,572,727	56,003,022
	a) Due to banks	11,380,898	6,105,259
	b) Due to Customers	44,477,381	40,795,173
	c) Debt securities issued	10,714,448	9,102,590
20.	Financial liabilities held for trading	107,469	81,980
30.	Financial liabilities designated at fair value (IFRS 7 para. 8 letter e))	-	-
40.	Hedging derivatives	786,631	509,730
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	465,416	421,173
60.	Tax liabilities	231,778	275,107
	a) current	129,357	184,715
	b) deferred	102,421	90,392
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	1,379,726	1,316,885
90.	Employee severance benefits	117,404	123,894
100.	Provisions for risks and charges	293,400	335,516
	a) commitments and guarantees given	32,102	33,656
	b) post-employment and similar obligations	35,816	37,325
	c) other provisions for risks and charges	225,482	264,535
110.	Technical provisions	-	-
120.	Valuation reserves	-48,443	-62,199
130.	Redeemable shares	-	-
140.	Equity instruments	715,000	715,000
150.	Reserves	1,640,675	1,379,853
160.	Share premium reserve	3,117,848	3,117,840
170.	Share Capital	979,235	979,233
180.	Treasury shares (+/-)	-	-
190.	Minority interests (+/-)	148,189	143,256
200.	Profit (Loss) for the year	-53,437	314,069
Total liabilities and equity		**76,453,618**	**65,654,359**

INCOME STATEMENT

Items		31.12.2020	31.12.2019
10.	Interest and similar income	899,083	928,260
	Of which: interest income calculated with the effective interest method	895,547	924,255
20.	Interest and similar expenses	72,967	81,425
30.	**Net interest income**	**972,050**	**1,009,685**
40.	Fee and commission income	920,631	956,144
50.	Fee and commission expense	(40,707)	(43,378)
60.	**Net fee and commission income**	**879,924**	**912,766**
70.	Dividends and similar income	10,449	11,368
80.	Net profit (loss) on trading activities	21,304	15,147
90.	Net profit (loss) on hedging activities	(12,129)	(10,121)
100.	Profit (losses) on disposal or repurchase of:	(9,055)	(8,883)
	a) financial assets measured at amortized cost	(7,834)	(12,046)
	b) financial assets measured at fair value through other comprehensive income	(1,270)	3,314
	c) financial liabilities	49	(151)
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(527)	(29)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	(527)	(29)
120.	**Net interest and other banking income**	**1,862,016**	**1,929,933**
130.	Net losses/recoveries for credit risk on:	(390,015)	(219,605)
	a) financial assets measured at amortized cost	(388,943)	(218,491)
	b) financial assets measured at fair value through other comprehensive income	(1,072)	(1,114)
140.	Profits/Losses on contract modifications without derecognition	(1,367)	(3,357)
150.	**Net financial income (loss)**	**1,470,634**	**1,706,971**
160.	Net premium income	-	-
170.	Other net insurance income/expenses	-	-
180.	**Income from banking activities and insurance activities**	**1,470,634**	**1,706,971**
190.	Administrative expenses:	(1,352,871)	(1,359,657)
	a) personnel expenses	(710,810)	(727,755)
	b) other administrative expenses	(642,061)	(631,902)
200.	Net provisions for risks and charges	(6,699)	(5,633)
	a) commitments and guarantees issued	1,274	3,244
	b) other net provisions	(7,973)	(8,877)
210.	Net adjustments of/recoveries on property, plant and equipment	(85,463)	(80,163)
220.	Net adjustments of/recoveries on intangible assets	(97,784)	(90,853)
230.	Other operating expenses/income	286,006	283,784
240.	**Operating costs**	**(1,256,811)**	**(1,252,522)**
250.	Profit (losses) on equity investments	9,646	12,806
260.	Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
270.	Impairment on goodwill	(259,611)	-
280.	Profit (losses) on disposals of investments	66,080	497
290.	**Profit (Loss) before tax from continuing operations**	**29,938**	**467,752**
300.	Taxes on income from continuing operations	(75,151)	(141,596)
310.	**Profit (Loss) after tax from continuing operations**	**(45,213)**	**326,156**
320.	Profit (Loss) after tax from discontinued operations	-	-
330.	**Profit (Loss) for the year**	**(45,213)**	**326,156**
340.	Profit (loss) for the year attributable to minority interest	(8,224)	(12,087)
350.	**Profit (loss) for the year attributable to the Parent Company**	**(53,437)**	**314,069**

STATEMENT OF COMPREHENSIVE INCOME

Voci		31.12.2020	31.12.2019
10.	**Net Profit (Loss) for the year**	**(45,213)**	**326,156**
	Other comprehensive income that will not be reclassified to the income statement		
20.	Equity instruments designated at fair value through other comprehensive income	(7,617)	(5,023)
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.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(2,411)	(2,571)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
	Other comprehensive income that will be reclassified to the income statement		
100.	Hedges of investments in foreign operations	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	24,452	92,257
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
170.	**Total other comprehensive income after taxes**	**14,424**	**84,663**
180.	**Comprehensive income (Item 10+170)**	**(30,789)**	**410,819**
190.	Consolidated comprehensive income attributable to Minority Interests	8,855	14,460
200.	**Consolidated comprehensive income attributable to the Parent Company**	**(39,644)**	**396,359**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Profit/ (Loss) for the year	Shareholders' equity
			Retained earnings reserves	other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2019	979,233	3,117,840	1,394,343	-14,490	-62,199	715,000	-	314,069	6,443,796
MINORITY INTEREST AS AT 31 DEC. 2019	40,417	87,250	1,891	2,939	-1,328	-	-	12,087	143,256
CHANGE IN OPENING BALANCES	-	-	-	-	-	-	-	-	-
GROUP SHAREHOLDERS' EQUITY AS AT 1 JAN. 2020	979,233	3,117,840	1,394,343	-14,490	-62,199	715,000	-	314,069	6,443,796
MINORITY INTEREST AS AT 1 JAN. 2020	40,417	87,250	1,891	2,939	-1,328	-	-	12,087	143,256
ALLOCATION OF NET INCOME FOR THE PREVIOUS YEAR									
Reserves	-	-	324,156	-	-	-	-	-324,156	-
Dividends and other allocations	-	-	-	-	-	-	-	-2,000	-2,000
CHANGES FOR THE YEAR									
Changes in reserves	-	-	-199	-	-	-	-	-	-199
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	2	8	-	-	-	-	-	-	10
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-	-
Remuneration of equity instruments	-	-	-51,621	-	-	-	-	-	-51,621
Charity	-	-	500	-	-	-	-	-	500
Consolidation adjustments	-	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors		-	-	266	-	-	-	-	266
Changes in equity interests	-700	-2,736	-679	-	-37	-	-	-	-4,152
Comprehensive income	-	-	-	-	14,424	-	-	-45,213	-30,789
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2020	**979,235**	**3,117,848**	**1,654,899**	**-14,224**	**-48,443**	**715,000**	**-**	**-53,437**	**6,350,878**
MINORITY INTEREST AS AT 31 DEC. 2020	**39,717**	**84,514**	**13,492**	**2,939**	**-697**	**-**	**-**	**8,224**	**148,189**

The increase in "retained earnings reserves" resulted from non-distribution and retention of the earnings for 2019 (€324 million including minority interests), in compliance with the recommendations issued by the European Central Bank in 2020 and aimed at banks' capital strengthening.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Profit (Loss) for the year	Shareholders' equity
			Retained earnings reserves	other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2018	962,672	3,117,708	1,280,626	-14,509	-142,181	715,000	–	273,898	6,193,214
MINORITY INTEREST AS AT 31 DEC. 2018	64,976	98,636	6,595	2,939	- 5,805	–	–	18,155	185,496
CHANGE IN OPENING BALANCES	–	–	–	–	–	–	–	–	–
GROUP SHAREHOLDERS' EQUITY AS AT 1 JAN. 2019	962,672	3,117,708	1,280,626	-14,509	-142,181	715,000	–	273,898	6,193,214
MINORITY INTEREST AS AT 1 JAN. 2019	64,976	98,636	6,595	2,939	-5,805	–	–	18,155	185,496
ALLOCATION OF NET INCOME FOR THE PREVIOUS YEAR									
Reserves	–	–	151,683	–	–	–	–	-151,683	–
Dividends and other allocations	–	–	–	–	–	–	–	-140,370	-140,370
CHANGES FOR THE YEAR									
Changes in reserves	–	–	1,092	9	–	–	–	–	1,101
Transactions on equity	–	–	–	–	–	–	–	–	–
Issue of new shares	16,561	132	–	–	–	–	–	–	16,693
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Remuneration of equity instruments	–	–	–	–	–	–	–	–	–
Remuneration of equity instruments	–	–	-52,391	–	–	–	–	–	-52,391
Charity	–	–	500	–	–	–	–	–	500
Consolidation adjustments	–	–	–	–	–	–	–	–	–
Shares and rights on shares of the Parent Company assigned to employees and directors	–	–	–	10	–	–	–	–	10
Changes in equity interests	-24,559	-11,386	8,129	–	-204	–	–	–	-28,020
Comprehensive income	–	–	–	–	84,663	–	–	326,156	410,819
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2019	**979,233**	**3,117,840**	**1,394,343**	**-14,490**	**-62,199**	**715,000**	**–**	**314,069**	**6,443,796**
MINORITY INTEREST AS AT 31 DEC. 2019	**40,417**	**87,250**	**1,891**	**2,939**	**-1,328**	**–**	**–**	**12,087**	**143,256**

STATEMENT OF CASH FLOWS

	31.12.2020	31.12.2019
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**1,072,556**	**1,294,783**
- profit (loss) for the year (+/-)	-53,437	314,069
- Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)	1,437	-6,935
- Gains/losses on hedging activities (-/+)	51,294	66,748
- Net losses/recoveries for credit risk (+/-)	296,567	187,297
- Net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	442,858	171,016
- Net provisions for risks and charges and other costs/revenues (+/-)	6,699	5,633
- taxes, levies and tax credits not settled (+)	75,151	141,596
- net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-51,095	-
- other adjustments (+/-)	303,082	415,359
2. Cash flow generated/absorbed by financial assets	**-11,321,792**	**-1,692,116**
- financial assets held for trading	732	6,724
- financial assets designated at fair value	-	-
- financial assets mandatorily measured at fair value	-32,076	356
- financial assets measured at fair value through other comprehensive income	-223,038	319,741
- financial assets measured at amortized cost	-11,081,453	-1,991,857
- other assets	14,043	-27,080
3. Cash flow generated/absorbed by financial liabilities	**10,215,102**	**821,082**
- financial liabilities measured at amortized cost	10,238,066	1,332,862
- financial liabilities held for trading	25,489	8,465
- financial liabilities designated at fair value	-	-
- other liabilities	-48,453	-520,245
Net cash flow generated/absorbed by operating activities	**-34,134**	**423,749**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**166,307**	**25,595**
- sales of equity investments	9,761	12,522
- dividend received on equity investments	10,449	11,368
- sales of property, plant and equipment	146,097	1,705
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flow absorbed by:	**-85,964**	**-199,175**
- purchases of equity investments	-115	-12,082
- purchases of property, plant and equipment	-21,998	-105,391
- purchases of intangible assets	-63,851	-81,702
- purchases of business units	-	-
Net cash flows generated/absorbed by investing activities	**80,343**	**-173,580**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-3,426	16,693
- issues/purchases of equity instruments	-51,621	-52,391
- distribution of dividends and other	-	-140,370
Net cash flows generated/absorbed by funding activities	**-55,047**	**-176,068**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**-8,838**	**74,101**

RECONCILIATION

Financial Statement items	31.12.2020	31.12.2019
Opening cash and cash equivalents	370,059	295,958
Total net increase/decrease in cash and cash equivalents for the year	-8,838	74,101
Cash and cash equivalents nets: foreign exchange difference	-	-
Closing cash and cash equivalents	361,221	370,059

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

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

	31.12.2019	Changes from cash flows generated by financing activities	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	31.12.2020
Liabilities arising from financing activities (items 10, 20 and 30 of Liabilities)	56,085,002	10,299,635	-	295,559	-	66,680,196

Note to the Consolidated Financial Statements

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Statement of compliance with IAS/IFRS

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 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 2020 (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 laid down in Circular No. 262 "Banks' financial statements: layouts and preparation" issued by the Bank of Italy on 22 December 2005, within the exercise of its powers under Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one of which is the 5th update published on 30 November 2018 On 15 December 2020, the Bank of Italy published new provisions supplementing Circular.262 concerning the impacts of COVID-19 and the measures to support the economy and amendments to IAS/IFRS.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2020

In compliance with IAS 8, the table below reports the new international accounting standards or the amendments to standards already in force, along with the Regulations endorsing them, that shall mandatorily be applied for reporting periods starting on or after 1 January 2020.

Standards, amendments or interpretations	Publication date	Date of first application
Amendments to IAS 1 and IAS 8: Definition of Material The amendments clarify the definition of 'material' to make it easier for companies to make materiality judgements and to enhance the relevance of the disclosures in the notes to the financial statements.	10 December 2019 (EU No. 2019/2104)	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7– Interest Rate Benchmark Reform. The amendments provide temporary and narrow exemptions to the hedge accounting requirements of International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement and International Financial Reporting Standard (IFRS) 9 Financial Instruments so that companies can continue to meet the requirements assuming that the existing interest rate benchmarks are not altered because of the interbank offered rate reform.	16 January 2020 (EU No. 2020/34)	1 January 2020(*)
Amendments to References to the Conceptual Framework in IFRS Standards The amendments aim at updating, in existing Standards, references to, and quotes from, the previous version of the Conceptual Framework so that they refer to the revised Conceptual Framework.	6 December 2019 (EU No. 2019/2075)	1 January 2020
Amendments to IFRS 3 - Business Combinations Aimed at resolving the difficulties experienced by entities in actual application of the definition of "business"	22 April 2020 (EU No. 2020/551	1 January 2020
Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions The amendment provides optional, temporary COVID-19 related operational relief for lessees benefiting from lease payments holidays.	12 October 2020 (EU No. 2020/1434)	1 June 2020

(*) as reported in the next paragrah, the Group exercised the option earlier application, along with the other amendments introduced (Phase 2) with Regulation (EU(2021/25.

Having regard to the new standards and amendments thereto applicable to reporting periods starting on or after 1 January 2020, the Crédit Agricole Italia Banking Group did not detect any material impacts on its financial statements as at 31 December 2020, other than what reported in the following paragraphs.

Because of its materiality for the classification of non-performing exposures, it is pointed out that, since September 2020, the Crédit Agricole Italia Banking Group has been applying, on an early adoption basis, the New Definition of Default, resulting from the implementation of the "RTS on the materiality threshold for credit obligations past due under Article 178 of the CRR (Delegated Regulation EU 2018/171)" and of the related "EBA Guidelines on the application of the definition of default under Article 178 of the CRR".
The Crédit Agricole Italia Banking Group opted for the early adoption of the new regulation in alignment with the Parent Company Crédit Agricole S.A..

As early as in 2018, the Parent Company had started a specific project aimed at full compliance with the new definition of default, which entailed intense "gap analysis" activities and crosswise involvement also of the relevant Structures of the Crédit Agricole Italia Banking Group. Based on the application submitted to and the following audit by the Supervisory Authority, on 24 March 2020, the European Central Bank formalized its authorization decision, allowing the Crédit Agricole S.A. Group and, therefore, also the Crédit Agricole Italia Banking Group, to make the necessary changes to internal normative instruments, processes and IT systems.
The new regulation, albeit confirming that the definition of Default rests on the concepts of pastdue payments and unlikely to pay, has introduced some significant changes to the materiality thresholds, offsetting rules and criteria for classifying positions back to a performing status.
For more exhaustive reporting on the changes in the applicable legislation and on the impacts in the starting phase of its implementation by the Group, please see Part E – Credit risk.

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

For its financial statements as at 31 December 2020, the Group did not adopt standards and interpretations that, on 31 December 2020, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2021.

Standards, amendments or interpretations	Publication date	Date of first application
Amendment to IFRS 4 Insurance Contracts Temporary Exemption from Applying IFRS 9	16 December 2020 (EU No. 2020/2097)	01 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	14 January 2021 (EU No. 2021/25)	1 January 2021(*)

(*) As reported in next paragraph "Interest Rate Benchmark Reform", the Crédit Agricole Italia Banking Group decided to opt for early adoption of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 -Interest Rate Benchmark Reform – Phase 2 to its reporting periods starting on or after 1 January 2020.

Having regard to new standards or amendments thereto in force or adopted since 1 January 2020 by the Group, additional information is reported below, in case of any material impacts for the Group.

Interest Rate Benchmark Reform

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

The interest rate benchmark reforms, often called "LIBOR reforms", are now in a new stage with the gradual development of the use of risk-free rates (RFR) in new contracts. The situation remains uneven depending on the currency and asset class. Up to now, the transaction volumes in the derivatives market have increased to a larger extent, especially using the SONIA interest rate benchmark.

For most existing contracts using LIBOR as the benchmark, the replacement rate is expected to be a combination of a compounded RFR and of an adjustment spread , the latter intended to ensure economic equivalence with the replaced benchmark.

The private sector is at the forefront in the transition to the new benchmarks; however, recent updates suggest that the competent Authorities may step in to support the transitions for certain types of contracts that cannot be negotiated in time, both in case of benchmark replacement and in case of robust fallback clauses allowing the transition upon the benchmark disappearance.

Having specific regard to the derivative contracts market, ISDA finalized the implementation of a protocol whereby the new fallback clauses can be automatically included in contracts. That protocol is intended to simplify the transition of derivative contracts between parties that have joined the protocol. No such arrangement exists for instruments other than derivative contracts and bilateral renegotiations may be necessary.

Through the Benchmarks Project, the Crédit Agricole Group continues to coordinate the activities to manage the benchmark transition, integrating the recommendations given by national work groups, for the various currencies, and in compliance with the deadlines set by the competent Authorities, first of all by the Financial Conduct Authority (FCA). The assumed transition plan has been structured around the phases of adoption and offer of benchmarks alternative to LIBOR and the date on which the use of LIBOR shall officially end in the various currencies. In 2021, the transition plans designed by each Entity of the Crédit Agricole Group will be rolled out, which are based also on the conclusions reached by the work groups and market associations.

On 2 October 2019, the Euro short-term rate (€STR) went live. In Europe, this new benchmark rate is going to fully replace EONIA at the beginning of 2022.

EURIBOR – as any other benchmark – may undergo changes in its methods or be replaced in the future. However, at present the replacement of EURIBOR in the short term is not expected.

For the time being, the list of the main benchmarks used by the Crédit Agricole Group and/or defined as “critical” by ’ESMA and concerned with certain or potential transition, has not changed:
- EONIA, which will no longer be published after 3 January 2022;
- LIBOR[1]. in the various currencies USD, GBP, CHF, JPY and EUR, which may be terminated at the end of 2021[2]. although its termination has not yet been officially announced;
- EURIBOR, WIBOR, STIBOR, the end of which is possible but has not been scheduled in the short term.

EURIBOR, LIBOR (especially USD) and EONIA represent– in a decreasing order – the largest exposures of the Crédit Agricole Group to benchmarks.

In order for the hedging relationships concerned with the benchmark rate reform to continue in force despite the uncertainties about the timetable and the methods for transition from the present benchmarks to the new ones, in September 2019 IASB issued some amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed by the EU on 15 January 2020. The Crédit Agricole Group will apply said amendments until the uncertainties on the development in benchmarks generate consequences on the amounts and due dates of cash flows and, in that regard, it believes that all its hedging contracts, mainly those linked to EONIA, EURIBOR and LIBOR (USD, GBP, CHF, JPY), may benefit from said amendments as at 31 December 2020.

As at 31 December 2020, in the Crédit Agricole Italia Banking Group, the hedging instruments impacted by the reform and on which uncertainties remained, all linked to EURIBOR, had a nominal value of Euro 29,709 billion.

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

1 Subsequent to the publication of Regulation (EU) 2021/168, which entered into force on 13 February /2021, LIBOR has become a “systemically relevant” benchmark.
2 USD LIBOR – in tenors O/N, 1M, 3M, 6M and 12M – is assumed to terminate on 30 June /2023.

As at 31 December 2020, for the Crédit Agricole Italia Banking Group, the breakdown by relevant benchmark of the instruments linked to the benchmarks being reformed was as follows:

	EONIA	EURIBOR	USD LIBOR	GBP LIBOR	CHF LIBOR
Total financial assets (excluding derivatives)	27,410	31,769,482	7,570	12,480	2,058
Total financial liabilities (excluding derivatives)	**–**	**6,333,374**	**–**	**–**	**–**
Total notional value of derivatives	**–**	**40,397,587**	**–**	**27,420**	**–**

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

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

Amendments to IFRS 16 “Leases”: Covid-19-Related Rent Concessions

Because of the Covid-19 pandemic, in some cases lessors made concessions intended as incentives to lessees and consisting in the postponement of payment or reduction in some contract instalments.

In accordance with IFRS16, in case of contractual modifications, the lease liability shall be remeasured using a revised discount rate reflecting the right of use (ROU), therefore with no immediate impacts on the income statement.

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

In accordance with that amendment, which was endorsed by the EU on 12 October 2020 with the publication of Regulation (EU) 2020/1434, lessees are exempt from the obligation to assess whether the Covid-19-related incentives are lease contractual modifications. Therefore, lessees exercising that option shall recognize any change in lease payments resulting from Covid-19-related concessions in the same way it would be recognized if it were not a lease contractual modification, thus allowing recognition as “variable rent” in the income statement to reflect the changes in payments due.

In order for the exemption to apply, all the following conditions shall be met:
- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There are no substantive changes to other terms and conditions of the lease.

A lessee that chooses to apply the practical expedient is required to disclose it in its financial report.

As, under the prevention measures deployed for the health emergency, the use of leased premises had to be limited, the Crédit Agricole Italia Banking Group agreed with various lessors on reductions in the 2020 rents for the premises of the which it is the lessee.

Because of said reductions, in accordance with the amendment described above, a positive component was recognized in the 2020 income statement amounting to €0.7 million under “Other operating expenses/income” (item 230 of the Income Statement).

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

The standards and interpretations that, as at 31 December 2020, 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 IASB on	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2023	TBD
Amendments			
Amendments to IAS 1 - Presentation of Financial Statements Classification of Liabilities as Current or Non-current	January 2020	1 January 2023	TBD

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

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

IFRS 17 lays down new principles in terms of measurement and recognition of insurance contract liabilities and measurement of their profitability, as well as in terms of presentation. Specifically, the new standard provides for three approaches to measure insurance contracts:
1. Building Block Approach (BBA) - the general measurement approach for long-term contracts;
2. Premium Allocation Approach (PAA) - a streamlined model (mainly for short-term contracts);
3. Variable Fee Approach (VFA) - for contracts with direct participation features.

On 26 June 2019, IASB issued projects to amend the exposure to IFRS 17 responding to concerns and challenges on the IFRS 17 implementation.

On 16 December 2020, Regulation (EU) 2020/2097 laying down amendments to IFRS 4 was published on the Official Journal of the European Union. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and, thus, to address the temporary accounting consequences of the different effective dates of the two standards.

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.

Furthermore, the 2020 Annual Report and Financial Statements were prepared taking into account, where applicable, the communications made by the various Supervisory Authorities (ESMA, EBA, ECB, Bank of

Italy) giving recommendations on the disclosures and transparency required of financial institutions about the consequences of the Covid-19 pandemic, which, due to its pervasiveness, impacts on several areas of 2020 financial reporting.

Within their mandate as competent Supervisory Authorities and for prudential purposes, the European Central Bank and the Bank of Italy published press releases and letters aimed at clarifying the applicable regulatory framework and the related indications (for example, as regards macroeconomic scenarios, reporting to the Central Credit Register, support measures for financial Intermediaries). EBA guidelines complete the reference framework for banks about expected credit losses, staging allocation and measures to support the economy.

The table below reports the main communications and interpretations given in 2020 by the Supervisory Authorities:

Document title	Issue date	Title
EBA- European Banking Authority		
Statement	25 March 2020	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures
Guidelines	2 April 2020-25 June 2020 – 2 December 2020	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis
ESMA – European Securities and Market Authority		
Recommendation	11 March 2020	ESMA recommend action by financial market participant for Covid-19 impact
Statement	25 March 2020	Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9
Communication	20 May 2020	Implications of the Covid-19 outbreak on the half-yearly financial reports
Statement	28 October 2020	European common enforcement priorities for 2020 annual financial reports
IFRS Foundation		
Statement	27 March 2020	IFRS 9 and Covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic
ECB -European Central Bank		
Communication	20 March 2020	ECB Banking Supervisor provides further flexibility to banks in reaction to coronavirus
Letter	1 April 2020	IFRS 9 in the context of the coronavirus (Covid-19) pandemic
Letter	4 December 2020	Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic
Bank of Italy		
Communication	15 December 2020	Provisions supplementing Circular n. 262 of 2005 "Banks' financial statements: layouts and preparation""
Consob		
Warning notice no.1/21	16 February 2021	COVID 19 - Measures to support the economy - Warning notice on the information to be provided by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards;

The required information is given in the next paragraph of Part A- Section 5 "Risks, uncertainties and impacts generated by the Covid-19 epidemic".

The financial statements are compliant with the layouts and requirements set out in Bank of Italy Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" (5th update published on 30 November 2018), as well as with supplementing provisions published by the Bank of Italy on 15 December 2020 concerning Covid-19-related impacts, measures to support the economy and amendments to IAS/IFRS.

Going concern basis

The Annual Report and Financial Statements as at 31 December 2020 have been prepared on a going-concern basis, as the Group is believed to continue in operation in the foreseeable future.

Despite the ongoing complexity of the economic and health scenario, which is to be considered still critical and constantly evolving due to the spread of the Covid-19 pandemic, including variants, and to the measures deployed by Italy and by the EU to address it, the analyses carried out based on the available information have given grounds to conclude that the Group will be able to meet the risks and uncertainties resulting from the pandemic spread.

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 5 below and in Part E - Information on risks and relative hedging policies.

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

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

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

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

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which the Group will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Group's assets. Said estimates and assessments are therefore difficult and entail unavoidable elements of uncertainty. More exhaustive information is given in Section 5 "Risks, uncertainties and impacts generated by the Covid-19 epidemic".

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 amd property, plant and equipment;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

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

CONTENTS OF THE FINANCIAL STATEMENTS

Bank of Italy – Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation"

On 30 November 2018, the Bank of Italy issued the 6th update of its Circular no. 262 of 22 December 2005. That update, which was a full revision of the Circular, had already been applied to the Financial Statements as at 31 December 2019. On 15 December 2020, the Bank of Italy published new provisions supplementing Circular.262 concerning the impacts of COVID-19, the measures to support the economy and amendments to IAS/IFRS.

Balance Sheet and Income Statement

The Balance Sheet and Income Statement contain items, sub-items and further information (the "of which" for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005, as updated.

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

Statement of Comprehensive Income

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

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

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 IAS/IFRS.

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

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

Section 3 – Scope and method of consolidation

SCOPE OF CONSOLIDATION

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

In accordance with IFRS 10, Subsidiaries are companies in which Crédit Agricole Italia S.p.A., directly or indirectly, holds at the same time:
- the power to influence the Investee's relevant activities, i.e. the activities that significantly affect the investee's returns;
- exposure and/or rights to variable returns of the Investee;
- the ability to exercise its power over the Investee to affect the amount of its returns.

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

Control exists also where the Group, even though not holding the majority of the voting rights, has sufficient rights to unilaterally manage and direct the investee's relevant activities or where it holds:
- Substantial potential voting rights through underlying call options or convertible instruments;
- Rights that result from contractual agreements and that, combined with its voting rights, make the Group actually able to manage and direct production processes, other management or financial activities, i.e. activities that significantly affect the investee's returns;
- Power to affect, under the investee's articles of association or other agreements, its governance and decision-making processes concerning relevant activities;
- The majority of voting rights under formally executed agreements with other holders of voting rights (for example, voting agreements and shareholders' agreements).

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

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

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

CONSOLIDATION METHODS

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

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

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

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

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

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

The Group's share of the subsidiary's profit or loss for the year is recognized 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 2020.

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

1. Equity investments in subsidiaries

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

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

Company name	Headquarters	Type of control (1)	Equity investment		Actual
			Investor	% held	% of votes available
A. Companies					
Parent Company					
Crédit Agricole Italia S.p.A.	Parma, Italy				
A1. Companies consolidated on a line-item basis					
1 Crédit Agricole FriulAdria S.p.A.	Pordenone, Italy	1	Crédit Agricole Italia S.p.A.	82.05%	82.43%(2)
2 Crédit Agricole Leasing Italia S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	85.00%	85.00%
3 Sliders S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
4 Mondo Mutui Cariparma S.r.l. in liquidation	Milan, Italy	4	Crédit Agricole Italia S.p.A.	19.00%	19.00%
5 Crédit Agricole Italia OBG S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	60.00%	60.00%
6 Credit Agricole Group Solutions S.c.p.a.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	89.10%	89.10%
			Crédit Agricole FriulAdria S.p.A.	8.75%	8.75%
			Crédit Agricole Leasing Italia S.r.l.	1.19%	1.19%
7 Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
8 Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Crédit Agricole Italia S.p.A.	50.01%	50.01%
9 San Piero Immobiliare Srl	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
10 San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
11 Le Village by CA Parma S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	66.67%	66.67%

(2) The percentage has been calculated taking account of the treasury shares held by the Bank as at the reporting date.
1= Majority of the voting rights in the General Meeting of Shareholders

2. Joints ventures and investees subject to significant influence

Company name	Headquarters	Type of control (1)	Equity investment		Actual
			Investor	% held	% of votes available
Consolidated using the equity method					
1 Fiere di Parma S.p.A.	Parma, Italy	4	Crédit Agricole Italia S.p.A.	32.42%	32.42%
2 Le Village by CA Milano S.r.l.	Milan, Italy	4	Crédit Agricole Italia S.p.A.	38.91%	38.91%

(1) Type of control:
1= Majority of the voting rights in the General Meeting of Shareholders
2= dominant influence in the Extraordinary General Meeting of Shareholders
3= agreement with other shareholders
4= other forms of control
5= unitary management pursuant to Article 26, paragraph 1, of Italian Legislative Decree No. 87/92
6= unitary management pursuant to Article 26, paragraph 2, of Italian Legislative Decree No. 87/92
7= joint control

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

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

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

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

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

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

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

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

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

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

Structured entities - securitization special-purpose entities. To verify whether the requirements are met for control on special-purpose entities, the factors taken into considerations are the ability to exercise power on the investee's relevant activities to the investor's advantage and the ultimate purpose of the transaction, as well as the involvement of the investor/sponsor in structuring the transaction.

For these entities, the subscription of essentially all notes by companies of the Group is considered evidence, especially in the structuring phase, of the power to manage the entity's relevant activities to influence the returns on the transaction.

4. Equity investments in subsidiaries with significant minority interests

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

Company name	% minority interest	% of minority interest votes available	Dividends distributed to minority interests
1 Crédit Agricole FriulAdria S.p.A.	17.95%	17.57%	-
2 Crédit Agricole Leasing Italia S.r.l.	15.00%	15.00%	–

4.2 INVESTEES WITH SIGNIFICANT MINORITY INTERESTS: ACCOUNTING DATA

Company name	Total Assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity	Net interest income	Net banking income	Operating costs	Profit (losses) after tax on discontinuing operations	Profit/ (Losses) for the period (1)	Other income components, net of tax (2)	Comprehensive income (3) = (1) + (2)
Crédit Agricole FriulAdria S.p.A.	11,113,703	47,949	10,690,113	139,977	10,180,767	714,087	158,955	301,552	-187,728		51,307	3,268	54,675
Crédit Agricole Leasing S.r.l.	2,134,207	5	2,050,020	30,733	1,922,033	106,040	26,451	27,664	-11,220	0	507	-2	505

5. Significant restrictions

No significant restrictions are to be reported pursuant to IFRS 12.13.

6. Other information

SHARE CAPITAL INCREASE

Subsequent to the exercise of warrants(*) on shares of the former Cassa di Risparmio di Cesena Spa, which it had issued within its share capital increase on 23 September 2016, in 2020 another 1,369 shares in Crédit Agricole Italia S.p.A. were issued having a nominal value of Euro 1.

Therefore, as at 31 December 2020, the share capital amounted to Euro 979,234,664.

Section 4 – Events occurred after the reporting date

From the reporting date to the approval of the 2020 Annual Report and Financial Statements, no such events occurred as to entail any material change in the assessments made by the Directors and represented in the balance sheet, income statement and statement of cash flows of the Crédit Agricole Banking Group.

SHARE CAPITAL INCREASE

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena, which it had issued within its share capital increase on 23 September 2016 and which expire on 23 September 2021, another 723 shares(*) in Crédit Agricole Italia were issued having a nominal value of Euro 1.

Therefore, as at 31 December 2020, the share capital amounted to Euro 979,235,387(**).

* The period to exercise the warrants on shares of the former Cassa di Risparmio di Cesena expires on 23 September 2021.
** Figures updated as at 06 April 2021

LATEST NEWS ON THE PTO ON CREVAL

Following the Public Tender Offer (PTO) for all shares in Credito Valtellinese made on 23 November 2020, some significant events regarding the evolution of the Offer occurred after 31 December 2020.

Specifically, on 5 February 2021 the European Commission authorized the consolidation between the Crédit Agricole Italia and CreVal banking groups, in the light of which Crédit Agricole Italia announced that the Antitrust condition has already been met.

Furthermore, on 15 February 2020, the Presidency of the Council of Ministers of the Republic of Italy informed the Offeror of the decision made by the Council of Ministers on 13 February 2021 to accept the proposal, made by the Ministry of the Economy and Finance as the Administration responsible for the transaction review on 5 February 2020, that the special powers (so-called "golden powers") be not exercised on the consolidation transaction between the Crédit Agricole Italia and CreVal banking groups, which had been notified by the Offeror on 2 December 2020.

In February and March 2021, Crédit Agricole Italia signed sale and purchase agreements on block shares, subject to the obtainment of the relevant regulatory authorizations, for a total of 1,720,781 CreVal shares, representing 2.453% of its share capital, for a unii price equal to the Tender Offer price.

On 9 March 2021, Crédit Agricole Assurances S.A. signed a letter of commitment whereby it undertook to accept the Offer for the 6.907.474 CreVal shares it holds, representing 9.847% of CreVal share capital.

Furthermore, on 16 March 2021, Crédit Agricole Italia and Algebris (UK) signed an agreement amending the contract that they had previously signed on 23 November 2020, whereby Algebris (UK) undertook to ensure that the funds it manages accept the Offer for all the shares they hold – which, as at 22 March 2021, were approximately 3,774,297 CreVal shares representing 5.38% of its share capital - as well as to ensure that, should the Offer not be successful, they will sell the CreVal shares they hold to Crédit Agricole Italia, for a price equal to the Offer one, on the fifth open market day after the end date of the Offer take up period (unless on the day before the date set for said transfer, the official price of CreVal shares is higher than the Offer price, in which case the Offeror will be entitled to buy the CreVal shares at their official price, only confirming its intention of buying them at a price equal to said official price).

On 17 March 2021, the European Central Bank and the Bank of Italy, each in its respective responsibility scope, notified the authorizations to exceed the threshold set at 10% of CreVal share capital and to purchase a direct control equity investment in CreVal, besides the purchase of indirect qualified holdings in CreVal Piu' Factor S.p.A. and in Generalfinance S.p.A..

On 19 March 2021, the sale and purchase agreements for block shares, signed in February and in March 2021, concerning 1,720,781 CreVal shares, representing 2.453% of its share capital.

On 22 March 2021, Crédit Agricole Italia received the approval of the Tender Offer document from CONSOB, and said document was put on file at CONSOB and made available for public consultation. Furthermore, the take up period was agreed on with con Borsa Italiana S.p.A. And pursuant to Article 40, para. 2, of the Issuers' Regulation, and said period starts at 8:30 am (Italian time) on 30 March 2021 and ends at 5:30 pm (Italian time) on 21 April 2021 (included), with settlement date on 26 April 2021, unless in case of any extension, which shall be communicated to the market in compliance with the applicable legislation.

Section 5 – Other matters

VOLUNTARY PUBLIC TENDER OFFERS MADE BY CRÉDIT AGRICOLE ITALIA IN 2018 FOR THE ORDINARY SHARES OF THE FELLINI BANKS

After the approval by the Board of Directors of Crédit Agricole Italia, on 24 March, of the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group and of the draft Annual Report and

Financial Statements of Crédit Agricole Italia, both as at 31 December 2020, it was verified whether the conditions for the payment of the Defined Consideration provided for within the voluntary public tender offers made by Crédit Agricole Italia in 2018 for the ordinary shares of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di San Miniato S.p.A. and Cassa di Risparmio di Rimini S.p.A..

Risks, uncertainties and impacts generated by the Covid-19 epidemic

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

In this very complex scenario featuring deep uncertainty on the recession duration and effects, on the effectiveness of the measures deployed by Governments to provide support to households and businesses and the changes in the EU monetary policy, the analyses performed by the governance bodies using the available information gave evidence that the Group will be able to meet the risks and uncertainties caused by the emergency.

The assessment of the Group's ability to continue to operate as a going concern has taken into account the reached capitalization level, which has a reassuring buffer above the requirements set by the ECB (CET1 ratio at 14.0% well above the 7.98% as per the SREP) , the present liquidity level above the regulatory threshold (LCR 242%) and the healthy and prudent management that has always been a distinctive feature of the Group's operations, ensuring sound development through strategies pursuing sustainable growth.

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. The economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which the Group will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Group's assets.

In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period.

The issued accounting measures, which are outlined in next paragraph, focused on:

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

Reference regulatory framework

IFRS Foundation – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic (27 March 2020)

The document highlights the IFRS9 requirements within the present uncertainty caused by the Covid-19 pandemic, requesting entities to review their assumptions underlying their ECL calculation model and, therefore, not to continue to apply their existing ECL methodology mechanically. Entities are required to develop estimates based on the best available information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions, consideration should be given both to the effects of Covid-19 and the significant government support measures being undertaken; entities are required to provide information especially on expected scenarios and on post-model overlays or adjustments in the ECL calculation.

ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus (20 March 2020)

The ECB has supported all initiatives aimed at providing sustainable solutions to temporarily distressed debtors in the current epidemic. To this end, the ECB has introduced supervisory flexibility regarding the treatment of non-performing loans (NPLs), in particular to allow banks to fully benefit from guarantees and moratoriums put in place by public authorities. With its first letter, the ECB reassured banks that the application of moratoria does not automatically trigger reclassification as unlikely-to-pay, as payments have been postponed by law.

Albeit not strictly in its mandate, within its prudential remit, the ECB has also given its opinion on IFRS 9 forward-looking assessments, recommending that all banks avoid excessively procyclical assumptions in their models to determine provisions.

ECB – IFRS 9 in the context of the coronavirus (Covid-19) pandemic (1 April 2020) ECB – Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic (4 December 2020)

The ECB remarked the importance, in difficult periods, of identifying and reporting asset quality deterioration and the build-up of NPLs in accordance with the existing rules, so as to maintain a clear and accurate picture of risks in the banking sector. The letters give specific indications on collective assessment of significant increase in credit risk and on the use of long-term macroeconomic forecasts given the current context of heightened uncertainty and very limited availability of reasonable and supportable forward-looking information on the impact of COVID-19.

The letters have annexes that provide specific guidelines on:

- Assessment of Significant Increases in Credit Risk (SICR)

  In a scenario featuring deterioration in the GDP outlook with consequent impacts on probability of default (PD) estimates, the ECB expects banks to consider whether a top-down approach to stage transfers can be taken (see IFRS 9, paragraph B5.5.6 and IE39), such as a representative sampling approach; in the context of that approach, lifetime expected credit losses on a portion of the financial assets for which credit risk is deemed to have increased significantly are recognized without the need to identify which individual financial instruments have suffered a SICR.

  With its letter of 4 December 2020 (follow up), the ECB stresses the fact that moratoria that do not automatically trigger a reclassification of exposures does not mean that the duty to assess whether asset deterioration has taken place can be neglected; in addition, internal thresholds used to determine a significant increase in credit risk follow the best practices that have been established since the introduction of IFRS 9 and are not relaxed when the credit quality of the portfolio deteriorates or becomes more volatile.
- Macroeconomic forecasts for the purposes of IFRS 9

  The ECB reminds that IFRS 9 implies that, where there is no reliable evidence for specific forecasts, long-term macroeconomic projections shall be the most relevant base for the estimate. Therefore, banks are expected to use the available historical information, but only to the extent said information is representative of the long-term horizon and unbiased; where historical data depend on macroeconomic variables, banks are expected to take into account information that covers at least one or more full economic cycles or that is otherwise adjusted in order to eliminate any biases, for instance in favour of the most recent surveys. Institutions consider achieving a balanced distribution of alternative scenarios around the baseline scenario anchored in the ECB forecasts.
- Use of overlays in the application of IFRS 9

  The ECB considers that it may be necessary to use subjective model inputs and post-core model adjustments (overlays) for staging and provisioning estimates. Overlays are supported by adequately documented processes and subject to strict governance oversight: this ensures that documented processes are followed consistently over time and across exposures.

EBA – Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (guidelines of 4 April 2020 and amendments of 25 June 2020 and 2 December 2020)

In order to minimise the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic, Member States have implemented a broad range of support measures. These measures include, in many instances, some forms of moratorium on payments of credit obligations, with the aim of supporting the short-term operational and liquidity challenges faced by borrowers. The European Banking Authority (EBA) issued guidance to banks aimed at clarifying the treatment of the legislative and non-legislative payment moratoria they apply. These guidelines clarify that payment moratoria do not to trigger classification as forborne if they are based on the applicable national law or on a private industry- or sector-wide moratorium scheme extensively applied by the concerned credit institutions to handle the Covid-19 emergency. Furthermore, these moratoria do not entail any trigger event for classification as default or significant increase in credit risk, as they have a generally preventative nature and are not borrower specific and they aim to address systemic risks,. The guidelines further clarify that, if the schedule of payment has been revised due to the application of the moratorium, the assessment of repayment capacity should be based on the revised schedule. Nonetheless, the EBA clarifies that banks are expected to monitor and assess the credit quality of exposures benefiting from moratoria, in order to appropriately classify exposures, paying particular attention to and prioritising the assessment of those obligors who, at the end of the moratoria, are most likely to experience payment difficulties or show other signs of being non-performing.

With an update issued on 2 December 2020, the EBA extended the treatment under its guidelines of suspended, postponed or reduced loan repayments under general payment moratoria to 31 March 2021; that amendment to the April 2020 guidelines introduced, for changes in payment schedule agreed on after 30 September 2020 only, a 9-month cap to the suspension, including payment concessions previously granted.

ESMA Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9 (public statement 25 March 2020)

ESMA has also addressed the main accounting implications on the IFRS9 application caused by the Covid-19 pandemic. ESMA invites issuers to carefully assess the impact of the economic support and relief concessions granted to customers on recognised financial instrumentsi, current circumstances, considering that if the support measures provide temporary relief to debtors affected by the COVID-19 outbreak and the net economic value of the loan is not significantly affected, the modification would be unlikely to be considered as substantial.

ESMA – European common enforcement priorities for 2020 annual financial reports (public statement 28 October 2020)

The document sets out the relevant topics in the application of IAS/IFRS for which the utmost attention is expected in providing exhaustive and transparent information in the 2020 financial reporting; Esma points out the need to provide appropriate transparency on the consequences of the Covid-19 pandemic, extending the recommendations given in March 2020 on the calculation of expected credit losses (ECL) and treatment of moratoria. It also specifically clarified:

- That, applying IAS1, sufficiently detailed disclosure is provided on the ability to continue a a going concern and on estimation uncertainty, providing sufficiently detailed disclosures about the judgements that the management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and about estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year;
- That, applying IAS36, the adverse impact of COVID-19 provides a strong indication that one or more of the impairment indicators in IAS 36 have been triggered;; That, in measuring asset recoverable value, issuers should consider modelling multiple possible future scenarios and provide adequate transparency of the estimates and key assumptions;
- That, in applying IFRS9-IFRS7, information should be given on assumptions underlying the measurement of ECL and on the impact of support measures (moratoria) on the assessment of increase in credit risk.
- That, applying IAS 16, information should be given on the accounting treatment of rent concessions enjoyed as lessees.

Bank of Italy – Provisions supplementing Circular no. 262 "Banks' financial statements: layouts and preparation" concerning the impacts of the Covid-19 pandemic and of the measures to support the economy and amendments to IAS/IFRS (15 December 2020)

With the aforementioned document, the bank of Italy supplemented the provisions governing banks' financial statements (Circular no. 262 of 2005, 6th update) in order to provide the market with information on the effects that the Covid-19 pandemic and the measures to support the economy generated on the strategies, objectives and risk management policies, as well as on the profitability and financial situation of intermediaries. The supplemented provisions shall apply to reporting periods closed or underway on 31 December 2020 (with some exceptions regarding comparative figures for the previous financial year).

Besides qualitative information, the Bank of Italy also requires that specific quantitative information be reported in the tables in the Note to the financial statements, specifically in Part B (Information on the Balance Sheet), Part C (Information on the Income Statement) and Part E (Information on risks and relative hedging policies), regarding loans under "moratoria" or other concession measures in force as at the reporting date, or loans providing new liquidity and backed by public guarantees.

Due to the temporary nature of the Covid-19 emergency and of the support measures, the supplemented provisions regarding these matters shall be in force until the Bank of Italy communicates otherwise.

Consob – Warning notice (no. 1/21 of 16 February 2021): Covid 19 – Measures to support the economy

The document issued by Consob notifies supervised issuers, supervisory bodies and audit firms of the thematic areas of particular significance to preparing financial statements, offer documents and prospectuses, as already highlighted by ESMA in its document of 28 October 2020 (European common enforcement priorities for 2020 annual financial reports) and by the Bank of Italy in its document of 15 December 2020 (Provisions supplementing Circular no.262).

The areas identified as of particular relevance are:

- Issues related to the existence of the going concern assumption, to the causes of uncertainty in accounting estimates, as well as to the representation of the items impacted by COVID-19 (IAS 1);
- The methods used to determine the recoverable value of goodwill and the intangible and tangible assets that may be affected by a deterioration in economic prospects (IAS36);
- Liquidity risk and the measurement of expected credit losses by credit institutions (IFRS9 – IFRS7);
- Impacts of Covid-19 on lease contracts (IFRS16).

The supervisory bodies must: strengthen information flows with the Board of Directors and with the independent audit firm, both of the entity and of its subsidiaries. Particular attention must also be paid to the assessments made by issuers regarding the existence of the going concern assumption and the suitability of the internal control system.

Independent auditors must raise the level of professional scepticism to make it appropriate to the circumstances, paying special attention to the impacts that may result from the uncertainty due to the pandemic and the consequent effects on the estimates made in the financial statements.

Therefore, in accordance with the general framework given above, the information on the financial reporting areas impacted by Covid-19 is given below.

Covid-19-related contractual modifications

Since March 2020, the Crédit Agricole Italia Banking Group has been giving its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period . In the reporting year, the solutions to suspend repayment were made progressively compliant with the applicable legislation entered into force and with the agreements between the Italian Banking Association (ABI) and trade associations, which the Group immediately signed in order to ensure the highest possible protection to its Customers. As at 31 December 2020, the loans whose repayment was suspended amounted to over Euro 8 billion.

For the accounting treatment of these concessions to Customers, reference was made to the regulatory framework given above, having specific regard to EBA guidelines; those guidelines have clarified that the application of a general payment moratorium does not entail automatic reclassification as forborne, if the concession meets the following requirements:

- The moratorium was launched in response to the COVID-19 pandemic and was applied before 31 March 2021 For suspensions formalized after 30 September 2020, a suspension constraint length was introduced of 9 months in total;
- The moratorium is widely applied based on a legislative measure or bilateral initiatives; in this case, payment relief initiatives should be shares throughout the banking industry to ensure that relief measures are harmonized across the various banks;

- The moratorium applies to a large group of obligors; this condition is necessary to ensure that the change in payment schedule is not intended to meet specific financial difficulties of specific debtors;
- The moratorium envisages only changes to the schedule of payments to address short-term systemic shortages of liquidity; the concessions must not change any other contractual terms and conditions of the loan, such as the interest rate;
- The moratorium does not apply to new loan contracts granted after the date when the moratorium was announced;

The moratoria the Group has offered to its Customers consist in postponing the payment schedule (in case payment of the full instalment is suspended, the date of interest collection is also postponed), which has caused no impacts on the present value of the exposures under moratoria; therefore, applying modification accounting, no profits or losses resulting from said concessions have been recognized. Furthermore, the moratoria have not, as a rule, entailed the classification of the exposure as forborne or its automatic classification in stage 2 with consequent calculation of the related lifetime expected loss.

In accordance with the approach set out by the ECB, the moratorium application has not been identified as automatically triggering unlikeness to pay, and past due days have been counted based on the new repayment schedule.

Given the crisis, the monitoring processes on priority portfolios have been strengthened. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends.
In order to foretell any latent risk situations in that perimeter, the Crédit Agricole Italia Banking Group made manual adjustments, in terms of both staging and coverage on a perimeter of Retail positions for which the concession of the moratorium may have generated an impact on the risk parameters used for classification and for the ECL calculation.

The quantitative analysis of the perimeter of exposures benefiting from concessions is reported in Part E of this Note to the financial statements.

Measurement of expected losses

Impairment on the performing loans portfolio is calculated with a tool that is centralized on the Information Systems of the French Parent Company Crédit Agricole S.A. using the information and parameters of each entity as inputs.

In compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. In agreement with the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group uses four different macroeconomic scenarios: These scenarios were updated considering the recent developments linked to the health emergency and can be summarized as follows:
- Central scenario, which is the most likely scenario, i.e. the epidemic continuing in 2021, with alternating phases of restrictive measures imposed and lifted in H1, but less penalizing than in 2020 (mass vaccination is not expected before mid-2021);
- Moderately adverse scenario, which is the economic scenario in moderately adverse conditions, forecasting a worse development in the health situation in 2021 with stricter measures than in the central scenario;
- Stressed budget scenario, which is the most severe scenario with no recovery in the short term;
- Favourable scenario, which is a variant of the central scenario with economic recovery going at a faster pace in early 2021, thanks to the support measures deployed by the State and at a slower pace in the following years.

The weights to be given to the four scenarios – which may change each time the parameters are re-estimated – have been set for the Crédit Agricole Group as a whole (Crédit Agricole SA Economic Research Department - ECO) and validated by CA.SA. Group IFRS9 Guidance Committee, on which the Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group also sits.

The evidence about the assessment model, the main macroeconomic indicators taken into account in redesigning the scenarios, the corrective factors introduced to manage the uncertainty of the effectiveness of the economic stimulus measures and the sensitivity analysis made on the ECL is fully reported in Part E – Credit Risk of this Note to the financial statements.

IFRS 16 – Covid-19-related concessions

As, under the prevention measures deployed for the health emergency, the use of leased premises had to be limited, the Crédit Agricole Italia Banking Group agreed with various lessors on reductions in the 2020 rents for the premises of the which it is the lessee.

Because of said reductions, in accordance with the amendment to IFRS 16 described in Part A - Section 1 of this Note to the Financial Statements, a positive component was recognized in the 2020 income statement amounting to €0.7 million under "Other operating expenses/income" (item 230 of the Income Statement).

Impairment testing of intangible assets with finite useful life and on goodwill

In accordance with IAS/IFRS, the Group tested the intangible assets with finite useful life and goodwill recognized as at 31 December 2020 for impairment.

Having specific regard to goodwill, the recoverable amount was calculated with the CGU value in use approach, which was determined in accordance with the method adopted by the Crédit Agricole 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 2020 expected performance, a model has been used, which consists of two stages:
- For the first stage (2021-2025), the following forecasts have been used: the 2021 Budget for 2022-2025 and medium- and long-term financial forecasts;
- The second stage considers the Terminal Value: the cash flow after taxes for the last year was, therefore, projected into perpetuity using a long-term growth rate "g" (2.00%). This rate falls in an interval that is consistent with the industry measurement practices.

It is pointed out that the cash flows were calculated assuming that the present situation, where the Governments' financial needs to address the health crisis are being supported by the ECB and by the EU Institutions, makes it likely that interest rates will continue to be low over the long term and will probably go back to their before-crisis levels over 10 or 15 years.

The performed analyses showed the need to write down goodwill for impairment by Euro 260 million this adjustments has been recognized under item 270 "Impairment on goodwill" in the consolidated Income Statement.

The main reason for the test outcome is the use, as done by the Parent Company Crédit Agricole S.A. for income forecasts, of a scenario featuring low interest rates in the long term (with implicit rates of: E3M +0.20% and swap 10Y 1.20% in 2024 and 2025). For comparison purposes, it is pointed out that in the previous year, the fully operational rates used for the terminal year of discounted cash flows were at before-crisis levels (i.e. E3M +1.0% and swap 10Y at +2.0%).

More exhaustive information is given in Part B-Section 10 – Intangible assets.

Deferred Tax Assets (DTA): probability test

As regards the recognition of DTAs, which were recognized for an amount of Euro 1, 126 million, the probability test was carried out and confirmed their full recoverability.

As reported also in the "Tax assets and tax liabilities" table, in Part B – Section 11 of the Note to the financial statements, the decrease in DTA on losses in the period, down by Euro 22 million, was determined solely by the conversion into tax credits under Article 44-bis of Italian Decree Law no. 34 of 30 April 2019, as amended by Article.55 of Italian Decree Law no.18 of 17 March 2020, subsequent to the disposals of loans to defaulted debtors made in the period from 17 March 2020 and 31 December 2020. The probability test, especially as regards the recognition of DTA on tax losses, was calculated based on the estimated future profits and losses used in the impairment test. The test showed that the recognized DTA for tax losses cane be reasonably expected to be recovered over a modest time horizon, which, in the most likely scenario, is five years.

OTHER INFORMATION

Covered bonds

In early 2020, taking advantage also of the favourable market conditions, the Crédit Agricole Italia Banking Group issued a new dual-tranche Covered Bond, with maturities of 8 and 25 years, for a total value of Euro 1.25 billion. It was the first and only Italian issue of Covered Bonds in 2020 and gave evidence of one of the highest demands for Covered Bonds in the Italian market, with spreads of 23 bps and 45 bps, respectively, vs. the mid swap rate, some of the smallest spreads in recent times.

For more exhaustive information on the issue, please see the Finance paragraph in the Management Report.

TLTRO III

A third series of targeted long-term refinancing operations was resolved by the ECB in March 2019 and was amended in September 2019 due to the worsening in the economic scenario and again in March and April 2020 due to the Covid-19 situation.

In accordance with the terms as amended in April 2020, the borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2021 (then extended to June 2022), and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III. The borrowing rate is linked to the achievement of a target growth rate in lending to businesses and households. The reduced interest rate is subject to the achievement of pre-set thresholds in lending performances. Interest shall be settled at the maturity of each TLTRO III or upon early repayment.

Acknowledging the key role played by the ECB in determining the banking system funding conditions, the Crédit Agricole Italia Banking Group has chosen the accounting treatment to be applied to said funding in accordance with IFRS 9 rules for floating-rate loans (par.B5.4.4 and par.B5.4.5); the Top Management has deemed, based on the periodic monitoring of loans (as mentioned below), the amount of outstanding loans sufficient to allow recognition of a -1% borrowing rate.

The Group has implemented periodic monitoring of the level of eligible loans in order to assess the achievement of the pre-set thresholds in lending performance and to give grounds for the reasonableness of the used interest rate.

Purchase of Tax Credits - Ecobonus

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

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

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

Property sale and leaseback transactions

In June 2020, Crédit Agricole Italia finalized the sale of a property located in Milan on Via Armorari to Kensington, an Italian closed-end real estate alternative investment Fund reserved to professional investors, the units in which are held by Allianz Real Estate S.p.A.. for a total amount of Euro 140 million. The buyer was selected after a competitive procedure, which started in January 2020, and after an appropriate due diligence phase. With the transaction a favourable moment in the real estate market could be seized, while divesting an important asset of the Group. More specifically, it was a sale-leaseback transaction, whereby, concomitantly with the transfer of the property ownership, a lease contract was signed for the entire building, which, therefore, will remain one of the most important premises of Crédit Agricole Italia in Milan. In accordance with IFRS16, the sale-leaseback transaction generated a gross capital gain of approximately Euro 65 million, which was recognized in the Income Statement as at 30 June 2020 under item "280. Gains and losses on disposal of investments", net of the recognized right of use under the nine-year lease contract, which may not be renewed and was signed concomitantly with the sale, and of the related liability, amounting to Euro 14 million and Euro 42 million, respectively.

For more exhaustive information, please see Part M of the Note to the Financial Statements.

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.

Initially, 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. Taking into account the new entities that joined the scheme in previous years and one entity that was terminated in 2020, as at 31 December 2020, the tax consolidation scheme consisted of 23 entities.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss), as regards the Italian corporate income tax (IRES), to the consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss for the Group, as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

As balancing item of taxes/lower taxes for tax losses and Allowance for Corporate Equity (ACE) benefits to be transferred to the consolidation scheme or withholdings, detractions and the like, the companies in the consolidation scheme recognize due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognizes matching items of due and payables to/receivables from the entities in the consolidation scheme.

Specifically, the intra-group balances resulting from the tax consolidation scheme are recognized in the items:
- "Financial assets measured at amortized cost - due from banks", or "Financial assets measured at amortized cost - loans to customers", in accordance with the kind of counterparty, for estimating the corporate income tax (IRES) transferred by the member entities to the tax consolidation scheme;
- "Financial liabilities measured at amortized cost - due to banks", or "Financial liabilities measured at amortized cost - due to customers", in accordance with the kind of counterparty, for the transfer of tax losses or ACE benefits by the member entities to the tax consolidation scheme.

Lastly, the tax consolidation scheme's tax account payable to or receivable from the Italian Inland Revenue Agency is recognized under current tax liabilities or assets based on whether the IRES payable amount is higher or lower than the down-payments made.

OPTION FOR THE VAT GROUP

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

Crédit Agricole Italia is the Group's Representative Member. Subsequent to some mergers by absorption finalized in previous years and to the entry of another entity in 2020, the perimeter of the VAT Group, initially of 15 entities, consisted of 11 entities of the Group as at 31 December 2020. Thanks to this scheme, the member entities operate, for VAT purposes, as a single taxable person in their transactions with external companies, with a single VAT registration number. The main advantage generated by the exercise of this option is that, in general, the transactions between the Group member entities are not subject to VAT.

PATENT BOX

In December 2020, Patent Box agreements were closed with Agenzia delle Entrate (the Italian Revenue Agency), the applications for which had been filed inl 2015. The benefit applied for was linked to assumed income generated by trademarks in force in 2015 for the 2015/2019 period and trademarks created afterwards were not eligible for said benefit.

The final benefit under the agreements already reached, regarding the FY 2015 and with effects on the Taxes item in the Income Statement, amounted to approximately Euro 0.8 million, of which Euro 0.66 million for Crédit Agricole Italia and Euro 0.15 million for Crédit Agricole FriulAdria.

In January 2021, meetings with the Agenzia delle Entrate started in order to verify whether the benefit may be extended to 2016 and 2017 for Crédit Agricole Italia and Crédit Agricole FriulAdria.

In any case, no benefit may be obtained for 2018-2019, as in those years, subsequent to the Rebranding, almost only new trademarks were used.

INDIPENDENT AUDITORS

The Annual Report and Consolidated Financial Statements are audited by EY S.p.A, implementing the Resolution passed by the General Meeting of Shareholders on 21 April 2012, whereby this Firm was assigned the audit task for the period 2012-2020.

PUBLICATION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The draft Annual Report and Consolidated Financial Statements as at 31 December 2020 of the Crédit Agricole Italia Banking Group were approved by the Board of Directors at its meeting held on 24 March 2021 and the Board authorized their publication, also pursuant to IAS 10.

A.2 PART ON THE MAIN FINANCIAL STATEMENT ITEMS REPORTING FINANCIAL INSTRUMENTS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as anycontract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:
1. Classification and measurement of financial instruments;
2. Impairment of exposures for credit risk deterioration;
3. Hedge accounting, excluding macro hedging.

However, it is pointed out that the Crédit Agricole Italia Banking Group, in accordance with the instructions of its French Parent Company Crédit Agricole S.A., has exercised the option, which is given to IFRS 9 first-time adopters, to continue to fully apply IAS 39 as regards hedge accounting. Therefore, all hedges have remained within the IAS 39 scope, pending the future application of the new “dynamic risk management accounting model”.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

The IFRS 13 definition of fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method for debt instruments 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. In case of a financial asset measured at amortized cost or at fair value through other comprehensive income, its amount may be adjusted, where necessary, as impairment.

The effective interest rate (EIR) is the rate that discounts the estimated future cash flows (paid or collected) from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:

- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost; (for debt instruments only);
- Financial assets at fair value through equity (with recycling for debt instruments, without recycling for equity instruments).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:

- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- Equity instruments (i.e. shares).

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are are ‘solely payments of principal and interest on the principal amount outstanding’ (the “SPPI test”), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to order to pursue a set corporate objective, thus representing the strategy of the Crédit Agricole Italia Banking Group in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

Si distinguono tre business model:

- Hold to Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity; however, any sale of the assets is subject to restrictions in terms of frequency and significance. In the financial year, sales are permitted as long as they do not breach a non-significance threshold that, in accordance with the Group policy, varies based on the portfolio average duration;
- Hold to Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted;
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made by the Group, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of **securities** are allowed for the following reasons:

a) Increase in credit risk;
b) Debt instruments close to maturity;
c) The sales are frequent but not significant;
d) The sales are not frequent.

Specifically:

a) *Sales allowed due to an increase in credit risk*

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;
- Market indicators:
  - Material increase in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
  - Material evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) *Sales permitted as the debt instruments are close to maturity*

Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

- Time to maturity considered admissible of 6 months;
- A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking 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.

Sales of **loans** are allowed for the following reasons:
- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- The sales are frequent but not significant;
- Infrequent sales that are potentially significant.

Specifically:

a) *Sales allowed due to an increase in credit risk*
   The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met:
   - Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
   - Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

b) *Sales permitted as the loans are close to maturity*
   The sales of loans in the Hold to Collect portfolio shall be allowed if all the following criteria set by the Group are met:
   - The financial assets to be sold have residual life of less than 6 months;
   - The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
   - The difference between the sale price and the amortized cost of the loan shall not be higher than 3% without taking into account fair value hedge effects.

c) *Frequent but not significant sales*
   In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.

d) *Infrequent sales .*
   - Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
   - Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
   - Changes in the applicable legislation or regulations;
   - Need to strengthen capital requirements.

The contractual characteristics ('Solely Payments of Principal & Interest' or SPPI test):

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs...).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a «look-through» approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the SPPI test can be presented with the chart below:

Debt instruments		**Management models**		
		HTC	**HTCS**	**HTS**
SPPI testing	Passed	Amortized cost	Fair value through equity with recycling	Fair value through profit or loss
	Not passed	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

Debt instruments at amortized cost

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of loans, receivables and fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk".

Debt instruments at fair value through equity with recycling

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

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs. The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to value adjustments for expected losses in accordance with the criteria set forth in the specific paragraph "Impairment for credit risk" (without any resulting impacts on the fair value on the balance sheet).

Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:
- The instruments are classified in the portfolio held within the Other Business Model (or financial assets held for trading or held with the main objective of selling them): financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from price fluctuations in the short-term or from the profit of the operator. Although contractual cash flows are collected in the period in which the Crédit Agricole Italia Banking Group holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the SPPI test requirements. For instance, this is the case of Collective Investment Undertakings (open-end funds and closed-end funds)
- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

This category of financial assets is not subject to impairment.

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

If the SPPI test is failed, debt instruments mandatorily measured at fair value through profit or loss are recognized at the settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss (FVTPL) unless an irrevocable option for their measurement at fair value through equity (in this case "without recycling") is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). These assets are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet

This category of financial assets is not subject to impairment.

Equity instruments at fair value through equity without recycling (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These financial instruments are recognized at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss if:
- The entity's right to collect their payment is set;
- It is likely that the economic benefits associated with the dividends will go to the entity;
- The dividend amount can be reliably measured.

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 recognized.

Where any "Financial assets measured at fair value through profit or loss" is reclassified under "Financial assets measured at amortized cost", the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for assigning the credit risk stage in order to estimate impairment. Where the financial asset is reclassified under "Financial assets measured at fair value through other comprehensive income", the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, accumulated profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the entity reclassifies a financial asset from measured at fair value through other comprehensive income to measured at fair value through profit or loss, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognized through other comprehensive income shall be reclassified from "through equity" to "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 disposed of under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or group of financial assets) is fully or partially derecognized if:

- The contractual rights to the cash flows from the financial 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 derecognized when the entity can no longer reasonably expect to recover a financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim. In this case, the gross nominal value of the loan remains unchanged, but its gross book value is written down by the write-off amount. The write-off may concern the entire amount of a financial asset or part thereof and is equal to:

- The reversal of total value adjustments as the balancing item of the financial asset gross value;
- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any recoveries from collection after the write-off are recognized in the income statement as recoveries on impairment/writebacks.

2. *FINANCIAL LIABILITIES*

Financial liabilities are classified on the balance sheet in the two accounting categories given below:

- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

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 recognized 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 equity with no recycling for value changes related to own credit risk.

Financial liabilities measured at amortized cost

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt - equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:
- provide another entity with cash, another financial asset or a variable number of equity instruments;
- exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, including shares held to cover stock option plans, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:
- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be changed through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR. This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for-trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value.

At each reporting date, the fair value changes on derivative contracts shall be recognized:
- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:
- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under ”financial assets measured at fair value through profit or loss”.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

In accordance with IAS 32, the Crédit Agricole Italia Banking Group offsets a financial asset against a financial liability and recognizes a net amount when and only when it has a legally enforceable right to offset the recognized amounts and intends either to settle the net amount or to realize the asset and settle the liability simultaneously.

The derivative instruments and the repurchase agreements handled with clearing houses that meet the two criteria required by IAS 32 have been offset on the balance sheet.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:
- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Changes in fair value of financial assets or liabilities at fair value through profit or loss;
- Gains and losses on disposal of financial assets at fair value through profit or loss;
- Changes in fair value and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through equity

For financial assets recognised at fair value through equity, this item notably reports the following income statement elements:

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

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as fair value through profit or loss or not treated as derivative instruments within the meaning of IFRS 9 are not recognised on the balance sheet. . However, they are covered by provisions in accordance with the IFRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor's failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:

- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

Scope of application

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

- Financial assets consisting of debt instruments and recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling in the IFRS16 scope;
- Trade receivables generated by transactions under the IFRS 15 scope of application.

Equity instruments (at fair value through profit or loss or at fair value without recycling) are not concerned by impairment provisions.

Derivative instruments and other instruments at fair value through profit or loss are subject to the calculation of counterparty risk which is not covered by the ECL model.

Credit risk and impairment (provisioning) stages

Credit risk is defined as risk of loss related to default by a counterparty leading to its inability to meet its commitments to the Group.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;

- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Definition of default

In June 2018, the European Central Bank invited Banks using models validated for prudential purposes to actually implement the new definition of default, in accordance with EBA guidelines on the application of the new definition of default pursuant to Article 178 of Regulation (EU) no. 575/2013 and the related legislation measures.

As done by its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group opted for the early adoption of the new regulation. As early as in 2018, the Parent Company had started a specific project, which entailed intense "gap analysis" activities and crosswise involvement also of the relevant Structures of the Crédit Agricole Italia Banking Group. The scopes compliant with the EBA guidelines were analyzed and identified, as were those needing specific actions (normative instruments, processes, methodologies,). Then, a specific project roll-out was implemented, with strong impacts also on IT systems. In December 2018, the gap analysis outcomes, with the consequent plans of the Crédit Agricole Italia Group, were sent to the Supervisory Authority through the French Parent Company Crédit Agricole S.A., with the Application Package, in compliance with the instructions given by the European Central Bank.

Based on the application submitted to and the following audit by the Supervisory Authority, on 24 March 2020, the European Central Bank formalized its authorization decision, allowing the Crédit Agricole S.A. Group and, therefore, also the Crédit Agricole Italia Group, to make the necessary changes to internal normative instruments, processes and IT systems.

The new Definition of Default requires more rigorous classification into the default status of pastdue exposures, both for enterprises (of all types and sizes) and for individuals, sole traders and households. Therefore, the Crédit Agricole Italia Group made considerable investments in all training and management activities in order to appropriately inform beforehand its Customers, through current relational channels, advanced IT tools and through its website.

More exhaustive information on the changes made and the related impacts is given in the Note to the financial statements – Part E – Credit Risk.

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 uses four different macroeconomic scenarios. Said scenarios can be summarized as follows:

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

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

More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

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

The ECL calculation formula 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 by the Risk Management and Permanent Controls Department.

Significant deterioration of credit risk

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

Monitoring on significant deterioration shall cover every financial instrument, unless specific exceptions apply. Contagion is not required for the downgrading of financial instruments of the same counterparty from stage 1 to stage 2. Significant deterioration monitoring shall consider the change in credit risk of the principal debtor without taking account of any guarantee, including for transactions with a shareholder guarantee.

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

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

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

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

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

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

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

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

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

Therefore, the following rules shall apply for monitoring significant deterioration of securities:
- “Investment Grade” (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;
- “Non-Investment Grade” (NIG) securities, at the reporting date, shall be subject to monitoring for significant deterioration, since origination, and be classified in Stage 2 (lifetime ECL) in the event of significant deterioration in credit risk.

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

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. More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

Impairment model on stage 3

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the already envisaged scenario of internal recovery with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

This choice proved consistent with the objectives set in the NPL strategy of the Crédit Agricole Italia Banking Group, which primarily identifies the reduction of the NPL stock (especially bad loans), through the sale of certain portfolios, as the strategy able, in certain conditions, to maximize their value for the Group, considering also the time for NPE recovery.

Specifically, as laid down in its "Guidance to banks on non-performing loans" published in March 2017, the ECB expects Banks with an NPL level that is considerably higher than the EU average level to design a strategy aimed at progressively reducing their NPLs; those changes in the NPL recovery strategies have been taken into account in applying IFRS9.

Indeed, IFRS9 (paragraph 5.5.17) reads that "the entity shall measure expected credit losses in a way that reflects:
a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money;
c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions".

Specifically, IFRS 9 defines loss as the difference between all the contractual cash flows due and the cash flows that the entity expects to receive; therefore, the source of cash flows is not limited to the relevant contract, but includes all the cash flows that the creditor will receive. Consequently, if the entity intends to sell a non-performing loan to a third party in order both to increase its cash flows as much as possible and to implement a specific strategy for NPL management, the ECL estimate shall reflect also the sale scenario and, thus, the cash flows from the sale. In accordance with IFRS 9, sales scenarios that are merely possible may be taken into account and, as such, shall be smoothed with others that are deemed more likely.

Having said that, in the measurement of loans and receivables, in accordance with the IFRS 9 impairment model, the Crédit Agricole Italia Banking Group considers the various assumed recovery strategies in order to proportionally align them to a probability of sale determined consistently with the Group's NPL Plan.

Consequently, to the "ordinary" scenario, which assumes a recovery strategy based on loan collection typically through legal actions, realization of mortgage collaterals, contracts with loan collection firms, also the scenario of loan sale was added.

Measuring the impairment loss requires the assessment of the future cash flows that are deemed recoverable in the most likely scenario.

The methods to assess the loan recovery forecasts, in compliance with the ECB Guidance, consist in an estimate of future cash flows made based on two general approaches:
- In a scenario where the borrower is assumed as a going-concern, the cash flows from operations continue to be generated and can be used to repay the financial debt; the so-called "Going Concern Approach";
- In a scenario where the borrower is assumed to discontinue operations, no cash flows from operations are generated to be used for debt service; the so-called "Gone Concern Approach".

The Going Concern Approach is mainly applied to cases in which the cash flows from the borrower's operations are material (vs. the debt) and can be reliably estimated, as well as in all cases in which the exposure is not backed with collaterals or is limitedly secured and to the extent collaterals can be realized without prejudicing the borrower's ability to generate future cash flows.

In measuring generated cash flows, also the cash flows from operations of any guarantor may be taken into account.

The Gone Concern Approach shall apply where there are no significant cash flows from operations vs. the debt or where the exposure is largely secured and the 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 recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Bank did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by the bank of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by the bank in its income statement subsequent to the alignment to the current market conditions that are more favourable for its customers.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between said value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition ("modification accounting").

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances.

This concerns all debt instruments, irrespective of the category the security has been classified into based on the deterioration in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion). The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:
- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

"Contract modifications" are, for example, situations in which:
- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of the Bank, having similar risk profiles, could have obtained at that moment in time.

"Refinancing" means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

The restructuring of a loan (whether performing or defaulted) is a sign of possible incurred loss risk. Therefore, the restructured/forborne exposure shall be accordingly assessed for any impairment/provisioning (restructuring does not systematically entail adjustment for incurred loss and classification as defaulted).

The classification as “restructured loan” or “Forborne exposure” is temporary.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the “restructured/forborne” status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring.

These periods shall be longer if some events provided for in the Group’s principles occur (for instance “reoccurrence”).

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:
- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

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

Purchased or Originated Credit-Impaired (POCI) assets

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as “Purchased or Originated Credit Impaired Assets” (“POCI”) and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:
- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the “credit-adjusted effective interest rate” (“Credit Adjusted EIR”) or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General framework

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group has not applied the “hedge accounting” section of IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with 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 at fair value through equity with recycling.

The Group hedges interest rate risk in order to immunize the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the interest rate curve, or of reducing the uncertainty of cash flows linked to a specific asset/liability in an integrated balance sheet perspective. Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model, which have been subject to macro-hedging. The hedges were made exclusively by purchasing Interest Rate Swaps and Interest Rate Options.

Documentation

Hedging relationships shall comply with the following principles:

- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);
- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a floating-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 measurement of the derivative at fair value is recognized as follows:

- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;
- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Accumulated profits and losses through equity are then recycled to the income/through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:

- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity.

  For hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged element affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of the hedged items;
- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

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

CLASSIFICATION

This category comprises the financial assets not classified as “Financial assets measured at fair value through other comprehensive income” or as “Financial assets measured at amortised cost”.

The “Financial assets measured at fair value through profit or loss” item consists of three sub-items:

a) *“Financial assets held for trading”:* This category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the “Other” Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);

b) *“Financial asets 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 recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the “Financial instruments (IFRS9, IAS 39 and IAS32)” paragraph in Part A.2 herein.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their disbursement date.

Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date, in the same way the purchased asset is recognized.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

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 recognized in the Income Statement, under item 80 "Net profit (loss) on trading" for "Financial assets held for trading" and under item 110 "Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss" for "Financial assets designated at fair value" and for "Financial assets mandatorily measured at fair value". The same items report the derecognition of such financial assets. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

CLASSIFICATION

This category consists of financial assets that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect and Sell" Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test is passed.

Therefore, this category includes debt securities and loans that are managed in accordance with the "Hold to Collect and Sell" Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

IFRS 9 allows reclassifications between the different categories only if the entity changes its business model for the management of the financial assets concerned (IFRS9 par. 4.4. and 5.6). In such cases, which are expected to be infrequent, the reclassification shall apply from the date of reclassification and the reporting entity is not required to redetermine profits, losses and interests as previously recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 "Other information - Amortized Cost Measurement". Profits and losses on fair value measurement are recognized in a specific equity reserve (item "120. Valuation reserves"), which shall be recycled to the income statement (item 100b "Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

"Financial assets measured at fair value through other comprehensive income" - being them debt securities and loans - are subject to impairment testing in accordance with the IFRS 9, as are Assets at amortized cost, with subsequent recognition of value adjustments in the Income Statement for expected losses.

These adjustments are recognized in the Income Statement under item "130. Net losses/recoveries for credit risk", as the balancing item of the specific valuation reserve in equity (item "120. Valuation reserves"); the same applies mirro-like to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item "120. Valuation reserves"). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the accumulated balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item "150. Reserves"). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for "Financial assets measured at fair value through profit or loss". For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans, that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect" Business Model whose objective is achieve by collecting the contractual cash flows;
- 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 finance lease loans under FRS16.

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 recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

Financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. This asset item reports separately:

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their disbursement date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan disbursement date.

Loans and receivables are initially recognized at their fair value that it is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time.

The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

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

MEASUREMENT

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

Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information - Amortized Cost Measurement”.

The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans. These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.

The book value of financial assets at amortized cost is adjusted in order to report any provision for expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).

This scope includes non-performing loans (so-called “Stage 3” loans) classified as bad, unlikely- to-pay or non-performing past due in accordance with the rules issued by the Supervisory Authorities; this scope also includes performing loans classified as “Stage 1” and “Stage 2”, to which the “Expected credit losses” concept applied on a 12-month or lifetime basis, respectively.

The used bases of measurement are exhaustively described in the paragraph "Financial instruments (IFRS9, IAS 39 and IAS32) - Impairment for credit risk)" in Part A.2 of this document and, as already said, are strictly linked to the classification of these instruments in one of the three stages (credit risk stages) provided for by IFRS 9.

The model of impairment (provisioning) for credit risk comprises:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Impairment losses are recognized in the income statement under item "130. Net losses/recoveries for credit risk".

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Writebacks for impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall not in any event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item "10. Interest and similar income" 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.

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

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:
- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

  Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).
- The contract undergoes modifications that qualify as "substantial". In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

4. Hedging

TYPES OF HEDGES

In compliance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group has not applied the "hedge accounting" section of 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. 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;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency.

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and measured at fair value.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value. Specifically:
- in case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument.

  This offsetting is recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect 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 recognizes in equity (item "120. Valuation reserves"), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.

The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life.

The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the 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.

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 recognized subsequent to the fair value change of the hedges risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate. If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Hedging of portfolios of assets and liabilities

The hedging of portfolios of assets and liabilities (“macrohedging”) and its consistent recognition can be done after:

- Identifying the portfolio to be hedged and breaking it down by maturity;
- Designating the item to be hedged;
- Identifying the interest rate risk to be hedged;
- Designating the hedging instruments;
- Determining effectiveness.

The portfolio hedged against interest rate risk may contain both assets and liabilities. This portfolio is broken down by maturity in terms of collection or repricing of the interest rate, after analyzing the cash flow structure. Fair value changes occurred in the hedged item are recognized in the Income Statement under item “90 Net profit (loss) on hedging activities” and in the Balance Sheet under item “60. Fair value change of financial assets in macro-hedge portfolios” or under item “50. Fair value change of financial liabilities in macro-hedge portfolios”. Fair value changes occurred in the hedged item are recognized in the Income Statement under item “90.

Net profit (loss) on hedging activities” and in the Balance Sheet under asset item “50. Hedging Derivatives” or under liability item “40. Hedging derivatives”.

In case of early termination of fair value macrohedging, the accumulated recoveries/losses are recognized in the Income Statement under interest income or interest expense throughout the residual duration of the original hedging relationships, granted that it is verified that the related requirements are met.

5. Equity investments

RECOGNITION, CLASSIFICATION AND MEASUREMENT

This item reports equity investments held in associates and joint ventures that are recognized using the equity method.

Joint ventures are companies in which the voting rights and the control of its business activities are shared equally, directly or indirectly, between the Parent Company and another party. Joint arrangements also include equity investments in which, despite the lack of equal voting rights, control over the business activities and the strategic policies of the investee company is shared with other parties under contractual agreements.

Associates are companies in which the Group exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including "potential" voting rights that may be exercised) or having the power to participate in determining its financial and management policies, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders' agreement.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognized.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

The book value of the financial asset is then increased or decreased in order to recognize the portion of profit and losses of the investees attributable to the Group and realized after the equity investment acquisition, as the balancing item of the Consolidated Income Statement item "250. Profit (losses) on equity investments". Dividends received from an investee are recognized as a reduction in the book value of the equity investment.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking into account the present value of future cash flows that the equity investment could generate, including its value upon divestment.

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

If the reasons for the impairment are removed subsequent to an event occurred after the impairment loss recognition, a writeback is taken to the Income Statement.

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.

In case significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with 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 rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

"Property, plant and equipment" items are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

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

Description	Duration
Land	No depreciation
Operating property	33 Years (1)
Other investment property	
- Other	33 Years (1)
- High-end property and property inventories (IAS2)	No depreciation
Furniture, fittings, alarm systems and vehicles	From 4 to 10 years
Computers and electronic equipment	From 3 to 10 years
Works of art	No depreciation

(1) It is specified that, in few specific cases and for specific property units, their useful life, appropriately calculated, may have different duration

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined in accordance with the Group's IFRS 16 policy.

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

The depreciation cost for property, plant and equipment is recognized in the Income Statement in the item "210 Net adjustments of/recoveries on property, plant and equipment".

The following assets are not depreciated:

- land, whether acquired separately or incorporated in the value of the building, since it has 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 and measured at the lower between cost and fair value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's book value is compared to its recoverable value. For more exhaustive reporting, please refer to paragraph "16 Other Information - Method to calculate impairment losses - Other non-financial assets".

Any adjustments are recognized in the Income statement under item "210 Net adjustments of/recoveries on property, plant and equipment".

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

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible Assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or with licence for use;
- In-house developed software;
- Residual goodwill recognized as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognized upon acquisition in accordance with the IFRS 3 determination criteria;
- The intangibles representing business with Customers are recognized subsequent to the application of IFRS 3.

RECOGNITION AND MEASUREMENT

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognized at fair value as at the acquisition date.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any 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 recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in the 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. Intangibles consisting of business with Customers and recognized under IFRS 3 are assigned finite useful life, determined based on the available time series on the rates of customer turnover.

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 recognized in the Income Statement.

DERECOGNITION

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

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

8. Non-current assets held for sale and discontinued operations

“Non-current assets held for sale and discontinued operations” and “Liabilities in respect of assets held for sale” report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable. In case of transactions subject to authorization to be issued by Supervisory Authorities, the Group’s accounting policy, since it attaches an essential value to such authorization, provides for “Non-current Assets/Liabilities and discontinued operations” to be recognized as from the date of receipt of the such authorization (whether express or tacit).

These assets/liabilities are measured at the lower between their book value and their fair value net of disposal costs. The related income and expenses (net of tax effects) are recognized as a separate item in the Income Statement.

9. Current and Deferred Taxes

RECOGNITION, CLASSIFICATION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

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

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole 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, which calculates a single taxable income or a single tax loss of the Group for the Italian corporate income tax (IRES), as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

In the consolidating entity's financial statements, the intra-group balances resulting from the tax consolidation scheme are reported under the "Financial assets measured at amortized cost - due from banks" item for the provisions for Corporate Income Tax (IRES) allocated by the scheme member entities net of withholdings due and down-payments made (in the "Financial liabilities measured at amortized cost - due to banks" item if the down-payments made are higher than the provisions). In the same financial statement items, the scheme member entities recognize the receivable or payable balances resulting from their respective taxable income contributions to the consolidating entity.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, with regard to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

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

Deferred tax assets and liabilities are systematically measured to reflect any changes in tax regulations or rates, as well as in any other situation specifically applying to the Company. The effects are recognized in the Income Statement, except when 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 the reported decrease in deferred tax assets for tax losses resulted from their conversion into tax credits under Article 44-bis of Italian Decree Law no. 34 of 30 April 2019, as amended by Article 55 of Italian Decree Law no.18 of 17 March 2020, subsequent to the disposals of loans to defaulted debtors made from 17 March 2020 and 31 December 2020.

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:
- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS

The company pension plans, created pursuant to corporate agreements, qualify as "defined-benefit plans".

The liabilities referring to these plans and the relating social security costs for employees currently on staff are determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements.

Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under the item "Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item "200. Net provisions for risks and charges" and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

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

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

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

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

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

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS16.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. The result of this method is recognized in the Income Statement under item “20 Interest and similar expenses”. Accrued interest income on financial liabilities is recognized, in accordance with its algebraic sign, under item “10 Interest and similar income.”.

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

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets

DERECOGNITION

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

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 “Net profit (loss) on sale or repurchase of financial liabilities”.

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost 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 AND RECOGNITION OF INCOME COMPONENTS

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

For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”.

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item "80. Net profit (loss) on trading activities".

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

No one of the companies of the Crédit Agricole Italia Banking Group has decided to exercise the fair value option for financial liabilities

CLASSIFICATION

Financial liabilities are designated at fair value if one of the following conditions is met:
- This classification allows to eliminate or significantly reduce any "accounting mismatching";
- They belong to groups of liabilities that are managed and their performance is measured based on fair value, in accordance with an appropriately documented risk management strategy.

RECOGNITION

They are initially recognized at fair value, without taking into account any transaction income or costs.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

These liabilities are recognized at fair value with the related effects recognized in accordance with the following rules laid down by IFRS 9:
- Any fair value changes attributable to changes in the entity's credit rating shall be recognized in a specific valuation reserve (item "120. Valuation reserve") net of the related tax effect in the Statement of Comprehensive Income (Equity);
- Any other fair value changes shall be recognized in the Income Statement under item "110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss".

For more information on fair value measurement, please refer to paragraph 16 "Other Information - Fair Value Measurement" and to "Part A.4 - Fair value reporting".

The amounts recognized in the Statement of Comprehensive Income shall not be later recycled through profit or loss, including when the liability has expired or has been settled; in this case, the accumulated Profit (Loss) shall be reclassified to the specific valuation reserve under another Equity item (item "150. Reserves"). This recognition approach shall not be applied if the recognition of the effects of the entity's credit rating in Equity determines or increases any accounting mismatch in the Income Statement. In this case, profits or losses associated with the liability, including those resulting from any changes in the entity's credit rating, shall be recognized through profit or loss.

After initial recognition, these financial liabilities are measured at fair value.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used.

Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that are based on information available on the market, such as: methods based on the price of listed instruments with similar features, discounted cash flows, option pricing models and values reported for recent comparable transactions.

DERECOGNITION

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

14. Foreign currency transactions

RECOGNITION

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

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

At each annual and interim financial reporting date, foreign currency items are measured as follows:
- Monetary items are translated at the exchange rate in force as at the reporting date;
- Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

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

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

15. Insurance assets and liabilities

The Financial Statements of the Group do not report any assets or liabilities bearing insurance risks.

16. Other Information

ADJUSTMENT OF FINANCIAL ASSETS AND FINANACIAL LIABILITIES IN MACRO-HEDGE PORTFOLIOS

These items report changes in the fair value of financial assets and liabilities macro-hedged against interest rate risk, based on their respective balances, either positive or negative. The recognition of hedges is reported in point 4 “Hedging” of this section.

LEASES

IFRS 16 “Leases” requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan for use contracts are in the scope of application of the new standard.

Leases in which the Group is the lessee

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a "Rights-of-use" approach (hereinafter "right of use" or "RoU")

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

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

The recognized costs are:

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

The minimum disclosure requirements for the lessee include:

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

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

- Exclusion of short-term lease contracts, i.e. with duration of less than 12 months);
- Leases of low-value assets (lease contracts for assets with unit value of less than Euro 5 thousand).

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

Leases in which the Group is the lessor

IFRS16 keeps the distinction between operating leases and finance leases provided for by IAS 17. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

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

For operating leases, the lease payments accrued are recognized under the "Other income" item.

Sale and leaseback transactions

In a sale and leaseback transaction, an entity (seller-lessee) sells an asset to another entity (buyer lessor) which then leases it back to the seller-lessee; therefore, under the lease contract, the seller-lessee keeps its right to use of the sold asset.

In order to determine the appropriate accounting treatment under IFRS 16, it must first be assessed whether the transaction qualifies as a sale complying with the IFRS 15 requirements.

If the transaction qualifies as a sale, the seller-lessee shall derecognize the sold asset and recognize the acquired right of use in accordance with the methods laid down by IFRS16 para.100 et seq.

Specifically, the lessee shall measure the right-of-use asset for an amount equal to the percentage of the previous book value representing the right of use it has kept; consequently, the gain or loss that the seller-lessee shall recognize refers only to the transferred rights and, therefore, it is not quantified simply as the difference between the asset fair value and its book value, but it shall be determined as equal to the consideration portion attributable to the portion of the asset the control on which has been transferred to the buyer-lessor minus the portion of the asset book value attributable to the period after the end of the lease, when control is transferred to the buyer-lessor. If the sale consideration is not consistent with the asset fair value or the lease payments are not consistent with market ones, the differences shall be recognized as other liabilities or advance payment..

If the transaction does not qualify as a sale under IFRS15, the seller-lessee shall continue to recognize the transferred asset and a financial liability under IFRS 9 equal to the transfer proceeds; the buyer-lessor shall not recognize the transferred asset but shall recognize a financial asset under IFRS 9 resulting from the transfer.

INSURANCE ASSETS AND LIABILITIES

The Financial Statements of the Group do not report any assets or liabilities bearing insurance risks.

TREASURY SHARES

The Parent Company Crédit Agricole Italia does not hold treasury shares. No company of the Group holds shares in the Parent Company. The treasury shares held by the companied consolidated on a line-item basis and recognized under the “Treasury shares” item in the separate financial statements, as at 31 December 2020 were reclassified under the “Reserves” item in the consolidated financial statements.

Any treasury shares held are deducted from Equity. Similarly, the original costs of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:
- Gold, silver and precious metals;
- Accrued income other than capitalized on the related financial assets;
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item “110. Tax assets”.

It also reports leasehold improvement, expenses other than those recognized under item “90. Property, plant and equipment”, as they cannot be separated 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 recognized in the relevant accounts as long as their total amount is negligible.

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, 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 recognized under "Other operating expenses".

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy's "2007 Finance Act") and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate.

Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The expenses for the plan are recognized under personnel expenses, include interests accrued, while employees' severance benefits accrued in the year, following the supplementary pension scheme reform introduced with the 2007 Financial Act, are entirely allocated to the "defined-contribution plan".

Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve, starting from 2010.

Based on the employees' choice, the amounts are allocated to supplementary pension schemes or to the Treasury fund managed by INPS (Italian Social Security Institute). The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENT

Share-based remuneration plans for employees are recognized 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 recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;

- Dividends are recognized in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, where the relevant agreements exist, in compliance with IFRS 15 (fee and commission income considered in the amortized cost for determining the effective interest rate are recognized under interest income);
- revenues from intermediation of financial instruments held for trading, calculated as the difference between the transaction price and the instrument fair value, are recognized in the Income Statement when the transaction is recognized, if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded.

If these values cannot be easily detected or the instrument is not highly liquid, the financial instrument is recognized at a value equal to the transaction price, less the business profit; the difference with the fair value is recognized in the Income Statement over the transaction duration with progressive reduction, in the measurement model, of the correction factor relating to the instrument's low liquidity.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues and expenses are recognised in the Income Statement based on the nature of services they refer to.

Fees and commissions that are an integral part of the 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 recognized through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognized as the performance obligation is satisfied over time. These estimates shall be updated at every reporting date. In practice, this condition can result in the deferred recognition of certain items of performance-related fee and commission income until such income has been definitively acquired.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union.

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 2020, credit institutions were allowed to use such commitments for 15% of total contributions, as in the two previous years. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which, for the five years in question, may consist only of cash.

In 2020, 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 2020 financial year, calculated pursuant to Delegated Regulations of the European Commission No. 2015/63 and Council Implementing Regulation no. 2015/81. This contribution was determined by the Single Resolution Board in cooperation with the Bank of Italy.

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

The ex-ante ordinary contribution to the Single Resolution Fund, net of IPCs, to be paid by the Crédit Agricole Italia Banking Group for 2020 amounts to Euro 18.4 million.

Moreover, in June 2020, 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 6.9 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive - 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes.

The Deposit Guarantee Scheme provides a coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund.

The Scheme requires member banks to give an ex-ante contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024.

If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

The contribution paid by the Crédit Agricole Italia Banking Group for 2020 amounted to Euro 35.1 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

BUSINESS COMBINATIONS

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

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

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

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

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

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

IFRS 3 gives limited accounting guidelines regarding transactions under common control, previously described in the Accounting Principles Board (APB) Opinion. This method ("pooling of interest") requires, for these transactions, assets and liabilities to be recognized at the historical values (book valued) of the combined entities, rather than at their respective fair values without recognizing goodwill.

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

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

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

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Note to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies. Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as quoted. 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 index-linking 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.

The fair value of units in funds resulting from loan management initiatives is determined in accordance with Bank of Italy/Consob/Ivass Joint Document no. 8 – Coordination table between Consob, the Bank of Italy and Ivass regarding the application of the. IAS/IFRS of 14 April 2020; therefore, for fair value determination, the Crédit Agricole Italia Banking Group asks the Asset Manager to periodically provide an estimate of the Fund made by an independent expert and compliant with IFRS13 and with the Joint Document. Said Fair Value is the value the fund units are measures and recognized at.

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

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value for reporting purposes or given as disclosure in the Note to the Financial Statements is calculated as follows:

- The fair values of medium/long-term assets and liabilities are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio;
- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans, unlikely-to-pay and past-due positions) is deemed to be a reasonable fair value approximation;
- The book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer.

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged for interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate, for which the fair value is calculated only for the purposes of disclosure in the Note to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment loss.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the financial asset or liability up to maturity or the subsequent repricing date to the present value of the financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, the amortized cost method makes it possible to allocate revenues and costs pertaining to the instruments over their expected lifetime. The determination of the amortized cost varies according to whether the financial assets/liabilities being 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 recognized as expense or income in the Income Statement.

Measurement at amortized cost applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, as well as to financial liabilities measured at amortized cost.

Financial assets and liabilities traded on an arm's length basis are initially recognized at fair value, which is normally equal to the amount received or paid, including, for instruments measured at amortized cost, directly attributable transaction costs, fees and commissions.

Transaction costs are marginal internal or external costs or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the 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.

Furthermore, the amortized cost calculation does not take account of the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), of the costs that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as fees and commissions for services collected for the completion of Structured Finance operations, which would however have been collected irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans and expenses borne for loans acquired by subrogation; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard to securities not measured at "fair value through profit or loss", transaction costs include fees and commissions on contracts with stockbrokers operating in Italian markets, fees and commissions paid to intermediaries operating in foreign stock and bond markets based on set fee and commission schedules. The amortized cost does not include stamp duties, as these are deemed immaterial.

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

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

Hedged financial assets and liabilities, for which changes in fair value with respect to the hedged risk are recognized in the income statement, are not measured at amortized cost. However, the financial instrument is once again measured at amortized cost where the hedge terminates. From that moment, previously recognized changes in fair value are amortized, calculating the new effective interest rate that takes account of the value of the loan adjusted for the fair value of the hedged item, up to the originally scheduled expiry of the hedge. Moreover, as previously stated in the section on measuring loans and receivables, debt and debt securities issued, the amortized cost method does not apply to short-term financial assets and liabilities since the impact of discount is negligible, and does not apply to loans without a specified maturity or loans subject to revocation.

IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

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

- Financial assets recognised at amortised cost or at fair value through equity 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 in the IFRS16 scope;
- Trade receivables generated by transactions under the IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, 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, 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 combines the probability of default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows in accordance with IAS 39, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the scenario pursuant to IAS 39 (internal recovery) with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

Expected credit losses are discounted at the effective 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 recognized only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other Property, plant and equipment items and intangible assets (other than goodwill), the Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

The Crédit Agricole Italia Banking Group is required to present segment reporting, in accordance with IFRS 8.

The sectors of economic activity covered by segment reporting are determined based on the Group's organizational and management structure.

The Group's business segments are:
- Retail/Private Banking (including the Financial Advisors channel and the Digital Business Unit);

- Corporate Banking (Large-corporate/Mid-corporate);
- Other/sundry.

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. 10.3 - Assets.

A.3 Reporting on transfers between financial asset portfolios

A.3.1 Transfers between portfolios

This case does not apply.

A.4 Fair value reporting

QUALITATIVE DISCLOSURES

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

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

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

- **Level 1:** Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets.

  Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.

  Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.
- **Level 2:** Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date).

  Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- **Level 3:** Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

They are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2020, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method reported above, was Euro 13.73 million.

Similarly, as at 31 December 2020, the DVA value was Euro 0.55 million.

The difference between the CVA and DVA amounts as calculated (equal to Euro 13.19 million for the Group), net of the same component already recognized as at 31 December 2019 (equal to Euro 9.55 million), is a negative income component and, as such, has been recognized in the Income Statement.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

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

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

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

A.4.2 Processes and sensitivity of measurement

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

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

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

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

A.4.3 Fair value hierarchy

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

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

A.4.4 Other information

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

QUANTITATIVE DISCLOSURES

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1 Financial assets measured at fair value through profit or loss of which	94	94,497	60,327	93	72,592	52,325
a) financial assets held for trading;	94	94,497	640	93	72,592	24,715
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	59,687	-	-	27,610
2 Financial assets measured at fair value through other comprehensive income	3,080,950	202,000	24,095	2,838,133	202,000	28,111
3 Hedging derivatives	-	1,026,601	1	-	759,811	5
4 Property, Plant and Equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**3,081,044**	**1,323,098**	**84,423**	**2,838,226**	**1,034,403**	**80,441**
1 Financial liabilities held for trading	-	107,469	-	-	81,980	-
2 Financial liabilities designated at fair value	-	-	-	-	-	-
3 Hedging derivatives	-	176,134	610,497	-	199,439	310,291
Total	**-**	**283,603**	**610,497**	**-**	**281,419**	**310,291**

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

A.4.5.2 Changes for the year in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, Plant and Equipment	Intangible assets
	Total	Of which a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which c) other financial assets mandatorily measured at fair value				
1 Opening balance	52,325	24,715	-	27,610	28,111	5	-	-
2 Increases	36,390	75	-	36,315	3,897	-	-	-
2.1 Purchases	13,128	57	-	13,071	3,709	-	-	-
2.2 Profits	23	13	-	10	188	-	-	-
2.2.1 Income Statement	23	13	-	10	186	-	-	-
- of which: capital gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	X	X	X	2			
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	23,239	5	-	23,234	-	-	-	-
3 Decreases	28,388	24,150	-	4,238	7,913	4	-	-
3.1 Sales	3,744	43	-	3,701	-	-	-	-
3.2 Repayments	-	-	-	-	600	-	-	-
3.3 Losses	771	234	-	537	7,313	4	-	-
3.3.1 Income Statement	771	234	-	537	-	4	-	-
- of which: capital losses	742	205	-	537	-	4	-	-
3.3.2 Equity	-	X	X	X	7,313	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	23,873	23,873	-	-	-	-	-	-
4 Closing Balance	60,327	640	-	59,687	24,095	1	-	-

A.4.5.3 Changes for the year in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1 Opening balance	-	-	310,291
2 Increases	-	-	359,145
2.1 Issues	-	-	359,145
2.2 Losses recognized in:	-	-	-
2.2.1 Income Statement	-	-	-
- of which Capital losses	-	-	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3 Decreases	-	-	58,939
3.1 Repayments	-	-	24,955
3.2 Repurchases	-	-	5,551
3.3 Profits recognized in:	-	-	28,433
3.3.1 Income Statement	-	-	28,433
- of which Capital gains	-	-	28,433
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4 Closing Balance	-	-	610,497

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2020				31.12.2019			
	VB	L1	L2	L3	VB	L1	L2	L3
1 Financial assets measured at amortized cost	67,097,918	7,965,581	8,790,942	51,939,133	56,343,788	4,744,000	4,743,537	47,746,865
2 Investment property	127,515	-	-	139,088	133,064	-	-	148,097
3 Non-current assets held for sale and discontinued operations	5,207	-	-	-	-	-	-	-
Total	**67,230,640**	**7,965,581**	**8,790,942**	**52,078,221**	**56,476,852**	**4,744,000**	**4,743,537**	**47,894,962**
1 Financial liabilities measured at amortized cost	66,572,727	-	65,955,399	665,711	56,003,022	-	55,455,817	719,010
2 Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**66,572,727**	**-**	**65,955,399**	**665,711**	**56,003,022**	**-**	**55,455,817**	**719,010**

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

The book value recognized for non-performing loans, classified at Level 3 of the fair value hierarchy is assumed to be a reasonable approximation of the fair value. This assumption is based on the fact that the fair value calculation is mainly affected by the expected recovery from the borrower through internal collection activities based on the account manager's subjective assessment, as well as by the alternative scenario of selling the individual non-performing exposure on the market, which considers the main assessment parameters used by potential buyers; therefore, the recovery value recognized results from the weighting of such scenarios. For more exhaustive reporting, please refer to Part A.2 - Classification and measurement of financial instruments - ECL governance and measurement.

On the other hand, it is pointed out that the fair value of performing loans, classified at Level 3, as reported in the table, has been calculated based on models that use mainly unobservable inputs (e.g: internal risk parameters). Therefore, for these loans (stage 1 and stage 2), also because there is no secondary market, the fair value recognized, for disclosure purposes only, could be significantly different from the prices of any disposals.

A.5 – REPORTING ON "DAY ONE PROFIT/LOSS"

Paragraph 28 of IFRS 7 governs the specific situation where, in case of purchase of a financial instrument that is designated at fair value but not listed on an active market, the transaction price, which generally is equal to the fair value best estimate upon initial recognition, is different from the fair value determined based on the measurement techniques used by the entity.

In this case, a measurement profit/loss is realized upon acquisition, which shall be adequately reported by financial instrument class.

It is pointed out that this case does not apply to the Group Consolidated Financial Statements.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31.12.2020	31.12.2019
a) Cash	361,221	370,059
b) Demand deposits with Central Banks	-	-
Total	**361,221**	**370,059**

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
A. On-balance-sheet assets						
1 Debt securities	94	-	-	93	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	94	-	-	93	-	-
2 Equity securities	-	-	-	-	-	-
3 Units of O.I.C.R. collective investment undertakings	-	-	-	-	-	23,832
4 Loans	-	-	-	-	-	-
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**94**	**-**	**-**	**93**	**-**	**23,832**
B. Derivatives						
1 Financial Derivatives	-	94,497	640	-	72,592	883
1.1 held for trading	-	94,497	640	-	72,592	883
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	**-**	**94,497**	**640**	**-**	**72,592**	**883**
Total (A+B)	**94**	**94,497**	**640**	**93**	**72,592**	**24,715**

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

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/COUNTERPARTY

Items/Values	31.12.2020	31.12.2019
A. On-balance-sheet assets		
1 Debt securities	94	93
a) Central Banks	-	-
b) Public administration bodies	93	92
c) Banks	1	1
d) Other financial companies	-	-
of which: insurance undertakings		
e) non-financial corporations	-	-
2 Equity securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) non-financial corporations	-	-
c) Other issuers	-	-
3 Units of O.I.C.R. collective investment undertakings	-	23,832
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 A	94	23,925
B. Derivatives		
a) Central counterparties	-	-
b) Other	95,137	73,475
Total B	95,137	73,475
Total (A+B)	95,231	97,400

The trading book consists mainly of Over-The-Counter derivatives traded on a matched basis (back-to-back trading). The mismatch vs. the measurement of derivatives held for trading recognized in the “Financial liabilities held for trading” item resulted from the CVA/DVA application to fair value measurement, as reported in Section A.4 of Accounting Policies.

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1 Debt securities	-	-	-	-	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2 Equity securities	-	-	27,551	-	-	27,610
3 Units of O.I.C.R. collective investment undertakings	-	-	32,136	-	-	-
4 Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	-	59,687	-	-	27,610

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

Among "Other financial assets mandatorily measured at fair value", item 2 "Equity securities" reports the shares held in Fraer Leasing (Euro 5,211 thousand), Autovie Venete (Euro 9,524 thousand), Friulia (Euro 8,488 thousand) and Termomeccanica (Euro 4,115 thousand).

Units of OICR (Collective Investment Undertakings) were also recognized for an amount of Euro 32,136 thousand; OICR units increased vs. 2019 mainly due to the subscription of units in the RSCT Fund for Euro 12,967 thousand, net of some partial divestment of units in other funds. Some of the other main investments in OICR are the one in the Asset Bancari III real estate fund amounting to Euro 15,308 thousand, the one in the Anthilia Bond Impresa Territorio fund amounting to Euro 2,058 thousand and the one in the "Rilancio e sviluppo" FCC amounting to Euro 1,305 thousand

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	31.12.2020	31.12.2019
1 Equity securities	**27,551**	**27,610**
of which: banks	214	274
of which: other financial companies	5,211	5,211
of which: non-financial corporations	22,125	22,125
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	**32,136**	**-**
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	**59,687**	**27,610**

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1 Debt securities	**3,066,208**	**-**	**-**	**2,821,006**	**-**	**-**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	3,066,208	-	-	2,821,006	-	-
2 Equity securities	**14,742**	**202,000**	**24,095**	**17,127**	**202,000**	**28,111**
3 Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,080,950**	**202,000**	**24,095**	**2,838,133**	**202,000**	**28,111**

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 3,066 million and consisted of Italian government bonds.

Among equity securities at level 2, the Crédit Agricole Italia Banking Group holds 8,080 shares in the Bank of Italy, equal to 2.69% of its entire share capital. These shares were recognized for a book value of Euro 202 million, obtained measuring each share at a unit value of Euro 25,000. These shares resulted from the share capital increase that the Bank of Italy made in 2013 in accordance with Italian Decree Law no. 133 of 30 November 2013, converted with Italian Law no. 5 of 29 January 2014, which determined the issue of new shares for a value of Euro 25,000 each.

Equity securities at level 1 include the shares held in Unipol- Sai capital for an amount of Euro 14.1 million.

Equity securities at level 3 include the equity investments in Cassa di Risparmio di Volterra amounting to Euro 3.8 million in, Immobiliare Oasi nel Parco Srl amounting to Euro 2.5 million, in Fidi Toscana S.p.A. amounting to Euro 1.8 million, and in Crédit Agricole Group Infrastructure Platform amounting to Euro 3.5 million

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	Total 31.12.2020	Total 31.12.2019
1 Debt securities	**3,066,208**	**2,821,006**
a) Central Banks	-	-
b) Public administration bodies	3,066,208	2,821,006
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Financial companies	-	-
2 Equity securities	**240,837**	**247,238**
a) Banks	206,052	206,120
c) Other issuers:	34,785	41,118
- other financial companies	18,132	26,418
of which: insurance undertakings	14,149	16,887
- non-financial corporations	16,653	14,700
- 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	**3,307,045**	**3,068,244**

Line 2.a) reports also the value of the shareholding in the Bank of Italy amounting to Euro 202 million.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs (*)
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	3,069,803	3,069,803	-	-	3,595	-	-	-
Loans	-	-	-	-	-	-	-	-
Total (31 Dec. 2020)	**3,069,803**	**3,069,803**	**-**	**-**	**3,595**	**-**	**-**	**-**
Total (31 Dec. 2019)	**2,824,436**	**2,824,436**	**-**	**-**	**3,430**	**-**	**-**	**-**
of which: POCI	X	X	-	-	X	-	-	-

* Value to be stated for disclosure purposes

Section 4 – Financial assets measured at amortized cost – Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE FROM BANKS

Type of transactions/Values	31.12.2020						31.12.2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3
A. Claims on Central Banks	8,143,109	-	-	-	8,143,109	-	3,547,726	-	-	-	3,547,726	-
1 Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2 Reserve requirement	8,130,811	-	-	X	X	X	3,538,693	-	-	X	X	X
3 Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4 Other	12,298	-	-	X	X	X	9,033	-	-	X	X	X
B. Due from Banks	644,489	3,357	-	-	647,833	-	1,192,406	3,463	-	-	1,195,812	-
1 Loans	644,489	3,357	-	-	647,833	-	1,192,406	3,463	-	-	1,195,812	-
1.1 Current accounts and deposits	350,186	-	-	X	X	X	217,417	-	-	X	X	X
1.2 Time deposits	152,224	-	-	X	X	X	479,859	-	-	X	X	X
1.3 Other loans:	142,079	3,357	-	X	X	X	495,130	3,463	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	142,079	3,357	-	X	X	X	495,130	3,463	-	X	X	X
2 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**8,787,598**	**3,357**	**-**	**-**	**8,790,942**	**-**	**4,740,132**	**3,463**	**-**	**-**	**4,743,538**	**-**

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/Values	31.12.2020						31.12.2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3
Loans	48,749,996	1,486,146	-	-	-	51,768,669	45,039,792	1,646,614	-	-	-	47,577,139
1.1 Current accounts	1,694,587	301,962	-	X	X	X	2,431,718	362,957	-	X	X	X
1.2 Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgage loans	32,098,272	945,848	-	X	X	X	28,838,102	1,003,201	-	X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from salaries/pensions	165,677	4,547	-	X	X	X	189,432	5,590	-	X	X	X
1.5 Loans for leases	1,777,233	121,154	-	X	X	X	1,737,033	128,897	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	13,014,227	112,635	-	X	X	X	11,843,507	145,969	-	X	X	X
Debt securities	8,070,821	-	-	7,965,581	-	170,464	4,913,787	-	-	4,744,000	-	169,729
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	8,070,821	-	-	7,965,581	-	170,464	4,913,787	-	-	4,744,000	-	169,729
Total	**56,820,817**	**1,486,146**	**-**	**7,965,581**	**-**	**51,939,133**	**49,953,579**	**1,646,614**	**-**	**4,744,000**	**-**	**47,746,868**

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 "1.3 Mortgage loans" also reports loans pledged as collateral for the issues of covered bonds amounting to Euro 10.6 billion;
- Item "2.2 Other debt securities" reports almost exclusively Italian Government securities.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/Values	31.12.2020			31.12.2019		
	Stage 1 and 2	Stage 3	of which: POCI	First and second stage	Stage 3	of which: POCI
1 Debt securities	**8,070,821**	**-**	**-**	**4,913,787**	**-**	**-**
a) Public administration bodies	7,900,358	-	-	4,744,059	-	-
b) Other financial companies	145,628	-	-	149,730	-	-
of which: insurance undertakings	145,628	-	-	149,703	-	-
c) non-financial corporations	24,835	-	-	19,998	-	-
2 Loans to:	**48,749,996**	**1,486,146**	**-**	**45,039,792**	**1,646,614**	**-**
a) Public administration bodies	278,700	2	-	300,400	6	-
b) Other financial companies	5,925,531	10,706	-	5,535,482	18,300	-
of which: insurance undertakings	82,578	3	-	99,728	3	-
c) non-financial corporations	17,846,306	1,040,043	-	15,840,016	1,220,697	-
d) Households	24,699,459	435,395	-	23,363,894	407,611	-
Total	**56,820,817**	**1,486,146**	**-**	**49,953,579**	**1,646,614**	**-**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: Low credit risk instruments						
Debt securities	8,075,865	8,075,865	5,048	-	9,903	189	-	-
Loans	54,699,518	-	3,131,181	3,050,258	93,875	199,230	1,560,755	39,419
Total (31 Dec. 2020)	**62,775,383**	**8,075,865**	**3,136,229**	**3,050,258**	**103,778**	**199,419**	**1,560,755**	**39,419**
Total (31 Dec. 2019)	**52,164,484**	**4,919,636**	**2,774,820**	**3,477,690**	**86,105**	**159,488**	**1,827,613**	**30,184**
of which: POCI	X	X	-	-	X	-	-	-

(*) Value to be stated for disclosure purposes

4.4A LOANS MEASURED AT AMORTIZED COST UNDER COVID-19 SUPPORT MEASURES: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: Low credit risk instruments						
1 Loans with GL-compliant concessions	5,230,454	-	1,261,270	74,438	13,415	75,310	13,671	-
2 Loans with other concession measures	-	-	-	-	-	-	-	-
3 New loans	2,347,892	-	65,017	1,212	12,073	7,899	281	-
Total (31 Dec. 2020)	**7,578,346**	**-**	**1,326,287**	**75,650**	**25,488**	**83,209**	**13,952**	**-**
Total (31 Dec. 2019)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

5. HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY LEVEL

	Fair value 31.12.2020			NV 31.12.2020	Fair value 31.12.2019			NV 31.12.2019
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	-	1,026,601	1	22,958,256	-	759,811	5	20,646,226
1) Fair value	-	1,026,601	1	22,958,256	-	759,811	5	20,646,226
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1,026,601**	**1**	**22,958,256**	**-**	**759,811**	**5**	**20,646,226**

Key: NV = Notional value L1 = Level 1 L2 = Level 2 L3 = Level 3

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

Transactions/Type of hedge	Fair value							Cash flows		Foreign Investments
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1 Financial assets measured at fair value through other comprehensive income	824	-	-	-	X	X	X	-	X	X
2 Financial assets measured at amortized cost	3,725	X	-	-	X	X	X	-	X	X
3 Portfolio	X	X	X	X	X	X	-	X	-	X
4 Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**4,549**	-	-	-	-	-	-	-	-	-
1 Financial liabilities	1,022,053	X	-	-	-	-	X	-	X	X
2 Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**1,022,053**	-	-	-	-	-	-	-	-	
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	-	-

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

The “Hedging Derivatives” item referring to financial liabilities measured at amortized cost came to Euro 3,725 thousand, of which Euro 2,916 thousand for hedging mortgage loans and Euro 809 thousand for hedging securities measured at amortized cost. Specifically, the hedged item is limited to the portion referring to interest rate risk.

Hedging uses both IRS and 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. On the other hand the IRS hedge the component of fixed-rate mortgage loans.

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 538,958 thousand for hedging own bonds issued and Euro 483,095 thousand for macrohedging of demand deposits; specifically, the hedged item is limited to the 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. To hedge sight deposits, a “fictitious” bond-equivalent is simulated, which is designed to identify the hedged item obtained by modeling the financial statements item hedged.

Section 6 – Fair value change of financial assets in macro-hedge portfolios – Item 60

6.1 FAIR VALUE CHANGE OF HEDGED ASSETS BREAKDOWN BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31.12.2020	31.12.2019
1 Positive fair value change	**138,522**	**119,967**
1.1 of specific portfolios:	138,522	119,967
a) financial assets measured at amortized cost	138,522	119,967
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2 Negative fair value change	**-1,213**	**-238**
2.1 of specific portfolios:	-1,213	-238
a) financial assets measured at amortized cost	-1,213	-238
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**137,309**	**119,729**

The hedged assets are mortgage loans with cap option. 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.

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	Type of control (1)	Equity investment		% of votes available
				Investor	% held	
A. Joint arrangements						
B. Investees subject to significant influence						
1 Fiere di Parma S.p.A.	Parma, Italy	Parma, Italy	4	Crédit Agricole 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%

(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 RECEIVED

Name	Book value	Fair value	Dividends received
A. Joint arrangements			
B. Investees subject to significant influence			
1 Fiere di Parma S.p.A.	20,483	-	-
2 Le Village by CA Milano S.r.l.	156	-	-
Total	**20,639**	**-**	**-**

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

The investees listed in the table above did not distribute dividends in 2020.

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 and intangible assets	Profit (Loss) before tax from continuing operations	Profit (Loss) after tax from continuing operations	Profit (loss) after tax from discontinued operations,	Profit (Loss) for the period (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
A. Joint arrangements														
not present														
B. Investees subject to significant influence														
1 Fiere di Parma S.p.A.	X	11,151	65,957	21,848	11,780	27,135	X	X	299	303	-	303	-	303
2 Le Village by CA Milano S.r.l.	X	342	1,104	1,044	728	1,566	X	X	- 529	- 407	-	- 407	-	- 407

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 2020, whereas the financial data regarding Fiere di Parma S.p.A. have been taken from the approved financial statements as at 31 December 2019.

Based on the available evidence on the performance of Fiere di Parma S.p.A. in 2020 no information and no significant events that may impacts the investee’s book value were found.

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

	Total 31.12.2020	Total 31.12.2019
A. Opening balance	**20,483**	**27,755**
B. Increases	-	-
B.1 Purchases	-	-
B.2 Recoveries/writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	-	**-7,272**
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Impairment/writedowns	-	-156
C.4 Other changes	-	-7,116
D. Closing balance	**20,483**	**20,483**
E. Total recoveries/writebacks	-	-
F. Total impairment/writedowns	-	-

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

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

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

Investees are considered subject to significant influence (associates) when the Group holds at least 20% of the voting rights (including "potential" voting rights) or, even though holding a lower percentage of the voting rights, it has the power to participate in determining the investee's financial and management policies based on specific legal ties, such as being a party to shareholder agreements providing for vote pooling.

Significant influence is not ascribed to interests equal to or higher than 20%, in which the Company holds only equity rights to a portion of the return on the investments, does not have a say in the investee's management policies and can exercise governance rights only to the extent required to protect its equity investment.

7.7 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN JOINT-ARRANGEMENTS

As at 31 December 2020, there were no joint arrangements and, therefore, no commitments referring to the same.

7.8 COMMITMENTS REFERRING TO EQUITY INVESTMENTS IN ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE

As at 31 December 2020, there were no commitments referring to entities subject to significant influence

7.9 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2020, there were no significant restrictions pursuant to IFRS 12, paragraphs 13 and 22 a).

Section 9 – Property, plant and equipment – Item 90

9.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS REVALUED AT COST

Assets/Values	Total 31.12.2020	Total 31.12.2019
1 Owned	**622,425**	**697,333**
a) land	164,337	197,820
b) buildings	373,152	406,324
c) furniture	15,993	18,497
d) electronic plants	5,431	5,721
e) other	63,512	68,971
2 Rights of use acquired through leases	**196,952**	**179,280**
a) land	172	172
b) buildings	194,640	176,914
c) furniture	-	-
d) electronic plants	-	-
e) other	2,140	2,194
Total	**819,377**	**876,613**
of which: obtained through the enforcement of guarantees received	-	-

The table reports Euro 196,952 thousand worth of leased property, plant and equipment and recognized in accordance with IFRS 16, which requires recognition under assets in the balance sheet of the right of use transferred to the lessee.

9.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31.12.2020				Total 31.12.2019			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1 Owned	**121,729**	**-**	**-**	**133,302**	**127,638**	**-**	**-**	**142,670**
a) land	43,075	-	-	45,077	47,294	-	-	50,399
b) buildings	78,654	-	-	88,225	80,344	-	-	92,271
2 Rights of use acquired through leases	**5,786**	**-**	**-**	**5,786**	**5,874**	**-**	**-**	**5,426**
a) land	-	-	-	-	-	-	-	-
b) buildings	5,786	-	-	5,786	5,874	-	-	5,426
Total	**127,515**	**-**	**-**	**139,088**	**133,512**	**-**	**-**	**148,096**
of which: obtained through the enforcement of guarantees received	28,552	-	-	33,590	31,870	-	-	38,297

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

The table reports Euro 5,786 thousand worth of leased property, plant and equipment and recognized in accordance with IFRS 16, which requires recognition under assets in the balance sheet of the right of use transferred to the lessee.

The assets obtained through the enforcement of received guarantees consisted of buildings with the related plots of land, which were previously granted under finance leases, were returned to the Group subsequent to the termination of the related contracts and for which no credit claim remains towards the contractual obligors.

9.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; BREAKDOWN

Assets/Values	Total 31.12.2020	Total 31.12.2019
1 Inventories of assets obtained through the enforcement of guarantees received	**1,974**	**1,959**
a) land	-	-
b) buildings	1,974	1,959
c) furniture	-	-
d) electronic plants	-	-
e) other	-	-
2 Other inventories of property, plant and equipment	**2,971**	**5,765**
Total	**4,945**	**7,724**
of which: measured at fair value net of sale costs	5,208	7,724

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

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**197,992**	**911,282**	**128,589**	**80,419**	**297,144**	**1,615,426**
A.1 Total net impairment writedowns	-	328,044	110,092	74,698	225,979	738,813
A.2 Opening net balance	197,992	583,238	18,497	5,721	71,165	876,613
B. Increases	**259**	**68,665**	**2,203**	**3,136**	**11,146**	**85,409**
B.1 Purchases	-	59,720	2,203	3,136	11,146	76,205
B.2 Capitalized improvement expenses	-	6,815	-	-	-	6,815
B.3 Recoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	259	2,130	X	X	X	2,389
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**33,742**	**84,111**	**4,707**	**3,426**	**16,659**	**142,645**
C.1 Sales	33,292	39,158	-	-	-	72,450
C.2 Depreciation	-	25,384	4,707	3,426	16,187	49,704
C.3 Impairment losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	450	7,855	-	-	-	8,305
a) Investment property	450	7,855	X	X	X	8,305
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	11,714	-	-	472	12,186
D. Closing net balance	**164,509**	**567,792**	**15,993**	**5,431**	**65,652**	**819,377**
D.1 Total net impairment writedowns	-	350,132	114,774	78,124	242,145	785,175
D.2 Closing gross balance	164,509	917,924	130,767	83,555	307,797	1,604,552
E. Measurement at cost	**-**	**3,937**	**207**	**38**	**197**	**4,379**

Item “C.6 Transfers to: a) investment property” reports the reclassification from operating property to investment property, subsequent to the rationalization of the physical network started by the Group.

The other decreases report the gross value of rights of use under lease contracts terminated in the reporting year.

All the asset classes in the table have been measured at cost.

9.6 BIS CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**172**	**208,424**	**-**	**-**	**3,073**	**211,669**
A.1 Total net impairment writedowns	-	31,510	-	-	879	32,389
A.2 Opening net balance	172	176,914	-	-	2,194	179,280
B. Increases	**-**	**58,926**	**-**	**-**	**1,087**	**60,013**
B.1 Purchases	-	58,926	-	-	1,087	60,013
B.2 Capitalized improvement expenses	-	-	-	-	-	-
B.3 Recoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**41,201**	**-**	**-**	**1,141**	**42,342**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	29,847	-	-	714	30,561
C.3 Impairment losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognized through:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) Investment property	-	-	X	X	X	-
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	11,353	-	-	427	11,780
D. Closing net balance	**172**	**194,639**	**-**	**-**	**2,140**	**196,951**
D.1 Total net impairment writedowns	-	61,357	-	-	1,593	62,950
D.2 Closing gross balance	172	255,997	-	-	3,733	259,902
E. Measurement at cost	**-**	**197**	**-**	**-**	**89**	**286**

9.7 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	Total 31.12.2020	
	Land	Buildings
A. Opening balance	**47,294**	**86,218**
B. Increases	**450**	**11,544**
B.1 Purchases	-	3,537
B.2 Capitalized improvement expenses	-	152
B.3 Fair value gains	-	-
B.4 Recoveries/writebacks	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	450	7,855
B.7 Other changes	-	-
C. Decreases	**4,669**	**13,322**
C.1 Sales	654	1,502
C.2 Depreciation	0	3,862
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	3,515	4,081
a) operating assets	259	2,130
b) Non-current assets held for sale and discontinued operations	3,256	1,951
C.7 Other changes	500	3,877
D. Closing balance	**43,075**	**84,440**
E. Measurement at fair value	**44,925**	**92,229**

All the asset classes in the table have been measured at cost.

9.7 BIS CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Total 31.12.2020	
	Land	Buildings
A. Opening balance	**-**	**5,875**
B. Increases	**-**	**3,534**
B.1 Purchases	-	3,534
B.2 Capitalized improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Recoveries/writebacks	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**3,623**
C.1 Sales	-	-
C.2 Depreciation	-	1,751
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	1,872
D. Closing balance	**-**	**5,786**
E. Measurement at fair value	**-**	**-**

9.8 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT GOVERNED BY IAS 2; CHANGES FOR THE YEAR

	Inventories of property, plant and equipment from recoveries of non-performing loans					Other inventories of property, plant and equipment	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Opening balance	-	1,959	-	-	-	5,765	7,724
B. Increases	-	15	-	-	-	42	57
B.1 Purchases	-	-	-	-	-	-	-
B.2 Recoveries/writebacks	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	15	-	-	-	42	57
C. Decreases	-	-	-	-	-	-2,836	-2,836
C.1 Sales	-	-	-	-	-	-	-
C.2 impairment losses	-	-	-	-	-	-366	-366
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-2,470	-2,470
D. Closing balance	-	1,974	-	-	-	2,971	4,945

9.9 COMMITMENTS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020, there were no commitments for purchases of property, plant and equipment.

Section 10 – Intangible assets – Item 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31.12.2020		Total 31.12.2019	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	1,315,925	X	1,575,536
A.1.1 Group	X	1,315,925	X	1,575,536
A.1.2 Minority shareholders	X	-	X	-
A.2 Other intangible assets	302,758	-	337,070	-
A.2.1 Assets measured at cost:	302,758	-	337,070	-
a) Internally generated intangible assets	6,750	-	7,478	-
b) Other assets	296,008	-	329,592	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**302,758**	**1,315,925**	**337,070**	**1,575,536**

As exhaustively described in paragraph 10.3 below, the Group tested intangible assets with finite useful life and goodwill recognized as at 31 December 2020 for impairment; the impairment testing showed the need to write down recognized goodwill by Euro 259.6 million.

The cost of intangible assets with finite life is amortized on a straight-line basis over their useful life. The useful life of all software in general has been set at 5 years, but, for some types of software, specifically identified, the useful life 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	INDEFINITE	FINITE	INDEFINITE	
A. Opening balance	**1,575,536**	**22,893**	**-**	**1,031,327**	**-**	**2,629,756**
A.1 Total net impairment writedowns	-	15,415	-	701,735	-	717,150
A.2 Opening net balance	1,575,536	7,478	-	329,592	-	1,912,606
B. Increases	**-**	**2,030**	**-**	**61,842**	**-**	**63,872**
B.1 Purchases	-	-	-	61,842	-	61,842
B.2 Increases in internal intangible assets	X	2,030	-	-	-	2,030
B.3 Recoveries/writebacks	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**259,611**	**2,758**	**-**	**95,426**	**-**	**357,795**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	259,611	2,758	-	95,025	-	357,394
- Amortization	X	2,758	-	95,025	-	97,783
- Writedowns:	259,611	-	-	-	-	259,611
+ Equity	X	-	-	-	-	-
+ Profit and loss	259,611	-	-	-	-	-
C.3 Fair Value losses:	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	401	-	401
D. Closing net balance	**1,315,925**	**6,750**	**-**	**296,008**	**-**	**1,618,683**
D.1 Total net value adjustments	259,611	18,174	-	790,641	-	1,068,426
E. Closing gross balance	**1,575,536**	**24,924**	**-**	**1,086,649**	**-**	**2,687,109**
F. Measurement at cost	**-**	**-**	**-**	**1,851**	**-**	**1,851**
** of which for business combinations:*						
- gross value	-	-	-	-	-	-
Provision for accumulated amortization	-	-	-	-	-	-

10.3 INTANGIBLE ASSETS: OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

At the end of 2020 it was verified that the value of each of the elements making up the intangible assets recognized within the scope of the transactions for the purchase of bank branches made in 2007, which was calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to loans to Customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and September 2020, the cost of credit (the 2009-2020 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 amortization period for said components is 15 years. The analysis had a favourable outcome.

Therefore, the overall value of these intangible assets was found to be higher than the value recognized as at 31 December 2020 amounting to

- Crédit Agricole FriulAdria: Euro 7,145 thousand;
- 180 Crédit Agricole Italia branches purchased in 2007: Euro 16,072 thousand;
- 29 Crédit Agricole FriulAdria branches purchased in 2007: Euro 1,362 thousand.

The grand total amounts to Euro 24,579 thousand.

At the end of 2020 it was verified that the value of each of the elements making up intangible assets, which were recognized within the scope of transactions made in 2011 and calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to demand deposits, volumes were essentially in line with the date of purchase and their measurement took into account the introduction of the Multiple ITR System;
- With regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management for the years from 2011 to 2019 and for 2020 before the year-end, as well as the relevant perspective forecasts to 2026 (year when amortization will end) were analyzed.

The amortization period for said components is 15 years.

Therefore, the overall value of these intangible assets, which were recognized within the scope of the transactions made in 2011, was found to be higher than the value recognized as at 31 December 2020 amounting to:

- Crédit Agricole Carispezia: Euro 10,256 thousand;
- 81 Crédit Agricole Italia branches purchased in 2011: Euro 30,313 thousand;
- 15 Crédit Agricole FriulAdria branches purchased in 2011: Euro 6,031 thousand.

The grand total amounts to Euro 46,599 thousand.

At the end of 2020, the value of each one of the components of the intangible assets recognized within the transactions finalized in 2017 was verified. The amortization period for said components is 13 years. Based on the evidence found on changes in intangible assets as recognized, no elements have been found suggesting that the value in use of the finite useful life intangible asset representing the value assigned to business with customers resulting from the acquisition of Cassa di Risparmio Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato may be lower than its book value as at 31 December 2020 equal to Euro 63,846 thousand.

Impairment testing of goodwill

As required by IASs/IFRSs, the goodwill resulting from the purchases of Crédit Agricole FriulAdria, of the 180 Crédit Agricole Italia branches and of the 29 Crédit Agricole FriulAdria branches (made in 2007), of the 81 Crédit Agricole Italia branches and of the 15 Crédit Agricole FriulAdria branches (made in 2011), of CALIT (made in 2009) and of Crédit Agricole Carispezia (made in 2011) was tested for impairment. The goodwill paid within the four transactions described above was allocated as follows:

CGU	Goodwill (€/ /thousand)
Retail+Private Banking segment	1,502,324
Corporate banking (Mid-corp+Large-corp) segment	73,212
Total	**1,575,536**

These CGUs have been identified consistently with the Segment Reporting made in the Annual Report and Consolidated Financial Statements. The value in use of each CGU was determined in accordance with the method adopted by the Crédit Agricole 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 2020 expected performance, a model has been used, which consists of two stages:

- For the first stage (2021-2025), the following forecasts have been used: the 2021 Budget for 2022-2025 and medium- and long-term financial forecasts;
- The second stage considers the Terminal Value: the cash flow after taxes for the last year was, therefore, projected into perpetuity using a long-term growth rate "g" (2.00%). This rate falls in an interval that is consistent with the industry measurement practices.

It is pointed out that the cash flows were calculated assuming that the present situation, where the Governments' financial needs to address the health crisis are being supported by the ECB and by the EU Institutions, makes it likely that interest rates will continue to be low over the long term and will probably go back to their before-crisis levels over 10 or 15 years.

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 8.80% (vs. 9.20% used for the impairment test for the 2019 Annual Report and Financial Statements).

Allocated own funds have been measured based on a 8.98% rate of RWA, as done by Crédit Agricole SA. and in compliance with the applicable regulatory requirements.

The rate of return on capital (ke rate) applied is the same for all CGUs identified, as 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 2019 are reported below:

	2020	2019
Cost of equity (ke)	8.80%	9.20%
- of which risk-free rate	2.76%	3.16%
- of which Beta	1.2	1.2
- of which risk premium	5.01%	5.05%

With Beta yields being equal, the risk-free rate - calculated as the 10-year 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, the risk premium, which was calculated as the 10-year average of the risk premium in the Italian stock exchange, also decreased slightly.

The value in use was divided between the Retail-Private Banking and the Corporate (mid-corp and large-corp) Banking Business Segments based on the average weight of the two CGUs in the last 10 years.

The comparison between the value in use of the two Business Segments, totalling Euro 3,887 million (of which Euro 3,021 million on the Retail-Private Bnkg CGU and Euro 866 million on the Corporate Bnkg CGU), and the related book value of Euro 4,273 million (of which Euro 3,208 million on the on the Retail-Private Bnkg CGU and Euro 1,065 million on the Corporate Bnkg CGU) showed impairment of both CGUs by a total of Euro **260** million, broken down as follows:

- For the Retail-Private Bnkg CGU, impairment of approximately Euro 186 million;
- For the Corporate Bnkg CGU impairment of approximately Euro 73 million (equal to fullu writedown of goodwill allocated to the CGU).

The main reason for the test outcome is the use, as done by the Parent Company Crédit Agricole S.A. for income forecasts, of a scenario featuring low interest rates in the long term (with implicit rates of: E3M +0.20% and swap 10Y 1.20% in 2024 and 2025). For comparison purposes, it is pointed out that in the previous year, the fully operational rates used for the terminal year of discounted cash flows were at before-crisis levels (i.e. E3M +1.0% and swap 10Y at +2.0%).

Subsequent to the writedown for impairment, the goodwill amounts recognized in the consolidated Financial Statements decreased from Euro 1,575.5 million to Euro 1,315.9 million, fully allocated to the Retail-Private Bnkg CGU.

Section 11 – Tax Assets and Tax Liabilities – Item 110 of Assets and Item 60 of Liabilities

11.1 DEFERRED TAX ASSETS: BREAKDOWN

	31.12.2020	31.12.2019
14.1 Gross deferred tax assets	**1,125,827**	**1,200,022**
A1. Loans and receivables (including asset-backed securities)	316,491	357,885
A2. Other financial instruments	22	1,998
A3. Goodwill	326,378	336,323
A4. Long-term liabilities	-	-
A5. Property, plant and equipment	3,574	2,075
A6. Provisions for risks and charges	75,407	70,865
A7. Entertainment expenses	-	-
A8. Staff expenses	-	-
A9.1 Tax losses	136,517	156,622
A9.2 Convertible tax losses	22,462	
A10. Unused tax receivables to be deducted	-	-
A11. Other	244,977	274,254
B. Offset against deferred tax liabilities	-	-
C. Net deferred tax assets:	**1,125,827**	**1,200,022**

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out and confirmed their full recoverability. For such verification, profits and losses for tax purposes in the coming FYs were simulated, starting from the assumed profit or losses for those FYs and taking into account, for that purpose, the permanent increases and decreases that can be estimated, as well as the release of temporary differences, both positive and negative, expected for that period.

Besides the recovery of the aforementioned temporary differences, the calculation also showed that the DTA for tax losses can be recovered over a modest time horizon, which, in the most likely scenario, is five years. Other possible scenarios of more severe, albeit reasonable, stress were also assumed, taking into account decreases in profits or higher recovery of temporary difference assets than deemed likely, and recoverability was confirmed. It may be useful to point out that the main portion of the recognized DTAs consists of so-called "convertible" DTAs, i.e. DTAs whose recoverability does not depend on future profit or loss, as they may be converted in true tax credits, receivable form the Inland Revenue Agency in case of statutory or tax losses.

Furthermore, as regards Italian Corporate income tax (IRES) DTAs, it is to be considered that the companies of the Crédit Agricole Italia Banking Group are members of a tax consolidation scheme under Article 117 et seq. of Italian Presidential Decree 917/86, which includes also other resident entities that are directly or indirectly controlled by Crédit Agricole S.A. The expected tax profit or loss of said tax consolidation scheme in the coming FYs is by far higher than the total profits or losses of the entities belonging to the Crédit Agricole Italia Banking Group, which is further ground supporting the recoverability of most recognized DTA for IRES.

11.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	31.12.2020	31.12.2019
A. Gross deferred tax liabilities:	**102,421**	**90,392**
A1. Capital gains spreading	18,711	3,465
A2. Goodwill	-	-
A3. Property, plant and equipment	7,359	4,820
A4. Deposited financial Instruments	-	-
A5. Staff expenses	-	-
A6. Other	76,351	82,107
B. Offset against deferred tax assets	-	-
C. Net deferred tax liabilities	**102,421**	**90,392**

11.3 CHANGES IN DEFERRED TAX ASSETS (THROUGH PROFIT OR LOSS)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**1,170,720**	**1,264,361**
2 Increases	**79,384**	**41,661**
2.1 Deferred tax assets recognized in the year	51,002	18,925
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	51,002	18,925
2.2 New taxes or increases in tax rates	-	8
2.3 Other increases	28,382	22,728
3 Decreases	**143,269**	**135,302**
3.1 Deferred tax assets derecognized in the year	103,483	99,803
a) reversals	103,483	99,803
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	25
3.3 Other decreases	39,786	35,474
a) conversion into tax credits pursuant to L. 214/2011	-	-
b) other	39,786	35,474
4 Closing balance	**1,106,835**	**1,170,720**

It is pointed out that the “other decreases” item under point 3.3 letter b) also reports the conversion into tax credits, for an amount of Euro 22,000 thousand, of DTAs from tax losses generated by the mergers of the “Fellini” banks (Cassa di Risparmio di San Miniato, Cassa di Risparmio and Cesena e Cassa di Risparmio di Rimini), which were finalized in 2018. Said DTAs were converted into tax credits under Article 44-bis of Italian Decree Law no. 34 of 30 April 2019, as amended by Article 55 of Italian Decree Law no.18 of 17 March 2020, subsequent to the disposals of loans to defaulted debtors made from 17 March 2020 and 31 December 2020.

The “Other increases” and “Other decreases” in the latter net of the figures reported in the previous period under points 2.3 and 3.3 refer to the increases or decreases resulting from 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, at the very beginning non-convertible DTA for losses were acquired amounting to Euro 135,645 thousand as at 31 December 2020.

11.4 CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**707,164**	**684,818**
2 Increases	**24,848**	**22,362**
3 Decreases	50,304	16
3.1 Reversals	50,269	4
3.2 Conversion into tax credits	-	-
a) from losses for the year	-	-
b) from tax losses	-	-
3.3 Other decreases	35	12
4 Closing balance	**681,708**	**707,164**

11.5 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**82,476**	**107,836**
2 Increases	**20,591**	**958**
2.1 Deferred tax liabilities recognized in the year	19,491	194
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	19,491	194
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1,100	764
3 Decreases	**15,767**	**26,318**
3.1 Deferred tax liabilities derecognized in the year	15,710	8,009
a) reversals	15,710	8,009
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	2
3.3 Other decreases	57	18,307
4 Closing balance	**87,300**	**82,476**

11.6 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY/OCI)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**29,301**	**61,578**
2 Increases	**1,528**	**999**
2.1 Deferred tax assets recognized in the year	1,117	-
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	1,117	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	411	999
3 Decreases	**11,837**	**33,276**
3.1 Deferred tax assets derecognized in the year	1,138	33,002
a) reversals	1,138	33,002
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	10,699	274
4 Closing balance	**18,992**	**29,301**

11.7 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**7,916**	**1,146**
2 Increases	**26,493**	**9,348**
2.1 Deferred tax liabilities recognized in the year	26,493	417
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	26,493	417
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	8,931
3 Decreases	**19,288**	**2,578**
3.1 Deferred tax liabilities derecognized in the year	18,653	2,498
a) reversals	18,653	2,498
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	635	80
4 Closing balance	**15,121**	**7,916**

Section 13 – Other assets – Item 130

13.1 OTHER ASSETS: BREAKDOWN

	31.12.2020	31.12.2019
Sundry debits in process	45,703	85,207
Revenue stamps and other instruments	57	3
Items being processed	56,630	107,801
Accrued income not allocated to other items	7,527	9,184
Prepaid expenses not allocated to other items	8,718	6,707
Protested bills and cheques	5,227	4,792
Leasehold improvements	12,325	13,085
Tax advances paid on behalf of third parties	56,300	46,158
Sundry	124,602	139,489
Total	**317,089**	**412,426**

LIABILITIES

Section 1 – Financial liabilities measured at amortized cost – Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/Values	Total 31.12.2020				Total 31.12.2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1 Due to central banks	**9,449,764**	**X**	**X**	**X**	**4,147,987**	**X**	**X**	**X**
2 Due to banks	**1,931,134**	**X**	**X**	**X**	**1,957,272**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	537,368	X	X	X	572,588	X	X	X
2.2 Time deposits	56,912	X	X	X	84,202	X	X	X
2.3 Loans	1,329,183	X	X	X	1,287,287	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	1,329,183	X	X	X	1,287,287	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,148	X	X	X	1,357	X	X	X
2.6 Other due and payables	6,523	X	X	X	11,838	X	X	X
Total	**11,380,898**	**-**	**11,380,899**	**-**	**6,105,259**	**-**	**6,105,259**	**-**

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

The “Due to central banks” item reports the amounts due to the European Central Bank.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/Values	Total 31.12.2020				Total 31.12.2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	43,945,712	X	X	X	40,307,243	X	X	X
2 Time deposits	6,948	X	X	X	15,296	X	X	X
3 Loans	777	X	X	X	4,803	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
3.2 Other	777	X	X	X	4,803	X	X	X
4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5 Lease liabilities	232,796	X	X	X	187,499	X	X	X
6 Other due and payables	291,148	X	X	X	280,332	X	X	X
Total	**44,477,381**	**-**	**44,188,448**	**18,933**	**40,795,173**	**-**	**40,779,464**	**15,712**

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 securities/values	Total 31.12.2020				Total 31.12.2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 Bonds	10,067,667	-	10,386,052	-	8,399,290	-	8,571,093	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 other	10,067,667	-	10,386,052	-	8,399,290	-	8,571,093	-
2 Other securities	646,781	-	-	646,778	703,300	-	-	703,298
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	646,781	-	-	646,778	703,300	-	-	703,298
Total	**10,714,448**	**-**	**10,386,052**	**646,778**	**9,102,590**	**-**	**8,571,093**	**703,298**

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

Item “1. Bonds” reports debenture loans for Euro 429,122, covered bonds for Euro 8,787,534 thousand and senior non-preferred bonds for Euro 851,011 thousand.

Item “2. Other securities” reports banker’s drafts for Euro 184,087 thousand and certificates of deposit for Euro 462,694 thousand.

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Lower Tier II deposit	28.06.2017	28.06.2027	at maturity	3M Euribor + 219 bp	Euro	250,000	250,034
Lower Tier II deposit	11.12.2017	11.12.2027	at maturity	3M Euribor + 162 bp	Euro	400,000	400,239
Lower Tier II deposit	14.12.2018	14.12.2028	at maturity	3M Euribor + 571 bp	Euro	100,000	100,244
Lower Tier II deposit	02.08.2019	02.08.2029	at maturity	3M Euribor + 213 bp	Euro	80,000	80,212
Lower Tier II security	31.05.2010	30.11.2023	in one payment at maturity	4% fixed-rate	Euro	4,050	4,378
Lower Tier II security	20.09.2010	20.09.2022	in one payment at maturity	3.75% fixed-rate	Euro	8,875	9,314
Lower Tier II security	18.11.2014	18.11.2021	in one payment at maturity	3.20% fixed-rate	Euro	30,000	30,657
Lower Tier II security	25.03.2015	25.03.2021	in one payment at maturity	3% fixed-rate	Euro	55,000	55,706
Lower Tier II security	20.04.2015	20.04.2021	in one payment at maturity	2.75% fixed-rate	Euro	14,250	14,428
Lower Tier II security	31.03.2015	31.03.2021	in one payment at maturity	6M Euribor +300bps	Euro	6,000	6,068

Total Lower Tier II deposits came to Euro 830,729 thousand, whereas total Lower tier II securities came to Euro 120,551 thousand.

1.5 BREAKDOWN OF STRUCTURED LIABILITIES

As at 31 December 2020, there were no structured liabilities.

1.6 LEASE LIABILITIES

For reporting on lease liabilities and the breakdown of maturities and cash flows, please see Part M of this Note to the financial statements.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/Values	Total 31.12.2020					Total 31.12.2019				
	NV	Fair Value			FV *	NV	Fair Value			FV *
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1 Due to banks	-	-	-	-	-	-	-	-	-	-
2 Due to Customers	-	-	-	-	-	-	-	-	-	-
3 Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1 Financial Derivatives	-	-	107,469	-	-	-	-	81,980	-	-
1.1 Held for trading	X	-	107,469	-	X	X	-	81,980	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2 Credit Derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**107,469**	**-**	**X**	**X**	**-**	**81,980**	**-**	**X**
Total (A+B)	**-**	**-**	**107,469**	**-**	**-**	**-**	**-**	**81,980**	**-**	**X**

Key:
NV = nominal or notional value
L1 = Level 1
L2= Level 2
L3= Level 3
Fair Value* = fair value calculated excluding value changes 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 2020, there were no subordinated liabilities held for trading.

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

At the end of 2020, there were no structured liabilities held for trading.

Section 4 – Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	Fair value 31.12.2020			NV 31.12.2020	Fair value 31.12.2019			NV 31.12.2019
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	-	176,134	610,497	7,508,516	-	199,439	310,291	6,540,350
1) Fair value	-	176,534	610,497	7,508,516	-	199,439	310,291	6,540,350
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**176,134**	**610,497**	**7,508,516**	**-**	**199,439**	**310,291**	**6,540,350**

Key:
NV =r notional value
L1 = Level 1
L2= Level 2
L3= Level 3

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

Transactions/Type of hedge	Fair value							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1 Financial assets at fair value through other comprehensive income	232,238	-	-	-	X	X	X	-	X	X
2 Financial assets measured at amortized cost	553,932	X	-	-	X	X	X	-	X	X
3 Portfolio	X	X	X	X	X	X	-	X	-	X
4 Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**786,170**	-	-	-	-	-	-	-	-	-
1 Financial liabilities	461	X	-	-	-	-	X	-	X	X
2 Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**461**	-	-	-	-	-	-	-	-	-
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 reports Euro 4,269 thousand for hedging mortgage loans, Euro 549,663 thousand for hedging securities measured at amortized cost and Euro 232,238 thousand for hedging securities measured at fair value through other comprehensive income.

The “Hedging Derivatives” item regarding financial liabilities fully consists of hedges on fixed-rate demand deposits.

Section 5 – Fair value change of financial liabilities in macro-hedge portfolios – Item 50

5.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES

Fair value change of hedged liabilities /Group components	31.12.2020	31.12.2019
1 Increase in fair value of hedged financial liabilities	465,416	439,186
2 Decrease in fair value of hedged financial liabilities	-	-18,013
Total	**465,416**	**421,173**

The part of demand deposits that is considered stable by the internal model adopted by the Group is subject to macro-hedging.

Section 6 – Tax Liabilities – Item 60

Please, see Section 11 - Assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31.12.2020	31.12.2019
Trade payables	295,915	283,791
Amounts due to third parties	301,874	257,987
Credit transfers ordered and being processed	63,235	38,875
Amounts payable to tax authorities on behalf of third parties	63,436	92,627
Advances on loans to mature	199	243
Adjustments for illiquid items	279,909	287,915
Personnel expenses	86,050	85,125
Uncapitalized accrued expenses	12,772	10,809
Deferred income not allocated to other items	15,355	22,376
Sundry	260,981	237,137
Total	**1,379,726**	**1,316,885**

Section 9 – Employee severance benefits – Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	Total 31.12.2020	Total 31.12.2019
A. Opening balance	**123,894**	**135,722**
B. Increases	**2,588**	**3,759**
B.1 Provision for the year	434	918
B.2 Other changes	2,154	2,841
C. Decreases	**9,078**	**15,587**
C.1 Severance payments	8,458	14,561
C.2 Other changes	620	1,026
D. Closing balance	**117,404**	**123,894**
Total	**117,404**	**123,894**

9.2 OTHER INFORMATION

Information on the characteristics of defined-benefit plans and risks associated with them (IAS 19, paragraph 139)

Employee Severance Benefits

Pursuant to the Italian legislation, at the date of termination of his/her employment contract with a company, each employee is entitled to a severance package called "Trattamento di Fine Rapporto" (Employee Severance Benefits or with the Italian acronym TFR) equal to the sum of the Severance Benefits accrued for each year of work for the employer.

The benefit accrued each year is equal to 6.91% of the gross annual Pay. This rate is calculated by dividing the ordinary pay by 13.5; to the resulting amount a deduction is made of 0.5%, which is paid directly to the Italian National Social Security Institute (INPS) as a pension contribution.

Moreover, as at 31 December of each year, the Provision for Employees' Severance Benefits is subject to revaluation applying a fixed-rate of 1.5% plus 75% of the increase in the consumer price index for blue-collar and white-collar households for the year.

The revalued amount as calculated above is taxed at a 17% rate, as provided for by the Italian 2015 Stability Law (Italian Law No. 190 of 23 December 2014).

Pursuant to the applicable legislation, employees may ask for advances on their Severance Benefits accrued when the employment relation is still going on. This advance may be obtained only once during the employment relation, after at least 8 years on staff and up to 70% of the Employee Severance Benefits accrued as at the date of request.

With the entry into force of Italian 2007 Finance Act, concerning also the Reform of Supplementary Pension Schemes, the measurement of Employee Severance Benefits, in accordance with IAS 19 Revised, shall take account of the impacts of this Act, as well as of the guidelines for their calculation, which were issued by the Italian National Association of Actuaries and by the Organismo Italiano di Contabilità (the Italian National Accounting Body).

Specifically, for the Companies of the Crédit Agricole Italia Banking Group which have more than 50 employees, effective from 31 December 2006, the employee severance benefits accrued have been paid to external Supplementary Pension Schemes or to the State Treasury Fund managed by the Italian National Social Security Institute (INPS).

In the light of the above new legislation, the Companies' obligation refers to the employee severance benefits accrued before 1 January 2007 (and not yet paid out as at the reporting date) which increase on a yearly basis by the revaluation rate applied to the existing amounts only.

0.5% supplement to employee severance benefits

For the employees of Crédit Agricole Italia, who were formerly employees of the Intesa San Paolo Group (hereinafter referred to as "formerly Intesa") and were already on staff on 31 December 1990, upon employment termination, an amount supplementing their severance benefits is granted, 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 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 2020 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. 2020		123,894
a	Service cost	42
b	Interest cost	393
c	Transfer in/out	16
d.1	Actuarial gains/losses from changes in financial assumptions	2,113
d.2	Actuarial gains/losses from changes in demographic assumptions	-
d.3	Actuarial gains/losses from demographic experience	-594
and	Payments provided for by the Plan	-8,459
Actuarial value of the obligation as at 31 Dec. 2020		**117,404**

Disclosure of the fair value of the plan assets (IAS 19, paragraphs 142 and 143)

This point does not apply because no assets covering Employee Severance Benefits have been provided for.

Description of the main actuarial assumptions (IAS 19, paragraph 144)

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Invalidity;
- Termination (resignation or dismissal);
- Requests for advances;
- The workers' future economic career (including the assumptions on promotion to higher positions);
- Performance of the actual purchasing power of money.

Specifically, the following assumptions were used:

a) DEMOGRAPHIC TECHNICAL BASES:

a.1 Annual probability of exclusion due to death of employees on staff were calculated based on IPS55;

a.2 Annual probabilities of exclusion due to causes other than death of employees on staff were calculated based on appropriate smoothing of historical data of the Group and, therefore, an annual frequency of turnover of 3.50% was used;

a.3 The annual probability of request for advances on the accrued severance benefits was calculated based on the Group's experience and was assumed as equal to an average annual rate of 3.00%;

a.4 Retirement is assumed upon meeting the first requirement to qualify for pension.

b) ECONOMIC TECHNICAL BASES:

b.1 To calculate the Present Value of the various plans, in compliance with the instructions given by the Parent Company Crédit Agricole SA, the following IBOXX AA rates were used;

- Provision for Employees' severance benefits: -0.08% (IBOXX duration 5-7 years);
- Pension Plan 1: 0.32% (IBOXX duration 5-7 years);
- Retirement Fund 2: 0.44% (IBOXX duration 7-10 years);

b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, as per the instructions given by the Parent Company Crédit Agricole 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 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. 2020		
Central assumption	+50 bps	-50 bps
117,404	113,736	121,271

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2020		
Central assumption	+50 bps	-50 bps
117,404	119,758	115,171

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2020		
Central assumption	+100 bps	-100 bps
117,404	116,659	118,210

Multi-employer plans (IAS 19, paragraph 148)

This point does not apply because the provision for employee severance benefits is not a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control (IAS 19, paragraphs 149 and 150).

This point does not apply because the provision for employee severance benefits is not a plan that shares risks between various entities under common control..

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	Total 31.12.2020	Total 31.12.2019
1 Provisions for credit risk on commitments and financial guarantees given	32,102	33,656
2 Provisions for other commitments and guarantees given	-	-
3 Company pension plans	35,816	37,325
4 Other provisions for risks and charges	225,482	264,535
4.1 legal and tax-related disputes litigation	58,410	64,936
4.2 personnel expenses	92,036	118,105
4.3 other	75,036	81,494
Total	**293,400**	**335,516**

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions for risks and charges	Total
A. Opening balance	-	37,325	264,535	301,860
B. Increases	-	2,013	33,962	35,975
B.1 Provision for the year	-	-	33,910	33,910
B.2 Changes due to passage of time	-	209	-	209
B.3 Changes due to alterations in the discount rate	-	-	-	-
B.4 Other changes	-	1,804	52	1,856
C. Decreases	-	3,522	73,015	76,537
C.1 Use in the year	-	3,522	49,008	52,530
C.2 Changes due to alterations in the discount rate	-	-	-	-
C.3 Other changes	-	-	24,007	24,007
D. Closing balance	-	35,816	225,482	261,298

10.3 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	2,532	4,248	4	6,784
Financial guarantees given	2,532	4,238	18,548	25,318
Total	**5,064**	**8,486**	**18,552**	**32,102**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2020, there were no provisions for other commitments and guarantees given.

10.5 RETIREMENT BENEFIT PLANS

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 2020, 510 people were the beneficiaries of the Pension Plans (248 women and 262 men).

Changes for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The statement of reconciliation for 2020 is given below:

Actuarial value of the obligation as at 1 Jan. 2020		37,325
a	Service cost	-
b	Interest cost	209
c	Transfer in/out	,
d.1	Actuarial gains/losses from changes in financial assumptions	1,609
d.2	Actuarial gains/losses from changes in demographic assumptions	-
d.3	Actuarial gains/losses from demographic experience	193
and	Payments provided for by the Plan	-3,522
Actuarial value of the obligation as at 31 Dec. 2020		**35,816**

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 measurements, appropriate demographic and economic assumptions must be used, such as:
- Mortality;
- Probability to have a family;
- Performance of the actual purchasing power of money.

The main economic and demographic assumptions used for the plan measurement are given below:
- Annual probability of exclusion due to death of employees not on staff were calculated based on IPS55;
- For assignment to the surviving family in case of the pensioner's death, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%, in accordance with the instructions given by the Parent Company Crédit Agricole SA;
- The annual increase in the plan benefits is governed by the relevant regulation, and, therefore, by the applicable regulations in force for INPS (Italian National Social Security Institute) pensions (automatic smoothing pursuant to paragraph 1, Article 34 of Italian Law No. 448/1998, as amended by paragraph 1, Article 69 of Italian Law No. 388/2000);
- To calculate the Present Value, in compliance with the instructions issued by the Parent Company Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of -0.02%.

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. 2020		
Central assumption	+50 bps	-50 bps
35,816	34,420	37,321

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2020		
Central assumption	+20 bps	-20 bps
35,816	**32,596**	**40,048**

Multi-employer plans

This point does not apply because no one of the plans is a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control

This point does not apply because no one of the plans under examination is a plan that shares risks between various entities under common control.

10.6–PROVISIONS FOR RISKS AND CHARGES – OTHER PROVISIONS

Sub-item 4.2 "Other provisions – personnel expenses" of Table 10.1 also reports the provisions allocated in 2020 and the remaining portion of those allocated in 2019 and 2018 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.

In 2020 Crédit Agricole Italia received compensation claims from some counterparties in NPL disposal transactions made in previous years for alleged breaches of some representations and warranties, provided for in the related contracts, regarding the disposed loans.
Defence against said claims on the merits was filed, along with the reasons why no breach of any representations and warranties can be claimed.

Some years ago several disputes were started with the Agenzia delle Entrate (the Italian Revenue Agency) as the Agency reclassified the transfers of branches from the Intesa Sanpaolo Group to Crédit Agricole Italia and Crédit Agricole FriulAdria and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units. Although favourable judgements were obtained and believing that its conduct has always been fair and lawful, the Crédit Agricole Group assessed the expediency, merely for risk mitigation purposes, of exercising the option provided for by Italian Decree Law 119/2018, so-called tax amnesty measures, for which formalization only of the dispute closure by the competent Authorities is pending.

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

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

Other minor disputes are underway for taxes totalling Euro 2.8 million, plus any interest and penalties, for which the Group believes it has good grounds as its conduct has always been fair and lawful, as substantiated, in several cases, by fully or partially favourable judgements.

More specifically:
- A dispute involving Crédit Agricole Italia for alleged failure to pay a tax account receivable under Italian Decree Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008. The total amount claimed is Euro 1.3 million, including penalties. The first-instance judgement upheld the tax claim but ruled out any penalties. As its arguments are believed to be valid, the Group continued the dispute;
- Some disputes on registration tax on legal deeds coming from the merged entity Cassa di Risparmio di Rimini, for a total amount of Euro 0.35 million;
- A dispute coming from Crédit Agricole Carispezia, which was absorbed in 2019, concerning the determination of the taxable base for the Italian Regional Tax on Productive Activities (IRAP) for 2013, for a total amount, including tax, interest and penalties, of Euro 0.177 million; the first-instance judgement was in favour of the Group and the second-instance judgement is pending;
- A similar dispute for the following year is underway, for a total amount of Euro 0.26 million, for which the first-instance judgement is pending;
- Two disputes involving Crédit Agricole Leasing, concerning 2013 and 2014 respectively as to VAT application to some leases of boats, for a total amount including tax, interest and penalties of Euro 0.35 and 0.67million, respectively, As regards the claim for 2013, the first-instance judgement issued in 2019 upheld the Tax Authority's claim, albeit ruling out any penalties; as regards the claim for 2014, the first-instance judgement was issued in 2021 and again upheld the claim. Although the Group has filed appeal against the aforementioned judgements, a provision of Euro 0.15 million has been made, also considering possible recourse against the Customers, taking the possible recovery into account;
- Some disputes, involving Crédit Agricole Leasing, are still underway concerning the capacity as taxpayer for the Italian Town Property Tax (IMU) on terminated property lease contracts. Considering the uncertainty in the relevant case law, for said claim, totalling Euro 0.97 million, the Company has set aside a provision for risk of Euro 288 thousand, which was calculated based on the claimed amounts, as the disputes had temporarily negative outcomes.

Section 13 – Parent Company 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 979,234,664 ordinary shares, with a nominal unit value of Euro 1.

No treasury shares were held as at the reporting date.

Please, see the Management Report for more exhaustive information on the book Equity, Own Funds and Capital Ratios.

13.2 SHARE CAPITAL – NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**979,233,295**	**-**
- fully paid in	979,233,295	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**979,233,295**	**-**
B. Increases	**1,369**	**-**
B.1 New issues	1,369	-
- for a consideration:	1,369	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	1,369	-
- other	-	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Changes for the year	-	-
D. Outstanding shares: closing balance	**979,234,664**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares - closing balance	979,234,664	-
- fully paid in	979,234,664	-
- partially paid in	-	-

For more exhaustive reporting on these increases, please refer to Part A of the Note to the Financial Statements "Section 3" - "4. Other information".

13.3 CAPITAL: OTHER INFORMATION

The unit nominal value of the 979,234,664 ordinary shares is Euro 1.

13.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types Amounts	31.12.2020
Legal reserve	203,822
Reserves provided for by the Articles of Association	1,350,108
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 (*)	314
Other reserves	100,662
Total	**1,654,907**
Reserve from share-based payments (**)	3,904
Other reserves	**-18,136**
Total reserves	1,640,675

(*) Reserve pursuant to Art.13 of Italian Legislative Decree No. 124/39 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes.

(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to Employees and Directors

13.5 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

The “Equity instruments” item reports the issues of Additional Tier 1 instruments and did not undergo any change in the period.

Section 14 – Minority interests – Item 190

14.1 BREAKDOWN OF ITEM 190 “MINORITY INTERESTS”

Company name	31.12.2020	31.12.2019
Equity investments in consolidated companies with significant minority interests		
1 Crédit Agricole FriulAdria S.p.A.	130,449	125,625
2 Crédit Agricole Leasing S.r.l.	15,182	14,986
3 Crédit Agricole Group Solutions S.c.p.A.	385	385
4 Le Village by CA Parma S.r.l.	338	400
5 Agricola Le Cicogne S.r.l.	1,821	1,846
Other equity investments	14	14
Total	**148,189**	**143,256**

14.2 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

Only Crédit Agricole Italia S.p.A. Issued equity instruments. There were no other equity instruments issued by companies within the consolidation scope.

OTHER INFORMATION

1. Commitments and financial guarantees given

	Notional value on commitments and financial guarantees given			Total 31.12.2020	Total 31.12.2019
	Stage 1	Stage 2	Stage 3		
Commitments to disburse funds	**1,242,880**	**51,442**	**44,950**	**1,339,272**	**1,395,246**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	3,207	4,263		7,470	10,744
c) Banks	4,629	-	-	4,629	10,203
d) Other financial companies	287,733	652	378	288,763	199,663
e) non-financial corporations	813,195	22,891	42,047	878,133	1,035,245
f) Households	134,116	23,636	2,525	160,277	139,391
Financial guarantees given	**2,311,033**	**171,000**	**47,702**	**2,529,735**	**2,551,966**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	6,779	185	-	6,964	6,775
c) Banks	613,844	1,740	-	615,584	550,830
d) Other financial companies	34,444	40,856	-	75,300	83,139
e) non-financial corporations	1,561,329	118,247	47,018	1,726,594	1,797,722
f) Households	94,637	9,972	684	105,293	113,500

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount as at 31.12.2020	Amount as at 31.12.2019
1 Financial assets measured at fair value through profit or loss	-	-
2 Financial assets measured at fair value through other comprehensive income	-	165,246
3 Financial assets measured at amortized cost	14,433,872	10,260,989
4 Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

5. Management and intermediation services

Type of services	Amount
1 Trading on behalf of customers	-
a) purchases	-
1. settled	-
2. not yet settled	-
b) sales	-
1. settled	-
2. not yet settled	-
2 Asset management	-
a) individual	-
b) collective	-
3 Custody and administration of securities	**71,275,199**
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	30,638,416
1. Securities issued by the reporting Bank	563,072
2. other securities	30,075,344
c) third-party securities deposited with third parties	29,854,674
c) proprietary securities deposited with third parties	10,782,109
4 Other transactions	-

6. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial assets (a)	Gross amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31.12.2020	Net amount 31.12.2019
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1 Derivatives	1,122,072	-	1,122,072	790,068	254,351	77,653	53,499
2 Repurchase agreements	-	-	-	-	-	-	-
3 Securities lending	-	-	-	-	-	-	-
4 Other	-	-	-	-	-	-	-
Total 31 Dec. 2020	**1,122,072**	**-**	**1,122,072**	**790,068**	**254,351**	**77,653**	**X**
Total 31 Dec. 2019	**833,201**	**-**	**833,201**	**512,116**	**267,586**	**X**	**53,499**

7. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Gross amount of financial assets offset (b)	Net amount of financial liabilities recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31.12.2020	Net amount 31.12.2019
				Financial Instruments (d)	Cash deposits as collateral (e)		
1 Derivatives	677,464	-	677,464	626,856	-	50,608	42,876
2 Repurchase agreements	-	-	-	-	-	-	-
3 Securities lending	-	-	-	-	-	-	-
4 Other	-	-	-	-	-	-	-
Total 31 Dec. 2020	**677,464**	**-**	**677,464**	**626,856**	**-**	**50,608**	**X**
Total 31 Dec. 2019	**370,360**	**-**	**370,360**	**327,484**	**-**	**X**	**42,876**

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 Banking 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 has signed Credit Support Annexes (CSA) attached to the ISDA agreements, providing for the exchange of collateral with the counterparties in order to reduce net exposure.

In order to prepare the tables and in accordance with IFRS 7 and with the new regulations on Banks' financial statements, it is reported that:

- The effects of the potential offsetting of the balance sheet values of financial assets and liabilities are reported in column (d) "Financial instruments";
- The related cash collaterals are presented in column (e) "Cash deposits pledged as collateral";
- Transactions in derivatives are recognized at fair value.

These effects are calculated for each master netting agreement, to the extent of the exposure stated in column (c).

Based on the preparation methods described above, thanks to the netting agreements and the related collateral, the credit/debt exposure to the counterparties can be significantly reduced, as shown in column (f) "Net amount".

Since 2017, the main counterparty of all new transactions has been CACIB, a financial company belonging to the Crédit Agricole Group.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interest – Items10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2020	Total 31.12.2019
1 Financial assets measured at fair value through profit or loss	**1**	**-**	**-**	**1**	**82**
1.1 Financial assets held for trading	1	-	-	1	82
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	11,859	-	X	11,859	34,975
3 Financial assets measured at amortized cost	53,302	789,166	-	842,468	917,548
3.1 Due from banks	-	3,243	X	3,243	9,065
3.2 Loans to customers	53,302	785,923	X	839,225	908,483
4 Hedging derivatives	**X**	**X**	**(20,378)**	**(20,378)**	**(48,870)**
5 Other assets	**X**	**X**	**6,603**	**6,603**	**6,576**
6 Financial liabilities	**X**	**X**	**X**	**58,530**	**17,949**
Total	**65,162**	**789,166**	**(13,775)**	**899,083**	**928,260**
of which: interest income on impaired financial assets	-	37,960	-	37,960	45,364
of which: interest income on finance leases	-	33,909	-	33,909	38,514

Item "Financial liabilities" reports, as to Euro 58.4 million, interest income accrued on the funding from the ECB consisting of TLTRO II loans taken.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 Interest income on foreign-currency financial assets

As at 31 December 2020, interest income on foreign-currency financial assets came to Euro 3,402 thousand.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31.12.2020	Total 31.12.2019
1 Financial liabilities measured at amortized cost	**(52,291)**	**(96,211)**	**-**	**(148,502)**	**(135,176)**
1.1 Due to central banks	(15,536)	X	X	(15,536)	(6,342)
1.2 Due to banks	(17,200)	X	X	(17,200)	(13,703)
1.3 Due to customers	(19,555)	X	X	(19,555)	(28,931)
1.4 Debt securities issued	X	(96,211)	X	(96,211)	(86,200)
2 Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3 Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4 Other liabilities and provisions	**X**	**X**	**(471)**	**(471)**	**(574)**
5 Hedging derivatives	**X**	**X**	**224,935**	**224,935**	**222,644**
6 Financial assets	**X**	**X**	**X**	**(2,995)**	**(5,469)**
Total	**(52,291)**	**(96,211)**	**224,464**	**72,967**	**81,425**
Of which: interest expenses on lease liabilities	(4,205)	-	-	(4,205)	(4,102)

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 Interest expense on foreign-currency liabilities

As at 31 December 2020, interest expense on foreign-currency financial liabilities came to Euro 1,452 thousand.

1.5 DIFFERENCES ON HEDGING TRANSACTIONS

Items	31.12.2020	31.12.2019
A. Positive differentials on hedging transactions	313,371	302,771
B. Negative differentials on hedging transactions	(108,814)	(128,997)
C. Balance (A-B)	204,557	173,774

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31.12.2020	Total 31.12.2019
a) guarantees given	19,589	20,348
b) credit derivatives	-	-
c) management, intermediation and advisory services:	554,395	579,970
1. trading in financial instruments	-	-
2. foreign exchange trading	3,845	4,624
3. portfolio management	6,555	9,798
4. custody and administration of securities	4,778	4,989
5. depositary bank services	-	-
6. placement of securities	197,081	195,992
7. receipt and transmission of orders	11,867	12,587
8. advisory services	23,749	29,088
8.1 on investments	227	244
8.2 on financial structure	23,522	28,844
9. distribution of third-party services	306,520	322,892
9.1. portfolio management	1,935	470
9.1.1. individual	1,935	470
9.1.2. collective	-	-
9.2 insurance products	276,222	282,297
9.3. other products	28,363	40,125
d) collection and payment services	61,251	60,232
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	213,880	218,296
j) other services	71,516	77,298
Total	**920,631**	**956,144**

Sub-item “j) other services” mainly reports fees and commissions on debit and credit cards and on e-money services amounting to Euro 36,391 thousand and fees and commissions for loans granted amounting to Euro 7,169 thousand.

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Services/Values	Total 31.12.2020	Total 31.12.2019
a) guarantees received	(13,456)	(14,865)
b) credit derivatives	-	-
c) management and intermediation services:	(7,719)	(8,279)
1. trading in financial instruments	(2,302)	(1,804)
2. foreign exchange trading	-	(3)
3. asset management:	(1,719)	(2,273)
3.1 own portfolio	-	-
3.2 third-party portfolio	(1,719)	(2,273)
4. custody and administration of securities	(1,390)	(1,239)
5. placement of financial instruments	(2,308)	(2,960)
6. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	(3,111)	(3,329)
e) other services	(16,421)	(16,905)
Total	**(40,707)**	**(43,378)**

Sub-item “e) other services” mainly reports fees and commissions on debit and credit cards and e-money services amounting to Euro 8,655 thousand.

Section 3 – Dividend and similar income – Item 70

3.1 DIVIDEND AND SIMILAR INCOME: BREAKDOWN

Items/Revenues	Total 31.12.2020		Total 31.12.2019	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	-	205	10	214
B. Other financial assets mandatorily measured at fair value	11	-	955	-
C. Financial assets measured at fair value through other comprehensive income	10,233	-	10,189	-
D. Equity investments	-	-	-	-
Total	**10,244**	**205**	**11,154**	**214**

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.

Section 4 – Net profits (loss) on trading activities – Item 80

4.1 NET PROFITS (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	**-**	**266**	**(3)**	**(121)**	**142**
1.1 Debt securities	-	107	(3)	(71)	33
1.2 Equity securities	-	-	-	-	-
1.3 Units of O.I.C.R. collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	159	-	(50)	109
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	**6,871**
4 Derivatives	**52,108**	**50,384**	**(53,910)**	**(34,946)**	**14,291**
4.1 Financial derivatives:	52,108	50,384	(53,910)	(34,946)	14,291
- On debt securities and interest rates	51,682	49,954	(53,225)	(34,535)	13,876
- On equity securities and equity indices	13	-	(256)	-	(243)
- On foreign exchange and gold	X	X	X	X	655
- Other	413	430	(429)	(411)	3
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
Total	**52,108**	**50,650**	**(53,913)**	**(35,067)**	**21,304**

Section 5 – Net profits (loss) on hedging activities – Item 90

5.1 NET PROFITS (LOSS) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values		Total 31.12.2020	Total 31.12.2019
A.	**Income from:**		
A.1	Fair value hedging derivatives	482,943	442,917
A.2	Hedged financial assets (fair value)	72,769	164,187
A.3	Hedged financial liabilities (fair value)	6,710	3,514
A.4	Cash flow hedging financial derivatives	-	-
A.5	Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)		**562,422**	**610,618**
B.	**Expenses for:**		
B.1	Fair value hedging derivatives	(236,135)	(294,307)
B.2	Hedged financial assets (fair value)	(17,449)	(16,431)
B.3	Hedged financial liabilities (fair value)	(320,967)	(310,001)
B.4	Cash flow hedging financial derivatives	-	-
B.5	Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)		**(574,551)**	**(620,739)**
C.	**Net profit (loss) on hedging activities (A - B)**	**(12,129)**	**(10,121)**
	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	31.12.2020			31.12.2019		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
A. Financial Assets						
1 Financial assets measured at amortized cost	29,120	(36,954)	(7,834)	2,833	(14,879)	(12,046)
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	29,120	(36,954)	(7,834)	2,833	(14,879)	(12,046)
2 Financial assets measured at fair value through other comprehensive income	15,160	(16,430)	(1,270)	14,120	(10,806)	3,314
2.1 Debt securities	15,160	(16,430)	(1,270)	14,120	(10,806)	3,314
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**44,280**	**(53,384)**	**(9,104)**	**16,953**	**(25,685)**	**(8,732)**
B. Financial liabilities measured at amortized cost						
1 Due to banks	-	-	-	-	-	-
2 Due to Customers	-	-	-	-	-	-
3 Debt securities issued	86	(37)	49	241	(392)	(151)
Total liabilities (B)	**86**	**(37)**	**49**	**241**	**(392)**	**(151)**

Section 7 – Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 NET CHANGE IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE

Transactions/Income components	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net profit (loss) [(A+B) - (C+D)]
1 Financial assets	-	10	(537)	-	(527)
1.1 Debt securities	-	-	(433)	-	(433)
1.2 Equity securities	-	10	-	-	10
1.3 Units of collective investment undertakings	-	-	(104)	-	(104)
1.4 Loans	-	-	-	-	-
2 Financial assets in foreign currencies: exchange rate differences	X	X	X	X	-
Total	**-**	**10**	**(537)**	**-**	**(527)**

Section 8 – Net losses/recoveries for credit risk – Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)		Total 31.12.2020	Total 31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Due from Banks	**(25)**	**-**	**(170)**	**2,626**	**-**	**2,431**	**(748)**
- Loans	(25)	-	(170)	2,626	-	2,431	(748)
- Debt securities	-	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-	-
B. Loans to customers	**(174,221)**	**(88,343)**	**(250,920)**	**85,488**	**36,621**	**(391,374)**	**(217,743)**
- Loans	(167,182)	(88,343)	(250,920)	85,455	36,621	(384,369)	(216,717)
- Debt securities	(7,038)	-	-	33	-	(7,005)	(1,026)
of which: POCI	-	-	-	-	-	-	-
Total	**(174,245)**	**(88,343)**	**(251,090)**	**88,114**	**36,621**	**(388,943)**	**(218,491)**

8.1A NET ADJUSTMENTS FOR CREDIT RISK ON LOANS MEASURED AT AMORTIZED COSTS SUBJECT TO COVID-19-RELATED SUPPORT MEASURES: BREAKDOWN

Transactions/income components	Net adjustments			Total 31.12.2020	Total 31.12.2019
	Stage 1 and 2	Stage 3			
		Write-off	Other		
1 Loans with GL-compliant concessions	(27,042)	-	(8,474)	(35,516)	-
2 Loans with other concession measures	-	-	-	-	-
3 New loans	(19,972)	-	(281)	(20,253)	-
Total	**(47,014)**	**-**	**(8,755)**	**(55,769)**	**-**

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Losses (1)			Recoveries (2)		Total 31.12.2020	Total 31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Debt securities	**(1,195)**	**-**	**-**	**123**	**-**	**(1,072)**	**(1,114)**
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-	-
Total	**(1,195)**	**-**	**-**	**123**	**-**	**(1,072)**	**(1,114)**

Section 9 – Profits/losses on contract modifications without derecognition – Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

Losses on contract modifications without derecognition came to Euro 1,367 thousand.

This item reports the impacts resulting from contract modifications on medium/long-term loans to customers, which, as they do not classify as substantial in accordance with IFRS 9, do not entail derecognition of the assets, but recognition in the Income Statement of the modifications made to contractual cash flows.

Section 12 – Administrative expenses – Item 190

12.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31.12.2020	Total 31.12.2019
1) Employees	(708,224)	(723,396)
a) wages and salaries	(507,973)	(520,664)
b) social security contributions	(135,299)	(137,218)
c) severance benefits	(789)	(382)
d) pensions	-	-
e) allocation to employee severance benefit provision	(434)	(918)
f) allocation to provision for post-employment and similar obligations:	(209)	(390)
- defined-contribution	-	-
- defined-benefit	(209)	(390)
g) payment to external supplementary pension schemes:	(45,201)	(45,927)
- defined-contribution	(45,201)	(45,927)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(18,319)	(17,897)
2) Other staff	(318)	(1,645)
3) Directors and Auditors	(2,268)	(2,714)
4) Retired personnel	-	-
Total	**(710,810)**	**(727,755)**

12.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

Employees:	9,065
a) Senior Managers	112
b) Junior Managers	4,194
c) other Employees	4,759
Other staff	37

The figures reporting the number of employees take account of incoming and outgoing secondments; the “Other staff” figure refers exclusively to non-employees.

12.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	31.12.2020	31.12.2019
Provision for the year	-	-
Changes due to passage of time	(209)	(390)

12.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of non-occupational policies, benefits to employees, as well as the contribution to the bank employees' cultural and recreational club and the cost for the voluntary redundancy incentives.

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2020	31.12.2019
Direct and indirect taxes	(113,547)	(118,215)
IT services, data processing	(43,378)	(52,607)
Facility rental and management	(7,176)	(10,619)
Expenses for advisory services	(27,513)	(30,218)
Mail, telegraph and delivery services	(6,933)	(7,157)
Telephone and data transmission	(8,052)	(8,226)
Legal expenses	(7,152)	(9,851)
Property maintenance	(10,674)	(8,728)
Furnishing and plant maintenance	(16,681)	(16,436)
Marketing, promotion and entertainment expenses	(10,281)	(16,069)
Transport services	(23,345)	(25,633)
Lighting, heating and air conditioning	(11,301)	(13,588)
Printed material, stationery and consumables	(6,029)	(6,339)
Staff training expenses and reimbursements	(5,812)	(11,557)
Security services	(4,557)	(2,769)
Information and title searches	(4,247)	(4,844)
Insurance premiums	(180,745)	(180,041)
Cleaning services	(9,894)	(6,436)
Leasing of other property, plant and equipment	(14,831)	(13,820)
Management of archives and document handling	(8,021)	(6,364)
Reimbursement of costs to Group companies	(25,120)	(24,797)
Contributions to support the banking system	(58,027)	(40,703)
Sundry expenses	(38,745)	(16,885)
Total	**(642,061)**	**(631,902)**

Section 13 – Net provisions for risks and charges – Item 200

13.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

This item reports recoveries for Euro 1,274 thousand.

13.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

As at 31 December 2020, there were no provisions for other commitments and guarantees given.

13.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

The "net provisions for other risks and charges" item for 2020 reports a negative mismatch of Euro 7,793 thousands and consists of Euro 7,034 thousand for non-lending-related disputes, Euro 914 thousand for lending disputes and Euro 25 thousand for other provisions.

Section 14 – Net adjustments of/recoveries on property, plant and equipment – Item 210

14.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment:				
1 Operating assets	(77,927)	-	-	(77,927)
- owned	(45,385)	-	-	(45,385)
- Rights of use acquired through leases	(32,542)	-	-	(32,542)
2 Investment property	(4,670)	(2,500)	-	(7,170)
- owned	(2,133)	(2,500)	-	(4,633)
- Rights of use acquired through leases	(2,537)	-	-	(2,537)
3 Inventories	X	(366)	-	(366)
Total	**(82,597)**	**(2,866)**	**-**	**(85,463)**

Section 15 – Net adjustments of/recoveries on intangible assets – Item 220

15.1 NET VALUE ADJUSTMENTS OF INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Intangible assets				
A.1 Owned	(92,292)	-	-	(92,292)
- Internally generated	(56,373)	-	-	(56,373)
- Other	(35,919)	-	-	(35,919)
A.2 Rights of use acquired through leases	(5,492)	-	-	(5,492)
Total	**(97,784)**	**-**	**-**	**(97,784)**

Section 16 – Other operating expenses/income – Item 230

16.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2020	31.12.2019
Expenses for finance lease transactions	(5,230)	(5,849)
Amortization of expenditure for leasehold improvements	(6,350)	(8,230)
Other expenses	(42,026)	(9,616)
Total	**(53,606)**	**(23,695)**

16.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31.12.2020	31.12.2019
Rental income and recovered expenses on real estate	3,027	2,472
Income from finance lease contracts	1,940	1,929
Taxes and levies recovered	98,007	101,329
Insurance costs recovered	180,360	178,792
Other expenses recovered	8,594	9,626
Service recovery	3,195	2,789
Other income	44,489	10,542
Total	**339,612**	**307,479**

Section 17 – Profits (losses) on equity investments – Item 250

17.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Values	Total 31.12.2020	Total 31.12.2019
1) Joint arrangements		
A. Income	9,761	12,962
1 Revaluations	-	-
2 Profits on disposal	-	-
3 Recoveries/writebacks	-	-
4 Other income	9,761	12,962
B. Expenses	-	-
1 Writedowns	-	-
2 Losses on impairment	-	-
3 Losses on disposal	-	-
4 Other expenses	-	-
2) Investees subject to significant influence		
A. Income	-	-
1 Revaluations	-	-
2 Profits on disposal	-	-
3 Recoveries/writebacks	-	-
4 Other income	-	-
B. Expenses	(115)	(156)
1 Writedowns	-	-
2 Losses on impairment	(115)	(156)
3 Losses on disposal	-	-
4 Other expenses	-	-
Net profit (loss)	**9,646**	**12,806**

The “Other income” item reports Euro 9,761 thousand worth of the last adjustment price under the contract for the sale, made in 2012, of the equity investment in CA Vita to Crédit Agricole Assurances. Expenses came to Euro 115 thousand and report the writedown of the equity investment in Le Village by CA Milano subsequent to its measurement with the equity method.

Section 20 – Profits (losses) on disposals of investments – Item 280

20.1 PROFITS (LOSSES) ON DISPOSALS OF INVESTMENTS: BREAKDOWN

Income component/Values	Total 31.12.2020	Total 31.12.2019
A. Real estate	66,080	520
- Profits on disposal	66,865	520
- Losses on disposal	(785)	-
B. Other assets	-	(23)
- Profits on disposal	-	2
- Losses on disposal	-	(25)
Net profit (loss)	**66,080**	**497**

Profits on disposal of property include approximately Euro 65 million from a sale and leaseback transaction of the property in Milan finalized by Crédit Agricole Italia. For more exhaustive information, please see Part M- Disclosure of leases- of this Note to the financial statements.

Section 21 –Taxes on income from continuing operations: breakdown – Item 300

21.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values		Total 31.12.2020	Total 31.12.2019
1	Current taxes (-)	(19,596)	(69,283)
2	Changes in current taxes for previous years (+/-)	48	123
3	Reduction in current taxes for the year (+)	682	642
3.bis	Reduction in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4	Change in deferred tax assets (+/-)	(52,504)	(80,895)
5	Change in deferred tax liabilities (+/-)	(3,781)	7,817
6	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(75,151)	(141,596)

Current taxes and deferred tax liabilities came to Euro 75 million, decreasing by approximately Euro 66 million vs. the previous year.

21.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2020
Theoretical taxable income	29,937
Income taxes - Theoretical tax liability at the ordinary rate	(8,233)
effect of expenses that are fully or partially non-deductible and income that is fully or partially non-taxable at 27.5%	23,999
. effect of goodwill impairment	(71,393)
- consolidation effect	(33)
Income tax – actual tax liability	**(55,660)**
- use of excess tax provisioning in previous periods	-
- effect of deduction and tax credits	491
IRAP - Theoretical tax liability	(1,670)
- effect of income/expenses that do not contribute to the taxable base	(88,502)
- effect of other changes	85,545
. effect of goodwill impairment	(14,486)
- consolidation effect	(869)
- effect of change in the average tax rate	-
IRAP - Actual tax liability	**(19,982)**
Other taxes	-
Actual tax liability recognized	**(75,151)**

Section 23 – Profit (loss) for the period attributable to minority interests – Item 340

23.1 BREAKDOWN OF ITEM 340 "PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS"

Company name	31.12.2020	31.12.2019
Equity investments in consolidated companies with significant minority interests		
1 Crédit Agricole FriulAdria S.p.A.	8,115	11,130
2 Crédit Agricole Leasing Srl	196	983
3 Crédit Agricole Group Solutions S.c.p.A.	-	-
Other equity investments	(87)	(26)
Total	**8,224**	**12,087**

Profit attributable to minority interests came to Euro 8,224 thousand, mainly regarding Crédit Agricole FriulAdria S.p.A. and Crédit Agricole Leasing Italia S.r.l.

Section 25 – Earnings per share

25.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The share capital of the Parent Company Crédit Agricole Italia consists of 979,234,664 shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2020	31.12.2019
10.	Net Profit (Loss) for the year	(45,213)	326,156
Other income components not reclassified to profit or loss		**(10,028)**	**(7,594)**
20.	Equity instruments designated at fair value through other comprehensive income	(9,833)	(7,373)
	a) Fair value change	(9,833)	(7,373)
	b) Transfers to other equity components (equity securities derecognized)	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
	a) Changes in fair value	-	-
	b) Transfers to other equity components (equity securities derecognized)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
	a) Changes in fair value (hedged item)	-	-
	a) Changes in fair value (hedging instrument)	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(3,344)	(3,517)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
100.	Income taxes for other income components not reclassified to profit or loss	3,149	3,296
Other income components reclassified to profit or loss		**24,452**	**92,257**
110.	Hedging of investments in foreign operations:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: gains (losses) on net positions	-	-
140.	Hedging instruments: (non-designated elements) (IAS 1 para. 7 letters g) and h))	-	-
	A) value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	36,482	129,656
	a) fair value changes	41,892	119,569
	b) reclassification to profit or loss	(5,410)	10,087
	- adjustments for credit risk	1,072	1,114
	- profit/losses on disposal	(6,482)	8,973
	c) other changes	-	-
160.	Non-current assets held for sale and discontinued operations	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	a) fair value changes	-	-
	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	(12,030)	(37,399)
190.	**Total other comprehensive income**	**14,424**	**84,663**
200.	**Comprehensive income (10+190)**	**(30,789)**	**410,819**
210.	Consolidated comprehensive income attributable to Minority Interests	(8,855)	(14,460)
220.	**Consolidated comprehensive income attributable to the Parent Company**	**(39,644)**	**396,359**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

The Crédit Agricole Italia Banking Group attaches great importance to the measurement, management and control of risks, as an essential factor to achieve sustainable growth.

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

In turn, the system set by Crédit Agricole Italia is based on the Supervisory regulations and on the directions issued by Credit Agricole S.A. concerning its subsidiaries.

Its approach to risks takes account of the features of its main reference market and of the guidelines issued by the French Parent Company on the Group's vocation as customer-focused proximity bank, which results in services designed to build and consolidate priority relations with local Customers, by fully understanding their specificities and enhancing their potential for development and growth, as well as by offering lines of dedicated products and services, specialist Branches throughout the geographical areas of operations, by making product specialists available to Customers and by providing training programs that involve also Trade Associations

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

RISK APPETITE AND CULTURE DISSEMINATION

The Crédit Agricole Italia Banking Group has set down its Risk Appetite Framework consistently with the guidelines and with the strategic plan of the Parent Company Crédit Agricole S.A.

This framework entails a set of global limits, alert thresholds and indicators that are set out in operational terms 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 operational 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 3 December 2019 and on 4 February 2020. 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 2020, 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 monitor and determine the thresholds, in order to ensure consistency between the Group's operations, complexity and sizes;
- The Policy on Material Transactions ("*Operazioni di Maggior Rilievo*", or with the Italian acronym OMR), which sets forth the methodological approach and the operational aspects of the MRT management process, including the related identification criteria in order to ensure full compliance with the applicable legislation;
- The Stress Test Policy in accordance with CA.sa. guidelines. The Policy sets forth the annual Stress Test programme of the Group, the Governance and the responsibilities of the various players involved and any improvement areas/points scheduled in the year;
- The Risk Appetite Statement (RAS). The document sets forth the Risk Management and Governance process and the roles played by the Group's bodies engaged in management and control functions and the Group's map of material risks. This document also reports the quantitative ratios/indicators expressing the main risks the Group is exposed to, along with exhaustive description of the logic behind the determination of RAF thresholds and limits. For qualitative risks, the document sets forth the control processes and mitigation tools implemented by the Group.

In 2020, the Group performed its regular process for the identification of material risks, based on the setting received from the Controlling Company Crédit Agricole SA and consistently with the ICAAP document and with the Internal Control Annual Report (ICAR or with the Italian acronym RACI) identifying 14 material risks, classifiable in the credit risk, financial risk, strategic risk, operational risk and non-compliance risk macro-categories. Lastly, the Crédit Agricole Italia Banking Group and Agricole SA have always paid close attention to climate and environmental issues and, since 2020, climate risk, in its sub-categories of physical risk and energy transition, has been included in the Group's Risk Map.

The Group's Risk Appetite expresses the risk level that the Group is willing to take for 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;
- Orientation towards a low risk profile on all main financial risks, with specific focus on limiting the exposure to market risk;
- Strict oversight on exposure to operational risk;
- Orientation towards a low Information Technology (IT) risk profile; a system of controls aimed at mitigating non-compliance risk (identified and monitored);
- Careful measurement of risk-weighted assets;
- Integrated management of the Group's assets and liabilities.
- Careful mapping of all material or emerging risks that may generate impacts on the Group.

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.

During the health crisis caused by the Covid-19 pandemic, the Crédit Agricole Italia Banking Group monitored some RAF and Risk Strategy indicators more frequently with "ad hoc" reporting to the Controlling Company Crédit Agricole SA in order to promptly detect any worsening in the key indicators for the Group.

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 .

Lastly, in 2020, within the RAF ordinary operation, opinions were given regarding the consistency of any Material Transactions (*Operazioni di Maggior Rilievo* - or with the Italian acronym OMR) with the RAF and with the risk management policy at the Group level.

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

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

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

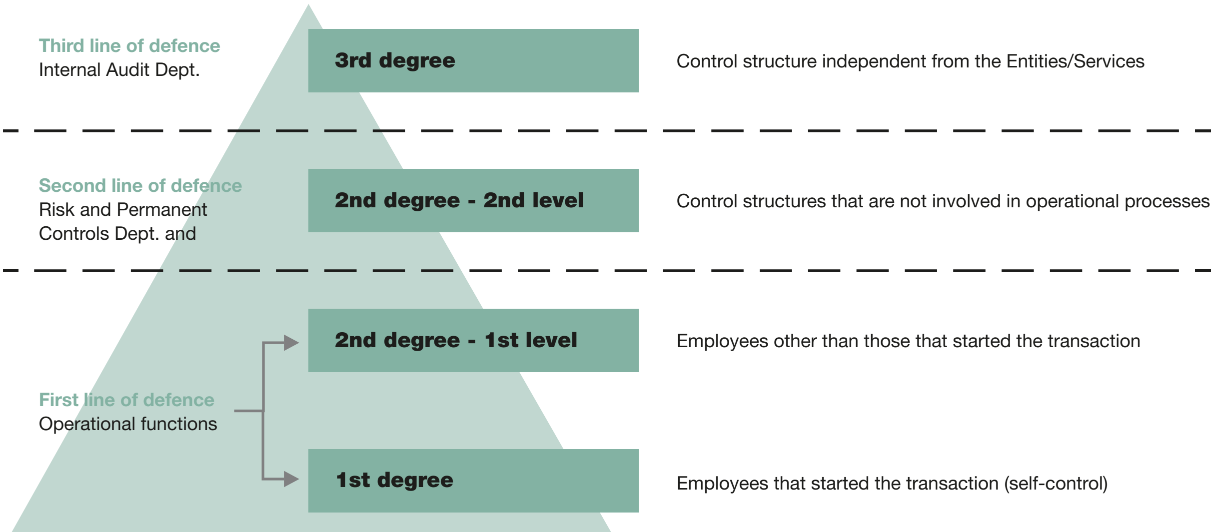
In case the Tolerance and Capacity levels of the RAF ratios/indicators are exceeded, an escalation process is provided for, which has been designed to involve the corporate roles responsible for defining the corrective actions needed to return to the normal risk levels; this process is called "RAF Recovery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

In 2020, the Risk Appetite Framework continued to be strengthened as done in previous years, with the inclusion of indicators regarding Compliance and Information Technology (IT) and of specific alert thresholds for their monitoring.

Internal control framework

The Internal Control Framework of the Crédit Agricole Italia Banking Group implements the instructions given by the Parent Company Crédit Agricole S.A., which entail compliance with the requirements and expectations laid down both by the French Supervisory Authority ACPR in the document "*Arrêté du 3 novembre 2014 relatif au contrôle interne des entreprises du secteur de la banque, des services de paiement et des services d'investissement*" and by the Italian Supervisory Authority (please, see Bank of Italy Circular no. 285 of 17 December 2013 as amended in the subsequent updates).

The Internal Control Framework is implemented with the three defence lines set out in the chart below:



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

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

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

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

The Internal Control Framework 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 Framework is harmonized and formalized in the entire Group through the internal normative system.

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

- The Risk Management and Permanent Controls Department (which includes the Validation Unit) and the Compliance Department, 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.

The risk management and permanent controls function

In 2020 the Risk Management and Permanent Controls Department was engaged in the main projects listed below:

- Corporate banking: follow-up of the actions for the upgrading to the Group rules carried out in 2019 and implementation of Real Estate and LBO calculation grids;;
- Retail Banking: preparation and sending of the documents for the revalidation of the models and continuation with the methodological improvements in accordance with the EBA Guidelines and the new definition of default;
- Strengthening of the control and management framework for Information Systems and information security with the implementation of controls on activities entailing IT risk as regards digital apps and the PSD2;
- Implementation of the accounting controls associated with the entry into force of IFRS9;
- MIFID II: continuation with the projects to determine quantitative control activities on the MIFID II scope, which the Risk Management and Permanent Controls Department is responsible for;
- Taking charge of the validation of ratings for the entire perimeter of Corporate banking Customers, subsequent to the completion of the ANADEFI project;
- Deployment of several activities to manage the effects of the Covid-19 pandemic and economic crisis. Specifically
  - Analysis and implementation of the legislation measures issued by the Supervisory Authorities and by the Italian State;
  - Prudential review of the economic sectors hit by the crisis;
  - Preparation of a new reporting system specifically designed to identify Customers concerned with the health and economic emergency, also in order to assist the lending and commercial structures in deploying the best and most effective management actions;
  - Strengthening of second-level control processes and activities on said Customer perimeters, in order to identify any weaknesses and to design the necessary remedial actions;
  - Reporting of all the information to the Regulator in accordance with the required characteristics, contents and frequency.

In 2021, the main projects will concern:

- Finalization of all actions as necessary to appropriately manage the regulatory matters regarding Calendar Provisioning;
- Continuation with IT actions for full implementation of the new definition of default in processes and tools;
- Review of risk models in terms of IFRS9 and Early warning;
- Management of the interaction with the Regulator on matters regarding the revalidation of the new Retail bnkg models;
- Go-live of the new rating system for corporate counterparties;
- Continuation with the activities for full implementation of the controls system in the MIFID and Financial Risks scope;
- Gap analysis and upgrading to the EBA Guidelines on «ICT and security risk management»;
- ICT Risk; Upgrading of the risk assessment metrics to the taxonomy adopted within the SREP (EBA-GL-2017-05);
- Upgrading of the control framework for Information Systems to the new arrangement subsequent to the ADM and Infrastructure outsourcing within the IT Transformation project;
- Upgrading of the control framework for the monitoring of IT outsourcing (other than critical or important functions) and outsourced IT services;
- Rationalization and updating of the internal normative instruments and processes regarding Operational Risks;
- Continuation and strengthening of all the activities aimed at:
  - Verification and implementation of the developments in the applicable national legislation and of the measures deployed by the Supervisory Authorities to respond to the health and economic crisis still ongoing;
  - Close monitoring, for prudential purposes, of the economic sectors hit by the crisis;
  - Strengthening and fine-tuning of the reporting systems for Customers hit by the health and economic emergency, also in order to comply the new expectations of the Regulator;
  - Close monitoring of Customers benefiting from relief measures deployed in order to provide support to households and businesses;

- Coordination with the lending and commercial structures to deploy the most effective and timely actions aimed at anticipating any possible effects of the end of the moratoria granted in 2020;
- Further strengthening of second-level processes and activities regarding Customers hit by the economic crisis;

Said activities will be carried out also in cooperation with the relevant structures of the French Parent Company.

In 2020 the Risk Management and Permanent Controls Department was engaged in the main projects listed below:
- The finalization of the project for putting in place all implementations needed to align the Group's processes and models to the new definition of default;
- Corporate banking: follow-up of the actions for the upgrading to the Group rules carried out in 2019 and implementation of Real Estate and LBO calculation grids;;
- Retail Banking: preparation and sending of the documents for the revalidation of the models and continuation with the methodological improvements in accordance with the EBA Guidelines and the new definition of default;
- Strengthening of the control and management framework for Information Systems and information security with the implementation of controls on activities entailing IT risk as regards digital apps and the PSD2;
- Implementation of the accounting controls associated with the entry into force of IFRS9;
- MIFID II: continuation with the projects to determine quantitative control activities on the MIFID II scope, which the Risk Management and Permanent Controls Department is responsible for;

In 2021, the main projects will concern:
- Finalization of all actions as necessary to appropriately manage the regulatory matters regarding Calendar Provisioning;
- Continuation with IT actions for full implementation of the new definition of default in processes and tools;
- Review of risk models in terms of IFRS9 and Early warning;
- Management of the interaction with the Regulator on matters regarding the revalidation of the new Retail bnkg models;
- Go-live of the new rating system for corporate counterparties;
- Continuation with the activities for full implementation of the controls system in the MIFID and Financial Risks scope;
- Gap analysis and upgrading to the EBA Guidelines on «ICT and security risk management»;
- ICT Risk; Upgrading of the risk assessment metrics to the taxonomy adopted within the SREP (EBA-GL-2017-05);
- Upgrading of the control framework for Information Systems to the new arrangement subsequent to the ADM and Infrastructure outsourcing within the IT Transformation project;
- Upgrading of the control framework for the monitoring of IT outsourcing (other than critical or important functions) and outsourced IT services;
- Rationalization and updating of the internal normative instruments and processes regarding Operational Risks;

The above activities will be carried out also in cooperation with the relevant structures of the French Parent Company.

The compliance function

The Compliance Department of Crédit Agricole Italia controls non-compliance risk at a central level, also for the Group's entities:
- It sets and steers, on a continuous basis, the policies for non-compliance risk prevention, by constantly monitoring the relevant legislation and by assessing and measuring the impact of non-compliance risks on processes and procedures in order to prevent any violation of the legislation and regulations falling in the Department's scope of responsibility; where necessary, it asks for organizational and procedural changes;
- It ensures the effectiveness of the anti-money-laundering arrangement and the related operating, control and reporting activities, in order to prevent money laundering and terrorist financing risks;
- It oversees all matters regarding the applicable legislation on "international sanctions";
- It manages, prevents and mitigates risks of fraud, bribery and corruption, transparency, usury, conflicts of interest, market abuse, risks of non-compliance with the General Data Protection Regulation and personal data protection risks; it also provides expert advice on the aforementioned risks;
- It provides the relevant reporting to the Bodies engaged in strategic oversight, management and control functions of the Group's entities and to Crédit Agricole S.A.

The Compliance Department performs its control activities for all the entities of the Crédit Agricole Italia Banking Group in accordance with an annual plan of second-level controls, which is designed with a risk-based approach and abiding by the directions given by the Parent Company Crédit Agricole SA.; therefore, it sets, as regards the matters it is responsible for, risk mitigation activities and then verifies their proper implementation.

Within its responsibility and action scopes, the Compliance Department also oversees the implementation of specific innovative projects, in order to ensure compliance by design.

The Crédit Agricole Italia Banking Group has strengthened its system for prevention and management of bribery and corruption risks, implementing a specific Anti-corruption Programme that aims at establishing a culture of prevention and fight against bribery and corruption risks throughout the Group, with a "zero tolerance" approach to any and all behaviours that are not ethical, in general, and to any bribery and corruption risks in particular.

Subsequent to the health emergency that broke out in Q1 2020, the Compliance Department deployed extraordinary activities in order to ensure control of non-compliance risks associated with the contingency procedures put in place to provide Customers with banking services also remotely. Having regard to the urgent measures deployed by the Italian Government for the suspension of loan repayment and access to credit for sole traders and businesses, the Department cooperated also for procedural implementations and in relations with Institutions.

The internal audit function

The Internal Audit Department of Crédit Agricole Italia is independent from any operational structure or role of the Bank and of its subsidiaries.

In order to ensure the appropriate independence in exercising the Function, the Head of the Department (Chief Audit Executive or CAE) reports on a solid line to the Bank's Board of Directors. The independence of the Internal Audit Department is ensures also by the role of the Chief Executive Officer, who ensures management oversight and actual availability of the operational levers and of the appropriate financial and human resources for the Department's effective operation.

The Internal Audit Department (*Inspection Générale Groupe*) of the Controlling Company Crédit Agricole S.A. is responsible for steering and coordinating the activities of the Department; therefore, it defines the implementation guidelines for harmonized application in all the Companies of the Group (without prejudice to full compliance with the local legislation) of the audit model, methods and tools.

The CAE is appointed by the Board of Directors of the company, after obtaining the opinion of the Board of Auditors; his or her appointment may be terminated with the same methods and explicit reason.

The CAE is entitled to contract, independently and with no limitation, the Governance Bodies of the companies of the Group to report material information and sits on the Risk and Internal Control Committee.

The CAE also submits the Audit Plan to the Board of Directors of Crédit Agricole Italia, to the Internal Control Audit Committee of Crédit Agricole Italia, to the Board of Auditors, to the Chief Executive Officer of Crédit Agricole Italia, to the General Managers and to the Governance Bodies of the subsidiary companies.

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..

The Department also provides support and assistance to other corporate structures (advisory activities), the nature and extent of which are agreed with the strictures concerned and which aim at improving governance, risk management and organization control processes, with no decision-making responsibility lying with the Internal Audit Department.

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 Chief Audit Executive reports to the competent Bodies on the main outcomes of the performed activities,on the progress in the Audit Plan implementation and in the implementation of the requested corrective actions (recommendations) as well as on the evolution of the available resources.

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.

In case any activities that are material for the proper operations of he internal controls system are outsourced, the Internal Audit Department has the power to access also the activities carried out by any outsourcers.

The Internal Audit Department operates with staff that has the appropriate knowledge, expertise and skills, in accordance with the best practices and with the International Standards for the Professional Practice of Internal Auditing, as well as with the methods implemented by the Internal Audit Department of the Controlling Company Crédit Agricole S.A.

In performing its tasks, the Department uses structured risk assessment methods, consistently with those of the Controlling Company, in order to identify any points of attention and the main new risk factors.

In accordance with risk assessment outcomes and with the subsequent priorities, as well as with any specific requests for in-depth review made by Corporate Governance Bodies, by the Internal Audit Department of the Controlling Company and by the Top Management, the Internal Audit Department prepares an Annual Audit Plan, in agreement with the Controlling Company, based on which it operates during the year, as well as a multi-year Plan, which is submitted to the Internal Control Audit Committee and to the Board of Directors for its approval.

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

Manager in charge

Pursuant to 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 2019 and in the first six months of 2020, the Validation Service is of the opinion that the methods to estimate probability of default (PD) and loss given default (LGD), as well as the rating system used on the Retail portfolio, comply with the most stringent regulatory requirements laid down for the banks authorized to use AIRB approaches to calculate their regulatory capital.

The analyses made within the follow-up process showed that, 6 recommendations had been added to the 26 recommendations that were in the process of being implemented as at 30 June 2019, 12 recommendations had been complied with and 8 had been grouped in a single recommendation regarding the same matter, for a total of 12 open recommendations as at the 30 September 2020.

The main pieces of evidence are given below:

- The outcomes of the analyses monitoring the performance of the internal models, as submitted to the Comité des Normes et Modèles of Crédit Agricole SA (i.e. May 2020) sent to the ECB[1] (i.e. June 2020) and referring to data as at 31 December 2019, show:
  - Probabilities of Default (PD) having discriminatory power while being conservative (they are compared to default rates that reflect the standards used before the entry into force of the new definition of default on 1 January 2021);
  - Correction factors (Danger Rate) of Loss Given Default (LGD) that are overestimated and, thus, mitigate the underestimation of the loss rate calculated on the bad loans portfolio (said underestimation resulted from the higher losses on bad loans in recent years, also subsequent to the massive disposals of NPLs);
- The outcomes of the permanent controls and audits aimed at ensuring data quality gave evidence respectively of the overall adequacy of the rating process and of the reliability of the information used for estimating and monitoring internal models;
- Appropriate use of ratings was made in lending, provisioning and credit pricing processes, as well as in reporting to the top management;
- The IT procedures supporting the rating system proved again compliant with the regulatory framework laying down the requirements they must meet for AIRB purposes;

Further improvements being pursued to date concern:

- Process to trace the information supporting the acceptance rating calculation due to the lack or non-completion of the documents for loan application processing as required by the relevant internal normative instruments;
- Mistakes in the process to calculate some variables (e.g: Customer's income) within the acceptance rating calculation.

The Risk Management and Permanent Controls Department is working in even closer cooperation with the Commercial Channels in order to increase attention on compliance with the applicable legislation, also based on the behavioural origin of the aforementioned issued. It is to be pointed out that said phenomenon does not question in any way the robustness of the estimates, as substantiated by the outcomes of the backtesting exercises.

In January 2021, the Validation Service sent its annual report on the controls performed in 2019 and in the first six months of 2020 to the Bank of Italy; this report focused specifically on the rating system used for the Retail segment.

1 please, see Letter 2019-FRCAG-20

Section 1 – Risks of accounting consolidation

In this Section, the reported information regards the entities included in the accounting consolidation scope.

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

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	469,841	986,065	33,597	429,887	65,178,528	67,097,918
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,066,208	3,066,208
3 Financial assets designated at fair value	-	-	-	-	-	-
4 Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5 Financial assets being divested	-	-	-	-	-	-
Total 31 Dec. 2020	**469,841**	**986,065**	**33,597**	**429,887**	**68,244,736**	**70,164,126**
Total 31 Dec. 2019	**602,371**	**1,020,686**	**27,020**	**1,062,154**	**56,452,563**	**59,164,794**

All financial assets are classified by credit quality with the exception of equity securities and units of collective investment undertakings.

The breakdowns of forborne exposures by the various credit quality categories are given in the tables in Section 2 - Prudential consolidation risks, as they do not show significant deviations from the accounting consolidation perimeter.

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total adjustments	Net exposure	Total partial write-offs*	Exposure exposure	Total adjustments	Net exposure	
1 Financial assets measured at amortized cost	3,050,258	1,560,755	1,489,503	39,419	65,911,619	303,204	65,608,415	67,097,918
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,069,803	3,595	3,066,208	3,066,208
3 Financial assets designated at fair value	-	-	-	-	X	X	-	-
4 Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5 Financial assets being divested	-	-	-	-	-	-	-	-
Total 31 Dec. 2020	**3,050,258**	**1,560,755**	**1,489,503**	**39,419**	**68,981,422**	**306,799**	**68,674,623**	**70,164,126**
Total 31 Dec. 2019	**3,477,690**	**1,827,613**	**1,650,077**	**29,443**	**57,763,746**	**249,029**	**57,514,717**	**59,164,794**

* Value to be stated for disclosure purposes

All financial assets are classified by credit quality with the exception of equity securities and units of O.I.C.R. collective investment undertakings.

The table below reports credit quality evidence regarding exposures classified as financial assets held for trading (securities and derivatives) and as hedging derivatives (not represented in the previous table):

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1 Financial assets held for trading	662	516	94,715
2 Hedging derivatives	-	-	1,026,602
Total (31 Dec. 2020)	**662**	**516**	**1,121,317**
Total (31 Dec. 2019)	**684**	**600**	**832,774**

B. Information on structured entities (other than securitization special-purposes entities)

B.1 CONSOLIDATED STRUCTURED ENTITIES

As at 31 December 2020, there were no structured entities in the accounting consolidation scope, other than securitization special-purpose entities, of the Crédit Agricole Italia Banking Group

B.2 STRUCTURED ENTITIES NOT CONSOLIDATED IN THE ACCOUNTS

B.2.1. Structured entities consolidated for prudential purposes

As at 31 December 2020, there were no structured entities in the prudential consolidation scope, other than securitization special-purpose entities, of the Crédit Agricole Italia Banking Group

B.2.2. Other structures entities

The Group's operations through structured entities are performed also through Special Purpose Entities. To this end, Special-Purpose Entities are the legal entities incorporated in order to achieve a specific purpose, which is clearly defined and limited:

- Funding on the market through the issue of specific financial instruments;
- Developing and/or financing a specific business initiative, able to generate, through a business activity, cash flows sufficient to repay the debt;
- Financing the acquisition of a target company that, through its business activity, will be able to generate cash flows for the Special-Purpose Entity to a sufficient amount for full repayment of the debt.

Operations through securitization special-purpose entities, i.e. entities incorporated to acquire, sell and manage certain assets, separating them from the Originator's financial statements, both for asset-backed securities and for funding via self-securitization or issue of Covered Bonds (CB) is not to be reported in this Section.

For reporting on these types of special-purposes entities, please refer to Sections C. Securitizations and D.Disposal Transactions in Part E of the Note to the consolidated financial statements

Section 2 – Prudential consolidation risks

In this section, data are stated gross of the relationships with the other companies included in the consolidation of the accounts.

Where the contribution of the relationships between the companies belonging to the prudential consolidation and the other companies included in the consolidation of the accounts is material, it is exhaustively reported at the end of the relevant disclosures.

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. General aspects

The responsibilities for the lending operations of the Crédit Agricole Italia Banking Group have been assigned in compliance with the guidelines issued by the European Central Bank, which require the separation of the structures engaged in the management of Performing loans from those in charge of the management of Non-Performing Exposures (NPEs).

The Credit Department is responsible for lending activities regarding the Performing loan portfolio. This Department has the task of setting, in compliance with the corporate strategies and objectives, the lending policies directions and the guidelines on taking and managing credit risk, coordinating their implementation by the relevant structures of the Bank and of the Group.

This Credit Department has also the following responsibilities:
- To coordinate, fully respecting the independence of every Company of the Crédit Agricole Italia Banking Group, lending to ordinary Customers and to Customers entailing significant exposures.
- To set and oversee the implementation of the Crédit Agricole Italia Banking Group's strategies and guidelines pursuing effective control on the number of position becoming non-performing and the related cost, by steering the lending chain structures of the Companies of the Group and of the Distribution Channels.
- To define and promote, consistently with the Group strategies and objectives, an appropriate harmonization of lending governance rules.
- To verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.

The UTP Management Division is responsible for defining the NPE strategy for the Crédit Agricole Italia Banking Group, reporting the related contents and developments to the NPE Committee, ensuring and coordinating constant interaction with Crédit Agricole S.A. and with the Supervisory Authorities as regards NPEs.

The UTP Management Division is responsible, as regards the relevant Customer perimeter, for ensuring management, recovery and/or out-of-court collection of non-performing exposures (except bad loans), in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control.

It is responsible for Customers, single ones and/or by Economic Group, in accordance with the specific "Limits to Decision-Making Powers" and with the specific guidelines set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments (specifically, the "Non performing exposure – Stage3" Policy).

The UTP Management Division is responsible, also through the structures of the Group's Banks reporting to this Division on a dotted line, for the following tasks:
- Monitoring compliance with the NPE strategy and its development throughout the Group;
- Coordinating the relations with the Group as regards NPEs, as well as managing the preparation of all NPE-related documentation and reporting to the Supervisory Authorities;
- Arranging for, in cooperation with the Bad Loans Division, the design and update of the NPE impairment policy, ensuring the use of harmonized models for lending processes and tools to manage NPEs;
- Ensuring, consistently with the Group's strategies and objectives and through the structures reporting to this Division on a solid line, the appropriate harmonization of Models, tools and rules for Loan Management, as regards the positions within the Non-Performing Loans management process;
- Setting, steering and verifying, in cooperation with the Structures of the Group's Banks reporting on a dotted line to this Division, the implementation of the Guidelines on the management, recovery and/or out-of-court collection of exposures classified as "NPEs" within its scope of responsibility.

The Bad Loans Division is responsible for the management, performance and credit quality of loans to Customers of the Group's Banks and of Crédit Agricole Leasing Italia classified as bad.

It performs this responsibility within the specific "Limits to decision-making powers" set out in the "NPE Regulation" and in the applicable legislation 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.

It is pointed out that the information to be reported in accordance with the EBA "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis" (EBA/GL/2020/07) is given in the "Disclosure - Basel III Pillar 3".

2. Credit risk management policies

IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

Risk monitoring, management and control polices, especially regarding credit risk, are core pillars of the response to the impacts generated by the Covid-19 pandemic.

The Crédit Agricole Banking Group immediately responded to the unprecedented effects of the economic crisis caused by the pandemic, with actions aimed, on the hand, at providing appropriate support measures to its Customers and, on the other hand, with measures aimed at strengthening its structures and processes for monitoring the loan portfolio quality.

The organizational actions deployed in 2020 were planned in order to achieve higher specialization in assessing Customers' risk profiles, with the decision-making structure designed to be fully consistent with Customer business segmentation.

The lending policies, directions and objectives given to the decision-making bodies and to the commercial network were updated to the situation and economic scenario generated by the Covid-19 pandemic, implementing closer control on the criteria to assess the sector and counterparty risk profile; in that scope, the sector-specific approach was strengthened, thus fostering higher granularity and and differentiations also in the use of specific Key Risk Indicators in the analysis of the debt present and forward-looking affordability.

As regards the cost of credit, the Crédit Agricole Italia Banking Group strengthened systematic control on the development in loans to Customers, enhancing and making surveillance on positions even more selective; furthermore, specific criteria were set for the identification of the priority portfolio to be subjected to enhanced monitoring, also by implementing new processes for reviewing and supplementing ordinary processes.

For the counterparties benefiting from moratoria, the analyses aim at assessing loan repayment capacity once the suspension measure ends, with an anticipation logic acting before the expiry of the relief measure.

Nei paragrafi successivi è fornita ampia disclosure sulle singole fasi e processi di gestione del rischio credito con ulteriore evidenza delle azioni poste in essere dal Gruppo in risposta agli impatti derivanti dalla pandemia Covid-19, As regards the calculation of expected losses on the performing portfolio, the adopted measurement model was fed with all available information, including forward-looking data as required by IFRS9. The main macroeconomic indicators that were taken in to account in designing the forward-looking scenarios were set in agreement with the specialist structure of the French Parent Company Crédit Agricole S.A., as were the actions to mitigate the effects of the volatility of some factors and the weighting of the scenarios. Following the ECL calculation, the Group also took yet another step with the analysis of the model results and, based on a regulated process and on the available management information, post-model adjustments were made on a cluster of positions under Covid-related moratoria.

Exhaustive disclosure on the single phases and processes in credit risk management is given in the paragraphs below, along with yet further evidence of the actions deployed by the Group to respond to the impacts generated by the Covid-19 pandemic.

2.1 ORGANIZATIONAL ASPECTS

The present organizational arrangement (in place since 2018) ensures separation between the roles and structures responsible for managing Performing Loans and those in charge of managing Non-Performing Exposures (NPEs).

On 4 December 2020, Crédit Agricole Italia's Board of Directors approved the reorganization of the structures responsible for Non-Performing Loans, pursuing further integration and crosswise management. The new organization will go live in 2021.

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 2020, some actions on the lending chain organizational structure were resolved and are expected to go live by the end of H1 2021; said actions specifically consist in eliminating the Credit Advisory Division, with concomitant assignment of its responsibilities to the Loan Authorization Division, as regards authorization and origination of performing loans, and to the Loan Management and Protection Division, as regards non-performing loans. The action pursues:

- Further streamlining of the levels of decision-making bodies, with clearer assignment of their respective responsibilities for performing and non-performing loans;
- Higher specialization in assessing Customers' risk profiles, with the decision-making structure designed to be fully consistent with Customer business segmentation;
- Rationalization of decision-making powers, different in accordance with the Commercial Channels and Customer segments, implementing the new "weighted authorized amount", resulting from the application to the nominal authorized amount of a set of weighting coefficients reflecting the counterparty's specific riskiness, the sector attractiveness and the structure and nature of the credit lines.

Subsequent to the organizational action, the Credit Department of Crédit Agricole Italia comprises three Divisions:

- The Loan Authorization Division, responsible for the performance and credit quality of Performing loans to Customers with no material non-performing signs (performing loans) and comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals made by one of the Commercial channels (Corporate Banking, Private Banking, Retail Banking Small Business, Retail Banking Individuals and Financial Advisors) or specific "production chains" requiring specific skills in risk assessment, especially as regards the real estate and hotel sector;
- The Loan Management and Protection Division, responsible for the performance and credit quality of loans that show early warning, as per the adopted early-warning indicators, in order to pursue full recovery of the position and/or to design risk mitigation solutions and/or, where these activities do not prove sufficient, for classifying said loans in the non-performing perimeter;
- The Credit Intelligence Division, responsible for supporting the Credit Department in defining the Credit strategic guidelines and in putting them in operation, with specific regard to Lending Policies, to the governance of apps and of the reporting system, to directing and monitoring projects the Credit Department is directly responsible for, as well as to loan performances.

The management of the Non-Performing portfolio is the responsibility of the UTP Management Division and of the Corporate Affairs and Bad Loans Department.

The UTP Management Division is responsible for the management of the UTP portfolio and reports directly to the Deputy General Manager in charge of Corporate Banking.

The Division is engaged in a management function and in a strategic one, with the respective activities carried out by two Services:
- The UTP Management Service, which is engaged in the management and has the specialist responsibility for the credit quality of the UTP portfolio;
- The NPE Strategy Service, which is responsible for controlling the cost of credit, updating and monitoring the NPE strategy, as well as for the related reporting to the Control Bodies and to the Supervisory Authorities.

The UTP Management Division directly coordinates the management of the UTP portfolio of CA-Leasing and the counterpart structure of Crédit Agricole FriulAdria reports on a dotted line to it.

2.2 MANAGEMENT, MEASUREMENT AND CONTROL

Lending policies and strategies

Lending policies lay down the standards and directions for the Banking Group as a whole, which the Distribution Network and the Decision-making Bodies shall comply with in making lending proposals and decisions. Lending policies, which are different for the various types of Customers, are structured in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones. The Lending Policies are regularly updated consistently with the developments in the economic, financial and market scenarios; they also implement the guidelines set within the Risk Strategy, which is agreed on every year with the Parent Company Crédit Agricole S.A., with specific regard to risk concentration limits and to the limits set for specific types of transactions.

The Lending Policies for Businesses, designed based on counterparty risk and the on the riskiness of the economic activity sectors, pursue the following objectives:
- To set the credit risk management strategy based on the specific creditworthiness;
- To set appropriate management guidelines in accordance with the risk profile and the growth prospects of the economic activity sector the customers operate in.

The Lending Policies for Individuals apply to Natural Persons (holders or co-holders of accounts) operating for purposes other than business ones and are structured based on counterparty risk and on the type of lending product applied for (especially home mortgage loans).

Corporate Social Responsibility (CSR) and Environmental Social Governance (ESG) standards are an integral part of creditworthiness assessment. In that scope.

In Q4 2020, the Policies were updated consistently with the developments in the market and regulatory scenario, also in order to fully comply with the directions given in the Risk Strategy of the Crédit Agricole Italia Banking Group. Specifically, they were updated also in order to take the following into account:
- The context and economic scenario determined by the Covid-19 pandemic, which require more effective control on the criteria to assess sector and counterparty riskiness;
- The requirements set out in the EBA New Guidelines on Loan Origination & Monitoring («LOM»), which will entry into force in June 2021, especially on the criteria to assess the loan affordability for the Customer in the medium/long-term and Environmental, Social and Governance (ESG) qualitative criteria, pending the evolution towards more advanced quantitative tools;
- The directions given in the Risk Strategy, whereby control on the quality of new production was strengthened, the Small Business portfolio was enhanced, appropriate balance was kept between development and risk profile in the Corporate segment and the derisking strategy continued to be implemented on the riskiest sectors.

The revision of the Policies resulted in the main developments given below:
- New operation logics within the new origination workflow (New PEF), thanks to the implementation of a mechanism combining:

  - The Weighted authorized amount, as a function of the counterparty's rating, the sector forward-looking riskiness - as revised to take the Covid-19 impacts into account - and the loan specific features (duration, financial vs self-liquidating nature, type of guarantee based on eligibility requirements and capital absorption mitigation);
  - Qualitative–quantitative rulebook, different for each segment and type of counterparty;
- Stronger focus, crosswise all segments, on the debt present and forward-looking affordability, by identifying specific KRIs (affordability criterion);
- Higher granularity and differentiation, with specific polices for Piccoli Operatori Economici (POE, non-structured enterprises featuring operational flexibility but financial rigidity), sMEs in the Small Business segment,, consistently with the specialization of the lending chain;
- Stronger control on the Real Estate and Hotel sector, implementing specific Key Risk Indicators (Debt Yield, project profitability).

The integration of the new Policies 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, is expected by the end of H1 2021.

Lending processes

In 2020, lending focused on the priority of providing support to customers hit by the Covid-19 epidemic. Specifically, also applying the measures issued by the Italian Government (with specific regard to the "Cure Italy" Decree, to the Liquidity Decree and the subsequent enacting laws), as well as the agreements within the Italian banking system (the protocols signed by and between ABI and associations of enterprises, consumers and government bodies), the Crédit Agricole Italia Banking Group has deployed a structured program to provide support to households, businesses and government bodies, which comprises both loans backed by state guarantees (Central Guarantee Fund, ISMEA, Italian state body providing services to the agri-food market, and SACE), and measures for suspending repayment of outstanding loans to households, businesses and organizations.

Once again substantiating its commitment and will to provide support to all its Customers, especially to those that were hardest hit by the health emergency, the Group originated loans under the Liquidity Decree Law of 8 April 2020 and the subsequent law converting it:

- For SMEs, sole traders, store keepers, and small businesses, loans up to Euro 30,000 have been made available, with full and free-of-charge guarantee given by the Central Guarantee Fund, with maximum duration of 120 months, with repayment of the principal portion starting 24 months after drawdown, at very advantageous conditions;
- For corporate banking customers, loans were made available with amounts up to 25% of the customer's revenue, with maximum duration of 72 months, with repayment of the principal portion starting up to 24 months after drawdown, with the prior assessment by the Central Guarantee Fund (for corporations with revenue up to Euro 3.2 million), with gives guarantees free of charge up to 90%, or backed by SACE guarantees (for corporations with revenue up to Euro 5 billion).

In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 31 December 2020, the Crédit Agricole Italia Banking Group had originated loans backed by state guarantees for over Euro 2.5 billion.

Furthermore, since March 2020, the Crédit Agricole Italia Banking Group has been giving its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period. In the reporting year, the solutions to suspend repayment were made progressively compliant with the applicable legislation entered into force and with the agreements between the Italian Banking Association (ABI) and trade associations, which the Group immediately signed in order to ensure the highest possible protection to its Customers. Therefore, households and individuals had the option to suspend payment of the full instalment of home loans for a period up to 18 months, under the measure provided for by the so-called "Fondo Gasparrini" (which provides for a state measure on part of the interest due by the customer) or to suspend the repayment of the principal portion only of home loans and other loans for up to 12 months, opting for the measure laid down in the Agreement between the Italian Banking Association (ABI) and trade associations, which was in force until 30 September 2020.

Corporate banking Customers were given the possibility to suspend repayment of the principal portion of loans for 12 months under the measures laid down in the ABI Credit Agreement, whereas SMEs had the option to suspend also the full instalment until 30 September 2020 under the measure laid down by the “Cura Italia” Decree Law, which was later extended to 31 January 2021 under the Decree Law of August and then to 30 June 2021 under the 2021 Budget Law. Furthermore, the Group signed another agreement with ABI in favour of local government bodies and provided, in general, specific solutions at its own initiative to those of its Customers that did not meet the requirements to enjoy the aforementioned measures. All the above-reported initiatives have not generated any impacts on revenues (in case of full instalment suspension, the collection of interest is postponed) and no additional fees, commissions or other additional costs are charged to Customers. As at 31 December 2020, the loans whose repayment was suspended amounted to over Euro 8 billion. Furthermore, in compliance with the applicable law, the authorized amounts for additional credit lines, totalling almost Euro 2 billion, have been frozen, initially up to 31 January 2021, which was then extended to June 30 2021 under the 2021 Budget Law.

The internal lending processes of the Crédit Agricole Italia Banking Group are thoroughly defined and regulated by the internal procedures, 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 operation of said internal lending processes is outlined below.

The rules governing authorization and this origination of loans to applicants are set out in the “Regulation on Performing and Non-performing Loans”, which gives the core logics guiding the assessment of credit risk:
- Classifying transactions based on their intrinsic riskiness, consistently with the set risk appetite;
- Structuring of authorization power brackets based on counterparty risk, in accordance with the Internal Rating Systems used within the Crédit Agricole Italia Banking Group, and also in compliance with the regulation on corporate groups
- 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.

To this end, the “Regulation on Performing Loans and Non-performing Loans” sets out the characteristics of the loans that fall within the “Non-performing” 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 loan-origination process in force uses risk assessment metrics based on the internal rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty, which is reassessed at least once a year, as well as on the sector riskiness, which was reviewed in order to take the effects of the underway pandemic into account, and the characteristics of the specific technical forms (duration, financial or self-liquidating nature, type of guarantees in accordance with eligibility criteria and capital absorption mitigation). 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.

As described in the Management Report to the Consolidated Financial Statements, for determining its capital requirement for credit risk, the Crédit Agricole Italia Banking Group uses internal ratings with an Internal Rating Based – Advanced approach (PD and LGD internal models) regarding the asset class “Retail Loan Exposures”, the so-called “Retail Portfolio”.

Counterparty risk is measured after assessing the counterparty’s overall financial situation based on all information - positive and negative - that the Crédit Agricole Italia Banking Group has available. Specifically, the latest possible income statements, cash flow statements and balance sheets are currently acquired, along with budgets, in order to have a point-in-time and forward-looking view of the counterparty, thus taking into account also the effects of the pandemic-related crisis.

The loan authorization process is managed by the Company Information System, within the scope of a specific procedure (“Electronic Loan Application procedure - PEF”). The activities for the development of a new work flow, within a specific project aimed at strengthening the governance of lending processes, as well as their overall effectiveness and efficiency, continued in 2020, although the priority actions to manage the pandemic crisis made it necessary that the work schedule be revised. In 2020 the new tool went live in the Corporate Banking commercial network, whereas its go-live in the Retail Banking Channel was rescheduled for 2021.

In order to improve the quality of loan-authorization and loan-review processes, the "Expert System" shall apply to all Business Accounts. This tool supports the account manager in the loan application processing phase and is used to analyze and comment the Customer's income and financial situation, also based on forward-looking sensitivity analyses, It also makes suggestions for further assessment, in order to provide the account manager with guidance in the talks with the representatives of the customer businesses.

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). Then, in some cases, the review of the loans is simplified, after assessing that suitable and pre-set requirements are met in terms of counterparty riskiness, which shall be at modest levels.

The process for monitoring and managing non-performing loans is steered by the early warning indicator (the Performance Monitoring Indicator - IMA), which is defined and maintained by the Risk Management and Permanent Controls Department, supported by the Credit Department, and is updated on a monthly basis. The process has been fine-tuned over time in order to is fit to ensure that actual risk warnings can be more accurately distinguished from "false alarms" and practical and prompt action lines are set, by which:

- The counterparties that are temporarily non-performing 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 non-performing loans is also supported with a dedicated procedure, called "Electronic Management Procedure" or with the Italian acronym "PEG"; it is structured in well-defined process steps, with automatic workflow logic but with the possibility for the relevant staff to act on the strategies and action plans, in accordance with very clear roles and responsibilities. Thanks to the PEG procedure, the guidelines on loans showing early warnings have a single and clear direction, thus fostering harmonization of account managers' conducts, the monitoring of time frames and outcomes of the implemented actions, as well as adequate tracing of the management actions carried out on the single positions.

Given the impact of the crisis caused by the Covid-19 pandemic, in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis – also with new review processes supplementing ordinary ones – in order to implement f the appropriate management actions consistently with the situation of the single positions. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends, with an anticipation logic acting before the expiry of the relief measure.

In 2020, several actions were developed and implemented to ensure full compliance with the new developments in the applicable regulations, as well as with the guidelines set by the Business Plan. Among the main actions, the following are worth specific mentioning:

- The implementation and go-live, in September 2020 of the requirements set by the EBA for the application of Article 178 of Regulation (EU) no. 575/2013 on the definition of default, coordinated by the Risk Management and Permanent Controls Department. In this scope, the Credit Department:
  - Triggered the levers of action required to implement the logics underlying the new legislation in the behaviours and operation of the lending and commercial structures;
  - Set the requirements for the upgrading of the loan management applications in compliance with the new legislation;
- The definition of the functional requirements of the new management workflow for current accounts and payments instruments, with the ultimate objective of curbing any increase in small-amount overdrafts; the completion of the related development and go-live is expected by the end of 2021 through progressive releases starting from Q4 2020.

- The start of an assessment to identify the gap vs. the expectations expresses in the «Loan Origination & Monitoring Guidelines» issued by the EBA in May 2020, which is needed to define the type and priority of implementation actions, as well as to prepare a master plan for the deployment of priority actions in compliance with the regulatory deadline in H1 2021.

In terms of lending, the main directions set out in the Business Plan for the next three years focus on overall strengthening of tools, processes and infrastructure pursuing higher industrialization, in order to enhance analysis and assessment efficiency and thus to improve both the time to yes and the quality of the lending decisions made. The main projects include:
- Overhaul of the end-to-end lending processes, pursuing higher digitalization and industrialization, as well streamlining;
- The strengthening of forecast analysis and of loan management processes to anticipate and forestall any impairment;
- The evolution in the data infrastructure (“Data Lake”) with an “LOM oriented” logic, to ensure agile use by the various structures of the Bank, also for portfolio scenarios.

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 CA 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.

Since 2014, the Model Development Function has applied 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 in that year and then updated in 2017.

As approved by the Parent Company’s Board of Directors in July 2020, the policy was revised and new version provides for three different documents:
- The “Regulation governing the process for the development, monitoring, revision and decommissioning of the internal rating systems” of the Crédit Agricole Italia Banking Group;
- The “Methodological Guidelines for Model Development and Monitoring” manual;
- The “Margins of Conservatism in AIRB models” manual.

The first document listed above formalizes the process implemented to develop, monitor, revise and decommission internal rating systems, setting out the process steps, the Organizational Units involved and their respective responsibilities. It also sets out the process for reporting to the Supervisory Authorities on any changes made to the internal rating systems or to their application scope.

The second document listed above formalizes the guidelines for the development and monitoring of the risk measurement systems for which the Model Development Service is exclusively responsible and shall be complied with by all the entities of the Crédit Agricole Italia Banking Group. Specifically, it exhaustively describes the process to develop Pillar 1 regulatory statistical models (PD, LGD, EAD, Maturity) as they are used to calculate the Bank's capital requirements.

The third document listed above describes the process to identify, assess, monitor and formalize evidence of the Margins of Conservatism (MoC) to be used in case of estimate uncertainty in the modeling process.

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 2020 the Model Development Service worked on the main projects listed below:

- The Validation of the internal models for the Retail perimeter, providing the Internal Validation Unit with support in its audits on the PD, LGD and EAD models as estimated in 2019 and addressing the recommendations given and revisions asked for.
- The activities for the go-live of the models, which include both giving CAGS functional specifications for the model implementation and the certification of the released calculation engines. Said activities also include the assessment of the impacts generated by the new models on corporate processes and systems, planning, in agreement with the owners of the impacted procedures, targeted analyses and the deployment of the identified actions.
- The preparation of the Application Package for material model change, which was sent to the ECB on 30 June 2020.
- The finalization of the go-live of the evolutionary actions regarding the ANADEFI rating system, which is used for the Corporate Banking perimeter, based on the guidelines and tools given by the Parent Company Crédit Agricole. The actions pursued the upgrading of the information systems and of the internal organizational structures, with final alignment of the rating assignation and validation process of the Crédit Agricole Italia Group to the CASA Group standards;
- The calculation, on a quarterly basis, of IFRS9 collective impairment, using methods and models that have been developed in close coordination with the Parent Company Crédit Agricole S.A. and that cover the recent macroeconomic development scenarios. In 2020, the uncertainty about possible scenarios given the global pandemic required additional simulations and analyses, in agreement with the Parent Company and with the other entities in the CASA Group.
- The internal stress test exercises in accordance with the Stress Testing Policy approved by the Board of Directors on 20 March 2020. However, it is to be pointed out that not all the stress testing exercises initially planned were carried out in 2020, due to the health emergency (for example, the European Banking Authority decided to postpone the 2020 regulatory stress test exercise to 2021).
- The review of the satellite model used to condition the PD parameter to set macroeconomic scenarios. That model is used to calculate collective impairment in accordance with IFRS9 and to run stress/scenario analyses aimed at forecasting the evolution in the loan portfolio under certain macroeconomic scenarios (e.g.: EBA Regulatory Stress Testing process, stress budgetaire process, …)..
- Fine-tuning of the early-warning (IMA) engine, in order to improve its default detection ability and to make the monitoring process more efficient.

In 2021, the main projects will concern:

- The activities for the validation of the rating modes (PD, LGD, EAD) by the ECB. The activities cover the various scopes that may be impacted by the Regulator's expectations: additional analyses on the estimated models, changes to the models, changes to the engines (preparing the related specifications and certifying the actions), requests for additional documents, process review.

- The estimate of a satellite model to condition the LGD parameter to set macroeconomic scenarios. Along with the macroeconomic model for the PD parameter, the new model on the LGD parameter will strengthen the methodological framework for stress test exercises and for provision calculation in accordance with IFR9.
- The contribution to the calculation of the EBA stress test, which was postponed to 2021. As usual, this exercise will aim at assessing the resilience of the entire Crédit Agricole Group in a baseline and in an adverse scenario. This project, which will be carried out in coordination with the French Parent Company, will involve various operating and management units of the Crédit Agricole Italia Banking Group for most of H1 2021.
- The internal stress test exercises in accordance with the Stress Testing Policy that will be submitted to the Board of Directors in early 2021.
- Structural revision of the early-warning model, adding estimate methodologies based on machine learning techniques and enrichment of the model's estimate information set (e.g. transaction data), for more effective risk monitoring.
- Start of preliminary analyses for the "climate stress" assessment, meaning the impacts on profit or loss (cost of credit) and on risk-weighted assets generated by long-term macroeconomic scenarios featuring different situations in terms of climate transition.

Cost of credit

The Crédit Agricole Italia Banking Group has kept and 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. Specifically, in 2020, subsequent to the Covid-19 pandemic, the recovery forecasts were revised with a conservative approach, increasing the provisions covering NPLs.

The process to define, manage and monitor the cost of credit is owned by the UTP Management Division, which ensures its overall consistency and all he controls within the wider scope of the strategy for the management of Non-performing Loans.

Said process comprises all steps in the cost of credit management, from setting strategic objectives in the NPE Strategy to verifying actuals, with the involvement of all relevant structures and with periodic reporting to the NPE Committee.

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, target KPIs and the related monitoring).

Stress test

The credit risk monitoring strategy pursued in 2020 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 2020, 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.

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 2020 the Group stress testing exercises were strongly affected by the pandemic:
- The EBA 2020 regulatory stress test exercise started in January 2020, but was not completed and was postponed to 2021 by the EBA;
- The budget and on the MTP (Budgétaire) stress test exercise was carried out using the macroeconomic scenarios given by the Parent Company Crédit Agricole S.A in the period September-November 2020. 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 other stress test exercises as initially provided for by the Stress Test Policy that was approved in March 2020 were not carried out due to the pandemic.

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 part of the overall cost of credit process, which is 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. Expected losses are estimated using information on the evolution in macroeconomic 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 (whereas this effect is not envisaged in the IFRS 9 LGD);

ECLs are calculated according to the type of product concerned: off-balance-sheet financial instruments and exposures.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually by the Risk Management and Permanent Controls Department.

As regards the assessment of deterioration of credit risk based on which exposures are classified into risk stages, please, see paragraph "Significant deterioration of credit risk" in Part A of the Note to the Financial Statements.

Multi-scenario calculation

To estimate the parameters used in calculating the forward-looking scenarios at the 31 December 2020 reporting date, the weights set by the Parent Company Crédit Agricole S.A. were the following:
- Central scenario, 55%;
- Moderately adverse scenario, 20%;
- Stressed budget scenario, 5%;
- Favourable scenario, 20%;

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

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

Indicators used as at 31 December 2020

	2020 ANNUAL REPORT Main macroeconomic indicators for 2020-2023															
	Central Scenario				Moderately adverse scenario				Stressed budget				Favourable			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
GDPIT	-9.7%	3.7%	4.7%	1.9%	-9.7%	1.3%	3.4%	2.1%	-10.4%	-0.5%	1.4%	1.0%	-9.7%	5.6%	2.0%	0.7%
GDPEU	-8.2%	12.1%	-0.6%	-1.4%	-8.2%	10.7%	0.4%	-1.1%	-8.8%	0.7%	3.4%	1.7%	-7.8%	5.3%	2.7%	1.3%
Industrial Production Index (IPI)	-5.3%	2.7%	3.2%	0.2%	-5.3%	1.5%	1.9%	1.5%	-15.3%	2.7%	1.8%	1.2%	-10.3%	5.7%	4.2%	0.2%
Investments in Buildings	-13.5%	4.4%	8.2%	4.3%	-13.5%	4.0%	6.8%	4.3%	-15.2%	6.3%	3.8%	4.1%	-13.9%	8.9%	4.9%	3.2%
Investments in machinery	-19.6%	-1.7%	8.3%	4.8%	-19.6%	-0.8%	7.6%	4.8%	-20.1%	-3.8%	6.6%	4.2%	-18.0%	10.0%	6.9%	4.5%
Employment rate	-2.4%	0.7%	0.6%	0.5%	-2.4%	0.1%	0.7%	0.5%	-2.4%	-0.5%	0.9%	0.2%	-2.4%	0.7%	0.6%	0.5%
Propensity to consume	-7.4%	1.5%	2.3%	1.3%	-7.4%	-0.8%	2.4%	1.6%	-7.4%	-0.2%	1.7%	0.8%	-7.3%	4.0%	0.9%	0.0%
Public expenditure	0.3%	4.0%	-0.1%	-0.8%	0.3%	4.0%	-0.1%	-0.8%	1.1%	1.5%	-0.3%	-0.8%	-1.1%	1.2%	-0.3%	-0.8%
WEIGHT	**55%**				**20%**				**5%**				**20%**			

The main underlying assumptions are:
- The central scenario, with a -9.7% negative growth in the GDP IT in 2020, envisages uneven recovery in H1 2021 (due to the alternation between restrictive measures being tightened and eased, but less penalizing than in 2020) and at a faster pace from H2 2021 driven by mass vaccination, with a peak in 2022 when the GDP IT is expected to increase by +4.7%.
- The moderately adverse scenario, vs. the central scenario, envisages worse evolution in the health situation in 2021, with tougher restrictive measures curbing the growth in the GDP IT to no more than +3.4% in 2022.
- The stressed budget scenario is the most severe scenario with no recovery in the short term. It is considered a variant of the moderately adverse scenario and envisages a long-lasting decrease in consumption due to lockdowns. With a negative growth in the GDP IT in 2020 of -10.4%, recovery is expected to start in H2 2021, with a peak in 2022 when the GDP IT is expected to grow by +1.4%.
- The favorable scenario is considered a variant of the central scenario with economic recovery at a somewhat faster pace in early 2021, the year in which the GDP IT reaches its peak at +5.6%, but, from 2022 on, the GDP is expected to grow by +2.0%, i.e. at a slower pace than in the central scenario, which then goes down to +0.7% in 2023 (vs. +1.9% in the central scenario).

In order to prevent excessive volatility of models caused by the strong growth in macroeconomic indicators in 2021-2022 following the deep depression expressed by the 2020 indicators thus mitigating excessive procyclicality , Crédit Agricole S.A. decided that the whole Group was to adopt the smoothing approach (so-called lissage) for some macroeconomic variables (Italian and Euro Area GDP, fixed investments in constriction and machinery, Industrial output index) in order to spread the effects of the 2020 economic slump over the following forecast years. This treatment can be justified with the uncertainty in the effectiveness of the measures to stimulate the economy (moratoria, new liquidity, …) on the probabilities of default in the first year.

The economic scenarios used in the 2020 Half-year Report and in the 2019 Annual Report are also given, in order to represent the main changes occurred.

Indicators used as at 30 June 2020

	HALF-YEAR FINANCIAL REPORT Main macroeconomic indicators for 2020-2022											
	Central Scenario			Moderately adverse scenario			Stressed budget			Favourable		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Italy GDP	-9.9%	4.7%	1.8%	-17.2%	2.3%	4.5%	-18.5%	-1.0%	6.8%	-8.9%	6.7%	2.1%
EU GDP	-8.5%	5.5%	2.4%	-17.8%	4.5%	6.6%	-17.4%	-0.1%	6.6%	-7.4%	6.4%	2.6%
Industrial Production Index (IPI)	-20.0%	5.0%	2.8%	-26.0%	3.4%	5.0%	-26.0%	-10.0%	9.0%	-16.0%	6.0%	3.4%
Investments in Buildings	-17.0%	-5.5%	10.0%	-22.0%	-6.0%	16.0%	-27.0%	-7.0%	11.0%	-15.0%	2.5%	10.0%
Investments in machinery	-14.5%	-3.8%	8.0%	-19.0%	-4.5%	12.5%	-26.0%	-12.0%	15.0%	-13.0%	-1.5%	10.0%
Employment rate	-0.5%	0.4%	0.3%	-0.5%	-0.7%	-0.1%	-0.5%	-1.4%	0.4%	-0.5%	0.5%	0.3%
Propensity to consume	-11.1%	1.6%	-1.1%	-18.5%	3.7%	3.4%	-16.0%	5.6%	4.5%	-11.6%	1.4%	-1.3%
Public expenditure	1.8%	1.5%	-0.3%	1.8%	2.0%	-0.1%	1.8%	2.0%	-0.1%	1.8%	1.5%	-0.3%
WEIGHT	10%			5%			1%			84%		

Indicators used as at 31 December 2019

	2019 ANNUAL REPORT Main macroeconomic indicators for 2019-2022															
	Central Scenario				Moderately adverse scenario				Stressed budget				Favourable			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Italy GDP	0.2%	0.4%	0.4%	0.4%	0.2%	-0.1%	-0.5%	0.1%	0.2%	-0.3%	-1.0%	-0.5%	0.2%	1.0%	1.0%	1.4%
EU GDP	1.2%	1.2%	1.1%	1.1%	1.2%	0.5%	0.3%	0.6%	1.2%	0.4%	-0.2%	0.3%	1.2%	1.6%	1.8%	2.0%
Industrial Production Index (IPI)	1.3%	1.5%	0.9%	0.6%	1.3%	1.2%	-1.3%	0.4%	1.3%	-0.9%	-1.7%	0.2%	1.3%	2.2%	2.6%	2.8%
Investments in Buildings	2.7%	2.4%	3.0%	2.7%	3.1%	2.0%	-1.2%	-0.3%	3.1%	1.8%	-2.0%	-0.5%	2.7%	3.0%	3.5%	3.2%
Investments in machinery	1.5%	1.8%	2.5%	3.0%	4.0%	-2.0%	-0.2%	1.8%	4.0%	-2.2%	-2.0%	-0.4%	1.5%	1.9%	2.8%	3.6%
Employment rate	0.7%	0.5%	0.2%	0.2%	0.7%	-0.5%	-0.3%	0.2%	0.7%	-1.3%	0.0%	-0.4%	0.7%	0.0%	0.0%	0.0%
Propensity to consume	-0.8%	-0.6%	-0.3%	0.0%	-0.8%	-0.4%	0.5%	0.5%	-0.8%	0.6%	0.7%	0.9%	-0.8%	-1.5%	-1.3%	-0.7%
Public expenditure	0.2%	-0.4%	-0.8%	-0.8%	0.2%	-0.4%	-0.8%	-0.8%	0.2%	-0.4%	-0.8%	-0.9%	0.2%	0.4%	-0.1%	0.3%
WEIGHT	60%				25%				10%				5%			

Scenario sensitivity analysis

Within the revision of the parameters used for the IFRS9 calculation of the H2 2020 figures, the Crédit Agricole Italia Banking Group estimated the sensitivity of the ECL figure to the different macroeconomic scenarios given by the Crédit Agricole Group Economic Research Department - ECO, which is a specialist in macroeconomic studies.

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

Sensitivity was estimated on the June 2020 data in a lab environment and later applied to the year report closing data. The application of the observed variations to the December 2020 calculation results for the Crédit Agricole Italia Banking Group is summarized in the table below, which shows the range of figures that can obtained with the above-described method.

€/mln	EAD	ECL Multi-scenario	Sensitivity analysis: ECL per single scenario			
			Central Scenario	Moderately adverse scenario	Stressed budget	Favourable
RETAIL BNKG	29,175	152	149	154	169	154
Stage1	27,121	36	35	37	41	36
Stage2	2,054	116	114	118	128	118
CORPORATE BNKG	36,907	156	157	160	185	155
Stage1	35,555	64	62	66	80	63
Stage2	1,353	92	94	94	106	91
SECURITIES	10,832	14	14	14	14	14
Stage1	10,827	13	13	14	14	13
Stage2	5	-	-	-	-	-
TOTAL	**76,914**	**322**	**319**	**328**	**368**	**323**
Deviation			-0.9%	1.7%	14.3%	0.1%

The table reports the result of the ECL sensitivity analysis based on the simulated scenarios and the related percentage deviation from the “multiscenario” used for the accounting ’ECL , which can vary from Euro 319 million (-0.9% decrease) to Euro 368 million in the Stress Budgetaire scenario used for budget simulations (14.3% increase). The recognized amount of Euro 322 million reflects the weights on the Favorable and Central Scenarios.

Post-model adjustments

Following the Forward-Looking Local ECL calculation at at the end of 2020, the Crédit Agricole Italia Banking Group made management overlays for a total amount of Euro 46.9 million. Said adjustments can be broken down into two types:

- *Single-name adjustments (adjustments on single positions)* whereby the results could be aligned with the expectations – in terms of risk profile – of the IFRS9 work group. In accordance with the regulated process, based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty.

  Single-name adjustments also include adjustments of the ECL value associated with exposures to the Bank of Italy, to the State Treasury and to intra-group positions (with effects on the separate financial statements of the Group’s entities);
- *Portfolio adjustments* made through massive spreading of the identified amounts over all positions proportionally to the ECL.

Said case included the following actions:

- Inclusion of an impact generated by the recalibration of the IFRS9 for the new definition of default, which went live in the systems of the Crédit Agricole Italia Banking Group on 7 September 2020;
- Manual adjustments in order to restore the coverage of a cluster of Retail positions for which it cannot be ruled out that theCovid-19-related moratorium has not entailed benefits in the ’ECL calculation (in addition to the impact on the FLL ECL due to the reclassification of some positions under Covid-19-related moratoria to Stage 2);
- Actions concerning methodological elements not yet included in the used parameters or the shifting from a regulatory FIRB LGD to a management one, also for the Corporate segment and the implementation of a Forward-Looking Local model also for the LGD value;
- Actions aimed at mitigating the impacts on the impairment of positions with State guarantees that had not been correctly factored in to calculate the Forward-Looking Local ECL;
- Actions to address corrections asked for by the Validation function.

In order to foretell any latent risk situations in that perimeter, the Crédit Agricole Italia Banking Group made manual adjustments, in terms of both staging and coverage on a cluster of Retail positions for which it cannot be ruled out that the concession of the moratorium may have generated an impact on the risk parameters used for stage classification and for the ECL calculation.

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.

In particular, specific processes regulate the obtainment and management of guarantees, with clear definition of the relevant roles, responsibilities and controls. Close attention is paid to the adequacy of the rules and procedures for monitoring that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The standards for the appraisal of real estate properties securing the exposures of the Crédit Agricole Italia Banking Group, as laid down in the «Policies on the Valuation of Real Estate Properties Securing Exposures», are compliant with the Guidelines issued by the Italian Banking Association (ABI) in force at the relevant time and prepared in accordance with the recent regulatory principles "International Valuation Standards" (IVS) and "European Valuation Standards" (EVS).

In December 2020, said Policies were updated in order to further strengthen the overall framework. The main changes were:

- The definition of assignment turnover (2 consecutive ones at the most);
- The differentiation of the type of appraisal in accordance with the type of property and the extension of the cases in which full appraisals are to be requested;
- The extension of the appraisal contents (including wider disclosure of the appraisal methods) and of the documents needed for the appraisal process, in accordance with the type of property and development stage;
- Stricter fit requirements for the appraisers, requiring in particular the RICS certification;
- The differentiation of appraisal methods in accordance with the type of property and the integration of ESG criteria;
- The possibility of having the appraisals updated more frequently in case of any negative market scenario;
- Stronger role of governance and control on the appraisal quality to be played by the Real Estate Chain Service of Crédit Agricole Group Solutions, with special regard to retaining appraisers, to the appraisal methods and criteria used by external experts and to control activities;
- Better formalization of the control framework with internal protocols designed to set the related methods, frequency, type and summary periodic reporting.

3. Non-performing exposures

The UTP Management Service, part of the UTP Management Division, is responsible for managing non-performing exposures classified as Unlikely to pay (UTP).

The Division in in charge of out-of-court collection and/or full recovery of the exposures it manages, excluding the positions within the scope of outsourced collection services, consistently with the NPE strategy.

The Division manages relations with the Customers falling within its scope of responsibility with the objective of collecting the credit claims of the Crédit Agricole Italia Banking Group, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery 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 on 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.

The “Non Performing Exposures (NPE) – STAGE 3” Policy (which was issued in 2019), has systematized the entire framework governing NPEs, thus pursuing the objective of reviewing and encapsulating the internal rules to identify, classify, manage, assess and recognize Non-performing exposures (NPE), within essential continuity in the management and assessment criteria (pending the entry into force of the next regulatory developments on the new definition of default)

Specifically, the Policy sets out the internal rules for assessing Past Due, UTP and Bad Loans and, for each category, it governs the following scopes:
- Identification and classification methods;
- Criteria to determine statutory impairment applied upon entry in the category;
- Discounting rule to determine thel present value in accordance with the estimated recovery plan;
- Assessment methods and criteria during the stay in the category;
- Conditions and methods for exiting the category with migration between NPE categories.

Given the impacts generated by the Covid-19 pandemic , in 2020 the NPE strategy (2018-2020) dynamics was reviewed in order to assess whether any adjustments were appropriate of the set KPIs to new scenario assumptions.

Specifically, the 2020 cost of credit trajectory was reviewed, mainly due to:
- Increase in the performing portfolio coverage, following the revision of the macroeconomic forecast scenario

- Increase in the non-performing stock coverage, following the revision of recovery forecasts from a conservative standpoint and the acceleration in the deleveraging process. The coverage ratio of the NPE portfolio came to 51.6%.

In 2020, the target reduction in the stock of non-performing loans was achieved, with NPLs amounting to Euro 3,046 million at the end of 2020 vs. Euro 3,474 million at the end of 2019.. This contributed to the achievement also of the target gross NPE ratio (5.85% vs. 7.1% at the end of 2019) and the target net NPE ratio (2.96% vs. 3.5% as at 31 December 2019).

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".

It is also pointed out that, since September 2020, the Group has implemented the New Definition of Default. Albeit confirming the concepts of late payment and unlikeness to pay of the debtor as the default bases, the new definition has introduced some considerable changes mainly concerning:

- *"relative" and "absolute" materiality thresholds* to identify pastdue determining classification in the default status. It is automatic is two thresholds (relative and absolute) are jointly breached for 90 days in a row. More specifically:
  - The relative threshold was lowered to 1% (vs. 5% as previously in force), to be compared to the ratio of the total pastdue and/or overlimit amount to the total amount of recognized exposures to the same debtor;
  - The absolute threshold was set at Euro 100 for Retail Customers and at Euro 500 for Non-Retail Customers, to be compared to the total pastdue and/or overlimit amount of the debtor;
- *Banks are not allowed* to net existing pastdue and/or overlimit exposures on some credit lines of the debtor against existing available margins on other credit lines of the same borrower;
- *A 3-month probation period shall be applied,* running from the moment the positions no longer meet the conditions to be classified as defaulted and during which no pastdue instances must occur, before classifying the loan, and therefore the Debtor, back to a non-default status. The regulation previously in force did not provide for said probation period and, therefore, allowed reclassification to a performing status upon settlement of the pastdue and/or overlimit amounts:
- Specific rules (so-called "triggers") shall be applied, which require automatic classification as non-performing of exposures meeting even one only of the following characteristics:
  - Loss of more than 1% on restructured exposures (suspensions, rescheduling, renegotiations) because of financial difficulties experienced by the debtors;
  - Disposal of performing loans and consequent recognition of a loss of more than 5%.

Therefore, the new rules are much stricter, especially as regards the lowering of materiality thresholds (relative and absolute) and the fact that no netting is allowed of the pastdue or overlimit amounts against available margins on other credit lines held by the same debtor. These are the reasons why going live with the new definition of default caused the number of positions classified as non-performing loans to increase by a total of Euro 45 million (gross value) worth of exposures, of which Euro 34 million worth of pastdue/overlimit exposures and Euro 11 million worth of other non-performing loans. The effects of the first-time adoption of the New Definition of Default on profit or loss were no more than Euro 3.3 million.

The aggregate of pastdue and/or overlimit positions as at 31 December 2020 included loans in their 3-month probation period for Euro 13 million.

3.2 WRITE-OFF

The Bad Loans Management Division writes off bad loans after full recovery of the exposure or resumption of its amortization.

Furthermore, bad loans are written off with loan waiver subsequent to:

- Unilateral remission of the residual amount due within authorized and executed settlement;
- Loan disposal;

Conversely, bad loans are written off also without loan waiver subsequent to:

- Loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
- Very marginal possibility of collection.

In this case, the loan is fully or partially written off. These loans are written off in order not to keep, on the Balance Sheet, loans that, although still managed by the structures in charge of collection, are hardly likely to be recovered.. The positions to be subject to this treatment must be identified - through a judgemental analysis- from among those that have both high vintage and high coverage.

3.3 PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI) FINANCIAL ASSETS

As regards the accounting treatment of these assets and the related reporting, please refer to “A.2 - Part reporting on the main financial statement items”.

4. Renegotiated financial assets and forborne exposures

As regards the accounting treatment of these assets and the related reporting, please refer to “A.2 - Part reporting on the main financial statement items”.

Forborne exposures are those for which “concessions” have been granted to a borrower that is experiencing or is about to experience difficulties in fulfilling his/her/its financial commitments (“financial difficulty”).

Concessions consist in the following:

- Changes in the terms/conditions of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties;
- Total or partial refinancing of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties.

Starting from the definition given by the EBA in its “ITS” and following the guidelines issued by its Parent Company CASA, the CAI Group defined an internal algorithm whereby forborne exposures can be identified, also setting apart performing from non-performing ones.

As opposed to the “by counterparty” approach, used by the Crédit Agricole Italia Banking Group to classify non-performing exposures, it classifies forborne positions with a “by individual credit facility” approach”. An exposure shall be classified as forborne when:

- The counterparty is classified as performing at the time of contract modification and there were contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before its modification. The contracts meeting these features are classified as “forborne performing - probation period”, except for contractual modifications featuring a difference between the net present value before and after the modification of more than 1%, in which case, under the new definition of default implemented in 2020, they shall be classified in their cure period and no longer considered forborne when all the following conditions are met:
  - The contract is considered performing;
  - At least two years have passed from the beginning of the probation period;
  - Regular payments have been made for a more than considerable portion of the principal/interest due during at least one half of the probation period;
  - No one of the exposures to the same borrower is past due by more than 30 days at the end of the probation period.
- The counterparty is classified as defaulted at the time of contract modification. The contracts with a counterparty that is classified as non-performing at the time of contract modification or that show contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before modification, featuring a difference between the net present value before and after the modification or more than 1% are classified as “forborne non performing – cure period” for at least one year and kept in the Unlikely-to-Pay

status. The contract shall be classified "forbearance performing - probation period" when all the following conditions are met:

- At least one year has passed since the start of the cure period[1];
- There are no late payments;
- The counterparty has returned fully able to fulfil its credit obligations.

Having said that contract modifications made for business reasons or contract modifications that were provided for in the original contract are not included in the forbearance perimeter, in order to assess whether any "concession" exists, the adopted approaches require that the existence of forbearance is identified when:

- The amortization schedule regarding a loan is suspended or modified in its original duration;
- The loan has be renegotiated;
- Several credit lines granted to a counterparty are closed and consolidated in a new loan;
- A real estate mortgage loan based on the project progress which has been partially disbursed to a counterparty classified in the perimeter of real estate players has a pre-amortization period of over 36 months.

Furthermore, an exposure may be classified in the forborne perimeter on a judgemental basis where the algorithm does not automatically detect the contract modification or the financial difficulties experienced by the debtor. In the same way, the concessions automatically detected by the algorithm may be excluded on a judgemental basis, where the account manager believes that the classification in the forborne perimeter is not consistent with the contract modification made and/or with the customer's financial situation.

As at 31 December 2020, the stock of forborne exposures came to Euro 1.7 Bln of which 79.9% was backed by collateral (71.5% backed by mortgage). 47.7% of loans is classified in cure period and the remaining 52.3% in the probation period.

The new forbearance measures for the year came to Euro 255 million (15.3% of the stock) of which 79.0% backed by collateral (70,3% backed by mortgage). 43.6% of the new forborne exposures were classified in their cure period, while the remaining 56.4% were classified in their probation period. Again as regards the new concessions for the year, 54.0% of the exposures were classified in the forbearance perimeter subsequent to loan suspension and rescheduling and 33.6% based on a judgemental assessment.

An analysis of exposures referring to forborne assets measured at amortized cost is given below, separately reporting performing and non-performing ones.

		Total
PERFORMING	Forborne Performing exposures	415,230
DEFAULTED	Forborne Non-performing exposures	1,248,162
	Total Forborne Exposures	**1,663,392**

1 In case of suspensions, the year of cure period starts from the suspension date.

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 PERFORMING AND NON-PERFORMING EXPOSURES: AMOUNTS, ADJUSTMENTS, CHANGES AND BREAKDOWNS

A.1.1 Prudential consolidation – Breakdown of financial assets by past due bracket (book values)

	Stage 1			Stage 2			Stage 3		
	Up to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days
1 Financial assets measured at amortized cost	214,231	5,498	540	134,335	54,299	20,985	31,361	35,820	1,080,763
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3 Financial assets being divested	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2020	**214,231**	**5,498**	**540**	**134,335**	**54,299**	**20,985**	**31,361**	**35,820**	**1,080,763**
Total 31 Dec. 2019	**516,839**	**39,139**	**437**	**334,867**	**87,539**	**83,334**	**45,399**	**15,341**	**1,317,675**

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions

Reasons/risk stages	Total adjustments																Total provisions for commitments to disburse funds and financial guarantees given			Total
	Stage 1 assets					Stage 2 assets					Stage 3 assets					of which: POCI				
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment		Stage 1	Stage 2	Stage 3	
Opening total adjustments	**86,106**	**3,430**	**-**	**-**	**89,536**	**159,494**	**-**	**-**	**-**	**159,494**	**1,827,612**	**-**	**-**	**1,827,612**	**-**	**-**	**5,358**	**7,378**	**20,918**	**2,110,296**
Increases from purchased or originated financial assets	18,586	902	-	-	19,488	15,217	-	-	-	15,217	2,219	-	-	2,219	-	-	59	976	64	38,023
Derecognized items other than write-offs	-2,245	-906	-	-	-3,151	-	-	-	-	-	-396,875	-	-	-396,875	-	-	-	-	-	-400,026
Net losses/recoveries for credit risk (+/-)	-16,390	169	-	-	-16,221	37,160	-	-	-	37,160	260,587	-	-	260,587	-	-	-815	171	-2,428	278,454
Contract modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-126	-	-	-	-126	-3	-	-	-	-3	-142,696	-	-	-142,696	-	-	-	-	-	-142,825
Other changes	17,847	-	-	-	17,847	-12,442	-	-	-	-12,442	9,908	-	-	9,908	-	-	459	-37	-1	15,734
Closing total adjustments	**103,778**	**3,595**	**-**	**-**	**107,373**	**199,426**	**-**	**-**	**-**	**199,426**	**1,560,755**	**-**	**-**	**1,560,755**	**-**	**-**	**5,061**	**8,488**	**18,553**	**1,899,656**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognized directly through profit and loss	-109	-	-	-	-109	-9	-	-	-	-9	-25,607	-	-	-25,607	-	-	-	-	-	-25,725

A.1.3 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: transfers between the different 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	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1 Financial assets measured at amortized cost	1,533,221	876,768	255,788	18,076	124,188	10,838
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3 Financial assets being divested	-	-	-	-	-	-
4 Commitments to disburse funds and financial guarantees given	101,013	23,706	1,747	640	1,858	4,135
Total 31 Dec. 2020	**1,634,234**	**900,474**	**257,535**	**18,716**	**126,046**	**14,973**
Total 31 Dec. 2019	**1,239,520**	**1,043,197**	**255,310**	**41,821**	**128,903**	**2,463**

A.1.3a Loans subject to Covid-19-related relief measures: transfers between the different credit risk 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	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortized cost	635,317	198,659	47,546	3,008	19,558	379
A1 Loans with GL-compliant concessions	606,850	193,260	47,429	3,008	19,306	322
A2 Loans with other concession measures	-	-	-	-	-	-
A.3 new loans	28,467	5,399	117	-	252	57
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B1 Loans with GL-compliant concessions	-	-	-	-	-	-
B2 Loans with other concession measures	-	-	-	-	-	-
B.3 new loans	-	-	-	-	-	-
Total 31 Dec. 2020	**635,317**	**198,659**	**47,546**	**3,008**	**19,558**	**379**
Total 31 Dec. 2019	**-**	**-**	**-**	**-**	**-**	**-**

A.1.4 Prudential consolidation – On-balance-sheet and off-balance-sheet exposures to banks: gross and net values

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	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to Pay	4,138	X	781	3,357	-
- 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	8,787,556	139	8,787,417	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**4,138**	**8,787,556**	**920**	**8,790,774**	**-**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	-	X	-	-	-
b) Performing	X	1,656,368	265	1,656,103	-
TOTAL B	**-**	**1,656,368**	**265**	**1,656,103**	**-**
TOTAL A+B	**4,138**	**10,443,924**	**1,185**	**10,446,877**	**-**

* 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 values

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	1,486,652	X	1,016,811	469,841	881
- of which: forborne exposures	440,796	X	308,104	132,692	-
b) Unlikely to Pay	1,522,816	X	540,109	982,707	32,384
- of which: forborne exposures	914,004	X	304,604	609,400	-
c) Non-performing past due exposures	36,652	X	3,055	33,597	3
- of which: forborne exposures	88	X	3	85	-
d) Performing past due exposures	X	445,026	15,139	429,887	62
- of which: forborne exposures	X	23,901	1,569	22,332	-
e) Other performing exposures	X	59,758,455	291,514	59,466,941	6,089
- of which: forborne exposures	X	416,359	32,504	383,855	-
TOTAL A	**3,046,120**	**60,203,481**	**1,866,628**	**61,382,973**	**39,419**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	92,654	X	18,552	74,102	-
b) Performing	X	3,248,510	13,284	3,235,226	-
TOTAL B	**92,654**	**3,248,510**	**31,836**	**3,309,328**	**-**
TOTAL A+B	**3,138,774**	**63,451,991**	**1,898,464**	**64,692,301**	**39,419**

* Value to be stated for disclosure purposes

A.1.5a Loans subject to Covid-19-related relief measure: gross and net values

Type of exposures/Values	Gross exposure	Total adjustments and total provisions for credit risk	Net exposure	Total partial write-offs*
A. Bad loans:	-	-	-	-
a) Loans with GL-compliant concessions	-	-	-	-
b) Loans with other concession measures	-	-	-	-
c) New loans	-	-	-	-
B. Loans classified as Unlikely to Pay:	**72,476**	**13,700**	**58,776**	-
a) Loans with GL-compliant concessions	71,685	13,497	58,188	-
b) Loans with other concession measures	-	-	-	-
c) New loans	791	203	588	-
C. Non-performing pastdue loans:	**3,174**	**252**	**2,922**	-
a) Loans with GL-compliant concessions	2,753	174	2,579	-
b) Loans with other concession measures	-	-	-	-
c) New loans	421	78	343	-
D. Other performing pastdue loans:	**104,301**	**5,865**	**98,436**	-
a) Loans with GL-compliant concessions	102,584	5,806	96,778	-
b) Loans with other concession measures	-	-	-	-
c) New loans	1,717	59	1,658	-
E. Other performing loans:	**8,800,332**	**102,832**	**8,697,500**	-
a) Loans with GL-compliant concessions	6,389,140	82,919	6,306,221	-
b) Loans with other concession measures	-	-	-	-
c) New loans	2,411,192	19,913	2,391,279	-
TOTAL (A+B+C+D+E)	**8,980,283**	**122,649**	**8,857,634**	**-**

* Value to be stated for disclosure purposes

A.1.6 Prudential consolidation – On-balance-sheet exposures to Banks: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely to Pay	Non-performing past due exposures
A. Opening gross exposure	-	**4,074**	-
- of which: sold exposures not derecognized	-	-	-
B. Increases	-	**64**	-
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	-	64	-
C. Decreases	-	-	-
C.1 to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	-	-	-
C.4 profits on disposals	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	-
C.7 Contract modifications without derecognition	-	-	-
C.8 other decreases	-	-	-
D. Closing gross exposure	-	**4,138**	-
- of which: sold exposures not derecognized	-	-	-

A.1.7 Prudential consolidation – On-balance-sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely to Pay	Non-performing past due exposures
A. Opening gross exposure	**1,859,129**	**1,583,992**	**30,495**
- of which: sold exposures not derecognized	-	-	-
B. Increases	**244,940**	**436,039**	**51,145**
B.1 from performing exposures	10,990	355,507	40,593
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	222,622	27,176	6,884
B.4 Contract modifications without derecognition	20	48	-
B.5 other increases	11,308	53,308	3,668
C. Decreases	**617,417**	**497,215**	**44,988**
C.1 to performing exposures	4,044	42,839	3,899
C.2 write-offs	87,708	63,564	8,072
C.3 collections	63,052	115,841	8,801
C.4 profits on disposals	59,998	22,145	-
C.5 losses on disposals	36,210	600	-
C.6 transfers to other categories of non-performing exposures	1,438	231,177	24,068
C.7 Contract modifications without derecognition	503	883	-
C.8 other decreases	364,464	20,166	148
D. Closing gross exposure	**1,486,652**	**1,522,816**	**36,652**
- of which: sold exposures not derecognized	-	-	-

A.1.7bis Prudential consolidation – On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non-performing forborne exposures	Performing forborne exposures
A. Opening gross exposure	**1,535,587**	**634,478**
- of which: sold exposures not derecognized	-	-
B. Increases	**221,753**	**173,572**
B.1 from non-forborne performing exposures	37,528	141,062
B.2 from forborne performing exposures	116,866	X
B.3 from forborne non-performing exposures	X	17,724
B.4 from non-forborne non-performing exposures	-	794
B.5 other increases	67,359	13,992
C. Decreases	**402,452**	**367,790**
C.1 to non-forborne performing exposures	X	194,774
C.2 to forborne performing exposures	17,724	X
C.3 to forborne non-performing exposures	X	116,866
C.4 write-offs	56,964	121
C.5 collections	72,769	38,474
C.6 profits on disposals	49,063	-
B.2 losses on disposal	21,417	-
C.8 other decreases	184,515	17,555
D. Closing gross exposure	**1,354,888**	**440,260**
- of which: sold exposures not derecognized	-	-

A.1.8 Prudential consolidation – On-balance-sheet non-performing exposures to Banks: changes in total adjustments

Reasons/categories	Bad loans		Unlikely to Pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	-	-	611	-	-	-
- of which: sold exposures not derecognized	-	-	-	-	-	-
B. Increases	-	-	170	-	-	-
B.1 impairment losses from purchased or originated credit-impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	-	-	170	-	-	-
B.3 losses on disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contract modifications without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 writebacks from valuations	-	-	-	-	-	-
C.2 recoveries/writebacks from collections	-	-	-	-	-	-
C.3 profits on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Total closing adjustments	-	-	781	-	-	-
- of which: sold exposures not derecognized	-	-	-	-	-	-

A.1.9 Prudential consolidation – On-balance-sheet non-performing 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 total adjustments	**1,256,758**	**362,459**	**566,769**	**332,094**	**3,475**	**64**
- of which: sold exposures not derecognized	-	-	-	-	-	-
B. Increases	**289,865**	**129,284**	**217,530**	**102,287**	**10,887**	**2,599**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	154,792	58,278	176,572	72,364	5,067	705
B.3 losses on disposals	36,210	21,017	600	400	-	-
B.4 transfers from other categories of non-performing exposures	98,496	48,318	3,616	1,136	4,672	1,884
B.5 Contract modifications without derecognition	-	-	-	-	-	-
B.6 other increases	367	1,671	36,742	28,387	1,148	10
C. Decreases	**529,812**	**183,639**	**244,190**	**129,777**	**11,307**	**2,660**
C.1 recoveries on impairment/writebacks	3,056	3,581	14,485	17,156	266	-
C.2 recoveries/writebacks from collections	7,170	930	9,079	4,407	268	-
C.3 profits on disposal	14,871	6,898	1,385	1,244	-	-
C.4 write-offs	86,704	24,020	62,937	29,810	8,068	2,596
C.5 transfers to other categories of non-performing exposures	391	44	103,951	50,944	2,443	64
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	417,620	148,166	52,353	26,216	262	-
D. Total closing adjustments	**1,016,811**	**308,104**	**540,109**	**304,604**	**3,055**	**3**
- of which: sold exposures not derecognized	-	-	-	-	-	-

Item c.7 Other decreases mainly reports, as to derecognized 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 given 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	**440,295**	**3,226,859**	**4,877,898**	**1,788,657**	**163,636**	**17,847**	**58,456,214**	**68,971,406**
- Stage 1	429,850	3,195,891	4,762,637	1,467,077	117,560	9,323	52,799,308	62,781,646
- Stage 2	10,445	30,968	115,261	307,448	42,910	8,145	2,624,324	3,139,501
- Stage 3	-	-	-	14,132	3,166	379	3,032,582	3,050,259
B. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	**3,069,803**	**3,069,803**
- Stage 1	-	-	-	-	-	-	3,069,803	3,069,803
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial assets being divested	-	-	-	-	-	-	-	
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A+B+C)	**440,295**	**3,226,859**	**4,877,898**	**1,788,657**	**163,636**	**17,847**	**61,526,017**	**72,041,209**
of which: POCI	-	-	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees given	**111,749**	**794,399**	**622,388**	**313,205**	**237,268**	**17,279**	**1,773,790**	**3,870,078**
- Stage 1	104,460	793,321	606,132	241,204	228,398	14,327	1,566,945	3,554,787
- Stage 2	7,289	1,078	16,256	69,963	8,830	2,952	116,269	222,637
- Stage 3	-	-	-	2,038	40	-	90,576	92,654
Total D	**111,749**	**794,399**	**622,388**	**313,205**	**237,268**	**17,279**	**1,773,790**	**3,870,078**
Total (A+B+C+D)	**552,044**	**4,021,258**	**5,500,286**	**2,101,862**	**400,904**	**35,126**	**63,299,807**	**75,911,287**

The above breakdown by rating grades refers to measurements made by Cerved Group S.p.A. and DBRS (which are ECAI – External Credit Assessment Institutions – recognized by the Bank of Italy). The "without rating" column reports exposures with counterparties for which ratings given by the two ECAIs are not available, 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 given 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	**28,392,922**	**16,948,478**	**11,638,885**	**4,292,621**	**7,698,500**	**68,971,406**
- Stage 1	28,338,317	16,793,617	10,185,108	172,900	7,291,704	62,781,646
- Stage 2	54,605	154,861	1,453,777	1,069,501	406,757	3,139,501
- Stage 3	-	-	-	3,050,220	39	3,050,259
B. Financial assets measured at fair value through other comprehensive income	**3,069,803**	**-**	**-**	**-**	**-**	**3,069,803**
- Stage 1	3,069,803	-	-	-	-	3,069,803
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
C. Financial assets being divested	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Total (A+B+C)	**31,462,725**	**16,948,478**	**11,638,885**	**4,292,621**	**7,698,500**	**72,041,209**
of which: POCI	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees given	**1,032,482**	**1,114,119**	**1,191,479**	**191,074**	**340,924**	**3,870,078**
- Stage 1	1,032,122	1,103,392	1,144,989	16,610	257,674	3,554,787
- Stage 2	360	10,727	46,490	81,810	83,250	222,637
- Stage 3	-	-	-	92,654	-	92,654
Total (D)	**1,032,482**	**1,114,119**	**1,191,479**	**191,074**	**340,924**	**3,870,078**
Total (A+B+C+D)	**32,495,207**	**18,062,597**	**12,830,364**	**4,483,695**	**8,039,424**	**75,911,287**

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, 74% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 19% falls within the BB+/BB grades and 7% in the B-/D grades.

It is pointed out that 45% of total "without rating" exposures refers to Banks, followed by Financial Institutions accounting for 41%; the remaining portion refers to Mixed Joint Accounts and other types of counterparties that are less material 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

	Gross exposure	Net exposure	Collaterals (1)					Personal guarantees (2)									Total (1)+(2)
								Credit derivatives					Signature loans				
									Other derivatives								
			Real estate - mortgages	Real estate- Loans for leases	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:	961	959	-	-	-	-	-	-	-	-	-	-	659	300	-	959	1,918
1.1 fully secured	961	959	-	-	-	-	-	-	-	-	-	-	659	300	-	959	1,918
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Off-balance-sheet secured exposures:	184,629	184,628	-	-	-	-	-	-	-	-	-	-	181,536	2,490	479	184,505	369,010
2.1 fully secured	182,415	182,414	-	-	-	-	-	-	-	-	-	-	181,536	399	479	182,414	364,828
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	2,214	2,214	-	-	-	-	-	-	-	-	-	-	-	2,091	-	2,091	4,182
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation – On-balance-sheet and off-balance-sheet secured exposures to customers

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Signature loans				
								Other derivatives								
			Real estate - mortgages	Real estate- Loans for 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:	42,062,756	40,784,175	25,113,688	858,777	829,450	1,905,254	-	-	-	-	-	2,632,339	4,724,172	668,821	2,327,692	39,060,193
1.1 fully secured	36,616,800	35,527,778	24,954,305	735,089	798,973	1,188,059	-	-	-	-	-	1,130,440	3,404,331	463,520	2,172,083	34,846,800
- of which non-performing	2,122,214	1,230,548	891,600	63,119	768	17,878	-	-	-	-	-	7,486	5,496	24,084	160,949	1,171,380
1.2 partially secured	5,445,956	5,256,397	159,383	123,688	30,477	717,195	-	-	-	-	-	1,501,899	1,319,841	205,301	155,609	4,213,393
- of which non-performing	269,118	116,150	21,943	30,779	268	8,767	-	-	-	-	-	3,283	188	5,493	15,094	85,815
2 Off-balance-sheet secured exposures:	872,682	775,088	216,419	-	27,934	166,755	-	-	-	-	-	24,233	23,615	32,450	281,980	773,386
2.1 fully secured	693,755	605,679	194,930	-	16,145	142,059	-	-	-	-	-	15,101	10,233	25,425	263,476	667,369
- of which non-performing	47,454	11,010	29,981	-	60	2,686	-	-	-	-	-	289	135	558	6,224	39,933
2.2 partially secured	178,927	169,409	21,489	-	11,789	24,696	-	-	-	-	-	9,132	13,382	7,025	18,504	106,017
- of which non-performing	13,135	9,499	5,603	-	2,031	128	-	-	-	-	-	-	2,765	-	668	11,195

In compliance with Bank of Italy Circular No. 262, 6th update, the “Collaterals” and “Personal Guarantees” columns report the estimated fair value of the collateral/guarantee as at the financial reporting date o, where this information is not available, its contractual value.

It is pointed out that, in compliance with the aforementioned 6th update, both the above values shall not be higher than the book value of secured exposures.

A.4 PRUDENTIAL CONSOLIDATION – FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH THE ENFORCEMENT OF THE RECEIVED GUARANTEES AND COLLATERALS

This item reports property, plant and equipment obtained subsequent to the termination of non-performing finance leases. Specifically, the item reports buildings and land, which were previously granted under finance leases and were returned to the Group subsequent to the termination of the related contracts and for which no credit claim remains towards the contractual obligors

	Exposure written off	Gross value	Total adjustments	Book value	
					o/w obtained in the reporting period
A. Property, plant and equipment:	**34,107**	**34,107**	**5,555**	**28,552**	**-**
A.1. Operating assets	-	-	-	-	-
A.2. Investment property	34,107	34,107	5,555	28,552	-
A.3. Inventories	-	-	-	-	-
B. Equity securities and debt securities	-	-	-	-	-
C. Other assets	-	-	-	-	-
D. Non-current assets held for sale and discontinued operations	-	-	-	-	-
D.1. Property, Plant and Equipment	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31 Dec. 2020	**34,107**	**34,107**	**5,555**	**28,552**	**-**
Total 31 Dec. 2019	**34,107**	**34,107**	**2,237**	**31,870**	**9,378**

B. Breakdown and concentration of exposures

B.1 PRUDENTIAL CONSOLIDATION – BREAKDOWN BY SECTOR OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial 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 exposures										
A.1 Bad loans	-	-	2,074	9,913	3	16	305,334	842,582	162,433	164,316
- of which: forborne exposures	-	-	174	2,390	-	-	117,513	294,568	15,005	11,146
A.2 Unlikely to Pay	1	1	8,627	10,405	-	-	728,666	423,940	245,413	105,763
- of which: forborne exposures	-	-	7,239	9,148	-	-	472,190	258,317	129,971	37,139
A.3 Non-performing past-due exposures	1	-	5	1	-	-	6,043	804	27,548	2,250
- of which: forborne exposures	-	-	-	-	-	-	-	-	5	3
A.4 Performing exposures	11,245,362	14,289	6,071,158	9,150	228,207	55	17,880,851	170,576	24,699,457	112,637
- of which: forborne exposures	-	-	231	10	-	-	276,950	27,505	129,006	6,558
Total A	11,245,364	14,290	6,081,864	29,469	228,210	71	18,920,894	1,437,902	25,134,851	384,966
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	378	-	-	-	70,789	18,279	2,935	273
B.2 Performing exposures	14,439	14	365,819	900	36,967	115	2,587,467	9,205	267,501	3,165
Total B	14,439	14	366,197	900	36,967	115	2,658,256	27,484	270,436	3,438
Total (A+B) 31 Dec. 2020	11,259,803	14,304	6,448,061	30,369	265,177	186	21,579,150	1,465,386	25,405,287	388,404
Total (A+B) 31 Dec. 2019	7,883,093	11,043	5,682,467	34,264	285,123	285	19,959,539	1,674,209	24,027,805	385,493

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.2 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	164,647	308,965	199,768	474,047	64,796	147,880	39,709	80,557
A.2 Unlikely to Pay	309,550	153,962	435,408	253,840	176,838	100,964	60,024	30,257
A.3 Non-performing past-due exposures	9,686	880	10,325	960	6,795	670	6,716	540
A.4 Performing exposures	21,967,856	102,698	16,970,775	121,766	17,887,966	57,546	2,451,523	19,690
Total A	22,451,739	566,505	17,616,276	850,613	18,136,395	307,060	2,557,972	131,044
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	12,919	2,192	53,489	15,553	5,568	675	2,125	132
B.2 Performing exposures	1,129,917	4,976	1,318,738	6,709	590,747	930	91,509	286
Total B	1,142,836	7,168	1,372,227	22,262	596,315	1,605	93,634	418
Total (A+B) 31 Dec. 2020	23,594,575	573,673	18,988,503	872,875	18,732,710	308,665	2,651,606	131,462
Total (A+B) 31 Dec. 2019	21,392,733	644,163	18,505,711	985,679	14,817,687	324,834	2,446,145	141,399

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 BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO BANKS

Exposures/Geographical areas	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Naet exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to Pay	-	-	-	-	-	-	-	-	3,357	781
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	5,834,165	72	2,839,389	62	101,244	-	6,067	2	6,552	3
Total A	5,834,165	72	2,839,389	62	101,244	-	6,067	2	9,909	784
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	407,722	237	1,179,766	19	2,925	-	53,179	4	12,511	5
Total B	407,722	237	1,179,766	19	2,925	-	53,179	4	12,511	5
Total (A+B) 31 Dec. 2020	6,241,887	309	4,019,155	81	104,169	-	59,246	6	22,420	789
Total (A+B) 31 Dec. 2019	5,173,828	1,269	321,790	3,065	453,025	1	49,670	34	25,376	628

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.4 LARGE RISKS

As at 31 December 2020, positions having large exposure features as defined in Circular No. 258/2013 (as updated) were:

- Of a total nominal amount of Euro 34,544,985 thousand;
- Of a total weighted amount of Euro 1,199,143 thousand;
- A total number of risk positions of 5.

C. Securitizations

QUALITATIVE DISCLOSURES

On 3 November 2009 and on 30 January 2012, Crédit Agricole Italia carried out two so-called "internal" securitization transactions transferring receivables deriving from residential 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.

The transactions entailed the transfer by Crédit Agricole Italia of the "*fondiari*" residential mortgage loans to MondoMutui Cariparma Srl (the Bank's special-purpose entity for securitizations); based on the acquired securities, the SPE issued bonds (senior and junior), which were fully subscribed by the Parent Company.

On 1 December 2020, Crédit Agricole Italia Spa divested those asset-backed securities reacquiring the underlying loans, which, as at 30 November 2020 were still held by MondoMutui Cariparma Srl and, concomitantly, the issued bonds were repaid.

D. Asset disposals

A. Financial assets disposed of and not fully derecognized

QUALITATIVE DISCLOSURES

The transactions represented in the table below and carried out in the previous year mainly regarded the use of held securities for repurchase agreement transactions.

QUANTITATIVE DISCLOSURES

D.1 PRUDENTIAL CONSOLIDATION – FINANCIAL ASSETS SOLD AND FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: BOOK VALUE

	Sold financial assets fully recognized				Associated financial liabilities		
	Book value	of which: securitized	of which: subject to sale contracts with repurchase clauses	of which non-performing	Book value	of which: securitized	of which: subject to sale contracts with repurchase clauses
Financial assets held for trading							
1 Debt securities	-	-	-	X	-	-	-
2 Equity securities	-	-	-	X	-	-	-
3 Loans	-	-	-	X	-	-	-
4 Derivatives	-	-	-	X	-	-	-
Other financial assets mandatorily measured at fair value							
1 Debt securities	-	-	-	-	-	-	-
2 Equity securities	-	-	-	X	-	-	-
3 Loans	-	-	-	-	-	-	-
Financial assets designated at fair value							
1 Debt securities	-	-	-	-	-	-	-
2 Loans	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income							
1 Debt securities	-	-	-	-	-	-	-
2 Equity securities	-	-	-	X	-	-	-
3 Loans	-	-	-	-	-	-	-
Financial assets measured at amortized cost							
1 Debt securities	-	-	-	-	-	-	-
2 Loans	-	-	-	-	-	-	-
Total 31 Dec. 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31 Dec. 2019	**418,365**	**-**	**418,365**	**-**	**-**	**-**	**-**

D.4 COVERED BOND PROGRAMME

In order to increase its liquidity reserves, in 2013 Crédit Agricole Cariparma designed its program for the issue of Covered Bonds. These bonds are secured, i.e. “covered” both by the issuing Bank and by a pool of high-quality loans that are “separately” managed by a special-purpose entity (Crédit Agricole Italia OBG S.r.l. – the Special-Purpose Entity dedicated to the Program, of which Crédit Agricole Italia holds 60%), operating as the “depositary of the mortgage loans used as collaterals”. The Programme requires effective organizational control and significant capital strength. It is also emphasized that the above program has no effect on the regulatory risk profile of the disposing Banks (and of the Crédit Agricole Italia Banking Group) and does not generate the obligation for the Banks to derecognize the assets used as collaterals.

In general, the transaction, in accordance with the relevant regulations, consisted in the following activities.

The Banks of the Crédit Agricole Italia Banking Group 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 whose favour the guarantee has been given.

The Banks grant a subordinated loan to Crédit Agricole Italia OBG, to be used to pay the purchase price of the assets by the same Special-Purpose Entity.

Crédit Agricole Italia issues the Covered Bonds and the Special-Purpose Entity issues collateral in favour of the holders of the issued covered bonds.

As a consequence, the repayment of the Covered Bonds that have been issued within the programme is secured by unconditional and irrevocable collateral issued by Crédit Agricole Italia OBG exclusively to the benefit of the Covered Bond subscribers and of unrelated counterparties.

In addition to creating further eligible liquidity reserves with the European Central Bank by issuing internal Covered Bonds, within the programme covered bonds were also placed with external investors.

The programme, which is part of a process for enhancing the efficiency of funding sources, aims at providing the Bank with a wider range of liquidity management instruments.

This decision was made considering that the Covered Bond market allows Crédit Agricole Italia to have access to funding instruments with higher maturity than the securities placed with its Retail customers, to diversify its investor base and to stabilize the cost of funding.

In January 2020, the Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy. In 2020, Crédit Agricole Italia also made another two issues of Covered Bonds, which were then repurchased in April and July, for an amount of Euro 500 million each, in order to create new eligible reserves with the ECB. Furthermore, in July 2020, the Covered Bond issued in 2013 and amounting to Euro 1.2 billion matured.

The cover pool

The loans that, each time, are transferred to the Special-purpose Entity as the cover pool must have some common features.

Since May 2013, several transfers have been made within which receivables, i.e. credit claims, based on mortgage loan contracts were selected and, as at their respective transfer date, had, by way of example and not limited to, the following common features:

- Credit claims based on mortgage loan contracts:
  - Which are residential mortgage loans (i) having a risk-weighting factor not higher than 35% and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property; or
  - Which are mortgage loans originated or purchased by the Crédit Agricole Italia Banking Group;
  - Which are performing with no instalments past due by over 30 days;
  - Which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to 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 period provided for by the contract has fully expired and at least one instalment has matured and has been paid;
  - Which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
  - Which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Specifically, in 2020 two transfers of residential mortgage loans were made:
- On 22 February 2020, the Banks of the Crédit Agricole Italia Banking Group transferred a ninth pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 1.2 billion (of which Euro 1 billion transferred by Crédit Agricole Italia and Euro 0.2 billion by Crédit Agricole FriulAdria).
- On 24 October 2020, the Banks of the Crédit Agricole Italia Banking Group transferred a tenth pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 0.9 billion (of which Euro 0.8 billion transferred by Crédit Agricole Italia and Euro 0.1 billion by Crédit Agricole FriulAdria).

As at 31 December 2020, the Cover Pool consisted of receivables resulting from 127,577 mortgage loans, with a total residual debt, net of any repayments, of approximately Euro 10.6 billion (Euro 8.7 billion transferred by Crédit Agricole Italia and Euro 1.9 billion by Crédit Agricole FriulAdria).

1.2 MARKET RISKS

1.2.1 Interest rate risk and price risk – Supervisory Trading Book

QUALITATIVE DISCLOSURES

A. General aspects

The Crédit Agricole Italia Banking Group does not typically engage in proprietary trading on financial markets, but only in trading operations to meet its customers' needs. Furthermore, the banking entities of the Group are subject to specific regulatory requirements that prohibit any proprietary speculative trading. The applicable legislation consists of the Volcker Rule (Dodd-Frank Wall Street Reform and Consumer Protection Act) and the LBF - "*Loi de séparation et de régulation des activités bancaires*" (French law no. 2013-672)). Therefore, trading activities are ancillary to and aimed at meeting customers' requirements; the entities of the Crédit Agricole Italia Banking Group take only residual risk positions in the trading book.

The trading book of the entities of the Crédit Agricole Italia Banking Group mainly consists of Over-The-Counter derivatives (matched trading) and non-structured financial instruments. In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk of the trading books of the Group's entities, centrally managing financial operations as well as the risk assessment and control activities. The control of market risk on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal system of normative instruments for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:
- The principles, objectives, methodologies and tools used for the measurement, control and management of market risk;
- Guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Crédit Agricole Group, consistently with the guidelines issued by the Parent Company Crédit Agricole S.A.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/structures, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is the body engaged in strategic oversight functions and is therefore responsible for defining market risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, delegating the relevant 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 controlling the perfect back–to-back of the transactions entered by the Capital Market Division on behalf of Customers.
- The Risk Management and Permanent Controls Department is responsible for level 2.2 control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Group Risk Strategy.

The model for market risk management and governance applies to the entire consolidation perimeter.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The risk framework system regarding the trading books of the entities belonging to the Crédit Agricole Italia Banking Group is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Its risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. The limits are set in order to contain any losses within a level that is deemed acceptable for the Crédit Agricole Group as a whole and are defined using common metrics, such as Notional Value, Mark to Market and Value at Risk. As regards limits and thresholds on market risk, the global limits and global alert thresholds are validated by the Group Risk Committee of Crédit Agricole SA (Comité Risques Groupe - CRG) and approved by the Boards of Directors of the entities of the Crédit Agricole Italia Banking Group, whereas the operational limits – which are specific adaptations of the global limits - are adapted to the individual entities of the Crédit Agricole Italia Banking Group and are also validated by their respective Boards of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Financial Risk Report, while continuous compliance is verified with automated daily reporting through an internal procedure. . The Financial Risk Report is sent to the Group's top bodies and officers, to the structures engaged in market risk management, to the Internal Audit Department and to the Group Risk Department (Direction Risques Groupe) of Crédit Agricole S.A. A summary of this report is the basis for quarterly reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), a specific alert procedure is triggered, reporting the event and a remedial action plan to the Top Management Bodies and to the Parent Company Crédit Agricole S.A., depending on the type of breach detected.

Furthermore, the Risk Management and Permanent Controls Department performs Independent Price Verification activities and audits on Prudent Valuation of the financial instruments on the trading book. As regards derivative instruments sold to ordinary instruments, it issues opinions on the pricing methodology, whose models, which are commonly used in financial practices, are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Local “Correspondant Volcker Rule” (the Local Officer in charge of the Volcker Rule)

The Local “Correspondant Volcker Rule” (the Local Officer in charge of the Volcker Rule) for the Crédit Agricole Italia Banking Group is part of the Finance Department and is responsible for ensuring that the Group is always compliant with the Volcker Rule on proprietary trading. He/she has the task of assessing compliance of the activities carried out with the Volcker Rule, interacting with the persons in charge of the Volcker Rule at a central level within Crédit Agricole SA.

Fair Value Option

In 2020, no transactions recognized under “Fair Value Option” were carried out.

QUANTITATIVE DISCLOSURES

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Euro

Type/Residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	-	-	5	-	15	15	1	-
1.1 Debt securities	-	-	5	-	15	15	1	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	5	-	15	15	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2 On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3 Financial Derivatives	**86,994**	**4,698,846**	**3,650,950**	**1,652,674**	**7,114,410**	**873,944**	**65,966**	**-**
3.1 With underlying security	-	2,170	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	2,170	-	-	-	-	-	-
+ long positions	-	1,036	-	-	-	-	-	-
+ short positions	-	1,134	-	-	-	-	-	-
3.2 Without underlying security	86,994	4,696,676	3,650,950	1,652,674	7,114,410	873,944	65,966	-
- Options	34	5,304	10,342	19,873	49,267	6,642	936	-
+ long positions	21	2,652	5,171	9,936	24,631	3,320	468	-
+ short positions	13	2,652	5,171	9,937	24,636	3,322	468	-
- Other derivatives	86,960	4,691,372	3,640,608	1,632,801	7,065,143	867,302	65,030	-
+ long positions	43,480	2,354,289	1,820,436	806,927	3,532,779	433,651	32,515	-
+ short positions	43,480	2,337,083	1,820,172	825,874	3,532,364	433,651	32,515	-

Other currencies

Type/Residual maturity	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2 On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3 Financial Derivatives	**-**	**415,462**	**237,140**	**165,646**	**207,184**	**10,488**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	415,462	237,140	165,646	207,184	10,488	-	-
- Options	-	294	188	352	370	-	-	-
+ long positions	-	147	94	176	185	-	-	-
+ short positions	-	147	94	176	185	-	-	-
- Other derivatives	-	415,168	236,952	165,294	206,814	10,488	-	-
+ long positions	-	208,205	118,476	82,647	103,407	5,244	-	-
+ short positions	-	206,963	118,476	82,647	103,407	5,244	-	-

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 risk

General aspects

Asset & Liability Management activities cover all the items on the banking book, on-balance-sheet and off-balance-sheet. Future fluctuations in interest rates that would impact on profits, through changes in net interest income, and that would also have an effect on the discounted value of its capital, as they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modelling of financial statement items.

Organisational aspects

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, as well as of validating the local operational limits and the local alert thresholds regarding interest rate risk.
- The Risk and Internal Control Committee with the task of examining the outcomes of controls on compliance with the RAF and Risk Strategy limits and alert thresholds, as well as any alert procedures that started.

The CFO is responsible for the management and measurement of interest rate risk for the Group as a whole. Through the Finance Department, the CFO sets the methods for managing interest risk in compliance with the applicable regulations and with the methodological indications provided by the Crédit Agricole Group. The CFO also designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP reports, both the local one and the contribution to the Group's ICAAP exercise.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy.

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

Risk policy and management

The processes for the management of interest rate risk and price risk are governed by the respective risk policies. These documents lay down the internal normative framework for the management of risks with reference to operations in financial instruments, in terms of:

- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- Guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk designed by the Crédit Agricole Italia Banking Group aims at ensuring that the individual legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments to manage risk hedges are derivative contracts, i.e. interest rate options and Interest Rate Swaps.

Control System

Independent level 2.2 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 the system with the internal model of Crédit Agricole S.A. Specifically, within its responsibilities, the Risk Management and Permanent Controls Department::

- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits and alert thresholds set in the Risk Strategy, it triggers the alert procedure, with a specific escalation measure depending on the type of breach detected, and analyzes and approves the action plan proposed by the relevant corporate structures.
- 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 or thresholds, problems arisen and compliance with the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for level 2.2. control on compliance with the set limits; therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate

Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures.

On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of all the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: Methodological Aspects

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the “modeling” of other balance sheet items that, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group. Specifically, for interest rate risk analysis, the following elements are identified:
- Term loans (fixed and variable rate for the portion with an already established rate);
- Balance-sheet items modelled in accordance with Crédit Agricole S.A. guidelines;
- Balance-sheet items modelled in accordance with specific management rules set by the relevant corporate structures of Crédit Agricole Italia (local models).

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held, which are expressed with reference to indicators, such as the balance sheet notional value and fair value, along with the outcomes of the management for stress testis on the relevant perimeter.

EMIR – Developments in the management of regulatory requirements

Applying to derivative financial instruments, on 28 May 2019 Regulation (EU) 2019/834 (also called EMIR REFIT) amending Regulation (EU) No 648/2012 (EMIR) as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories was published on the Official Journal of the European Union.

Without claiming to be exhaustive, this section outlines some significant new developments introduced by EMIR REFIT, which entered into force on 17 June 2019.

Definition of Financial Counterparty: the definition of Financial Counterparty has been amended in order for it to include the counterparties that might pose an important systemic risk for the financial system.

Clearing obligation: Article 4 of EMIR laying down the clearing obligation has been amended in order to take into account the new criteria introduced by EMIR REFIT, according to which a Financial Counterparty (FC) or a Non-financial Counterparty (NFC) is subject to the clearing obligation (see Art. 4-bis for FC and Art. 10 for NFC of EMIR as amended by EMIR REFIT); specifically, FCs and NFCs taking OTC derivative positions are subject to the clearing obligation i) where they choose not to calculate their positions against the clearing thresholds or ii) where the result of that calculation exceeds specific clearing thresholds (previously these thresholds applied to NFCs only); furthermore, the counterparties that, based on the above, are subject to clearing obligation, immediately notify ESMA and the relevant National Competent Authority thereof and shall establish clearing arrangements within four months after the notification, whereby they can clear derivative contracts entered into or novated more than four months following the notification (pertaining to any class of OTC derivatives which is subject to the clearing obligation).

Reporting obligation: EMIR REFIT has removed the so-called backloading requirement, i.e. the obligation to report historic trades no longer outstanding on the date of entry into force of the obligation to report to the Trade Repositories but all the same subject to EMIR.

Another important new provision introduced by EMIR REFIT, which shall enter into force on 18 June 2020, is the exclusive responsibility and liability of Financial Counterparties for reporting, on behalf of both counterparties, the data of the OTC derivative contracts signed with a Non-Financial Counterparty below the clearing threshold (NFC-).

QUANTITATIVE DISCLOSURES

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Euro

Type/Residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 year to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	**12,483,292**	**29,369,282**	**1,844,305**	**1,812,687**	**12,693,065**	**5,513,137**	**5,716,075**	**143,261**
1.1 Debt securities	-	-	86,201	445,115	8,070,268	2,236,587	-	143,261
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	86,201	445,115	8,070,268	2,236,587	-	143,261
1.2 Loans to banks	405,963	8,141,227	5,952	35,279	947	-	-	-
1.3 Loans to customers	12,077,329	21,228,055	1,752,152	1,332,293	4,621,850	3,276,550	5,716,075	-
- c/a	881,169	269,958	33,905	88,560	88,544	11,884	591,557	-
- other loans	11,196,160	20,958,097	1,718,247	1,243,733	4,533,306	3,264,666	5,124,518	-
- with early repayment option	1,845	411,414	221,232	32,817	59,145	10,677	15,225	-
- other	11,194,315	20,546,683	1,497,015	1,210,916	4,474,161	3,253,989	5,109,293	-
2 On-balance-sheet liabilities	**41,964,852**	**2,046,877**	**463,618**	**188,825**	**13,496,086**	**2,824,686**	**4,432,271**	**-**
2.1 Due to customers	41,425,835	24,364	10,018	19,538	110,637	69,914	2,438,611	-
- c/a	40,928,457	542	-	-	-	-	2,431,743	-
- other due and payables	497,378	23,822	10,018	19,538	110,637	69,914	6,868	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	497,378	23,822	10,018	19,538	110,637	69,914	6,868	-
2.2 Due to banks	537,205	1,054,307	291,126	35	9,434,632	-	-	-
- c/a	5,879	-	-	-	-	-	-	-
- other due and payables	531,326	1,054,307	291,126	35	9,434,632	-	-	-
2.3 Debt securities	1,812	968,206	162,474	169,252	3,950,817	2,754,772	1,993,660	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,812	968,206	162,474	169,252	3,950,817	2,754,772	1,993,660	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial Derivatives	**410,027**	**27,565,207**	**182,194**	**2,263,091**	**14,569,845**	**7,799,997**	**2,547,163**	**267**
3.1 With underlying security	-	757,555	-	-	-	-	-	267
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	757,555	-	-	-	-	-	267
+ long positions	-	757,555	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	267
3.2 Without underlying security	410,027	26,807,652	182,194	2,263,091	14,569,845	7,799,997	2,547,163	-
- Options	270,027	9,309	160	312	2,167	13,945	312,046	-
+ long positions	135,027	2,355	80	155	1,081	7,336	157,949	-
+ short positions	135,000	6,954	80	157	1,086	6,609	154,097	-
- Other derivatives	140,000	26,798,343	182,034	2,262,779	14,567,678	7,786,052	2,235,117	-
+ long positions	70,000	8,534,908	180,917	1,885,476	8,329,700	5,960,000	2,025,000	-
+ short positions	70,000	18,263,435	1,117	377,303	6,237,978	1,826,052	210,117	-
4 Other off-balance-sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Other currencies

Type/Residual maturity	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	**59,944**	**227,941**	**24,146**	**11,112**	**13,624**	**9,750**	**22,424**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	45,184	151,898	1,148	-	-	-	-	-
1.3 Loans to customers	14,760	76,043	22,998	11,112	13,624	9,750	22,424	-
- c/a	14,456	1	-	1	-	-	22,422	-
- other loans	304	76,042	22,998	11,111	13,624	9,750	2	-
- with early repayment option	59	10,672	1,016	1,237	-	-	-	-
- other	245	65,370	21,982	9,874	13,624	9,750	2	-
2 On-balance-sheet liabilities	**323,256**	**42,564**	**15,002**	**108**	**-**	**-**	**-**	**-**
2.1 Due to customers	316,577	652	-	108	-	-	-	-
- c/a	316,291	652	-	108	-	-	-	-
- other due and payables	286	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	286	-	-	-	-	-	-	-
2.2 Due to banks	6,679	41,912	15,002	-	-	-	-	-
- c/a	6,679	-	-	-	-	-	-	-
- other due and payables	-	41,912	15,002	-	-	-	-	-
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	59,866	74,409	7,473	-	-	-	-	-
+ long positions	59,866	10,941	67	-	-	-	-	-
+ short positions	-	63,468	7,406	-	-	-	-	-

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 governed by the relevant risk policy, which is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A..

Within the process for foreign exchange risk management, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be fully aware of the Bank's level of exposure.. Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of exchange rate risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for level 2.2 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 S.A. Group. The 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 open foreign currency position (in absolute value) for each currency 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. That limit takes into account the foreign currency position of both CA Italia and of CA FriulAdria at a consolidated level; following every transaction made by CA FriulAdria, the subsequent risk position is automatically immunized through the transaction reversal with the Parent Company CA Italia, which, therefore, centrally manages foreign exchange risk for the whole Group.

Control System

The monitoring of the limits, which is carried out on a daily basis, is a task assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the structures engaged in foreign exchange risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (Direction Risques Groupe).

A summary of this report is the basis for quarterly reporting on foreign exchange risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are material changes in markets, material losses, etc.), the Group triggers the alert procedure in force, reporting the event and the related remedial action plan to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A., depending on the type of breach.

Foreign exchange risk hedging

Foreign exchange risk 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, are traded upon the closing of the relevant transactions with Customers and entered in the relevant procesures within the business day.

QUANTITATIVE DISCLOSURES

Breakdown by currency of assets and liabilities and derivatives

Items	Currencies					
	USD	GBP	JPY	CAD	CHF	Other currencies
A. Financial Assets	**292,215**	**37,039**	**5,593**	**4,226**	**14,070**	**15,844**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	149,657	23,611	5,059	3,628	3,073	13,202
A.4 Loans to customers	142,558	13,428	534	598	10,997	2,642
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**10,996**	**1,038**	**287**	**246**	**852**	**1,178**
C. Financial Liabilities	302,418	37,618	5,904	3,914	14,479	16,594
C.1 Due to banks	37,263	12,507	-	-	6,478	7,341
C.2 Due to customers	265,155	25,111	5,904	3,914	8,001	9,253
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**3,337**	**319**	**-**	**461**	**110**	**131**
E. Financial derivatives	**684,027**	**52,779**	**64**	**4,428**	**35,964**	**123,599**
- Options	830	322	56	-	-	-
+ long positions	415	161	28	-	-	-
+ short positions	415	161	28	-	-	-
- Other derivatives	683,197	52,457	8	4,428	35,964	123,599
+ long positions	342,195	26,316	-	2,157	17,994	61,785
+ short positions	341,002	26,141	8	2,271	17,970	61,814
Total assets	**645,821**	**64,554**	**5,908**	**6,629**	**32,916**	**78,807**
Total liabilities	**647,172**	**64,239**	**5,940**	**6,646**	**32,559**	**78,539**
Mismatch (+/-)	**(1,351)**	**315**	**(32)**	**(17)**	**357**	**268**

1.3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 Derivative instruments held for trading

A. Financial Derivatives

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: CLOSING NOTIONAL VALUES

Underlying assets/Type of derivatives	Total 31.12.2020				Total 31.12.2019			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1 Debt securities and interest rates	**-**	**5,274,384**	**5,261,584**	**-**	**-**	**4,381,040**	**4,365,104**	**-**
a) Options	-	996,994	992,289	-	-	1,050,155	1,046,480	-
b) Swaps	-	4,277,390	4,269,295	-	-	3,330,885	3,318,624	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2 Equity securities and equity indices	**-**	**-**	**218**	**-**	**-**	**-**	**224**	**-**
a) Options	-	-	218	-	-	-	224	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3 Foreign exchange and gold	**-**	**460,184**	**509,405**	**-**	**-**	**387,290**	**446,867**	**-**
a) Options	-	61,283	61,283	-	-	52,943	52,943	-
b) Swaps	-	56,097	56,097	-	-	37,746	37,746	-
c) Forwards	-	342,804	392,025	-	-	296,601	356,178	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4 Commodities	-	-	-	-	-	5,896	5,912	-
5 Other underlying assets	-	-	-	-	-	-	-	-
Total	**-**	**5,734,568**	**5,771,207**	**-**	**-**	**4,774,226**	**4,818,107**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN

Underlying assets/Type of derivatives	Total 31.12.2020				Total 31.12.2019			
	Over the counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1 Positive fair value								
a) Options	-	458	3,589	-	-	760	2,425	-
b) Interest rate swaps	-	-	80,351	-	-	209	64,991	-
c) Cross currency swaps	-	-	260	-	-	-	252	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2,972	7,283	-	-	1,272	3,000	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	225	-	-	-	506	-	-
Total	**-**	**3,655**	**91,483**	**-**	**-**	**2,747**	**70,668**	**-**
2 Negative fair value								
a) Options	-	2,976	411	-	-	1,621	688	-
b) Interest rate swaps	-	93,516	-	-	-	74,409	331	-
c) Cross currency swaps	-	263	-	-	-	258	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	6,571	3,515	-	-	2,472	1,713	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	217	-	-	-	488	-
Total	**-**	**103,326**	**4,143**	**-**	**-**	**78,760**	**3,220**	**-**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	271,829	4,989,708
- positive fair value	X	-	2,979	78,149
- negative fair value	X	-	-	394
2) Equity securities and equity indices				
- notional value	X	218	-	-
- positive fair value	X	640	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	31,498	15,239	462,668
- positive fair value	X	258	226	9,231
- negative fair value	X	533	-	3,216
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	-	5,271,668	2,716	-
- gross positive fair value	-	441	-	-
- gross negative fair value	-	94,267	43	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	460,186	-	-
- gross positive fair value	-	3,214	-	-
- gross negative fair value	-	9,016	-	-
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 TRADING: 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	2,799,567	6,249,418	1,486,981	10,535,921
A.2 Financial derivatives on equity securities and equity indices	218	-	-	218
A.3. Financial derivatives on foreign exchange rates and gold	819,169	150,422	-	969,591
A.4 Financial derivatives on other values	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2020	**3,618,954**	**6,399,840**	**1,486,981**	**11,505,775**
Total 31 Dec. 2019	**4,190,704**	**4,543,666**	**857,963**	**9,592,333**

1.3.2 Accounting hedges

QUALITATIVE DISCLOSURES

A. Fair value hedging

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

The main financial instruments for the management of interest risk hedges are Interest Rate Swaps, which, for their very nature, are contracts referring to “pure” interest rate risk.

Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with optional components to Customers (macro-hedging), government securities (micro- hedging), current accounts and fixed-rate mortgage loans in the macro-hedging portfolio.

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

B. Cash flow hedging

In 2020, no Cash Flow Hedge transactions were carried out.

C. 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 and fixed-rate mortgage loans to Customers);
- 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.

D. 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 1M, 3M or 6M Euribor +/- spread.

The spread on the variable-rate leg of the IRS is included in the hedging relationship, inverting its sign, as “spread adjustment” of the hedged item (debenture loan rate +/- spread adjustment). In this way, based on the assumption that the two legs of the IRS, on the trading date, have the same value and knowing that an IRS contract hedges interest rate risk only, the value of the “hedged item” referring to every debenture loan can be determined, or the only part of the debenture loan interest rate referring to the hedged risk (interest rate risk).

Hedging of Securities recognized as Assets (fixed rate):

The hedged item is limited to portion referring to interest rate risk. Hedging is done with IRSs in which the variable-rate leg is determined as 3M Euribor and the fixed-rate leg equalizes the swap market rate with maturity equal to the security maturity.

Hedging of the fixed-rate part of Retail Current Accounts recognized 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 3M Euribor. 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.

Hedging of fixed-rate mortgage loans

The hedged item is limited to portion referring to interest rate risk and is an aggregate of mortgage loans homogeneous in terms of original duration (within the set time bracket) and interest settlement frequency. Once having defined the financial characteristics of the item to be hedged for interest rate risk, it is hedge “at par”, i.e. with the swap market rate on the IRS fixed-rate leg, equal to the meta mortgage loan maturity, which, on the trade date, equalizes the value of 3M Euribor applied to the variable-rate leg.

QUANTITATIVE DISCLOSURES

A. Financial Derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING CLOSING NOTIONAL VALUES

Type of derivatives	Total 31.12.2020				Total 31.12.2019			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1 Debt securities and interest rates	-	29,709,217	757,555	-	-	27,186,576	-	-
a) Options	-	2,723,216	-	-	-	2,964,726	-	-
b) Swaps	-	26,986,001	-	-	-	24,221,850	-	-
c) Forwards	-	-	757,555	-	-	-	-	-
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	-	29,709,217	757,555	-	-	27,186,576	-	-

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 31.12.2020				Total 31.12.2019					
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets	Total 31.12.2020	Total 31.12.2019
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
1 Positive fair value										
a) Options	-	1,714	-	-	-	28,091	-	-	1,714	28,091
b) Interest rate swaps	-	1,024,777	-	-	-	731,725	-	-	1,024,777	731,725
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	111	-	-	-	-	-	111	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,026,491**	**111**	**-**	**-**	**759,816**	**-**	**-**	**1,026,602**	**759,816**
2 Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	786,242	-	-	-	509,731	-	-	786,242	509,731
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	388	-	-	-	-	-	388	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**786,242**	**388**	**-**	**-**	**509,731**	**-**	**-**	**786,630**	**509,731**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

	Central Counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	757,555	-	-
- positive fair value	X	111	-	-
- negative fair value	X	388	-	-
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	-	29,709,217	-	-
- gross positive fair value	-	1,026,491	-	-
- gross negative fair value	-	786,242	-	-
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	3,154,710	14,567,678	12,744,384	30,466,772
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3. Financial Derivatives on exchange rates and gold	-	-	-	-
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31 Dec. 2020	**3,154,710**	**14,567,678**	**12,744,384**	**30,466,772**
Total 31 Dec. 2019	**4,092,351**	**10,794,370**	**12,299,855**	**27,186,576**

D. Hedged items

D.1 FAIR VALUE HEDGING

	Micro-hedges:book value	Micro-hedges – net positions: book value of assets or liabilities (before netting)	Micro-hedges			Micro-hedges:book value
			Cumulative Fair value changes in the hedged item	Termination of hedging: Residual cumulative fair value changes	Change in value used to assess hedge ineffectiveness:	
A. Assets						
1 Financial assets measured at fair value through other comprehensive income - hedging of:						
1.1 Debt securities and interest rates	2,964,147	-	67,789	-	-	X
1.2 Equity securities and equity indices	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2 Financial assets measured at amortized cost – hedging of:						
1.1 Debt securities and interest rates	6,670,178	-	155,595	-	-	X
1.2 Equity securities and equity indices	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	24,829	-	4,162	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31 Dec. 2020	**9,659,154**	**-**	**227,546**	**-**	**-**	**-**
Total 31 Dec. 2019	**4,715,555**	**-**	**201,427**	**972**	**-**	**-**
B. Liabilities						
1 Financial liabilities measured at amortized cost - hedging of:						
1.1 Debt securities and interest rates	8,975,830	-	529,331	-	-	X
1.2 Foreign exchange and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31 Dec. 2020	**8,975,830**	**-**	**529,331**	**-**	**-**	**-**
Total 31 Dec. 2019	**7,579,676**	**-**	**259,527**	**431**	**-**	**-**

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	-	35,742,494	274,544	4,989,708
- positive fair value	-	1,027,067	2,979	78,149
- negative fair value	-	880,921	43	394
2) Equity securities and equity indices				
- notional value	27	182	-	-
- positive fair value	74	492	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	186,951	330,603	15,239	462,668
- positive fair value	1,727	2,153	226	9,231
- negative fair value	3,012	6,945	-	3,216
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
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

Covid-19 – Impacts on liquidity risk

Having regard to liquidity risk, since the very beginning, the Crédit Agricole Italia Banking Group has deployed all necessary measures to optimize liquidity management, keeping a strong position that can rely on the availability of large buffers and on highly stable funding.

In 2020, the monetary policy implemented by the European Central Bank and the measures deployed by the Italian Government to support lending to the categories that were the hardest hit by the pandemic were able to mitigate the potential worsening in liquidity conditions.

In the reporting year, the effects of the Covid-19 epidemic drove the European Central Bank to extend its TLTRO-III programme and to improve the conditions for that source of funding.

Based on these elements, the Group's available liquidity buffers have been deemed adequate to meet present and forward-looking requirements.

The table below reports the LCR of the Crédit Agricole Italia Banking Group as at 31 December 2020 and the estimated LCR figures at the end of 2021, 2022 and 2023 based on the macroeconomic scenario provided by the Parent Company Crédit Agricole S.A.. Said scenario envisages interest rates continuing very low also in 2021 and the epidemic persisting in H1 2021 with «stop-and-go» restrictive measures, and recovery in H2 linked to vaccination.

Liquidity	2020	2021 BDG	2022	2023
LCR (%)	242%	223%	230%	134%

The Group's LCR remains well above the minimum regulatory requirement throughout the Business plan duration.

QUALITATIVE AND QUANTITATIVE DISCLOSURES

A. General aspects, management and measurement of liquidity risk

General and organisational aspects

Liquidity risk reflects the possibility that the Group may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial position. This risk is managed based on the following components:
- Management of short-term liquidity: its objective is to ensure the balance between 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.

The model provides for the governance and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Cariparma, which is also responsible for the funding process of all the entities of the Group. This framework is defined as the "Liquidity System".

The model lays down the responsibilities of the Corporate Bodies and Functions Holders involved, specifically:
- The Board of Directors, the body in charge of strategic oversight, is responsible for defining governance policies, the organizational structure and management processes. Specifically, it approves measurement methods, risk tolerance thresholds and the limits system, the assumptions at the basis of stress tests and the Contingency Funding Plan (CFP or *Plan d'Urgence*).
- The CFO, through the Finance Department, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on the Group's liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions set by the ALM Committee, the Risk and Internal Control Committee, the RAF and the Risk Strategy;
- The Risk Management and Permanent Controls Department is responsible for the permanent controls framework, verifies 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 and 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 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, surplus 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 at a planned pace (monitoring the performance of liquidity used in loans to customers/from customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT - Limite Court Terme), which is fine-tuned in accordance with the guidelines given by the Parent Company Crédit Agricole S.A., aimed at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in the Group's normal 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 daily 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). The 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.

As at 31 December 2020, the Liquidity Coverage Ratio (LCR) of the Crédit Agricole Italia Banking Group was 242%, once again firmly above the set compliance requirements.

Global alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios Position en Resources Stable (PRS – Stable Resources Position) and Coefficient en Resources Stable (CRS – Stable Resources Ratio). They aim at ensuring 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 medium/long-term maturities (*Concentration des échéances* MLT) has also been set, which aims at ensuring balance between maturities of MLT resources and 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 global 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.

In March 2019, the Parent Company Crédit Agricole Italia issued Covered Bonds for a total of Euro 1,500 million (of which CB for Euro 750 million placed with institutional investors and CB Euro 750 million retained).

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

With these transactions, the Group aims at improving its liquidity profile diversifying financing sources and stabilizing them on longer maturities.

Crédit Agricole FriulAdria participated in the cover pool transferring credit claims from mortgage loans and obtained its share of M/L term liquidity.

Furthermore, within the ECB Targeted Longer-Term Refinancing Operations,(TLTRO) programme, between March and September 2020, the Parent Company Crédit Agricole Italia participated in TLTRO-III.

Lastly, 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 its 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 verifying compliance with the set limits; therefore it prepares its own Financial Risk Report on a monthly basis and sends it to relevant corporate bodies, informing them of the control outcomes and of any breaches of the limits or alert thresholds and, in case any limits or thresholds are breached, it asks the Finance Department for a recovery plan. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to Crédit Agricole Italia Boards of Directors. Lastly, in case any limits are breached, the Risk Management and Permanent Controls Department shall inform, through the Alert Procedure in force, the relevant Top Bodies of the Group and the relevant structures of Crédit Agricole SA., depending on the type of breach detected. Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios/indicators provided for in the Contingency Funding Plan (CFP).

The CFP of the Crédit Agricole Italia Banking Group is approved by the Board of Directors of the Parent Company Crédit Agricole Italia and applies to all the legal entities within the liquidity risk monitoring perimeter.

DISCLOSURE

The document "Disclosure" (Basel III Third Pillar) referring to 31 December 2020 is published on the Group's website https://gruppo.credit-agricole.it/bilanci-Italia.

It is pointed out that the Crédit Agricole Italia Banking Group is controlled by a parent company based in the EU and, therefore, the conditions laid down in Part One, Title II, Chapter 2, Article 13, Paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) on "Application of disclosure requirements on a consolidated basis" are met.

QUANTITATIVE DISCLOSURES

1. Breakdown of financial assets and liabilities by residual contract maturity

Euro

Items/Time brackets	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets										
A.1 Government securities	25	-	2,248	-	55,537	106,657	470,425	7,434,300	2,070,711	-
A.2 Other debt securities	5	-	-	-	60	-	9,313	23,410	1,669	135,246
A.3 Units of collective investment undertakings	32,136	-	-	-	-	-	-	-	-	-
A.4 Loans	2,434,106	103,942	220,027	706,846	1,326,815	1,930,696	4,024,410	19,622,828	20,871,091	8,130,811
- banks	308,744	361	178	1,329	8,560	56,003	34,888	50,953	-	8,130,811
- customers	2,125,362	103,581	219,849	705,517	1,318,255	1,874,693	3,989,522	19,571,875	20,871,091	-
On-balance-sheet liabilities										
B.1 Deposits and current accounts	44,148,181	-	-	270	5,203	401	12,542	-	-	-
- banks	530,690	-	-	-	-	-	-	-	-	-
- customers	43,617,491	-	-	270	5,203	401	12,542	-	-	-
B.2 Debt securities	188,498	2,874	25,241	30,201	122,457	165,193	187,592	4,571,722	4,970,000	-
B.3 Other liabilities	229,215	-	4,438	7,243	24,438	38,935	99,103	9,971,910	926,067	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	47,895	594,363	223,269	91,913	103,860	83,038	60,645	100	300
- short positions	-	28,494	34,574	46,266	91,950	103,585	83,052	674,048	116,100	300
C.2 Financial derivatives without exchange of principal										
- long positions	89,758	26	14,083	18,171	55,221	34,887	124,419	137,274	-	-
- short positions	101,593	39	48	-	41,178	10,585	62,831	-	135,000	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Other currencies

Items/Timeframe	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	93,362	110,355	20,727	45,993	48,898	16,280	4,249	14,329	14,315	-
- banks	45,196	109,320	5,754	36,674	154	1,151	-	-	-	-
- customers	48,166	1,035	14,973	9,319	48,744	15,129	4,249	14,329	14,315	-
On-balance-sheet liabilities										
B.1 Deposits and current accounts	322,970	11,763	7,049	2,398	21,373	15,013	119	-	-	-
- banks	6,679	11,763	7,049	2,398	20,713	15,013	-	-	-	-
- customers	316,291	-	-	-	660	-	119	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	286	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	26,758	33,432	45,250	89,498	102,356	84,241	56,891	-	-
- short positions	-	25,516	33,433	45,250	89,498	102,356	84,241	56,891	-	-
C.2 Financial derivatives without exchange of principal										
- long positions	408	-	-	-	-	-	-	-	-	-
- short positions	409	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	8,964	-	-	-	-	-	-	-	-
- short positions	-	-	793	765	-	7,406	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	59,866	-	-	517	1,460	67	-	-	-	-
- short positions	-	61,910	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

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 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 regulatory 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 said controls within the company perimeter.

Macro-organisational aspects

Governance of the Group operational risks is the responsibility of the Risk Management and Permanent Controls Department of Crédit Agricole Cariparma, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole S.A., and reports on a solid line to the latter.

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

In compliance with the supervisory regulations, the Group has formalized the roles and responsibilities of the corporate bodies and structures involved in the management of operational risks.

The governance model provides for:
- A centralized strategy for the control of operational risks;
- Close connections with the activities for permanent controls;
- Synergies with the Compliance 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:
- Operational Risk Manager (ORM or with the Italian acronym: MRO);
- Control on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE) and on Physical Security;
- PRSI (*Pilote des Risques* SI), in charge of monitoring and control of IT risks on the Information System and on the Business Continuity Plan (BCP or with the Italian acronym PCO);

- Chief Information Security Officer (CISO), who is responsible for the security of corporate information;
- Information Security Manager (ISM): who is responsible for the implementation and management of the Information System operational security;
- Business Continuity Manager (BCM), who is responsible for the Group's Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Structures, systems and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  – The Risk and Internal Control Committee;
  – Interfunctional Unit for the Provision of Outsourced Critical and Important Functions (CIF or with the Italian acronym: FEI)
  – The BCP (Business Continuity Plan) Interfunctional Unit;
  – The Supervisory Committee on IT Security and on BCP of the Parent Company CA.sa (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 and increase in control points;
- Verification of actual implementation of controls;
- Verification of correct exercise of mitigation actions;
- information and reporting.

In the above phases, the following processes are also applied:
- Loss data collection (recording, classification and processing of loss data);
- Risk self-assessment ((self-assessment of the exposure to operational risks relating to the specific structures engaged in operational functions and the relevant processes);
- Direct involvement of corporate structures in collective assessment work groups (CIF, improvement, ...).

Each one of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's normative instruments, 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 on a yearly basis (Risk Self-Assessment") aimed at designing an annual Action Plan containing all the initiatives that the owners of the various corporate processes have identified as required in order to mitigate the detected operational risks operational risks; the Action Plan is then submitted to the Board of Directors for approval;
- 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 framework for controlling and monitoring outsourced critical and important functions (CIF):
- Implementation of the framework for controlling and monitoring:
  – Physical security;
  – Business Continuity (BCP);
- Implementation of the function for 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 polices 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 CA.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 Critical and Important Functions (CIF);
- Perform controls and specific analyses on the insurance policies underwritten by the Providers of Outsourced Important Operational Functions (FEI), in order to assess their adequacy to the risks associated with the outsourced essential services.

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control Committee, composed of the main Corporate Function holders, which is responsible for:
- Approving guidelines and action plans on Operational Risks;
- Acknowledging the Loss Data Collection (LDC) outcomes;
- Monitoring control activities and outcomes, as well as periodically validating the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group;
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (*Pilote des Risques* SI) and by the CISO (Chief Information Security Officer) .
- Assessing the dossiers for the outsourcing of critical and important operational functions (CIF or with the Italian acronym FEII) for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

Loss data

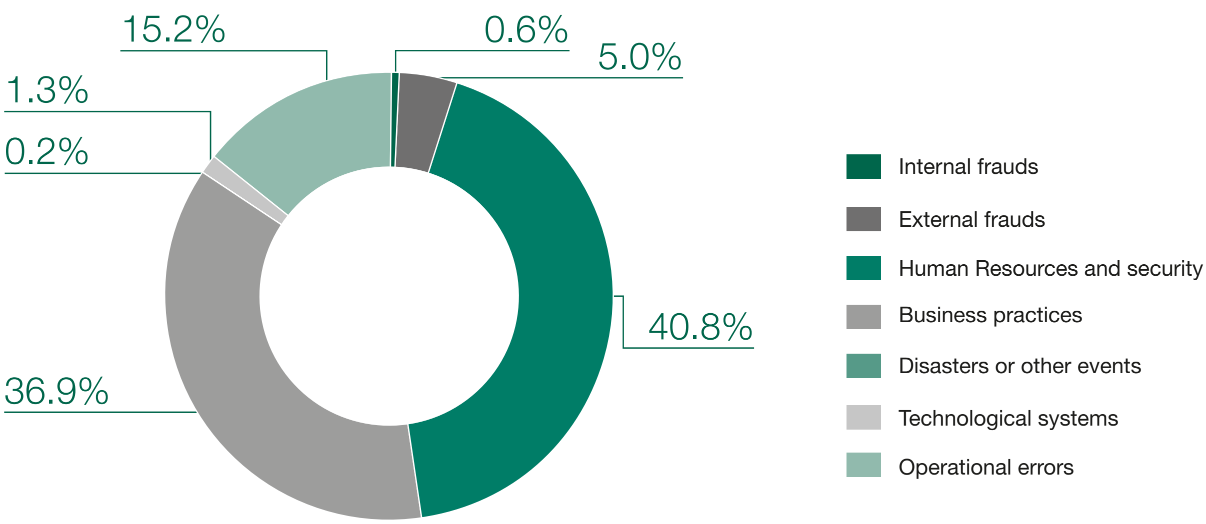
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is given below:
- Internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- External frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- 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 Vendors.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has adopted an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A.

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognized in 2020 is given below. Any so-called "boundary losses" have been excluded.



Information and Communication Technology (ICT) Risk

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the "risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT) [...]. In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks".

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group implements and develops the key concepts of the "MESARI Risk Analysis Methodology" of the Parent Company Crédit Agricole S.A., supplementing it, to achieve an overall representation of its risk position, with:

- The definition of the risk taxonomy of the information system;
- The outcomes of the Risk Self-Assessment Process;
- The outcomes of the process for collection of Operational Losses data;
- The outcomes of the Permanent Controls framework;
- Continuous information flows on the main processes/events concerning the Information System and Information System Security, with specific reference to incident management.

The ICT Risk governance stricture meets the requirements in terms of roles and responsibilities; in 2020 the activities to comply with regulatory requirements and expectations were completed, specifically PSD2 (Guidelines on Operational e Security Measures, RTS on SCA & CSC for the e-money and Major Incidents components) and Bank of Italy Circular no. 285 (July 2019 update) and with Group standards; said activities resulted in a structured framework for the governance of the ICT risks the Group is exposed to.

Furthermore, the actions deployed in 2020 to manage the Covid-19 pandemic entailed a large increase in work from home (smartworking), as well as in digitalization and remotization of contact and sale processes with Customers; safety and risk control measures were concomitantly upgraded to meet the changed operational needs, which caused strong pressure on the availability and security of the Group's information system.

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 Structure 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 for the Information Security System scope;
- The Head of the Information Systems Department of Crédit Agricole Group Solutions (CIO, Chief Information Officer) for the Information System scope (other risk not security-related).

Business Continuity Plan (Italian acronym: PCO)

In 2020, 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 2020, the main activities were:

- Continuing the implementation of the Crisis Management Organizational Model (CMOM): specifically, to manage the health emergency, a Covid-19 Task Force was set as the Crisis Management Operational Unit and as the Surveillance Team, with the Person in Charge of Physical Security and Occupational Safety, the Occupational Physician and the HR Department sitting on it; the Covid-19 Task Force reports to the Group Top Management on a weekly basis. The exceptional duration of the emergency required that the protections solutions envisaged by the Continuity Plan scenarios be adapted in order to ensure the survival of operational processes in the medium term,
- Full deployment of the initiatives concerning supervisory regulations (Bank of Italy Circular 285/2013) as regards the technical and organizational changes made within the Group, especially with the Chief Information Security Officer (CISO) being vested also with the role of Business Continuity Manager for the Group;
- Periodic testing and certification exercises on the solutions for information system recovery and on critical processes in the business continuity scope;
- Adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Critical and Important Functions (CIF), starting the activity also on NON-CIF vendors involved in critical processes;
- The updating of the Business impact analysis (BIA);
- The updating of contingency Operational Plans (back-up solutions to be triggered in case of crisis);
- Comparison to third-party solutions (e.g. EBA), participating in the simulations of such solutions; The reliability of the business continuity plan was favourably verified by the departments and divisions engaged in control functions.

Critical or Important Functions (CIF or FEI, called PSEE – Provisions of Outsourced Essential Services - by Crédit Agricole S.A.)

The FEI/PSEE Control function, performed by a unit that is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, governs the system of controls on compliance of the process implemented for outsourced critical and important functions; it is also responsible for specific matters in the definition of risk monitoring controls and provides management and methodological support, especially on risk assessment. The FEI/PSEE control function chairs and steers the Interfunctional Unit for the Provision of Outsourced Essential Services/Outsourced Important Operational Functions (Italian acronyms: PSEE/FEI).

Within the Organization Department, the **Outsourcing Process Manager** role was set up as the single point of contract of the Crédit Agricole Italia Banking Group for interaction with the Supervisory Authority about outsourcing; the Outsourcing Process Manager is also responsible for coordinating the end-to-end process for outsourcing functions/bringing them back in house.

In 2020, the most important actions concerned:
- The update of the “Policy on the Outsourcing of Corporate Functions” implementing the latest regulatory expectations introduced by the European Banking Authority in its “Guidelines on outsourcing arrangements” as well as
- The recent internal normative instruments issued by Crédit Agricole SA (Politique générale d’externalisation du Groupe Crédit Agricole and Stratégie générale d’externalisation du Groupe Crédit Agricole),
- 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 and the analysis of the associated risks;
- The review and upgrading -by the Unit responsible for control on outsourced critical and important functions - of the monitoring tools it uses to perform its tasks;
- The review and update of the tools used to assess risks associated with outsourcing;
- The preparation of the Register of Outsourcing Arrangements as a tool for the governance and management of information concerning all outsourcing arrangements in force, with different level of detail for critical and important functions;
- The start of the project to ensure compliance of the outsourcing arrangements with the new requirements laid down by Circular. 285/13 transposing the EBA Guidelines;
- General monitoring on and actions to increase the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific “*tableau de bord*”, managed by the CIFI/PSEE control unit;
  - Regular updating of the permanent controls plan;
  - Systematic performance of specific activities (e.g. “risk assessment”, participation in work groups).

The most important results concerned the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Critical and Important Functions (FEI).

PART F – INFORMATION ON CONSOLIDATED EQUITY

Section 1 - Consolidated equity

A. Qualitative disclosures

The own funds management policy implemented by the Crédit Agricole Italia Banking Group is aimed at maintaining an adequate level of resources in order to be able to cope at any time with the risks taken.

B. Quantitative disclosure

B.1 CONSOLIDATED BOOK EQUITY: BREAKDOWN BY TYPE OF UNDERTAKING

The breakdown of consolidated equity as at 31 December 2020 is given below:

Equity items	Prudential consolidation	Insurance undertakings	Other companies	Netting and adjustments on consolidation	Total 31.12.2020
1 Capital	1,246,604	-	6,108	-233,760	1,018,952
2 Share premium reserve	3,600,947	-	1,150	-399,735	3,202,362
3 Reserves	1,636,194	-	463	20,449	1,657,106
3.5 Interim dividends		-	-	-	-
4 Equity instruments	715,000	-	-	-	715,000
5 (Treasury Shares)	-5,000	-	-	5,000	-
6 Valuation reserves	-38,266	-	-	-10,874	-49,140
- Equity securities designated at fair value through other comprehensive income	-14,901	-	-	-10,874	-25,775
- 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	30,539	-	-	-	30,539
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedging of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
Hedging instruments (non-designated elements)	-	-	-	-	-
- Foreign exchange differences	-	-	-	-	-
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-	-	-	-
- Actuarial gains (losses) pertaining to defined-benefit pension plans	-53,904	-	-	-	-53,904
- 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	220,020	-	-2,562	-262,671	-45,213
Total	**7,375,499**	**-**	**5,159**	**-881,591**	**6,499,067**

B.2 VALUATION RESERVES OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Assets/Values	Prudential consolidation		Insurance undertakings		Other companies		Eliminations and adjustments from consolidation		Total 31.12.2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debt securities	30,539	-	-	-	-	-	-	-	30,539	-
2 Equity securities	1,306	16,207	-	-	-	-	-	10,874	1,306	27,081
3 Loans	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2020	**31,845**	**16,207**	**-**	**-**	**-**	**-**	**-**	**10,874**	**31,845**	**27,081**
Total 31 Dec. 2019	**12,651**	**13,848**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	**6,087**	**-18,121**	**-**
2 Increases	**29,424**	**179**	**-**
2.1 Fair value gains	28,476	179	-
2.2 Adjustments for credit risk	866	X	-
2.3 Reclassification to profit or loss of negative reserves from disposal	81	X	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5 Other changes	1	-	-
3 Decreases	**-4,972**	**-7,833**	**-**
3.1 Fair value losses	-411	-7,796	-
3.2 Recoveries for credit risk	-89	-	-
3.3 Reclassification to profit or loss of positive reserves from disposal	-4,472	X	-
3.4 Transfers to other equity components (equity securities)	-	-	-
3.5. Other changes	-	-37	-
4 Closing Balance	**30,539**	**-25,775**	**-**

B.4 VALUATION RESERVES RELATING TO DEFINED-BENEFIT PLANS: CHANGES FOR THE YEAR

	31.12.2020
1 Opening balance	-51,493
2 Increases	1,549
2.1 Actuarial gains	613
2.2. Other changes	936
3 Decreases	3,960
3.1 Actuarial losses	3,935
3.2. Other changes	25
4 Closing balance	-53,904

Section 2 – Own Funds and supervisory requirements for Banks

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.

Please, see the Management Report for more exhaustive information on the book Equity, Own Funds and Capital Ratios.

PART G – BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

In the reporting year, Crédit Agricole Italia made a voluntary public tender offer for all ordinary shares in CreVal. For more information, please see paragraph “All-cash voluntary public tender offer made by Crédit Agricole Italia for all shares in Credito Valtellinese” in the Management Report and in Part A-Section 4 – Events occurred after the reporting date, in the Note to the financial statements.

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 regulatory framework concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "*control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders*". This regulation came into force on 31 December 2012 and, consequently, the Group submitted its the first supervisory reporting on 31 March 2013, as expected by the competent Authorities.

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

Lastly, 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 to risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

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

Related parties

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

a. Corporate Officer;

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

Connected Persons

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

Associated Persons

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

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 main benefits awarded to Directors, Auditors and Managers tasked with strategic responsibilities.

	31.12.2020
Short-term employee benefits	11,078
Benefits subsequent to severance from employment	228
Other long-term benefits	-
Employee severance benefits	-
Share-based payments	-

2. Information on transactions with related parties

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation.

TYPE OF RELATED PARTIES	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost: due from Customers	Financial assets measured at amortized cost: due from Banks	Financial liabilities measured at amortized cost: due to Customers	Financial liabilities measured at amortized cost: due to Banks	Guarantees given
Controlling Company	-	-	-	199,443	-	887,641	18,304
Entities exercising significant influence on the Company	-	-	-	-	19,569	-	-
Associates	76	-	14,337	-	10,023	-	1,035
Directors and Managers with strategic responsibilities	-	-	2,281	-	3,800	-	-
Other related parties	5,213	3,609	6,412,861	241,229	587,137	516,242	274,598
Total	**5,289**	**3,609**	**6,429,479**	**440,672**	**620,529**	**1,403,884**	**293,937**

Main income transactions with related parties

TYPE OF RELATED PARTIES	Net interest income	Net fee and commission income	Personnel expenses
Controlling Company	-22,216	-629	-202
Entities exercising significant influence on the Company	-	174	-
Associates	208	109	-
Directors and Managers with strategic responsibilities	22	132	-
Other related parties	55,371	399,970	-267

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. Group was completed in December 2020 with the allotment of shares to Employees.

The Employees were given the opportunities to invest in shares of Crédit Agricole S.A. with a 30% discount vs. market value. These shares will be tied for the following five years (until 31 May 2025), at the end of which time each employee may freely dispose of them.

In 2020, 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 recognized in equity as the balancing item of personnel expenses and equal to the discount applied to the shares in Crédit Agricole S.A. subscribed by Crédit Agricole Italia employees, as reported in the previous paragraph, amounts to Euro 266 thousand.

PART L – SEGMENT REPORTING

Operations and profitability by business segment

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

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

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

The data are presented in compliance with the reclassified layouts contained in the management report on operations and compared with the pro-forma ones for 2019, whereas balance sheet data are presented consistently with the statutory layouts.

The "**Retail, Private Banking and F.A,**" channels generated Operating income of Euro 1,533 million (-4.6%): Net interest income (-6.6%) and Net fee and commission income (-2.8%), stable Operating costs (+0.2%) despite the weight of specific expenses incurred to continue operations ensuring safety in the present health emergency, and the operating profit coming to Euro 569 million (-11.7%). Net of the Cost of risk, which came to Euro 280 million (+85.6) and after taxes, the Net profit came to Euro 270 million (-30.0%).

The "**Corporate Banking**" channel generated Operating income of Euro 331 million (+4.1%): vs. 2019, Net interest income increased (+10.7%) as did income from trading of financial assets (+85.5%), whereas Net fee and commission income decreased (-13.3%), being affected mostly by lower fee and commission income on credit lines and lower non-recurring fee and commission components. Operating costs increased slightly (+1.4%) with the Operating profit coming to Euro 255 million (+4.9%). Due to the present scenario, the cost of risk increased (Euro 214 million +56.8%) resulting in a Net Profit after tax of Euro 28 million (-62.4%).

In agreement with the Parent Company Crédit Agricole SA, goodwill was written down by a total of Euro 260 million. This adjustment, having merely accounting scope, has no effect whatsoever on forward-looking profitability, on cash flows, on liquidity and on capital strength and ratios. Including said component, the net Profit came to Euro 83 million for the "**Retail Banking, Private Bnaking and Financial Advisors**." channels and Euro -44 million for the "**Corporate Banking**" channel.

Assets by segment (point-in-time volumes) consisted of Net loans to Customers; as at 31 December 2020, the assets of the Retail Banking, Private Banking and F.A. channels came to Euro 30,346 million (+5.0%) and accounted for 60% of the Group aggregate; the assets of the Corporate Banking channel came to Euro 19,874 million (+11.9%) and accounted for the remaining 40%.

Liabilities by segment (point-in-time volumes) consisted of Direct funding from Customers; within this aggregate, funding of the Retail, Private Banking and F.A. channel came to Euro 34,947 million (+5.7%), accounting for 77% of the Group balance; the Corporate Banking channel posted a balance of Euro 9,564 million (+15.4%), accounting for 21% of the Total figure; other funding channels 2%.

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

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

SEGMENT REPORTING AS AT 31 DECEMBER 2020

	31.12.2020			
	Retail and Private Banking	Corporate Banking	Other	Total
External Operating Income				
Net interest income	764,501	209,065	2,135	975,701
Net fee and commission income	770,125	103,077	6,378	879,580
Net profit (loss) on trading activities	4,353	17,774	-1,916	20,211
Dividend income	-	-	10,449	10,449
Other net operating income	-6,186	1,012	13,055	7,881
Total operating income	**1,532,793**	**330,928**	**30,101**	**1,893,822**
Personnel and administrative expenses and depreciation and amortization	-963,446	-76,384	-200,052	-1,239,882
Operating Income	**569,347**	**254,544**	**-169,951**	**653,940**
Losses on impairment of other financial assets	-204,366	-209,576	-8,076	-422,018
Provisioning for risks	-3,934	-4,040	1	-7,973
Total Cost of Risk	**-208,300**	**-213,616**	**-8,075**	**-429,991**
Profit (losses) on equity investments - Profit on disposal of investments	-	-	65,600	65,600
Profit/loss before tax	**361,047**	**40,928**	**-112,426**	**289,549**
Taxes	-91,434	-12,242	28,525	-75,151
Profit (loss) for the FY excluding goodwill impairment	**269,613**	**28,686**	**-83,901**	**214,398**
Goodwill impairment	-186,530	-73,081	-	-259,611
Profit (loss) for the FY	**83,081**	**-44,394**	**-83,900**	**-45,213**
Assets and Liabilities				
Assets by segment (customers)	30,345,649	19,874,444	16,049	50,236,142
Equity investments in associates	-	-	20,483	20,483
Unallocated assets	-	-	26,196,993	26,196,993
Total Assets	**30,345,649**	**19,874,444**	**26,233,525**	**76,453,618**
Liabilities by segment	34,947,396	9,564,044	809,048	45,320,488
Unallocated liabilities	-	-	24,634,063	24,634,063
Total liabilities	**34,947,396**	**9,564,044**	**25,443,111**	**69,954,551**

SEGMENT REPORTING AS AT 31 DECEMBER 2019

	31.12.2019			
	Retail and Private Banking	Corporate Banking	Other	Total
External Operating Income				
Net interest income	818,319	188,777	2,543	1,009,639
Net fee and commission income	792,565	118,842	7,906	919,313
Net profit (loss) on trading activities	3,858	9,583	-3,940	9,501
Dividend income	-	-	11,368	11,368
Other net operating income	-8,726	724	11,143	3,141
Total operating income	**1,606,016**	**317,926**	**29,020**	**1,952,962**
Personnel and administrative expenses and depreciation and amortization	-961,084	-75,305	-198,761	-1,235,150
Operating Income	**644,932**	**242,621**	**-169,741**	**717,812**
Losses on impairment of other financial assets	-108,156	-131,458	-1,910	-241,524
Provisioning for risks	-4,048	-4,815	-14	-8,877
Total Cost of Risk	**-112,204**	**-136,273**	**-1,924**	**-250,401**
Profit (losses) on equity investments - Profit on disposal of investments	-	-	341	341
Profit/loss before tax	**532,728**	**106,348**	**-171,324**	**467,752**
Taxes	-147,613	-30,116	36,133	-141,596
Profit (loss) for the FY excluding goodwill impairment	**385,115**	**76,232**	**-135,191**	**326,156**
Goodwill impairment	-	-	-	-
Profit (loss) for the FY	-	-	-	-
Assets and Liabilities	-	-	-	-
Assets by segment (customers)	28,912,300	17,760,183	13,923	46,686,406
Equity investments in associates	-	-	20,483	20,483
Unallocated assets	-	-	18,947,470	18,947,470
Total Assets	**28,912,300**	**17,760,183**	**18,981,876**	**65,654,359**
Liabilities by segment	33,073,473	8,288,077	645,965	42,007,515
Unallocated liabilities	-	-	17,059,792	17,059,792
Total liabilities	**33,073,473**	**8,288,077**	**17,705,757**	**59,067,307**

PART M – DISCLOSURE OF LEASES

SECTION 1 – LESSEE

The additional information on leases required by IFRS16, which applies to reporting periods starting on or after 1 January 2019, is given below.

For the Group, the scope of application comprises property leases and car rentals. Property leases represent the most impacted scope; these contracts concern properties used as branches, officers and guest accommodation.

For the accounting treatment of leases, please see Part A of this Note to the Financial Statements.

Table 1 – Right of Use

Lease type	Right of Use value as at 1 Jan. 2020	Amortization for the year	new contracts	Other changes	Impairment losses for the year	Right of Use value as at 31 Dec. 2020	Number of contracts as at 31 Dec. 2020
Buildings used in operations	176,914	-33,844	58,770	-7,200	-	194,640	661
Land used in operations	172	-	-	-	-	172	-
Buildings used for investment	5,875	-2,780	3,533	-842	-	5,786	241
Other property, plant and equipment assets: vehicles	2,193	-1,104	1,087	-36	-	2,140	353
Total	**185,154**	**-37,728**	**63,390**	**-8,078**	**-**	**202,738**	**1,255**

The amount of the rights of use under 2020 new contracts does not match the value of the related liability at initial application because of the sale and leaseback transaction that was carried out in 2020 and recognized under para.100 et seq. of IFRS16. Further disclosure is given in the paragraph below “Leaseback transactions”.

Rights of use are recognized in the Balance Sheet, item 90 “Property, plant and equipment”.

Table 2 – Lease Liability

Lease type	Liability as at 1. Jan. 2020	Interest expenses	new contracts	Cash outflows	Other changes	Remaining liability as at 31 Dec. 2020	Remaining liability - breakdown by term to maturity			
							Term to maturity < 1 year	Term to maturity between 1 and 3 years	Term to maturity between 3 and 6 years	Term to maturity > 6 years
Buildings and land used in operations	180,691	4,137	85,873	-37,517	-7,228	225,956	36,109	63,096	69,665	57,086
Buildings used for investment	5,965	51	3,354	-2,695	-838	5,836	2,445	2,962	330	99
Other property, plant and equipment assets: vehicles	2,201	17	1,066	-1,095	-36	2,153	911	1,070	172	-
Total	**188,857**	**4,205**	**90,293**	**-41,307**	**-8,102**	**233,945**	**39,465**	**67,128**	**70,167**	**57,185**

All contractual cash flows are included in the calculation of the lease liability.

Lease liabilities are recognized in item 10 of Liabilities in the Balance Sheet, under financial Liabilities measured at amortized cost.

Table 3 – Breakdown of real estate operating lease contracts by geographical area and by annual lease payment bracket

REGION	Lease payments up to €5 thousand	Lease payments from €5 thousand to €50 thousand	Lease payments from €50 thousand to €100 thousand	Lease payments over €100 thousand	Total
EMILIA ROMAGNA	13	239	20	4	276
LOMBARDY	5	88	34	16	143
VENETO	2	63	21	8	94
TUSCANY	5	56	22	9	92
CAMPANIA	-	31	20	12	63
LIGURIA	10	35	8	5	58
PIEDMONT	3	38	20	6	67
LAZIO	-	22	8	20	50
FRIULI VENEZIA GIULIA	5	29	6	-	40
OTHER	-	13	4	2	19
Total	**43**	**614**	**163**	**82**	**902**

Table 4 – Frequency of payment instalment by lease type

Lease type	Instalment frequency	Number of contracts
Properties used in operations	Monthly	59
	Quarterly	548
	Half-yearly	42
	other	12
	Total	661
Property used for investment	Quarterly	239
	other	2
	Total	241
Vehicles	Monthly	353
	Total	353
Totals		**1,255**

Table 5 – Lease contracts out of the IFRS16 scope of application (recognition exemptions under para. 5 IFRS16)

The Company has applied par.6 of IFRS16 to short-term leases and to leases with the underlying asset having low value.

The table below reports the information of which in para. 53 letter d) of IFRS16.

Lease type	Short term lease - 2020 payments	Low value lease - 2020 payments
Real Estate properties	1,279	9
Vehicles	168	-
POS	-	8,841
Other	-	159
Total (net of VAT)	**1,447**	**9,009**

Other information

Leaseback transactions

In June 2020, Crédit Agricole Italia finalized the sale of a property located in Milan on Via Armorari to Kensington, an Italian closed-end real estate alternative investment Fund reserved to professional investors, the units in which are held by Allianz Real Estate S.p.A.. for a total amount of Euro 140 million. The buyer was selected after a competitive procedure, which started in January 2020, and after an appropriate due diligence phase. This transaction achieved the purpose of seizing the favourable period in the real estate market, while divesting an important asset of the Group. In accordance with IFRS16, the sale entailed derecognition of the owned asset, the recognition of the right of use under the non-renewable nine-year lease contract that was signed concomitantly with the sale for an amount of Euro 14 million and the recognition the related liability totalling Euro 42 million, calculated discounting all quarterly payment instalments scheduled up to the contrary expiry in 2029. There are no payments not included in the lease liability recognized under liability item “Due to Customers”. The transaction entailed the recognition of gross capital gain of approximately Euro 65 million, reported in the Income Statement under item “280. Gains and losses on disposals of investments”.

SECTION 2 – LESSOR

2. FINANCE LEASES

Qualitative information

Finance leases are contracts whereby one of the parties (lessee) asks a lease firm (lessor) to purchase an asset from a manufacturer or seller (supplier) or to have it manufactured, in order to enjoy its use against a periodic lease payment.

The Group, specifically, Crédit Agricole Leasing Italia, recognizes finance leases in accordance with IFRS 16 and classifies them under financial assets measured at amortized cost.

In accordance with finance lease contracts (the specialist entity of the Group is Crédit Agricole Leasing Italia) , the lessee, at the end of the set lease term and granted that it has fulfilled all obligations undertaken, is entitled to choose:

- To acquire the ownership of the asset by paying a pre-set price (redemption value);
- To return the leased asset.

Lease terms, whose duration is based on the useful life of the assets, and the pre-set redemption value of the leased assets are such to generally induce lessees to purchase the asset at end of the lease term.

Quantitative information

The table below reposts the classification by time bands of lease payments to be received and the reconciliation between payments to be received and lease loans.

Non-performing exposures (bad loans, Unlikely to Pay and non-performing past due exposures) have been allocated to the relevant time bands based on the recovery forecast for financial reporting measurement purposes.

Performing exposures are stated gross of the related writedowns.

TIME BANDS	Total 31.12.2020		
	Lease payments to be received		Total lease payments to be Exposures received
	Non-performing exposures	Performing exposures	
Up to 1 year	81,436	428,100	509,536
From over 1 year to 2 years	22,415	374,456	396,871
From over 2 year to 3 years	15,084	310,740	325,824
From over 3 year to 4 years	310	235,390	235,700
From over 4 year to 5 years	598	151,597	152,195
From over 5 years	1,311	463,304	464,615
Total lease payments to be received	**121,154**	**1,963,587**	**2,084,741**
RECONCILIATION WITH LOANS			
Unearned financial income (-)		- 159,968	- 159,968
Unguaranteed residual value (-)			
Collective impairment		- 26,386	- 26,386
Loans for leases	**121,154**	**1,777,233**	**1,898,387**

These loans are reported in Part B) of this Note to the financial statements, Section 4 - Financial assets measured at amortized cost: breakdown by type of loans to customers.

Information on interest income on lease loans is given in Part C – Section 1 – Table 1.1 Interest and similar income: breakdown".

Financed assets are different according to the lease applicant and/or the nature of business operations. In general, financed assets belong to 4 categories: motor vehicles (cars, commercial vehicles and industrial vehicles), air rail naval (aircraft, pleasure boats, railway cars), equipment and property (commercial and industrial buildings both completed and to be built) and renewable energy equipment (photovoltaic plants, wind turbines, hydroelectric plants, etc.).

Lease loans classified by quality and type of leased asset

	Lease loans			
	Performing exposures		Non-performing exposures	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
A. Real estate	**780,871**	**839,386**	**97,676**	**102,509**
- Land	-	-	-	-
- Buildings	780,871	839,386	97,676	102,509
B. Capital assets	**774,679**	**691,203**	**22,106**	**23,369**
C. Movable assets	**221,683**	**206,445**	**1,372**	**3,018**
- Motor vehicles	157,633	150,520	1,368	2,840
- Air sea and rail	64,050	55,925	4	178
- Other	-	-	-	-
D. Intangible assets	-	-	-	-
- Trademarks	-	-	-	-
- Software	-	-	-	-
- Other	-	-	-	-
Total	**1,777,233**	**1,737,034**	**121,154**	**128,896**

The finance lease contracts signed with Customers provide for risk management in accordance with the Group policies.

Other information

Leaseback transactions

Sale and leaseback is a transaction whereby the leased asset is sold and immediately leased back, by signing a lease contract for the same asset.

Loans resulting from leaseback contracts, which, for Crédit Agricole Leasing Italia S.r.l., have no particular features in their clauses, except possibly in the ones relating to the regulation of the Supplier role (identifiable with the lessee), came to Euro 165.6 million.

3. OPERATING LEASES

The disclosure required by paragraph 97 of IFRS 16 is given below.

The contracts in force refer to property leases. The leased properties are recognized in the Balance Sheet, item 90 “Property, plant and equipment”.

In the Income Statement, lease income was recognized amounting to Euro 1,758 million at item 230 “Other operating expenses/income”.

3.1 CLASSIFICATION OF PAYMENTS TO BE RECEIVED BY TIME BAND

Time bands	Lease payments to be received
Up to 1 year	1,715
From over 1 year to 2 years	1,705
From over 2 year to 3 years	1,656
From over 3 year to 4 years	1,593
From over 4 year to 5 years	1,351
From over 5 years	4,064
Total	**12,084**

The payments to be received reported in the table refer to property lease contracts.

There are no variable payments not included in the reported amounts and there are no purchase options on the leased asset.

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND OTHER SERVICES PURSUANT TO THE ITALIAN CIVIL CODE AT ARTICLE 2427, PARAGRAPH 16-BIS

FEES FOR:	31.12.2020
Statutory audit of annual accounts	1,096
Certification services	288
Other services	83
Total	**1,467**

DISCLOSURE OF PUBLIC FUNDING

Public funding transparency requirements are laid down in Article 1, paragraphs 125-129, of Italian Law no. 124/2017 but the wording gave rise to several problems in terms of interpretation and application. The worries expressed by trade associations (including Assonime, the Italian Association of Joint-stock Companies) were for the most part solve by Article 35 of Italian Decree Law no. 34/2019 (Growth Decree), which, in many cases, clarifies important matters, in order to streamline and rationalize the aforementioned requirements.

The Law establishes the obligation to disclose, in the note to the financial statements as at 31 December 2019 – and, where applicable, in the note to the consolidated financial statements – the amounts of and other information on “grants, subsidies, advantages, contributions or aids, in money of in kind, not given in general and other than considerations, remuneration or compensations, received from public administration bodies and other identified entities” (hereinafter for short “public funding”).

Noncompliance with these obligations is punished with a civil fine equal to 1% of the received amounts, with a minimum fine of Euro 2,000 and the ancillary penalty of complying with the disclosure obligation. If the offender does not comply with the set disclosure obligation and does not pay the fine within 90 days of its imposition, it shall be required to return the all the amounts received to the entities that granted them.

In order to prevent accumulation of non-relevant information, the Euro 10,000 threshold has been kept, below which the recipient is not required to disclose any information on the received public funding.

Furthermore, in August 2017 the Italian national State Aid Registry was set up at the Directorate-general for business incentive at the Italian Ministry of Economic Development, where all State aids and small amount aids to businesses shall be entered by those that give or manage such aids.

For the aids to Crédit Agricole Italia, please refer to the “Registry Transparency” section, which is publicly available.

COUNTRY-BY-COUNTRY REPORTING

Country where the Company is headquartered: ITALY

a) Name of the companies headquartered in the Country and nature of their business

Company name	Nature of its business
Crédit Agricole Italia S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Crédit Agricole FriulAdria S.p.A.	Joint-stock company operating in the sector of retail banking services, commercial banking services and retail intermediation services
Crédit Agricole Leasing Italia S.r.l.	Private limited liability company operating in the placement and management of lease products
Crédit Agricole Group Solutions S.c.p.A.	Not-for-profit consortium company, with the corporate purpose of providing, mainly to and/or in the interest of its shareholders, organizational, technical, IT and administrative services
Mondo Mutui Cariparma S.r.l. in liquidation	private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds in liquidation as at 31 December 2020
Crédit Agricole Italia OBG S.r.l.	Private limited liability company that was incorporated pursuant to the Italian Law on Securitization Transactions and Issue of Covered Bonds; it is currently being used for a Covered Bond programme
Sliders S.r.l.	Private limited liability company whose corporate purpose comprises the purchase, exchange/swap, sale and lease of property; the acquisition of equity investments to be held as non-current assets
Crédit Agricole Real Estate Italia S.r.l.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Piero Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
San Giorgio Immobiliare S.p.A.	Private limited liability company operating in the real estate sector whose corporate purpose comprises property purchasing, renting and selling
Le Village by CA Parma S.r.l.	Company operating in the promotion and dissemination of innovation in products, services and processes
Agricola Le Cicogne S.r.l.	Private limited liability company operating in the management of land and farms, both owned and of third parties

b) Revenue

Item (thousands of Euros)	31.12.2020
Net banking income (*)	1,862,016

c) Number of employees

Item	31.12.2020
Number of employees expressed as full-time equivalents	9,721
Number of employees (*)	9,740

d) Profit or loss before taxes

Item (thousands of Euros)	31.12.2020
Profit on continuing operations before taxes (*)	29,938

e) Taxes on profit or loss

Item (thousands of Euros)	31.12.2020
Taxes on income from continuing operations (*)	-75,151

f) Government grants received

Item (thousands of Euros)	31.12.2020
Government grants	752

(*) Data source: 2020 Annual Report and Financial Statements of the Crédit Agricole Italia Banking Group

Crédit Agricole Italia

Annual Report and Financial Statements 2020

Financial highlights and alternative performance measures

Income Statement highlights (°) (thousands of Euro)	31.12.2020	31.12.2019	Changes	
			Absolute	%
Net interest income	786,070	807,445	-21,375	-2.6
Net fee and commission income	743,098	776,783	-33,685	-4.3
Dividend income	10,438	55,404	-44,966	-81.2
Income from banking activities	14,262	7,587	6,675	88.0
Other operating income (expenses)	7,149	2,991	4,158	
Net operating income	1,561,017	1,650,210	-89,193	-5.4
Operating expenses	-1,034,916	-1,029,139	5,777	0.6
Operating margin	526,101	621,071	-94,970	-15.3
Cost of Risk	-372,821	-211,954	160,867	75.9
Of which net value adjustments of loans	-357,565	-201,898	155,667	77.1
Net profit (loss)	168,206	302,571	-134,365	-44.4

Balance Sheet highlights (°) (thousands of Euro)	31.12.2020	31.12.2019 (*)	Changes	
			Absolute	%
Loans to customers	50,289,041	43,459,617	6,829,424	15.7
Of which Securities measured at amortized cost	7,716,344	4,180,175	3,536,169	84.6
Net financial assets/liabilities at fair value	26,258	26,012	246	0.9
Financial assets measured at fair value through other comprehensive income	2,954,732	2,720,419	234,313	8.6
Equity investments	1,078,486	1,074,438	4,048	0.4
Property, plant and equipment and intangible assets	1,929,916	2,006,353	-76,437	-3.8
Total net assets	59,177,608	52,025,153	7,152,455	13.7
Net due to banks	1,885,208	-283,977	2,169,185	
Funding from Customers	47,909,364	43,413,153	4,496,211	10.4
Indirect funding from Customers	67,286,030	63,303,571	3,982,459	6.3
of which: asset management	33,478,907	31,790,381	1,688,526	5.3
Equity	6,515,252	6,389,145	126,107	2.0

Operating structure	31.12.2020	31.12.2019	Changes	
			Absolute	%
Number of employees	7,679	7,677	2	-
Average number of employees (§)	7,087	7,191	-104	-1.4
Number of branches	712	731	-19	-2.6

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 333 and 342.

(*) the 2019 figures of “Net due from banks” were reclassified to be comparable with 2020 figures

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

Structure ratios (°)	**31.12.2020**	**31.12.2019**
Loans to Customers/Total net assets	71.9%	75.5%
Direct funding from Customers (ç) / Total net assets	81.0%	83.4%
Asset management/Total indirect funding from Customers	49.8%	50.2%
Loans to Customers/Direct funding from Customers	88.9%	90.5%
Total assets/Equity	10.8	9.3

Profitability ratios (°)	**31.12.2020**	**31.12.2019**
Net interest income/Net operating income	50.4%	48.9%
Net fee and commission income/Net operating income	47.6%	47.1%
Cost/Income ratio (^)	61.9%	60.3%
Net income/Average equity (ROE) (a)	2.6%	4.9%
Net income/Average Tangible Equity (ROTE) (a)	3.2%	5.9%
Net profit/Total assets (ROA)	0.2%	0.5%
Net profit/Risk-weighted assets	0.7%	1.3%

Risk ratios (°)	**31.12.2020**	**31.12.2019**
Gross bad loans/Gross loans to Customers	2.6%	3.5%
Net bad loans/Net loans to Customers	0.8%	1.2%
Impairment of loans//Net loans to Customers	0.8%	0.5%
Cost of risk(b)/Operating margin	70.9%	34.1%
Net bad loans/Total Capital (c)	6.0%	8.0%
Net non-performing exposures/Net loans to customers (net NPE ratio)	2.8%	3.4%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio)	5.6%	6.9%
Total Impairments of non-performing loans/Gross non-performing loans	51.5%	52.6%
Total Impairments of performing loans/Gross performing loans	0.5%	0.5%

Productivity ratios(°) (in income terms)	**31.12.2020**	**31.12.2019**
Operating expenses/No. of Employees (average)	146.0	143.1
Operating income/No. of Employees (average)	220.3	229.5

Productivity ratios(°) (in financial terms)	**31.12.2020**	**31.12.2019**
Loans to Customers/No. of employees (average)	6,007.2	5,462.3
Direct funding from Customers (ç) / No. of employees (average)	6,760.2	6,037.2
Gross banking income(d)/No. of Employees (average)	22,261.6	20,302.6

Capital and liquidity ratios	**31.12.2020**	**31.12.2019**
Common Equity Tier 1(e)/Risk-weighted assets (CET 1 ratio)	18.7%	17.5%
Tier 1 (f) / Risk-weighted assets (Tier 1 ratio)	21.8%	20.5%
Total Capital (c) /Risk-weighted assets (Total capital ratio)	25.5%	24.1%
Risk-weighted assets (Euro thousands)	22,805,850	23,730,138
Liquidity Coverage Ratio (LCR)	246%	212%

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 333 and 342.
(ç) Direct funding from Customers includes the Covered Bonds issued with mortgage loans to customers as the underlying
(^) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system and Covid-19-related costs incurred to address the health emergency.
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles).
(b) The cost of risk includes provisioning for risks and charges, net value adjustments of loans and impairment of securities
(c) Total Capital: total regulatory own funds.
(d) Loans to Customers + direct funding + indirect funding
(e) Common Equity Tier 1: Common Equity Tier 1
(f) Tier 1: Tier 1 Capital.

Management Report

PERFORMANCE OF OPERATIONS

In a year in which Italy fought the health emergency, continued to stand out for its strength and ability to create value in a sustainable manner, playing the role of provider of support to the community, which expresses its very raison d'être. Right from the start of the emergency, Crédit Agricole Italia took action in synergy with the competent institutions to support its Customers with all the means it had available.

The Bank originated loans totalling Euro 2.1 billion under the Liquidity Decree, while the moratoria that had been granted as at the end of December amounted to Euro 6 billion. At the same time, the Bank strengthened its remote services with advanced digital tools, whereby it could ensure closeness to its Customers and increase their satisfaction, achieving levels at the top of the banking system.

Its performance in 2020 is further evidence of Crédit Agricole Italia's ability to generate lasting profitability despite the difficult scenario, with net income coming to Euro 168 million.

Income decreased by 5% YoY, mainly due to lower net interest income, which was affected by the decreasing trend in interest rates and by the slowdown in the commercial activity during the lockdown; however, in the second part of the year, it progressively and considerably recovered, with commercial performances that, in Q4 2020, were higher than those in the previous year, especially in the placement of wealth management products and origination of mortgage loans.

Operating costs decreased across all their components, whereas the contributions to the banking system funds increased (Euro 49 million vs 34 million in 2019), to which the non-recurring expenses incurred to manage the health emergency are to be added. The cost of credit came to Euro 358 million, increasing YoY because of the adjustments made based on the economic scenarios updated following the Covid-19 crisis. Having regard to the development in Customers' assets, in 2020 loans to Customers increased (up by +16% YoY) following the origination of a considerable amount of loans guaranteed by the State, as did direct funding (up by +10% YoY) given the even more marked propensity to save of households linked to the health crisis. Indirect funding also grew (up by +6% YoY) thanks to the strong increase in net inflows of assets under management, which occurred especially in Q4.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Balance sheet aggregates strongly increased YoY. The increase in assets resulted from the measures deployed by the Group to support households and businesses under the Italian Government Decrees, especially the Liquidity Decree, with the origination of loans guaranteed by the State. Furthermore, in 2020 Italian Government securities were purchased for an amount of Euro 3 billion. As regards liabilities, again in the scope of the measures to support the economy, the ECB approved new targeted longer-term refinancing operations (TLTRO III), which the Group participated in. Besides this, the health crisis increased the propensity to save of individuals and businesses, with liquidity left on their accounts for future investments. The volumes of Customers' assets give evidence of the commercial revival and of the positive performance across all components:

- Loans to Customers: Up by +8.4% YoY driven by the good performance of both home loans and loans to businesses;
- Direct funding: Up by +10.4% YoY driven by the strongly increasing trend in liquid savings as protection from the crisis and from the covered bond issue;
- Assets under management: Up by +5.3% YoY with a virtuous dynamic in net flows.

In 2020, Crédit Agricole Italia strengthened its ability to attract investors' savings and to support the real economy, while keeping the correct balance between funding and uses, as substantiated by the increase in intermediated assets and with asset quality improving at the same time.

Reclassification of the Balance Sheet

In order to provide a more direct representation of the Company's equity 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 Due from/Due to banks on a net basis;
- Inclusion of the value of hedging derivatives and of the value adjustment of financial assets/liabilities subject to macro-hedging in the Other Assets/Other Liabilities items;
- Grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- Inclusion of the item "Cash and cash equivalents" in the "Other Assets item" residual item;
- Grouping in the "Funding from customers" item of the "Due to customers" and "Debt securities issued" items;
- Reclassification from "funding from Customers" and from "net due from/to banks" to "other liabilities" of lease liabilities;
- Grouping of specific-purpose provisions (i.e. Provision for employee severance benefits and Provisions for risks and charges) into a single aggregate.

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

Reclassified Balance Sheet

Assets	31.12.2020	31.12.2019 (*)	Changes	
			Absolute	%
Net financial assets/liabilities at fair value	26,258	26,012	246	0.9
Financial assets measured at fair value through other comprehensive income	2,954,732	2,720,419	234,313	8.6
Loans to Customers	50,289,041	43,459,617	6,829,424	15.7
Equity investments	1,078,486	1,074,438	4,048	0.4
Property, plant and equipment and intangible assets	1,929,916	2,006,353	-76,437	-3.8
Tax assets	1,278,123	1,318,991	-40,868	-3.1
Other asset items	1,621,052	1,419,323	201,729	14.2
Total assets	**59,177,608**	**52,025,153**	**7,152,455**	**13.7**

Liabilities	31.12.2020	31.12.2019 (*)	Changes	
			Absolute	%
Net due to banks	1,885,208	-283,977	2,169,185	
Funding from Customers	47,909,364	43,413,153	4,496,211	10.4
Tax liabilities	187,774	222,272	-34,498	-15.5
Other liabilities	2,313,804	1,875,503	438,301	23.4
Specific-purpose provisions	366,206	409,057	-42,851	-10.5
Capital	979,235	979,233	2	-
Equity instruments	715,000	715,000	-	-
Reserves (net of treasury shares)	4,686,595	4,437,131	249,464	5.6
Valuation reserves	-33,784	-44,790	-11,006	-24.6
Net Profit (Loss) for the year	168,206	302,571	-134,365	-44.4
Total liabilities and equity	**59,177,608**	**52,025,153**	**7,152,455**	**13.7**

(*) the 2019 figures of "Net due from banks" were reclassified to be comparable with 2020 figures

Reconciliation of the official and reclassified balance sheets

Assets	31.12.2020	31.12.2019 (*)
Net financial assets/liabilities at fair value	**26,258**	**26,012**
20 a. Financial assets held for trading	71,126	82,055
20 c. Financial assets mandatorily measured at fair value	36,678	9,599
20 Financial liabilities held for trading	-81,546	-65,642
Financial assets measured at fair value through other comprehensive income	**2,954,732**	**2,720,419**
30 Financial assets measured at fair value through other comprehensive income	2,954,732	2,720,419
Loans to Customers	**50,289,041**	**43,459,617**
40 b. Loans to Customers	50,289,041	43,459,617
Equity investments	**1,078,486**	**1,074,438**
70 Equity investments	1,078,486	1,074,438
Property, plant and equipment and intangible assets	**1,929,916**	**2,006,353**
80 Property, Plant and Equipment	766,813	818,422
90 Intangible assets	1,163,103	1,187,931
Tax assets	**1,278,123**	**1,318,991**
100 Tax assets	1,278,123	1,318,991
Other asset items	**1,621,052**	**1,419,323**
10 Cash and cash equivalents	313,267	326,279
50 Hedging derivatives (Assets)	943,109	668,306
60 Fair value change of financial assets in macro-hedge portfolios	112,621	97,609
110 Non-current assets held for sale and discontinued operations	5,207	-
120 Other assets	246,848	327,129
Total assets	**59,177,608**	**52,025,153**

Liabilities	31.12.2020	31.12.2019 (*)
Net due to banks	**1,885,208**	**-283,977**
10 a. Due to banks	12,940,955	7,238,314
To deduct: Lease liabilities	-209	-277
40 a. Due from banks	-11,055,538	-7,522,014
Funding from Customers	**47,909,364**	**43,413,153**
10 b Due to Customers	37,527,841	34,552,965
To deduct: Lease liabilities	-202,953	-156,328
13 Debt securities issued	10,584,476	9,016,516
Tax liabilities	**187,774**	**222,272**
60 Tax liabilities	187,774	222,272
Other liabilities	**2,313,804**	**1,875,503**
10 a. Due to banks: of which lease liabilities	209	277
10 b. Due to customers: of which lease liabilities	202,953	156,328
40 Hedging derivatives (Liabilities)	705,939	415,395
50 Fair value change of financial liabilities in macro-hedge portfolios	386,253	341,807
80 Other liabilities	1,018,450	961,696
Specific-purpose provisions	**366,206**	**409,057**
90 Employee severance benefits	92,002	96,811
100 Provisions for risks and charges	274,204	312,246
Capital	**979,235**	**979,233**
160 Capital	979,235	979,233
Equity instruments	**715,000**	**715,000**
130 Equity instruments	715,000	715,000
Reserves (net of treasury shares)	**4,686,595**	**4,437,131**
140 Reserves	1,568,206	1,318,750
150 Share premium reserve	3,118,389	3,118,381
Valuation reserves	**-33,784**	**-44,790**
110 Valuation reserves	-33,784	-44,790
Net Profit (Loss) for the year	**168,206**	**302,571**
180 Net Profit (Loss) for the year	168,206	302,571
Total liabilities and equity	**59,177,608**	**52,025,153**

(*) the 2019 figures of "Net due from banks" were reclassified to be comparable with 2020 figures

Loans to Customers

	31.12.2020	31.12.2019	Changes	
			Absolute	%,
- Current accounts	1,485,506	2,121,616	-636,110	-30.0
- Mortgage loans	27,856,303	25,109,206	2,747,097	10.9
- Advances and credit facilities	12,028,483	10,710,439	1,318,044	12.3
- Non-performing loans	1,202,405	1,338,181	-135,776	-10.1
Loans to Customers	**42,572,697**	**39,279,442**	**3,293,255**	**8.4**
Securities measured at amortized cost	7,716,344	4,180,175	3,536,169	84.6
Total loans to Customers	**50,289,041**	**43,459,617**	**6,829,424**	**15.7**

The pandemic and the consequent measures deployed by the Group to provide support to businesses and households contributed to speeding up the growth in loans to Customers (up by Euro +3.3 billion, i.e. by 8.4%), which came close to Euro 42.6 billion.

Specifically, the mortgage loans component came to Euro 27.9 billion, increasing by Euro 2.7 billion YoY (+10.9%), driven by loans guaranteed by the State and by the roughly 23 thousand newly originated home loans, the demand of which was further boosted by the decrease in interest rates on long duration loans and by the range of products that the Group is constantly renewing.

The component of short-term loans showed opposite developments, with on the one hand, Advances and credit facilities increasing (up by +12.3%), and, on the other hand, with lower drawn amounts on overdraft facilities on current accounts (down by -30.0%), as the latter component is more sensitive to the changes in businesses' revenues, which were offset with higher use of loans under the Liquidity Decree Law.

The decrease in net non-performing loans (down by Euro -135.8 million, i.e. -10.1%) also reports the disposal of an NPL portfolio made in in the year and by fewer positions to be classified as defaulted, which was partially mitigated by the effect of moratoria.

Credit quality

	31.12.2020			31.12.2019		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad loans	1,151,742	805,780	345,962	1,443,902	987,109	456,793
- Unlikely to Pay	1,297,901	468,266	829,635	1,359,034	495,301	863,733
- Past-due/overlimit loans	29,288	2,480	26,808	20,265	2,610	17,655
Non-performing loans	**2,478,931**	**1,276,526**	**1,202,405**	**2,823,201**	**1,485,020**	**1,338,181**
- Performing loans - stage 2	2,409,565	155,338	2,254,227	2,041,490	112,270	1,929,220
- Performing loans - stage 1	39,187,491	71,426	39,116,065	36,073,600	61,559	36,012,041
Performing loans	**41,597,056**	**226,764**	**41,370,292**	**38,115,090**	**173,829**	**37,941,261**
Loans to Customers	**44,075,987**	**1,503,290**	**42,572,697**	**40,938,291**	**1,658,849**	**39,279,442**
Securities measured at amortized cost	7,725,851	9,507	7,716,344	4,185,153	4,978	4,180,175
Total loans to Customers	**51,801,838**	**1,512,797**	**50,289,041**	**45,123,444**	**1,663,827**	**43,459,617**

	31.12.2020			31.12.2019		
	Gross exposure weight	Net exposure weight	Coverage ratio	Gross exposure weight	Net exposure weight	Coverage ratio
- Bad loans	2.6%	0.8%	70.0%	3.5%	1.2%	68.4%
- Unlikely to Pay	2.9%	1.9%	36.1%	3.3%	2.2%	36.4%
- Past-due/overlimit loans	0.1%	0.1%	8.5%	0.0%	0.0%	12.9%
Non-performing loans	**5.6%**	**2.8%**	**51.5%**	**6.9%**	**3.4%**	**52.6%**
- Performing loans - stage 2	5.5%	5.3%	6.4%	5.0%	4.9%	5.5%
- Performing loans - stage 1	88.9%	91.9%	0.18%	88.1%	91.7%	0.17%
Performing loans	**94.4%**	**97.2%**	**0.55%**	**93.1%**	**96.6%**	**0.46%**
Loans to Customers	**100.0%**	**100.0%**	**3.4%**	**100.0%**	**100.0%**	**4.4%**

The development in volumes was achieved constantly focusing on credit quality. Furthermore, in 2020, the strategy to reduce non-performing loans continued, thus with the ratio of non-performing loans to total loans down to 5.6% in gross terms (vs. 6.9% in 2019) and to 2.8% in net terms (vs. 3.4% in 2019). This result was achieved also thanks to the NPL disposals made in 2020 for approximately Euro 408 million, as well as thanks to effective control on positions becoming non-performing. Despite said disposals, the coverage ratio (the ratio of impairment losses recognized and provisioned and the amount of gross non-performing loans) remained very conservative (at 51.5% for all non-performing loans and at 70% for bad loans). The default rate remained stable at 1.0%.

Funding from Customers

Because of the ongoing health crisis, in the main European countries, the increasing trend in bank deposits accelerated. Indeed, according to the ECB official data, between the end of February and the end of November 2020, deposits increased at a much faster pace in France (+14.3%), in Germany (+6.0%) and throughout the Euro Area (+8.5%). In December 2020, In Italia deposits had increase by 10.3%.

Crédit Agricole Italia's results also showed this trend, with due to Customers increasing by 8.5% and total funding (including indirect funding) increasing by 7.9% vs. the year opening figure.

	31.12.2020	31.12.2019	Changes	
			Absolute	%
- Deposits	1,068,051	1,486,470	-418,419	-28.1
- Current and other accounts	36,051,709	32,744,877	3,306,832	10.1
- Other items	205,128	165,290	39,838	24.1
- Repurchase agreements	-	-	-	-
Due to Customers	**37,324,888**	**34,396,637**	**2,928,251**	**8.5**
Debt securities issued	**10,584,476**	**9,016,516**	**1,567,960**	**17.4**
Total direct funding	**47,909,364**	**43,413,153**	**4,496,211**	**10.4**
Indirect funding	**67,286,030**	**63,303,571**	**3,982,459**	**6.3**
Total funding	**115,195,394**	**106,716,724**	**8,478,670**	**7.9**

As at 31 December 2020, total funding came to Euro 115.2 billion, increasing by Euro 8.5 billion vs. the year opening figure.

Total direct funding came to Euro 47.9 billion, up by Euro 4.5 billion, i.e. +10.4% vs. 2019, of which Euro 3.3 billion in the current accounts component (up by +10.1%), whose increase is evidence of the Customers' propensity – also subsequent to the Covid-19 epidemic – to keep a high liquidity level. The component of debt securities issued came to Euro 10.6 billion increasing by €1.6 billion because of the bond issues reserved to institutional investors, of Covered Bonds with maturities of 8 and 25 years for €1.25 billion, and of Senior Non Preferred bonds for €0.41; said issues improved the Group's MREL and replaced bonds that were held by Retail Customers and had progressively reached maturity.

Indirect funding

	31.12.2020	31.12.2019	Changes	
			Absolute	%
- Asset management products	15,260,659	14,671,596	589,063	4.0
- Insurance products	18,218,248	17,118,785	1,099,463	6.4
Total assets under management	**33,478,907**	**31,790,381**	**1,688,526**	**5.3**
Assets under administration	**33,807,123**	**31,513,190**	**2,293,933**	**7.3**
Indirect funding	**67,286,030**	**63,303,571**	**3,982,459**	**6.3**

Indirect funding came to over Euro 67 billion, increasing by Euro 4 billion (up by + 6.3%) vs. 31 December 2019.

Total Asset under management came close to Euro 33.5 billion, increasing by approximately €1.7 billion (+5.3%) vs. the year opening figure, thanks to the growth in net inflows, which mainly regarded the insurance component (up by Euro +1.1 billion). Assets under administration, consisting of securities and products of third parties in custody, came to Euro 33.8 billion, increasing vs. the previous year figure of €31.5 billion (up by +7.3%).

Financial assets and liabilities measured at fair value

	31.12.2020	31.12.2019	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	95	93	2	2.2
- Equity securities and units of OICR collective investment undertakings	36,678	33,432	3,246	9.7
- Loans	-	-	-	-
- Derivative financial instruments with positive FV	71,031	58,129	12,902	22.2
Total assets	**107,804**	**91,654**	**16,150**	**17.6**
- Derivative financial instruments with negative FV	81,546	65,642	15,904	24.2
Total liabilities	**81,546**	**65,642**	**15,904**	**24.2**
Net Total	**26,258**	**26,012**	**246**	**0.9**
Financial assets measured at fair value through other comprehensive income				
- Debt securities	2,717,777	2,478,066	239,711	9.7
- Equity securities	236,955	242,353	-5,398	-2.2
Total	**2,954,732**	**2,720,419**	**234,313**	**8.6**

As at 31 December 2020, the “Financial assets measured at fair value through other comprehensive income” portfolio amounted to approximately Euro 3 billion, increasing by 8.6% in the component of Italian government debt securities ,which came to over €2.7 billion.

Government securities held

	31.12.2020		
	Nominal value	Book value	Revaluation reserve
Financial assets held for trading			
Italian Government securities	11	15	X
Argentinian Government securities	26	-	X
Financial assets through other comprehensive income			
Italian Government securities	2,441,000	2,717,777	27,450
Financial assets measured at amortized cost			
Italian Government securities	6,936,000	7,550,740	X
Total	**9,377,037**	**10,268,532**	**27,450**

Government securities held totalled Euro 10.3 billion, of which Euro 7.6 billion worth of financial assets measued at amortized cost. This allocation is consistent with the management approach adopted by the Crédit Agricole Italia Banking Group to invest liquidity, which, in compliance with the current monetary policies of the ECB, gives preference to High Quality Liquidity Assets, thus optimizing their contribution to net interest income and generating positive impacts on liquidity ratios. In the reporting year, in order to stabilize their contribution to net interest income, the Group made net purchases for a nominal value of over Euro 2 billion.

Equity investments

	31.12.2020	31.12.2019	Changes	
			Absolute	%
- Subsidiaries	1,057,847	1,053,799	4,048	0.4
- Joint arrangements	-	-	-	-
- Investees subject to significant influence	20,639	20,639	-	-
Total	**1,078,486**	**1,074,438**	**4,048**	**0.4**

This item mainly reports the equity investments in Crédit Agricole FriulAdria (Euro 919.7 million) and in Crédit Agricole Leasing (Euro 99.2 million). The change reports the increase in the equity investments held in Crédit Agricole FriulAdria (+0.59%).

Property, plant and equipment and intangible assets

As at the end of 2020, property, plant and equipment and intangible assets came to Euro 2 billion. Specifically, “Property, plant and equipment” came to Euro 766.8 million, down by €51.6 million vs. 2019, due to the recognition of depreciation and the change in assets recognized as “right of use” (in compliance with IFRS16).

Furthermore, the transaction for the sale-leaseback of a property in Milan made by Crédit Agricole Italia determined a net decrease in the balance of property, plant and equipment of approximately €31 million, equal to the difference between the book value of the sold asset and the right of use recognized.

Intangible assets came to Euro 1.2 billion and include goodwill for Euro 1 billion.

Specific-purpose provisions

	31.12.2020	31.12.2019	Changes	
			Absolute	%
Employee severance benefits	92,002	96,811	-4,809	-5.0
Provisions for risks and charges	274,204	312,246	-38,042	-12.2
a) commitments and guarantees given	25,328	27,210	-1,882	-6.9
b) post-employment and similar obligations	35,816	37,325	-1,509	-4.0
c) other provisions for risks and charges	213,060	247,711	-34,651	-14.0
Total specific-purpose provisions	**366,206**	**409,057**	**-42,851**	**-10.5**

Specific-purpose provisions came to Euro 366.2 million, decreasing by Euro 42.9 million (down by -10.5%) vs. 2019. This aggregate consists of Euro 92 million worth of provision for Employee severance benefits and of Euro 274.2 million worth of provisions for risks and charges (personnel expenses, operational risks, misselling and other risks in business with Customers).

Equity

	31.12.2020	31.12.2019	Changes	
			Absolute	%
Share capital	979,235	979,233	2	-
Share premium reserve	3,118,389	3,118,381	8	-
Income reserves	1,565,178	1,315,927	249,251	18.9
Other reserves	3,028	2,823	205	7.3
Reserve for valuation of financial assets through other comprehensive income	14,092	696	13,396	
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-47,876	-45,486	-2,390	-5.3
Equity instruments	715,000	715,000	-	-
Profit (Loss) for the year	168,206	302,571	-134,365	-44.4
Total (book) equity	**6,515,252**	**6,389,145**	**126,107**	**2.0**

As at 31 December 2020, equity amounted to Euro 6.5 billion, increasing by Euro 126.1 million vs. 31 December 2019.

The “Equity instruments” item reports the amount of additional tier 1 (AT1) instruments issued and subscribed by the Parent Company Crédit Agricole S.A.. Crédit Agricole Italia does not hold treasury shares.

No company of the Group holds shares in the Parent Company.

In compliance with the recommendations of the European Central Bank, in order to strengthen its capital position and thus to ensure more support to businesses and households in facing the negative impacts on the economy caused by the ongoing pandemic, in 2020 the General Meeting of Crédit Agricole Italia’s Shareholders resolved not to distribute dividends on 2019 earnings.

Own Funds and capital ratios

	31.12.2020	31.12.2019
A. Common Equity Tier 1 - CET1 prior to the application of prudential filters	5,708,933	5,672,645
of which CET1 instruments subject to transitional provisions	-	-
B. CET1(+/-) prudential filters	-7,519	-7,772
C. CET1 including deductible elements and the effects of the transitional regime (A+/-B)	5,701,414	5,664,873
D. Elements to be deducted from CET1	1,444,011	1,521,320
E. Transitional regime - Impact on CET1 (+/-)	-	-
F. Total Common Equity Tier 1 - CET1 (C-D+/-E)	4,257,403	4,143,553
G. Additional Tier 1 (AT1) including deductible elements and the effects of the transitional regime	715,000	715,000
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	-	-
E. Transitional regime- Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 - AT1 (G-H+/-I)	715,000	715,000
M. Tier 2 (T2) including deductible elements and the effects of the transitional regime	839,740	866,423
of which T2 instruments subject to transitional provisions	1,080	2,588
N. Elements to be deducted from T2	-	-
O. Transitional regime- Impact on T2 (+/-)	-	-
P. Total Tier 2 -T2 (M-N+/-O)	839,740	866,423
Q. Total own funds (F+L+P)	5,812,143	5,724,976

	Non-weighted amounts		Weighted amounts/requirements	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
A. RISK ASSETS				
A.1 Credit and counterparty risks	71,180,465	60,997,310	20,194,667	21,040,197
1 Standardized Approach	50,148,938	41,406,788	16,587,395	17,311,613
2 IRB approach	21,031,527	19,590,522	3,607,272	3,728,584
2.1 Foundation	-	-	-	-
2.2 Advanced	21,031,527	19,590,522	3,607,272	3,728,584
3 Asset-backed securities	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			1,615,573	1,683,216
B.2 Risk of value adjustments of loans			8,432	5,048
B.3 Regulatory risk			-	-
B.2 Market risks			**536**	**8,002**
1 Standardized Approach			536	8,002
2 Internal models			-	-
3 Concentration risk			-	-
B.3 Operational risk			**199,927**	**202,145**
1 Basic indicator approach			-	-
2 Standardized approach			199,927	202,145
3 Advanced approach			-	-
B.5 Other measurement elements			-	-
B.6 Total prudential requirements (*)			1,824,468	1,898,411
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 Risk-weighted assets			22,805,850	23,730,138
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)			18.7%	17.5%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			21.8%	20.5%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			25.5%	24.1%

As at 31 December 2020 Common Equity Tier 1 came to Euro 4,257 million, increasing vs. the previous year (Euro 4,144 million) and its positive components include the allocation of earnings as proposed by the Board of Directors to the General Meeting of Crédit Agricole Italia's Shareholders, the improvement in the valuation reserve on government securities held resulting from the decrease in the BTP/Bund spread in 2020, the decrease in DTAs for losses and lower deductions for intangible assets and shortfall.

In the reporting period, no Additional Tier 1 and Tier 2 subordinated instruments were issued or repaid.

Crédit Agricole Italia decided not to apply the transitional arrangements provided for by Regulation (EU) 2020/873, amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (e.g. the establishment of a temporary prudential filter for unrealized gains and losses on certain financial assets measured at fair value and the amendments to transitional arrangements to mitigate the impact of IFRS 9 on CET1).

Risk-weighted assets came to Euro 22,806 million, decreasing by approximately vs. 31 December 2019 (down by Euro -924 million), mainly because of the impacts generated by the development in the prudential legislation (especially the more favourable treatment for SMEs) and because of loans guaranteed by the State (€2.6 billion of newly originated loans) prevailing over short-term loans, as the latter would have generated an higher impact on risk-weighted assets.

Based on the above-reported facts, the Common Equity Tier 1 ratio as at 31 December 2020 came to 18.7% (17.5% as at 31 December 2019), the Tier 1 ratio to 21.8% (20.5% as at 31 December 2019) and the Total Capital ratio to 25.5% (24.1% as at 31 December 2019): all ratios are well above the regulatory requirements.

PROFIT OR LOSS

In 2020, albeit decreasing vs. the previous year (-5.4%) due to the effects of the Covid-19 crisis, which hit especially hard in H2 2020, revenues constantly increased in the following quarters, driven by the business momentum, with a performance that, in Q4, grew vs. the same period of 2019.

Operating costs (+0.6%) benefited from the rationalization and efficiency enhancement actions, but were affected by higher contributions to the banking system and non-recurring expenses incurred to manage the health emergency (personal protection equipment, extraordinary sanitization of premises, etc..).

The cost of credit (84 bps) was impacted by the worsening in the economy and by the derisking activity, whereby the weight of non-performing loans on net total loans could be reduced to 2.8%.

Net income came to over Euro 168 million, affected also by non-collection of Crédit Agricole FriulAdria dividend. The income performance is commented below.

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 Profit (Loss) on trading activities, Net Profit (Loss) on hedging activities and Net Profit (Loss) on financial assets and liabilities measured at fair value through profit or loss have been reported under Income 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 Income from banking activities;
- Expenses, taxes and levies recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- "Expenses for the management of non-performing loans and the relevant recoveries" have been reclassified as "Net Value Adjustments of Loans";
- Commission income for fast loan application processing has been taken to "Fee and commission Income" rather than being recognized under "Other operating income/expenses";
- "Net provisioning for risks and charges regarding commitments and guarantees given" have been reclassified under "Net impairment of loans".
- Net value adjustments for credit risk of securities classified as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income have been restated under the "Impairment of securities" item.
- The "Price adjustment subsequent to the disposal of equity investments" has been reclassified under "Other operating income/expenses", rather than being allocated to "Profit (Losses) on other investments".
- The measurement of financial instruments to be mandatorily measured at fair value was taken to the "Net value impairment of loans" item rather than to the "Gains (losses) on banking activities" item.
- Covid-19-related lease concessions have been reported in item "Depreciation of property, plant and equipment and amortization of intangible assets", rather than in the item "Other operating income/expenses";
- Deposit fees and commissions have been reported in item "Net interest income" rather than in item "Fee and commission income".

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

Reclassified income statement

	31.12.2020	31.12.2019	Changes	
			Absolute	%
Net interest income	786,070	807,445	-21,375	-2.6
Net fee and commission income	743,098	776,783	-33,685	-4.3
Dividend income	10,438	55,404	-44,966	-81.2
Income from banking activities	14,262	7,587	6,675	88.0
Other operating income (expenses)	7,149	2,991	4,158	
Net operating income	**1,561,017**	**1,650,210**	**-89,193**	**-5.4**
Personnel expenses	-554,771	-567,940	-13,169	-2.3
Administrative expenses	-397,684	-379,969	17,715	4.7
Amortization of intangible assets and depreciation of property, plant and equipment	-82,461	-81,230	1,231	1.5
Operating expenses	**-1,034,916**	**-1,029,139**	**5,777**	**0.6**
Operating margin	**526,101**	**621,071**	**-94,970**	**-15.3**
Net provisioning for risks and charges	-7,502	-8,170	668	8.2
Net impairments of loans	-357,565	-201,898	155,667	77.1
Impairment of securities	-7,754	-1,886	5,868	
Profit (loss) on other investments	64,605	221	64,384	
Profit (loss) on continuing operations before taxes	**217,885**	**409,338**	**-191,453**	**-46.8**
Taxes on income from continuing operations	-49,679	-106,767	-57,088	-53.5
Profit for the year	**168,206**	**302,571**	**-134,365**	**-44.4**

Reconciliation between the Official and the Reclassified Income Statements

	31.12.2020	31.12.2019
Net interest income	**786,070**	**807,445**
30 Net interest income	784,468	808,558
40 Fee and commission income: of which Deposit Fess and Commissions	1,612	-
90 Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-10	-1,113
Net fee and commission income	**743,098**	**776,783**
60 Net fee and commission income	743,547	771,240
To deduct: Deposit fees and commissions	-1,612	-
200 Other operating expenses/income: of which Commission income from Fast Loan Application Processing	1,163	5,543
Dividends and similar income = item 70	**10,438**	**55,404**
Income from banking activities	**14,262**	**7,587**
80 Net profit (loss) on trading activities	16,723	12,636
90 Net profit (loss) on hedging activities	-10,402	-8,788
90 Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	10	1,113
100 Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	10,123	26
100 Profit (loss) on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income	-1,821	2,876
100 Profit (loss) on disposal or repurchase of: c) financial liabilities	52	-142
110 Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-487	-134
To deduct: b) other financial assets mandatorily measured at fair value of which measurement of financial instruments	-64	-
Other operating income (expenses)	**7,149**	**2,991**
200 Other operating expenses/income	250,266	247,441
To deduct: expenses recovered	-247,666	-247,498
To deduct: recovered expenses for the management of non-performing loans	-3,423	-4,245
To deduct: Commission income from Fast Loan Application Processing	-1,163	-5,543
To deduct: Covid-19-related lease concessions	-626	-
220 Gains (Losses) on equity investments of which Price Adjustment for disposal of equity investments	9,761	12,836
NET OPERATING INCOME	**1,561,017**	**1,650,210**
Personnel expenses = item 160 a)	**-554,771**	**-567,940**
Administrative expenses	**-397,684**	**-379,969**
160 Administrative expenses: b) other administrative expenses	-656,629	-640,246
To deduct: expenses for the management of non-performing loans	11,279	12,779
200 Other operating expenses/income: of which expenses recovered	247,666	247,498
Depreciation of property, plant and equipment and amortization of intangible assets	**-82,461**	**-81,230**
180 Net adjustments of/recoveries on property, plant and equipment	-58,260	-56,295
200 Other operating expenses/income of which Covid-19-related lease concessions	626	-
190 Net adjustments of/recoveries on intangible assets	-24,827	-24,935
OPERATING EXPENSES	**-1,034,916**	**-1,029,139**
OPERATING MARGIN	**526,101**	**621,071**
Impairment on goodwill = item 240	**-**	**-**
Net provisioning for risks and charges = Item 170 b) other net provisioning	**-7,502**	**-8,170**
Net impairments of loans	**-357,565**	**-201,898**
100 Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	-10,203	-11,551
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-10,123	-26
110 Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss:of b) of other financial assets mandatorily measured at fair value: of which measurement of financial instruments	-64	-
130 Net adjustments for credit risk of: a) financial assets measured at amortized cost	-336,384	-182,663
To deduct: net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	6,773	895
140 Profits/Losses on contract modifications without derecognition	-1,310	-3,226
160 Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-11,279	-12,779
200 Other operating expenses/income: of which recovered expenses for the management of non-performing loans	3,423	4,245
170 Net provisioning for risks and charges: a) commitments and guarantees given	1,602	3,207
Impairment of securities	**-7,754**	**-1,886**
130 Net adjustments for credit risk of: a) 0/w securities classified as financial assets measured at amortized cost	-6,773	-895
130 Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	-981	-991
Profit (loss) on other investments	**64,605**	**221**
220 Profit (losses) on equity investments	9,640	12,796
To deduct: Price Adjustment on disposal of equity investments	-9,761	-12,836
230 Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
250 Profit (losses) on disposals of investments	64,726	261
PROFIT (LOSS) ON CONTINUING OPERATIONS BEFORE TAXES	**217,885**	**409,338**
Taxes on income from continuing operations = item 270	**-49,679**	**-106,767**
Profit (Loss) for the year	**168,206**	**302,571**

Net operating income

Albeit decreasing vs. 2019 (-5.4%), mainly due to the effects of the Covid-19 crisis, which hit the hardest in Q2 2020, revenues increased in the second half of the year, thanks to good commercial momentum, going back to before-crisis levels at the end of the year.

Specifically, net interest income decreased YoY (-2.6%) mostly as a consequence of the further reduction in interest rates also in 2020; net fee and commission income (down by -4.3%), which were penalized the most in Q2, returned in Q4 as they were before the crisis, driven also by the new digital services, whereby Retail and Private banking account managers and financial advisors could work remotely with customers in the Web collaboration mode. The profit from banking activities increased (up by Euro +6.7 million), especially thanks to realized gains on the security portfolio.

Net interest income

	31.12.2020	31.12.2019	Changes	
			Absolute	%
Business with customers	624,363	663,892	-39,529	-6.0
Business with banks	21,995	-3,673	25,668	
Debt securities issued	-95,960	-86,421	9,539	11.0
Differentials on hedging derivatives	186,388	154,515	31,873	20.6
Financial assets held for trading	-	81	-81	
Securities measured at amortized cost	43,223	52,982	-9,759	-18.4
Securities through other comprehensive income	9,619	29,472	-19,853	-67.4
Other net interest income	-3,558	-3,403	155	4.6
Net interest income	**786,070**	**807,445**	**-21,375**	**-2.6**

Net interest income came to Euro 786 million, decreasing by €21.4 million. The performance on net interest income was negatively impacted by the trend i interest rates, which penalised the yield on loans to Customers and on Financial Assets, only partially offset by the increase in loans and by the repricing of liabilities.

Dividend income

Dividend income came to Euro 10.4 million, decreasing by approximately Euro 45 million subsequent to the decision not to distribute Crédit Agricole FriulAdria 2019 earnings in compliance with the recommendations given by the European Central Bank in 2020, to encourage banks to strengthen their capital.

Net fee and commission income

	31.12.2020	31.12.2019	Changes	
			Absolute	%
- guarantees given	3,888	3,457	431	12.5
- collection and payment services	49,449	48,533	916	1.9
- current accounts	179,756	189,805	-10,049	-5.3
- debit and credit card services	23,308	27,444	-4,136	-15.1
Commercial banking business	**256,401**	**269,239**	**-12,838**	**-4.8**
- securities intermediation and placement	173,436	172,961	475	0.3
- intermediation in foreign currencies	3,192	3,828	-636	-16.6
- asset management	5,997	6,962	-965	-13.9
- distribution of insurance products	231,625	236,284	-4,659	-2.0
- other intermediation/management fee and commission income	28,185	37,731	-9,546	-25.3
Management, intermediation and advisory services	**442,435**	**457,766**	**-15,331**	**-3.3**
Other net fee and commission income	**44,262**	**49,778**	**-5,516**	**-11.1**
Total net fee and commission income	**743,098**	**776,783**	**-33,685**	**-4.3**

Net fee and commission income for 2020 came to Euro 743 million. The decrease of approximately Euro 34 million (-4.3%) vs. 2019 reflects the material and widespread slowdown in distribution and intermediation activities in Q2 2020, especially during the lockdown months, which was followed by progressive recovery in the second part of the year.

Breaking down this item, income from the traditional banking business came to Euro 256.4 million (down by -4.8%), whereas revenues from management, intermediation and advisory services came to Euro 442.4 million, decreasing by -3.3% only.

Income from banking activities

	31.12.2020	31.12.2019	Changes	
			Absolute	%
Activities on interest rates	10,282	6,289	3,993	63.5
Stocks	-194	72	-266	
Foreign exchange	6,684	6,102	582	9.5
Commodities	3	31	-28	-90.3
Total profit (losses) on financial assets held for trading	**16,775**	**12,494**	**4,281**	**34.3**
Total profit (losses) on assets held for hedging	**-10,392**	**-7,675**	**-2,717**	**-35.4**
Net profit (loss) on financial assets and liabilities at fair value	**-423**	**-134**	**-289**	
Total profit (losses) on securities measured at amortized cost	**10,123**	**26**	**10,097**	
Total profit (losses) on securities through other comprehensive income	**-1,821**	**2,876**	**-4,697**	
Income from banking activities	**14,262**	**7,587**	**6,675**	**88.0**

Income from banking activities came to Euro 14.3 million, up by Euro 6.7 million vs. 2019; the increase resulted, for approximately Euro 6 million, from the growth in foreign exchange activities and interest rate hedging on loans to Customers.

Other operating income (expenses)

The Balance of the “Other operating income/expenses” item came to Euro 7.1 million, up by Euro 4.2 million vs. 2019. The increase vs. 2019 resulted mainly from the income collected (€4.1 million) under the settlement agreement in the liability action started by Cassa di Risparmio di Rimini in 2017 against former corporate officers for mismanagement regarding the FY 2009.

Operating expenses

	31.12.2020	31.12.2019	Changes	
			Absolute	%
- wages and salaries	-403,204	-411,803	-8,599	-2.1
- social security contributions	-107,178	-108,584	-1,406	-1.3
- other personnel expenses	-44,389	-47,553	-3,164	-6.7
Personnel expenses	**-554,771**	**-567,940**	**-13,169**	**-2.3**
- general operating expenses	-34,604	-31,287	3,317	10.6
- IT services	-166,534	-155,499	11,035	7.1
- direct and indirect taxes	-95,811	-99,840	-4,029	-4.0
- real estate property management	-6,980	-10,430	-3,450	-33.1
- legal and other professional services	-16,408	-19,925	-3,517	-17.7
- advertising and promotion expenses	-8,674	-12,541	-3,867	-30.8
- indirect personnel expenses	-5,069	-10,043	-4,974	-49.5
- contributions to support the banking system	-48,777	-34,051	14,726	43.2
- other expenses	-262,492	-253,851	8,641	3.4
- expenses and charges recovered	247,665	247,498	167	0.1
Administrative expenses	**-397,684**	**-379,969**	**17,715**	**4.7**
- intangible assets	-24,828	-24,935	-107	-0.4
- property, plant and equipment	-57,633	-56,295	1,338	2.4
Depreciation and amortization	**-82,461**	**-81,230**	**1,231**	**1.5**
Operating expenses	**-1,034,916**	**-1,029,139**	**5,777**	**0.6**

Operating expenses came to Euro 1,035 million, slightly increasing vs. the previous year; this figure reports also the impact of higher contributions to the Italian banking system (by approx. Euro 15 million), specifically for the invention on Banca Carige and Popolare di Bari by the Interbank Deposit Protection Fund, as well as higher costs incurred to manage the Covid-19 health emergency amounting to approximately Euro 20 million (purchase of personal protection equipment , sanitization of premises and laptops given to employees in order to enable them to work from home). Net of the aforementioned cost components, operating expenses decreased by Euro 28.6 million, i.e. down by -2.9%.

Lower costs resulted from the efficiency enhancement, cost management and optimization actions carried out both on the cost of personnel, down by -2.3% (following exits through voluntary redundancy funds, the adjustment of provisions allocated in the previous year and lower expenses for overtime, meal vouchers and travel allowances subsequent to the extension of the smart-working mode) and on administrative expenses (down by -4.7% taking into account costs net of contributions to the banking system and net of Covid-19-related non-recurring expenses). Depreciation and amortization increased (up by +1.5%), following the higher investments made to provide support to Customers, to the business and to digital innovation.

Net provisioning for risks and charges

The “Net Provisions for risks and charges” item came to Euro 7.5 million, down by approximately €0.7 million vs. 2019 because of lower provisions for lawsuits against the Bank and on revocatory actions set aside in the reporting period.

Net impairments of loans

	31.12.2020	31.12.2019	Changes	
			Absolute	%
- bad loans	-142,462	-79,278	63,184	79.7
- Unlikely to Pay	-131,410	-114,140	17,270	15.1
- Past-due loans	-3,994	-1,352	2,642	
Non-performing loans	**-277,866**	**-194,770**	**83,096**	**42.7**
- Performing loans - stage 2	-45,548	12,919	58,467	
- Performing loans - stage 1	-26,522	-11,494	15,028	
Performing loans	**-72,070**	**1,425**	**73,495**	
Net losses on impairment of loans	**-349,936**	**-193,345**	**156,591**	**81.0**
Profits/Losses on contract modifications without derecognition	-1,310	-3,226	-1,916	-59.4
Measurement of financial instruments	-64	-	64	-
Expenses/recovered expenses for loan management	-7,857	-8,534	-677	-7.9
Net losses on impairments of guarantees and commitments	1,602	3,207	-1,605	-50.0
Net impairments of loans	**-357,565**	**-201,898**	**155,667**	**77.1**

Net value adjustments of loans came to Euro -357.6 million, increasing vs. 2019 (+77.1%). The increase for the year in adjustments recognized reflects the macroeconomic scenario hit by Covid-19, which impacted by approximately Euro 73 million on stages 1 and 2, due to the application of the forward-looking scenario in accordance with IFRS9. Moreover, non-performing loans were also impacted by the disposals made in the year. The cost of credit risk (the ratio of the relevant adjustments recognized in the income statement to net loans to Customers) came to 84bps.

Profit (loss) on other investments

This figure reports the sale and leaseback transactions made by Crédit Agricole Italia on a property located in Milan. In accordance with IFRS 16, the sale for a consideration of Euro 140 million resulted in a gross capital gains of approximately Euro 65 million.

Profit (loss) on continuing operations before taxes

Due to the facts reported above, the profit before tax on continuing operations came to Euro 217.9 million vs. Euro 409.3 million in 2019, down by Euro 191.5 million (-46.8%).

Taxes on income from continuing operations

Current taxes and deferred tax liabilities for the period came to approximately Euro 50 million, at a tax rate of 22.8%.

Net income

Net income for the period came to Euro 168.2 million vs. Euro 302.6 million in the previous year, down by 44.4%. Net income would be of approximately Euro 221 million excluding the contribution to the banking system and non-recurring expenses incurred to manage the health emergency.

Comprehensive income

		31.12.2020	31.12.2019
10.	**Profit (Loss) for the year**	**168,206**	**302,571**
	Other comprehensive income that will not be reclassified to the income statement		
20.	Equity instruments designated at fair value through other comprehensive income	-6,940	-4,127
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.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	-2,390	-4,811
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	Other comprehensive income that will be reclassified to the income statement		
100.	Hedging of investments in foreign operations	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	20,336	70,575
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of valuation reserve on equity investments measured with the equity method:	-	-
170.	**Total other comprehensive income after taxes**	**11,006**	**61,637**
140.	**Comprehensive income (Item 10+170)**	**179,212**	**364,208**

Comprehensive income came to Euro 179.2 million and consists of the profit for the period (amounting to Euro 168.2 million), the fair value changes of financial assets measured at fair value directly through equity reserves (government debit securities by Euro 20.3 million and equity securities by Euro -6.9 million) and the change in actuarial reserves on defined-benefit plans (Euro -2.4 million).

It is pointed out that the inclusion in comprehensive income of the item reporting “Financial assets measured at fair value through other comprehensive income” entails strong volatility, which must be taken into account when analyzing the table.

OTHER INFORMATION

PROPERTY DISPOSAL

Along with the progressive growth in size of the Crédit Agricole Italia Banking Group, its portfolio of owned properties increased; given this situation, the Group started, within the implementation of its business plan, a project for the optimization of its property portfolio aimed at monitoring the target market developments and at reducing the costs for the management of that portfolio, both by leasing out properties and by selectively selling them in case of opportunities to get good value from the assets and to decrease capital absorption.

The real estate market in Milan has long been the most active and strong in Italy, driven by structural or, however, long-term factors, as well as by massive urban regeneration actions. Milan has been continuing to attract institutional investors, operating in the main European markets and interested mainly in so-called prime properties.

Given this background, in June 2020 Crédit Agricole Italia finalized the transaction for the sale and leaseback of the owned building located in Milan, on Via Armorari to Allianz Real Estate. The buyer was selected after a competitive procedure, which started in January 2020, and after an appropriate due diligence phase.

This transaction achieved the purpose of seizing the favourable period in the real estate market, while divesting an important asset of the Group. More specifically, it was a sale-leaseback transaction, whereby, concomitantly with the transfer of the property ownership, a lease contract was signed for the entire building, which, therefore, will remain one of the most important premises of Crédit Agricole Italia in Milan.

In accordance with IFRS 16, the sale for a consideration of Euro 140 million resulted in a gross capital gains of approximately Euro 65 million, which were recognized in the income statement under item “250. Gains and losses on disposals of investments”.

Again with the scope of the project for optimization of the real estate portfolio, in 2020 Crédit Agricole Italia finalized the transactions for the sale of other properties.

As at 31 December 2020, the Non-current Assets Held for Sale and Discontinued Operations category, in accordance with IFRS 5, included non-current assets for Euro 5.2 million consisting of a property for the sale of which a preliminary agreement was signed.

NPE DISPOSAL

In 2020, several transactions for NPE disposal were carried out for a total gross book value (GBV) of Euro 408 million, of which Euro 380 million in bad loans and Euro 28 million in UTP.

Specifically, in Q4 2020 the main transactions were finalized concerning bad loans, with the disposal of a portfolio worth approximately Euro 197 Mln to the special-purpose entity GAIA SPV SRL and one worth Euro 143 Mln to IFIS NPL SPA. Those transactions were part of the disposal plan set out in the Group’s NPE strategy and fully met the set objectives. The gross NPE ratio came to 5.62% (vs. 6.90% in December 20219) and the net NPE ratio to 2.82% (vs. 3.41% in December 2019).

ISSUE OF SENIOR NON-PREFERRED BONDS

In 2020, Crédit Agricole Italia issued Non-Preferred Senior Bonds for approximately Euro 411 million, which were subscribed by Crédit Agricole S.A..

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

ALL-CASH VOLUNTARY PUBLIC TENDER OFFER MADE BY CRÉDIT AGRICOLE ITALIA FOR ALL SHARES IN CREDITO VALTELLINESE

On 23 November 2020, Crédit Agricole Italia announced an all-cash voluntary public tender offer for all shares in Credito Valtellinese S.p.A..

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

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

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

- Increased critical mass in areas that are complementary and adjacent to the ones already served, strengthening local coverage of Customers;
- Considerable strengthening in Northern Italy (~70% of the proforma number of branches);
- Two-fold increase in the market share in Lombardy (from 3% to over 6%), where Credito Valtellinese operates with more than 40% of its branches, thus becoming the seventh bank in the Region, a considerable improvement in the largest and wealthiest Region in Italy and, especially, in Milan;
- Size increase in the Piedmont, Marche and Lazio Regions, as well as access to new Regions, including the most dynamic metropolitan areas in Sicily, Valle d'Aosta and Trentino.

Therefore, if this transaction is successful, the Group will strengthen its competitive position in Italy, with the creation of a stronger Italian Banking Group, which will benefit from the financial strength, support, skills and range of products and services of one the largest and most successful European groups, with considerable positive impacts on the economy of the communities concerned and in the interest of all stakeholders. Specifically, the combination will generate benefits:

- For Customers, as they will be provided with an attractive and complete range of financial solutions, with access to the full range of Bancassurance products and services of the Crédit Agricole Group, a leading player in Europe;
- For the human resources of Credito Valtellinese, who will become part of a financial group that is a leading player in the industry and a top employer;
- For shareholders, thanks to an estimated good return on the investment within the third year, based on cost and funding synergies only, continuing to develop the Group's raison d'être with a strong commitment to providing support to the Italian economy and local communities, proving once again close to the regions.

Relying also on the successful integrations made in the past (specifically Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato), Crédit Agricole Italia is confident that it can integrate Credito Valtellinese keeping risks to a minimum. In Credito Valtellinese's specific case, Crédit Agricole Italia plans to achieve higher efficiency can be achieved exclusively on a voluntary basis, with a collaborative and inclusive approach to the integration process, drawing on its recent experience and following a defined governance and monitoring structure, with special focus on the inclusion of Credito Valtellinese's personnel.

The tender offer has been made for an all-cash price of Euro 10.50 for each share in Credito Valtellinese. The price entails a total investment of Euro 737milion to be made by Crédit Agricole Italia in order to acquire 100% of the share in Credito Valtellinese. The price is at a 50.2% premium over the daily volume-weighted average price ("VWAP"), calculated on the official prices of Credito Valtellinese shares in the 6 months before the tender offer made on 23 November 2020.

Following the Offer, Crédit Agricole Italia intends to merge Credito Valtellinese by absorption into Crédit Agricole Italia, in order to ensure actual integration of its business operations with those of Credito Valtellinese.

The Offer is conditional on the obtainment by Crédit Agricole Italia of at least a 66.7% of the shares with voting rights in Credito Valtellinese, with Crédit Agricole Italia being entitled to waive that condition as long as it acquires at least 50% + 1 shares with voting rights in Credito Valtellinese. Other conditions include – inter alia – the obtainment of unconditional authorizations by the competent Authorities for antitrust and Credito Valtellinese refraining from any defensive measure (albeit authorized by the General Meeting of Credito Valtellinese shareholders).

In accordance with the time schedule announced in its press release of 23 November 2020, Crédit Agricole Italia submitted the appropriate notices and applications to the competent regulatory authorities in order to obtain the necessary regulatory authorizations. After the obtainment of the regulatory authorizations (expected in Q1 2021), the Offer Document will be published, after its approval by Consob, which is expected in March 2021. The end of the Offer period and its settlement are expected in May 2021.

The developments in the above offer occurred from 1 January 2021 and the date of approval of the Annual Report and Financial Statements are exhaustively described in Section 3 – Events occurred after the reporting date.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

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

DISCLOSURE ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

RESEARCH AND DEVELOPMENT

For information on research and development activities, please see other parts of the Management Report to the Consolidated Financial Statements, specifically the chapter on the Strategic Plan and Business Development Lines as regards the creation of new products and services for Customers.

RISKS AND UNCERTAINTIES

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

Crédit Agricole Italia 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.

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

To address the unprecedented effects of the world crisis generated by the Covid19 pandemic, the public authorities of all the countries in the world have been deploying quick and firm actions aimed at ensuring that credit institutions can continue to lend to the real economy and can support economic recovery despite the likely increase in credit losses they will have to face because of the crisis.

In 2020, the monetary policy implemented by the European Central Bank and the measures deployed by the Italian Government to foster lending to the categories that were the hardest hit by the pandemic were able to mitigate the potential worsening in liquidity conditions.

The policies for risk monitoring, management and mitigation, with specific regard to credit risk, continue to be key pillars for Banks in domestic and international markets.

Crédit Agricole Italia constantly monitors the quality of the loan portfolio, in terms of the portfolio as a whole, analyzing its composition in accordance with specific risk measurement parameters (internal rating system, early warning indicators, other performance-monitoring indicators), as well as in terms of single positions, designing and applying the operational processes and procedures that regulate all steps in the management of the single lending accounts, in order to ensure preventive management of any default risks. Given the impact of the crisis caused by the Covid-19 pandemic, in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis – also with new review processes supplementing ordinary ones.

The development in loans to Customers was achieved while constantly focusing on credit quality.

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

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

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

Therefore, despite the very complex scenario featuring deep uncertainty on the recession duration and effects, on the effectiveness of the measures deployed by Governments to provide support to households and businesses and the changes in the EU monetary policy, the analyses performed using the available information gave evidence that Crédit Agricole Italia will be able to meet the risks and uncertainties caused by the emergency.

This assessment takes into account the capitalization level reached, which shows a reassuring buffer higher than the requirements set by the European Central Bank, with liquidity above the regulatory threshold. The sound and prudent management that has always informed Crédit Agricole Italia operations aims at ensuring strong development through strategies that pursue sustainable growth.

APPROACH TO SUSTAINABILITY AND OTHER NON-FINANCIAL ASPECTS

The non-financial data and information of the Crédit Agricole Italia Banking Group are part of the Consolidated Non-Financial Statement prepared by the French Parent Company Crédit Agricole S.A.; therefore, the Crédit Agricole Italia Banking Group would be entitled to the exemption pursuant to Article 6 of Italian Legislative Decree No. 254 of 30 December 2016 (hereinafter "D.Lgs. 254/2016") for reporting entities that belong to a Group that prepares a Consolidated Non-Financial Statement. Nevertheless, in agreement with the French 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 2020 in compliance with D.Lgs 254/2016.

Crédit Agricole Italia decided to opt for the exemption provided for by Article 6 of D.Lgs. 254/2016 and not to prepare its separate Non-Financial Statement, in its capacity as a public Interest Entity (PIE) falling in the scope of D.Lgs, 254/2016 whose non-financial data and information are included in the consolidated Non-Financial Statement prepared by the Crédit Agricole Italia Banking Group. The Non-Financial Statement of the Crédit Agricole Italia Banking Group reports the Crédit Agricole Italia's activities as at 31 December 2020 and is a stand-alone document separated from the Management Report, but an integral part of the 2020 Annual Report and Financial Statements The NFS reports information relating to environmental matters, social and employee-related matters, respect for human rights, anti-corruption and anti-bribery matters, as relevant in accordance with the features of the Banks of the Crédit Agricole Italia Banking Group, for full disclosure and reporting on them and on the resulting impacts..

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 2020, submitted for your examination, consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, the Note to the Financial Statements, as well as of the Annexes, and are accompanied by the Management Report.

The proposal for the allocation of the net profit amounting to Euro 168,206,243 is as follows:

5% to the legal reserve	3,768,879
To the fund for charity and support to social and cultural initiatives	1,200,000
To the shareholders in the amount of Euro 0.09203 to each one of the 979,235,316 (*) outstanding ordinary shares	90,119,033
to extraordinary reserve	73,118,331

(*) This figure may change subsequent to the possible exercise of warrants

In a scenario of ongoing uncertainty caused by the Covid-19 emergency, in 2020 the European Central Bank issued its Recommendations on dividend distributions during the COVID-19 pandemic, encouraging banks to strengthen their own funds in order to be able to absorb the losses generated by the economic shock and ensure the necessary support to the economy.

The Recommendation of 27 March 2020, whereby the European Central Bank invited credit institutions not to distribute dividends until 1 October 2020, was then extended to 1 January 2021 given the still very high uncertainty.

Considering the economic scenario and considering the fact that the impact of the pandemic on banks' balance sheets has not yet manifest itself in full, also thanks to the robust public support measures, on 15 December 2020, the European Central Bank invited banks to exercise extreme prudence and, not to distribute divides until September 2021, not to distribute dividends or to limit dividends to remain below 15% of cumulated 2019-20 profits and not higher than 20 basis points of Common Equity Tier 1, (CET1).

In the same Recommendation, banks that nonetheless intend to pay dividends are invited to assess their capital strength and self-financing capacity, both present and forward-looking, in a challenging manner and to pay dividends only after having discussed the matter with the Supervisory Authority.

Complying with said Recommendation, Crédit Agricole Italia submitted, through its Parent Company Crédit Agricole S.A.,, its dividend distribution proposal to the European Central Bank and received a positive feedback.

In accordance with the applicable legislation, the dividend shall be payable effective from 05 May 2021 and with ex-coupon date on 03 May 2021.

Parma, 24 March 2021

The Chairman of the Board of Directors
Ariberto Fassati

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

CRÉDIT AGRICOLE

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

- the adequacy in relation to the company's characteristics and
- the actual application of the administrative and accounting procedures for the formation of the financial statement during the course of the 2020 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 2020:

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, 24 March 2021

Giampiero Maioli	Pierre Débourdeaux
Chief Executive Officer	Senior Manager in charge of the preparation of the Company accounting statements

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

Capitale Sociale euro 979.234.664,00 i.v. - Iscritta al Registro Imprese di Parma, Codice Fiscale n. 02113530345, aderente al Gruppo IVA Crédit Agricole Italia, Partita Iva n. 02886650346. Codice ABI 6230.7. Iscritta all'Albo delle Banche al n. 5435. Aderente al Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale di Garanzia. Capogruppo del Gruppo Bancario Crédit Agricole Italia iscritto all'Albo dei Gruppi Bancari al n. 6230.7 - Società soggetta all'attività di Direzione e Coordinamento di Crédit Agricole S.A.

Independent Auditors' Report

EY S.p.A.
Via Meravigli, 12
20123 Milano

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crédit Agricole Italia S.p.A. (the "Bank" or the "Company"), which comprise the balance sheet as at December 31, 2020, 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, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015.

Basis for Opinion

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

Key Audit Matters

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

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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We identified the following key audit matters:

Key Audit Matters	Audit Responses
Classification and evaluation of loans to customers Loans to customers measured at amortized cost included in line item 40 b) of the balance sheet amount to about Euro 50.3 billion and represent approximately 72% of total assets. Net impairment losses for credit risk on financial assets measured at amortized cost, included in line item 130 a) of the income statement, amounted to Euro 336 million. The classification and valuation of loans to customers is relevant for the audit because the amount of loans is significant for the financial statements as a whole and because the amount of the related impairment losses are determined by the directors through the use of estimates that have a high degree of complexity and subjectivity. Moreover, these estimation processes have been revised to reflect the current uncertainty on the evolution of the macro economic scenario as a consequence of the Covid-19 pandemic spread and of the support measures provided by the Italian Government including, in particular, the moratoria on loan repayments and the new or renegotiated loans supported by State guarantees. Among these estimation factors, the following are particularly relevant: • the identification and calibration of parameters for determining a significant increase in credit risk, as compared to when the financial instrument was initially recognized, for the purpose of allocating performing exposures between the Stage 1 and the Stage 2 (performing loans); • the set-up of models and parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); for the calculation of the expected credit losses (ECL) over 1 year for exposures classified in Stage 1 and lifetime for exposures classified in Stage 2; these models incorporate forward looking information developed at the parent company Crédit Agricole S.A. level, on the basis of a multi scenario approach; • the detection of evidence of impairment, with the consequent classification of exposures in Stage 3 (non-performing loans), also as a result of the adoption of the New Definition of Default; • for exposures classified in Stage 3, the determination of criteria for the estimate of the expected cash flows' on the basis of the recovery strategy. The disclosures regarding the changes in the quality of the loans to customers portfolio and the classification and measurement criteria adopted is provided in Part A - Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements	In relation to this aspect, also on the basis of the changes made to the collective expected credit losses estimation process in order to take into account the increased uncertainty deriving from the Covid-19 pandemic spread, our audit procedures included, among others: • the update of our understanding of the policies, processes and controls applied by the management in relation to the classification and measurement of loans to customers and the execution of test on key controls, including those relating to IT applications, in order to verify their operational effectiveness; • the execution of substantive procedures aimed at verifying on a sample basis the correct classification and measurement of credit exposures, with a focus on exposures affected by moratoria on repayments;; • the understanding of the methodology applied for the impairment losses calculated by applying a statistical methodology and the reasonableness of the assumptions adopted, which include the updated macro-economic scenarios and their weighting; • the execution 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; • the performance of comparative analyses of the loans to customers portfolio and of the related coverage levels, with reference to the most significant changes as compared to the previous year; • the verification, through the analysis of the supporting documentation, of the accounting for the loans disposals occurred in the year, as envisaged by the NPL strategy aimed at the reduction of the stock of non-performing loans. The procedures reported above have been performed also with the support of our specialists in valuations of financial instruments and information technology. Furthermore, we examined the adequacy of the disclosures provided in the notes to the financial statements.

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Goodwill Impairment test

Goodwill included in line item 90 of the balance sheet for the year ended December 31, 2020 amounts to Euro 1,043 million and is entirely allocated to the Retail/Private Cash-Generating Unit (CGU).

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

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

On this matter, for the purpose of estimating the expected cash flows, management used the budget figures for the year 2021 and the medium long-term financial forecast for the period 2022-2025. The medium long-term financial forecast estimation has an high level of complexity and require a particular judgment by Directors as a consequence of the current uncertainty scenario due to the Covid-19 pandemic spread.

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 goodwill impairment test as a key audit matter.

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

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

- an understanding of the method for determining the recoverable amount adopted by the Bank, as part of the impairment testing process approved by the proper governance bodies;
- the execution of tests on key controls in order to verify their operational effectiveness;
- a comparison of the actual results achieved in the 2020 with the corresponding budget figures, in order to understand the reasons underlying the main differences.

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

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

Recoverability of the "non-convertible" deferred tax assets

The item 100 "Tax assets" of the balance sheet includes deferred tax assets amounting to Euro 996 million, of which Euro 405 million are "non-convertible" into tax credits (since they are not included in the scope of Law 214/2011), deriving from tax losses that can be carried forward indefinitely and from other deductible temporary differences.

In order to ascertain the existence of the conditions for the recognition of "non-convertible" deferred tax assets, management performed the probability test required by the international accounting standard IAS 12 "Income Taxes" by considering the expected taxable income of Credit Agricole Italia S.p.A., as well as considering its participation to the tax consolidation

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

- the 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;
- the analysis of the management estimates related to the Bank forecasted income statement and balance sheet figures and of the additional assumptions used for the purpose of estimating the future taxable income;
- the analysis of the reasonableness of the assumptions adopted for the development of the Probability Test based on the applicable tax

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regime of the Crédit Agricole S.A. Group in Italy.

The assessment of the recoverability of the "non-convertible" deferred tax assets is a key audit matter for the audit because their amount is significant for the financial statements as a whole, and because the valuation is based on assumptions and estimates that have a high degree of complexity and subjectivity, in particular in the current context of uncertainty deriving from the Covid-19 pandemic spread; these assumptions and estimates include:

- the estimation of future taxable income in the period considered for the recovery;
- the interpretation of the applicable tax legislation.

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

legislation to the different types of temporary deductible differences;

- the verification of the accuracy of the calculation made to develop the Probability Test.

The procedures reported above have been performed also with the support of our specialists in business valuations and tax matters.

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

Sale & Lease Back transaction

In June 2020 a Sale & Lease Back transaction was finalized with a third party on a building owned by the Bank for a consideration of Euro 140 million. The transaction resulted on a gain on disposal equal to Euro 65 million included in the line item 250 of the income statement, the recognition of a lease liability of Euro 42 million, representing the present value of the future lease payments, and of a right of use of Euro 14 million.

Since the transaction is significant for the financial statements as a whole, we considered this transaction as a key audit matter.

The disclosures regarding the Sale & Lease Back are provided in Part A- Accounting policies, in Part B - Information on the balance sheet of the notes to the financial statements, in Part C- Information on the Income Statement and in Part M – Disclosure of Leases.

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

- the analysis of the transaction approval process by those charged with governance;
- the analysis of the contractual agreements;
- the verification of the amount received as consideration for the asset disposal;
- the analysis of the conditions required by the applicable accounting principles for the derecognition of the asset;
- the verification of the proper accounting of the gain on disposals of the asset, of the right of use and of the lease liability.

The procedures reported above have been performed also with the support of our real estate specialists.

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

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

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

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for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Crédit Agricole Italia S.p.A. are responsible for the preparation of the Management Report and the Report on Corporate Governance and Ownership Structure of Crédit Agricole Italia S.p.A. as at December 31, 2020, 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, 2020 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, 2020 and comply with the applicable laws and regulations.

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

Milan, April 1, 2021

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

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

FINANCIAL STATEMENTS

BALANCE SHEET

Assets		31.12.2020	31.12.2019
10.	Cash and cash equivalents	313,267,087	326,278,580
20.	Financial assets measured at fair value through profit or loss	107,803,628	91,654,058
	a) financial assets held for trading;	71,125,590	82,054,608
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	36,678,038	9,599,450
30.	Financial assets measured at fair value through other comprehensive income	2,954,732,162	2,720,418,724
40.	Financial assets measured at amortized cost	61,344,579,043	50,981,630,730
	a) due from banks	11,055,537,987	7,522,014,029
	b) loans to customers	50,289,041,056	43,459,616,701
50.	Hedging derivatives	943,109,339	668,305,904
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	112,621,231	97,608,780
70.	Equity investments	1,078,485,794	1,074,437,875
80.	Property, Plant and Equipment	766,812,916	818,422,349
90.	Intangible assets	1,163,103,116	1,187,930,605
	- of which goodwill	1,042,597,768	1,042,597,768
100.	Tax assets	1,278,122,645	1,318,990,234
	a) current	281,937,502	258,991,565
	b) deferred	996,185,143	1,059,998,669
110.	Non-current assets held for sale and discontinued operations	5,207,320	-
120.	Other assets	246,847,367	327,129,108
Total assets		**70,314,691,648**	**59,612,806,947**

Liabilities and Equity		31.12.2020	31.12.2019
10.	Financial liabilities measured at amortized cost	61,053,271,988	50,807,795,393
	a) Due to banks	12,940,954,509	7,238,314,243
	b) Due to Customers	37,527,841,314	34,552,965,281
	c) Debt securities issued	10,584,476,165	9,016,515,869
20.	Financial liabilities held for trading	81,546,462	65,641,619
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	705,939,342	415,394,579
50.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	386,252,935	341,807,309
60.	Tax liabilities	187,773,762	222,271,673
	a) current	106,283,019	152,923,870
	b) deferred	81,490,743	69,347,803
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	1,018,449,681	961,694,267
90.	Employee severance benefits	92,002,367	96,810,797
100.	Provisions for risks and charges	274,203,229	312,246,262
	a) commitments and guarantees given	25,327,625	27,209,936
	b) post-employment and similar obligations	35,815,686	37,325,416
	c) other provisions for risks and charges	213,059,918	247,710,910
110.	Valuation reserves	-33,784,159	-44,789,696
120.	Redeemable shares	-	-
130.	Equity instruments	715,000,000	715,000,000
140.	Reserves	1,568,205,841	1,318,749,655
150.	Share premium reserve	3,118,389,293	3,118,380,883
160.	Capital	979,234,664	979,233,295
170.	Treasury shares (+/-)	-	-
180.	Profit (Loss) for the year	168,206,243	302,570,911
Total liabilities and equity		**70,314,691,648**	**59,612,806,947**

INCOME STATEMENT

Items		31.12.2020	31.12.2019
10	Interest and similar income	749,090,356	766,602,682
	Of which: interest income calculated with the effective interest method	745,976,837	763,314,320
20	Interest and similar expenses	35,377,908	41,954,740
30	**Net interest income**	**784,468,264**	**808,557,422**
40	Fee and commission income	779,935,042	809,911,917
50	Fee and commission expense	(36,387,750)	(38,672,402)
60	**Net fee and commission income**	**743,547,292**	**771,239,515**
70	Dividends and similar income	10,437,607	55,404,217
80	Net profit (loss) on trading activities	16,722,845	12,636,334
90	Net profit (loss) on hedging activities	(10,401,644)	(8,788,082)
100	Profit (losses) on disposal or repurchase of:	(11,971,881)	(8,817,468)
	a) financial assets measured at amortized cost	(10,202,717)	(11,551,443)
	b) financial assets measured at fair value through other comprehensive income	(1,821,396)	2,876,432
	c) financial liabilities	52,232	(142,457)
110	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(486,658)	(133,818)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	(486,658)	(133,818)
120	**Net interest and other banking income**	**1,532,315,825**	**1,630,098,120**
130	Net losses/recoveries for credit risk on:	(337,364,739)	(183,654,168)
	a) financial assets measured at amortized cost	(336,384,226)	(182,663,133)
	b) financial assets measured at fair value through other comprehensive income	(980,513)	(991,035)
140	Profits/Losses on contract modifications without derecognition	(1,310,100)	(3,226,344)
150	**Net financial income (loss)**	**1,193,640,986**	**1,443,217,608**
160	Administrative expenses:	(1,211,400,226)	(1,208,185,932)
	a) personnel expenses	(554,771,000)	(567,939,663)
	b) other administrative expenses	(656,629,226)	(640,246,269)
170	Net provisioning for risks and charges	(5,899,363)	(4,962,462)
	a) commitments and guarantees given	1,602,199	3,207,138
	b) other net provisions	(7,501,562)	(8,169,600)
180	Net adjustments of/recoveries on property, plant and equipment	(58,260,207)	(56,294,918)
190	Net adjustments of/recoveries on intangible assets	(24,827,489)	(24,935,406)
200	Other operating expenses/income	250,266,341	247,441,940
210	**Operating costs**	**(1,050,120,944)**	**(1,046,936,778)**
220	Profit (losses) on equity investments	9,640,007	12,796,223
230	Net profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
240	Goodwill impairment	-	-
250	Profit (losses) on disposals of investments	64,725,614	261,127
260	**Profit (Loss) before tax from continuing operations**	**217,885,663**	**409,338,180**
270	Taxes on income from continuing operations	(49,679,420)	(106,767,269)
280	**Profit (Loss) after tax from continuing operations**	**168,206,243**	**302,570,911**
290	Profit (Loss) after tax from discontinued operations	-	-
300	**Profit (Loss) for the year**	**168,206,243**	**302,570,911**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2020	31.12.2019
10.	**Profit (Loss) for the year**	**168,206,243**	**302,570,911**
	Other comprehensive income after tax not recycled to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income	(6,940,024)	(4,129,134)
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.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(2,390,561)	(4,810,642)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	Other income components reclassified to profit or loss		
100.	Hedging of investments in foreign operations:	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	20,336,122	70,576,680
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of valuation reserve on equity investments measured with the equity method:	-	-
170.	**Total other comprehensive income after taxes**	**11,005,537**	**61,636,904**
180.	**Comprehensive income (Item 10+170)**	**179,211,780**	**364,207,815**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Capital: ordinary shares	Share premium reserve	Reserves		Valuation reserves	Equity instruments	Profit (Loss) for the year	Shareholders' equity
			Retained earnings reserves	other				
EQUITY AS AT 31 DEC. 2019	979,233,295	3,118,380,883	1,315,927,512	2,822,143	-44,789,696	715,000,000	302,570,911	6,389,145,048
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	301,070,911	-	-	-	-301,070,911	-
Dividends and other allocations	-	-	-	-	-	-	-1,500,000	-1,500,000
CHANGES FOR THE YEAR								
Changes in reserves	-	-	-198,885	-	-	-	-	-198,885
Transactions on equity								
Issue of new shares	1,369	8,410	-	-	-	-	-	9,779
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-
Remuneration of equity instruments	-	-	-51,620,954	-	-	-	-	-51,620,954
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	205,114	-	-	-	205,114
Comprehensive income	-	-	-	-	11,005,537	-	168,206,243	179,211,780
EQUITY AS AT 31 DEC. 2020	**979,234,664**	**3,118,389,293**	**1,565,178,584**	**3,027,257**	**-33,784,159**	**715,000,000**	**168,206,243**	**6,515,251,882**

The increase in “retained earnings reserves“ resulted from non-distribution and retention of the earnings for 2019 (€233.7 million), in compliance with the recommendations issued by the European Central Bank in 2020 and aimed at banks' capital strengthening and from the allocation to ordinary (€15.1 million) and to extraordinary reserve (€52.4 million)

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit (Loss) for the year	Shareholders' equity
			Retained earnings reserves	other				
EQUITY AS AT 31 DEC. 2018	962,672,153	3,118,249,355	1,215,675,477	2,814,411	-106,426,600	715,000,000	252,124,086	6,160,108,882
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	122,250,853	-	-	-	-122,250,853	-
Dividends and other allocations	-	-	-	-	-	-	-129,873,233	-129,873,233
CHANGES FOR THE YEAR								
Changes in reserves	-	-	30,391,734	-	-	-	-	30,391,734
Transactions on equity								
Issue of new shares	16,561,142	131,528	-	-	-	-	-	16,692,670
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-
Remuneration of equity instruments	-	-	-52,390,552	-	-	-	-	-52,390,552
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	7,732	-	-	-	7,732
Comprehensive income	-	-	-	-	61,636,904	-	302,570,911	364,207,815
EQUITY AS AT 31 DEC. 2019	**979,233,295**	**3,118,380,883**	**1,315,927,512**	**2,822,143**	**-44,789,696**	**715,000,000**	**302,570,911**	**6,389,145,048**

STATEMENT OF CASH FLOWS

		31.12.2020	31.12.2019
A.	**OPERATING ACTIVITIES**		
1.	**Cash flows from operations**	**804,795,606**	**876,374,709**
-	Profit (Loss) for the year (+/-)	168,206,243	302,570,911
-	- Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)	1,581,243	-451,981
-	- Gains/losses on hedging activities (-/+)	48,281,119	8,438,730
-	Net losses/recoveries for credit risk (+/-)	252,508,695	156,361,710
-	net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	83,087,696	81,230,324
-	Net provisions for risks and charges and other costs/revenues (+/-)	5,899,363	4,962,462
-	- taxes, levies and tax credits not settled (+)	49,679,420	106,767,269
-	- net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
-	Other adjustments (+/-)	195,551,827	216,495,284
2.	**Cash flow generated/absorbed by financial assets**	**-10,875,584,307**	**856,442,626**
-	financial assets held for trading	9,347,775	193,876,209
-	- financial assets designated at fair value	-	-
-	financial assets mandatorily measured at fair value	-27,078,588	-4,030,021
-	financial assets measured at fair value through other comprehensive income	-222,096,738	35,848,863
-	financial assets measured at amortized cost	-10,649,868,355	445,293,470
-	Other assets	14,111,599	185,454,105
3.	**Cash flow generated/absorbed by financial liabilities**	**9,962,336,991**	**-1,535,155,004**
-	financial liabilities measured at amortized cost	9,917,320,782	-957,660,869
-	Financial liabilities held for trading	15,904,843	4,086,855
-	financial liabilities designated at fair value	-	-
-	other liabilities	29,111,366	-581,580,990
Net cash flow generated/absorbed by operating activities		**-108,451,710**	**197,662,331**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow generated by:**	**164,684,121**	**69,127,617**
-	sales of equity investments	9,760,891	12,521,796
-	Dividends received on equity investments	10,437,607	55,404,217
-	Sales of property, plant and equipment	144,485,623	1,201,604
-	sales of intangible assets	-	-
-	sales of business units	-	-
2.	**Cash flow absorbed by:**	**-16,132,729**	**1,012,383**
-	purchases of equity investments	-4,168,803	-3,244,283
-	Purchases of property, plant and equipment	-11,963,926	-14,854,593
-	purchases of intangible assets	-	-
-	Purchases of business units	-	19,111,259
Net cash flows generated/absorbed by investing activities		**148,551,392**	**70,140,000**
C.	**FUNDING ACTIVITIES**		
-	Issues/purchases of treasury shares	9,779	16,692,670
-	issues/purchases of equity instruments	-51,620,954	-52,390,552
-	Distribution of dividends and other	-1,500,000	-129,873,233
Net cash flows generated/absorbed by funding activities		**-53,111,175**	**-165,571,115**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**-13,011,493**	**102,231,216**

RECONCILIATION

Financial Statement items	31.12.2020	31.12.2019
Opening cash and cash equivalents	326,278,580	224,047,364
Total net increase/decrease in cash and cash equivalents for the year	-13,011,493	102,231,216
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	313,267,087	326,278,580

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

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

	31.12.2019	Changes from financing cash flows	Changes from obtaining or losing control of subsidiaries or other businesses	Fair value changes	Other changes	31.12.2020
Liabilities arising from financing activities (items 10, 20 and 40 of Liabilities)	50,873,437,012	9,975,440,154	-	285,941,284	-	61,134,818,450

NOTE TO THE FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Statement of compliance with IAS/IFRS

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 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 2020 (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 laid down in Circular No. 262 "Banks' financial statements: layouts and preparation" issued by the Bank of Italy on 22 December 2005, within the exercise of its powers under Article 9 of Italian Legislative Decree No. 38/2005 and in compliance with the subsequent updates issued, the latest one of which is the 5th update published on 30 November 2018 On 15 December 2020, the Bank of Italy published new provisions supplementing Circular.262 concerning the impacts of COVID-19 and the measures to support the economy and amendments to IAS/IFRS.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND ENTERED INTO FORCE IN 2020

In compliance with IAS 8, the table below reports the new international accounting standards or the amendments to standards already in force, along with the Regulations endorsing them, that shall mandatorily be applied for reporting periods starting on or after 1 January 2020.

Standards, amendments or interpretations	Publication date	Date of first application
Amendments to IAS 1 and IAS 8: Definition of Material The amendments clarify the definition of 'material' to make it easier for companies to make materiality judgements and to enhance the relevance of the disclosures in the notes to the financial statements.	10 December 2019 (EU No. 2019/2104)	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7– Interest Rate Benchmark Reform. The amendments provide temporary and narrow exemptions to the hedge accounting requirements of International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement and International Financial Reporting Standard (IFRS) 9 Financial Instruments so that companies can continue to meet the requirements assuming that the existing interest rate benchmarks are not altered because of the interbank offered rate reform.	16 January 2020 (EU No. 2020/34)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards The amendments aim at updating, in existing Standards, references to, and quotes from, the previous version of the Conceptual Framework so that they refer to the revised Conceptual Framework.	06 December 2019 (EU No. 2019/2075)	1 January 2020
Amendments to IFRS 3 - Business Combinations Aimed at resolving the difficulties experienced by entities in actual application of the definition of "business"	22 April 2020 (EU No. 2020/551	1 January 2020
Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions The amendment provides optional, temporary COVID-19 related operational relief for lessees benefiting from lease payments holidays.	12 October 2020 (EU No. 2020/1434)	1 June 2020

(*) as reported in the next paragrah, the Group exercised the option earlier application, along with the other amendments introduced (Phase 2) with Regulation (EU(2021/25.

Because of its materiality for the classification of non-performing exposures, it is pointed out that, since September 2020, Crédit Agricole Italia has been applying, on an early adoption basis, the New Definition of Default, resulting from the implementation of the "RTS on the materiality threshold for credit obligations past due under Article 178 of the CRR (Delegated Regulation EU 2018/171)" and of the related "EBA Guidelines on the application of the definition of default under Article 178 of the CRR".
Crédit Agricole Italia opted for the early adoption of the new regulation in alignment with the Parent Company Crédit Agricole S.A..

As early as in 2018, the Parent Company had started a specific project, which entailed intense "gap analysis" activities and crosswise involvement also of the relevant Structures of the Crédit Agricole Italia Banking Group. Based on the application submitted to and the following audit by the Supervisory Authority, on 24 March 2020, the European Central Bank formalized its authorization decision, allowing the Crédit Agricole S.A. Group and, therefore, also Crédit Agricole Italia, to make the necessary changes to internal normative instruments, processes and IT systems.
The new regulation, albeit confirming that the definition of Default rests on the concepts of pastdue payments and unlikely to pay, has introduced some significant changes to the materiality thresholds, offsetting rules and criteria for classifying positions back to a performing status.
For more exhaustive reporting on the changes in the applicable legislation and on the impacts in the starting phase of its implementation by the Group, please see Part E – Credit risk.

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

For its financial statements as at 31 December 2020, the Group did not adopt standards and interpretations that, on 31 December 2020, had already been published by the IASB and endorsed by the European Union, but that are applicable to reporting periods starting on or after 1 January 2021.

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

(*) As reported in next paragraph "Interest Rate Benchmark Reform", the Crédit Agricole Italia Banking Group decided to opt for early adoption of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 -Interest Rate Benchmark Reform – Phase 2 to its reporting periods starting on or after 1 January 2020.

Having regard to new standards or amendments thereto in force or adopted since 1 January 2020 by the Crédit Agricole Italia, additional information is reported below, in case of any material impacts for the Bank.

Interest Rate Benchmark Reform

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

The interest rate benchmark reforms, often called "LIBOR reforms", are now in a new stage with the gradual development of the use of risk-free rates (RFR) in new contracts. The situation remains uneven depending on the currency and asset class. Up to now, the transaction volumes in the derivatives market have increased to a larger extent, especially using the SONIA interest rate benchmark.

For most existing contracts using LIBOR as the benchmark, the replacement rate is expected to be a combination of a compounded RFR and of an adjustment spread , the latter intended to ensure economic equivalence with the replaced benchmark.

The private sector is at the forefront in the transition to the new benchmarks; however, recent updates suggest that the competent Authorities may step in to support the transitions for certain types of contracts that cannot be negotiated in time, both in case of benchmark replacement and in case of robust fallback clauses allowing the transition upon the benchmark disappearance.

Having specific regard to the derivative contracts market, ISDA finalized the implementation of a protocol whereby the new fallback clauses can be automatically included in contracts. That protocol is intended to simplify the transition of derivative contracts between parties that have joined the protocol. No such arrangement exists for instruments other than derivative contracts and bilateral renegotiations may be necessary.

Through the Benchmarks Project, the Crédit Agricole Group continues to coordinate the activities to manage the benchmark transition, integrating the recommendations given by national work groups, for the various currencies, and in compliance with the deadlines set by the competent Authorities, first of all by the Financial Conduct Authority (FCA). The assumed transition plan has been structured around the phases of adoption and offer of benchmarks alternative to LIBOR and the date on which the use of LIBOR shall officially end in the various currencies. In 2021, the transition plans designed by each Entity of the Crédit Agricole Group will be rolled out, which are based also on the conclusions reached by the work groups and market associations.

EURIBOR – as any other benchmark – may undergo changes in its methods or be replaced in the future. However, at present the replacement of EURIBOR in the short term is not expected.

On 2 October 2019, the Euro short-term rate (€STR) went live. In Europe, this new benchmark rate is going to fully replace EONIA at the beginning of 2022.

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

- EONIA, which will no longer be published after 3 January 2022;
- LIBOR, in the various currencies USD, GBP, CHF, JPY and EUR, which may be terminated at the end of 2021, although its termination has not yet been officially announced;
- EURIBOR, WIBOR, STIBOR, the end of which is possible but has not been scheduled in the short term.

EURIBOR, LIBOR (especially USD) and EONIA represent– in a decreasing order – the largest exposures of the Crédit Agricole Group to benchmarks.

In order for the hedging relationships concerned with the benchmark rate reform to continue in force despite the uncertainties about the timetable and the methods for transition from the present benchmarks to the new ones, in September 2019 IASB issued some amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed by the EU on 15 January 2020. The Crédit Agricole Group will apply said amendments until the uncertainties on the development in benchmarks generate consequences on the amounts and due dates of cash flows and, in that regard, it believes that all its hedging contracts, mainly those linked to EONIA, EURIBOR and LIBOR (USD, GBP, CHF, JPY), may benefit from said amendments as at 31 December 2020.

As at 31 December 2020, in the Crédit Agricole Italia Banking Group, the hedging instruments impacted by the reform and on which uncertainties remained, all linked to EURIBOR, had a nominal value of Euro 26,906 billion.

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

Amendments to IFRS 16 “Leases”: COVID-19-Related Rent Concessions

Because of the Covid-19 pandemic, in some cases lessors made concessions intended as incentives to lessees and consisting in the postponement of payment or reduction in some contract instalments.

In accordance with IFRS16, in case of contractual modifications, the lease liability shall be remeasured using a revised discount rate reflecting the right of use (ROU), therefore with no immediate impacts on the income statement.

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

In accordance with that amendment, which was endorsed by the EU on 12 October 2020 with the publication of Regulation (EU) 2020/1434, lessees are exempt from the obligation to assess whether the Covid-19-related incentives are lease contractual modifications. Therefore, lessees exercising that option shall recognize any change in lease payments resulting from Covid-19-related concessions in the same way it would be recognized if it were not a lease contractual modification, thus allowing recognition as "variable rent" in the income statement to reflect the changes in payments due.

In order for the exemption to apply, all the following conditions shall be met:
- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There are no substantive changes to other terms and conditions of the lease.

A lessee that chooses to apply the practical expedient is required to disclose it in its financial report.

As, under the prevention measures deployed for the health emergency, the use of leased premises had to be limited, Crédit Agricole Italia agreed with various lessors on reductions in the 2020 rents for the premises of the which it is the lessee.

Because of said reductions, in accordance with the amendment described above, a positive component was recognized in the 2020 income statement amounting to €0.6 million under "Other operating expenses/income" (item 200 of the Income Statement).

INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

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

Document title	Issued by IASB on	Date of entry into force of the IASB document	Expected date of endorsement by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2023	TBD
Amendments			
Amendments to IAS 1 - Presentation of Financial Statements Classification of Liabilities as Current or Non-current	January 2020	01 January 2023	TBD

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

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

IFRS 17 lays down new principles in terms of measurement and recognition of insurance contract liabilities and measurement of their profitability, as well as in terms of presentation. Specifically, the new standard provides for three approaches to measure insurance contracts:
1. Building Block Approach (BBA) - the general measurement approach for long-term contracts;
2. Premium Allocation Approach (PAA) - a streamlined model (mainly for short-term contracts);

3. Variable Fee Approach (VFA) - for contracts with direct participation features.

On 26 June 2019, IASB issued projects to amend the exposure to IFRS 17 responding to concerns and challenges on the IFRS 17 implementation.

On 16 December 2020, Regulation (EU) 2020/2097 laying down amendments to IFRS 4 was published on the Official Journal of the European Union. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and, thus, to address the temporary accounting consequences of the different effective dates of the two standards.

Section 2 – General accounting standards

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

In accordance with Article 5 of Italian Legislative Decree No. 38/2005, the Euro has been used as the reporting currency. The amounts in the financial statements are in Euro units, whereas the figures in the Note to the financial statements and in the Management Report are in thousands of Euro..

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

No exceptions were made in applying the IASs/IFRSs.

Furthermore, the 2020 Annual Report and Financial Statements were prepared taking into account, where applicable, the communications made by the various Supervisory Authorities (ESMA, EBA, ECB, Bank of Italy) giving recommendations on the disclosures and transparency required of financial institutions about the consequences of the Covid-19 pandemic, which, due to its pervasiveness, impacts on several areas of 2020 financial reporting.

Within their mandate as competent Supervisory Authorities and for prudential purposes, the European Central Bank and the Bank of Italy published press releases and letters aimed at clarifying the applicable regulatory framework and the related indications (for example, as regards macroeconomic scenarios, reporting to the Central Credit Register, support measures for financial Intermediaries). EBA guidelines complete the reference framework for banks about expected credit losses, staging allocation and measures to support the economy.

The table below reports the main communications and interpretations given in 2020 by the Supervisory Authorities:

Document title	Issue date	Title
EBA- European Banking Authority		
Statement	25/03/2020	Statement on the application of the prudential framework regarding Default. Forbearance and IFRS 9 in light of COVID 19 measures
Guideline	02/04/2020-25/06/20 – 02/12/20	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis
ESMA – European Securities and Market Authority		
Recommendation	11/03/2020	ESMA recommend action by financial market participant for Covid -19 impact
Statement	25/03/2020	Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9
Communication	20/05/2020	Implications of the COVID-19 outbreak on the half-yearly financial reports
Statement	28/10/2020	European common enforcement priorities for 2020 annual financial reports
IFRS Foundation		
Statement	27/03/2020	IFRS 9 and covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic
BCE -European Central Bank		
Communication	20/03/2020	ECB Banking Supervisor provides further flexibility to banks in reaction to coronavirus
Letter	01/04/2020	IFRS 9 in the context of the coronavirus (COVID 19) pandemic
Letter	04/12/2020	Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic
Bank of Italy		
Communication	15/12/2020	Provisions supplementing Circular n. 262 of 2005 "Banks' financial statements: layouts and preparation""
Consob		
Warning notice no.1/21	16/02/2021	COVID 19 - Measures to support the economy - Warning notice on the information to be provided by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards;

The required information is given in the next paragraph of Part A - Section 4 "Risks, uncertainties and impacts generated by the Covid-19 epidemic".

The financial statements are compliant with the layouts and requirements set out in Bank of Italy Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" (5th update published on 30 November 2018), as well as with supplementing provisions published by the Bank of Italy on 15 December 2020 concerning Covid-19-related impacts, measures to support the economy and amendments to IAS/IFRS.

Going concern basis

The Annual Report and Financial Statements as at 31 December 2020 have been prepared on a going-concern basis, as Crédit Agricole Cariparma is believed to continue in operation in the foreseeable future.

Despite the ongoing complexity of the economic and health scenario, which is to be considered still critical and constantly evolving due to the spread of the Covid-19 pandemic, including variants, and to the measures deployed by Italy and by the EU to address it, the analyses carried out based on the available information have given grounds to conclude that the Bank will be able to meet the risks and uncertainties resulting from the pandemic spread.

As regards the reporting required pursuant to IFRS 7 on the risks which the Bank is exposed to, appropriate information is provided in the Management Report and in the Note to the Financial Statements, specifically in Section 5 below and in Part E - Information on risks and relative hedging policies.

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

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

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

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

By their very nature, the estimates and assumptions used may vary from one period to another. Therefore, it cannot be ruled out that the recognized values for this reporting period may vary, even to a significant extent, in future periods, subsequent to any changes in the subjective assessments used. economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which Crédit Agricole Italia will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Bank’s assets. Said estimates and assessments are therefore difficult and entail unavoidable elements of uncertainty. More exhaustive information is given in Section 4- Other matters, paragraph “Risks, uncertainties and impacts generated by the Covid-19 epidemic”.

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 amd property, plant and equipment;
- Quantifying the provisions for staff and for risks and charges;
- Estimating the recoverability of deferred tax assets;
- Calculating the fair value of financial instruments to be used for financial reporting purposes.

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

CONTENTS OF THE FINANCIAL STATEMENTS

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

On 30 November 2018, the Bank of Italy issued the 6th update of its Circular no. 262 of 22 December 2005. That update, which was a full revision of the Circular, had already been applied to the Financial Statements as at 31 December 2019. On 15 December 2020, the Bank of Italy published new provisions supplementing Circular.262 concerning the impacts of COVID-19 and the measures to support the economy and amendments to IAS/IFRS.

Balance Sheet and Income Statement

The Balance Sheet and Income Statement contain items, sub-items and further information (the “of which” for items and sub-items) and comply with the templates supplied by the Bank of Italy with Circular No. 262 of 22 December 2005, as updated.

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

Statement of Comprehensive Income

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

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

Negative amounts are set forth in parenthesis.

Statement of Changes in Equity

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

No equity instruments other than ordinary shares have been issued.

Statement of Cash Flows

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

Cash flows are broken down into flows generated by 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 IAS/IFRS.

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

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

Section 3 – Events occurred after the reporting date

From the reporting date to the approval of the 2020 Annual Report and Financial Statements, no such events occurred as to entail any material change in the assessments made by the Directors and represented in the balance sheet, income statement and statement of cash flows of Crédit Agricole Italia.

SHARE CAPITAL INCREASE

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena, which it had issued within its share capital increase on 23 September 2016, another 723 shares* in Crédit Agricole Italia were issued having a nominal value of Euro 1. Therefore, as at 31 December 2020, the share capital amounted to Euro 979,235,387**,

* The period to the exercise of warrants of the former Cassa di Risparmio di Cesena expire on 23 September 2021

** Figures updated as at 6 April 2021

LATEST NEWS ON THE PTO ON CREVAL

Following the Public Tender Offer (PTO) for all shares in Credito Valtellinese made on 23 November 2020, some significant events regarding the evolution of the Offer occurred after 31 December 2020.

Specifically, on 5 February 2021 the European Commission authorized the consolidation between the Crédit Agricole Italia and CreVal banking groups, in the light of which Crédit Agricole Italia announced that the Antitrust condition has already been met.

Furthermore, on 15 February 2020, the Presidency of the Council of Ministers of the Republic of Italy informed the Offeror of the decision made by the Council of Ministers on 13 February 2021 to accept the proposal, made by the Ministry of the Economy and Finance as the Administration responsible for the transaction review on 5 February 2020, that the special powers (so-called “golden powers”) be not exercised on the consolidation transaction between the Crédit Agricole Italia and CreVal banking groups, which had been notified by the Offeror on 2 December 2020.

In February and March 2021, Crédit Agricole Italia signed sale and purchase agreements on block shares, subject to the obtainment of the relevant regulatory authorizations, for a total of 1,720,781 CreVal shares, representing 2.453% of its share capital, for a unit price equal to the Tender Offer price.

On 9 March 2021, Crédit Agricole Assurances S.A. signed a letter of commitment whereby it undertook to accept the Offer for the 6.907.474 CreVal shares it holds, representing 9.847% of CreVal share capital.

Furthermore, on 16 March 2021, Crédit Agricole Italia and Algebris (UK) signed an agreement amending the contract that they had previously signed on 23 November 2020, whereby Algebris (UK) undertook to ensure that the funds it manages accept the Offer for all the shares they hold – which, as at 22 March 2021, were approximately 3,774,297 CreVal shares representing 5.38% of its share capital - as well as to ensure that, should the Offer not be successful, they will sell the CreVal shares they hold to Crédit Agricole Italia, for a price equal to the Offer one, on the fifth open market day after the end date of the Offer take up period (unless on the day before the date set for said transfer, the official price of CreVal shares is higher than the Offer price, in which case the Offeror will be entitled to buy the CreVal shares at their official price, only confirming its intention of buying them at a price equal to said official price).

On 17 March 2021, the European Central Bank and the Bank of Italy, each in its respective responsibility scope, notified the authorizations to exceed the threshold set at 10% of CreVal share capital and to purchase a direct control equity investment in CreVal, besides the purchase of indirect qualified holdings in CreVal Piu’ Factor S.p.A. and in Generalfinance S.p.A..

On 19 March 2021, the sale and purchase agreements for block shares, signed in February and in March 2021, concerning 1,720,781 CreVal shares, representing 2.453% of its share capital.

On 22 March 2021, Crédit Agricole Italia received the approval of the Tender Offer document from CONSOB, and said document was put on file at CONSOB and made available for public consultation. Furthermore, the take up period was agreed on with con Borsa Italiana S.p.A. And pursuant to Article 40, para. 2, of the Issuers’ Regulation, and said period starts at 8:30 am (Italian time) on 30 March 2021 and ends at 5:30 pm (Italian time) on 21 April 2021 (included), with settlement date on 26 April 2021, unless in case of any extension, which shall be communicated to the market in compliance with the applicable legislation.

VOLUNTARY PUBLIC TENDER OFFERS MADE BY CRÉDIT AGRICOLE ITALIA IN 2018 FOR THE ORDINARY SHARES OF THE FELLINI BANKS

After the approval by the Board of Directors of Crédit Agricole Italia, on 24 March, of the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group and of the draft Annual Report and Financial Statements of Crédit Agricole Italia, both as at 31 December 2020, it was verified whether the conditions for the payment of the Defined Consideration provided for within the voluntary public tender offers made by Crédit Agricole Italia in 2018 for the ordinary shares of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di San Miniato S.p.A. and Cassa di Risparmio di Rimini S.p.A..

Section 4 – Other matters

SHARE CAPITAL INCREASE

Subsequent to the exercise of warrants on shares of the former Cassa di Risparmio di Cesena Spa, which it had issued within its share capital increase on 23 September 2016, in 2020 another 1,369 shares in Crédit Agricole Italia S.p.A. were issued having a nominal value of Euro 1.

Therefore, as at 31 December 2020, the share capital amounted to Euro 979,234,664.

RISKS UNCERTAINTIES AND IMPACTS GENERATED BY THE COVID-19 EPIDEMIC

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

In this very complex scenario featuring deep uncertainty on the recession duration and effects, on the effectiveness of the measures deployed by Governments to provide support to households and businesses and the changes in the EU monetary policy, the analyses performed by the governance bodies using the available information gave evidence that Crédit Agricole Italia will be able to meet the risks and uncertainties caused by the emergency. The assessment giving evidence of the Bank's ability to continue as a going concern is based on the capitalization it has reached, its present liquidity and the healthy and prudent management that has always been a distinctive feature of Crédit Agricole Italia, ensuring steady development through sustainable growth strategies.

Applying some accounting standards necessarily entails the use of estimates and assumptions, which can generate significant effects on the values recognized in the Balance Sheet and in the Income Statement, as well as on the information on contingent assets and liabilities. economic effects generated by the Covid-19 epidemic and the uncertainties in the future macroeconomic scenario in which Crédit Agricole Italia will operate have required a thorough analysis and weighting of the new economic situation in the models for measuring the recoverable amount of the Bank's assets.

In this situation, the Regulators gave several indications aimed at supporting the banking system and allowing sufficient flexibility to manage this difficult period.

The issued accounting measures, which are outlined in next paragraph, focused on:

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

Reference regulatory framework

IFRS Foundation – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic (27 March 2020)

The document highlights the IFRS9 requirements within the present uncertainty caused by the Covid-19 pandemic, requesting entities to review their assumptions underlying their ECL calculation model and, therefore, not to continue to apply their existing ECL methodology mechanically. Entities are required to develop estimates based on the best available information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions, consideration should be given both to the effects of Covid-19 and the significant government support measures being undertaken; entities are required to provide information especially on expected scenarios and on post-model overlays or adjustments in the ECL calculation.

ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus (20 March 2020)

The ECB has supported all initiatives aimed at providing sustainable solutions to temporarily distressed debtors in the current epidemic. To this end, the ECB has introduced supervisory flexibility regarding the treatment of non-performing loans (NPLs), in particular to allow banks to fully benefit from guarantees and moratoriums put in place by public authorities. With its first letter, the ECB reassured banks that the application of moratoria does not automatically trigger reclassification as unlikely-to-pay, as payments have been postponed by law. Albeit not strictly in its mandate, within its prudential remit, the ECB has also given its opinion on IFRS 9 forward-looking assessments, recommending that all banks avoid excessively procyclical assumptions in their models to determine provisions.

ECB – IFRS 9 in the context of the coronavirus (COVID 19) pandemic (1 April 2020)

ECB – Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic (4 December 2020)

The ECB remarked the importance, in difficult periods, of identifying and reporting asset quality deterioration and the build-up of NPLs in accordance with the existing rules, so as to maintain a clear and accurate picture of risks in the banking sector. The letters give specific indications on collective assessment of significant increase in credit risk and on the use of long-term macroeconomic forecasts given the current context of heightened uncertainty and very limited availability of reasonable and supportable forward-looking information on the impact of COVID-19.

The letters have annexes that provide specific guidelines on:

- Assessment of Significant Increases in Credit Risk (SICR)

  In a scenario featuring deterioration in the GDP outlook with consequent impacts on probability of default (PD) estimates, the ECB expects banks to consider whether a top-down approach to stage transfers can be taken (see IFRS 9, paragraph B5.5.6 and IE39), such as a representative sampling approach; in the context of that approach, lifetime expected credit losses on a portion of the financial assets for which credit risk is deemed to have increased significantly are recognized without the need to identify which individual financial instruments have suffered a SICR.

  With its letter of 4 December 2020 (follow up), the ECB stresses the fact that moratoria that do not automatically trigger a reclassification of exposures does not mean that the duty to assess whether asset deterioration has taken place can be neglected; in addition, internal thresholds used to determine a significant increase in credit risk follow the best practices that have been established since the introduction of IFRS 9 and are not relaxed when the credit quality of the portfolio deteriorates or becomes more volatile.
- Macroeconomic forecasts for the purposes of IFRS 9

  The ECB reminds that IFRS 9 implies that, where there is no reliable evidence for specific forecasts, long-term macroeconomic projections shall be the most relevant base for the estimate. Therefore, banks are expected to use the available historical information, but only to the extent said information is representative of the long-term horizon and unbiased; where historical data depend on macroeconomic variables, banks are expected to take into account information that covers at least one or more full economic cycles or that is otherwise adjusted in order to eliminate any biases, for instance in favour of the most recent surveys. Institutions consider achieving a balanced distribution of alternative scenarios around the baseline scenario anchored in the ECB forecasts.
- Use of overlays in the application of IFRS 9

  The ECB considers that it may be necessary to use subjective model inputs and post-core model adjustments (overlays) for staging and provisioning estimates. Overlays are supported by adequately documented processes and subject to strict governance oversight: this ensures that documented processes are followed consistently over time and across exposures.

EBA – Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis (guidelines of 4 April 2020 and amendments 25 June 2020 and 2 December 2020)

The guidelines further clarify that, if the schedule of payment has been revised due to the application of the moratorium, the assessment of repayment capacity should be based on the revised schedule. Nonetheless, the EBA clarifies that banks are expected to monitor and assess the credit quality of exposures benefiting from moratoria, in order to appropriately classify exposures, paying particular attention to and prioritising the assessment of those obligors who, at the end of the moratoria, are most likely to experience payment difficulties or show other signs of being non-performing.

With an update issued on 2 December 2020, the EBA extended the treatment under its guidelines of suspended, postponed or reduced loan repayments under general payment moratoria to 31 March 2021; that amendment to the April 2020 guidelines introduced, for changes in payment schedule agreed on after 30 September 2020 only, a 9-month cap to the suspension, including payment concessions previously granted.

ESMA Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9 (public statement 25 March 2020)

ESMA has also addressed the main accounting implications on the IFRS9 application caused by the Covid-19 pandemic. ESMA invites issuers to carefully assess the impact of the economic support and relief concessions granted to customers on recognised financial instrumentsi, current circumstances, considering that if the support measures provide temporary relief to debtors affected by the COVID-19 outbreak and the net economic value of the loan is not significantly affected, the modification would be unlikely to be considered as substantial.

ESMA – European common enforcement priorities for 2020 annual financial reports (public statement 28 October 2020)

The document sets out the relevant topics in the application of IAS/IFRS for which the utmost attention is expected in providing exhaustive and transparent information in the 2020 financial reporting; Esma points out the need to provide appropriate transparency on the consequences of the COVID-19 pandemic, extending the recommendations given in March 2020 on the calculation of expected credit losses (ECL) and treatment of moratoria. It also specifically clarified:

- That, applying IAS1, sufficiently detailed disclosure is provided on the ability to continue a a going concern and on estimation uncertainty, providing sufficiently detailed disclosures about the judgements that the management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and about estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year;
- That, applying IAS36, the adverse impact of COVID-19 provides a strong indication that one or more of the impairment indicators in IAS 36 have been triggered;; That, in measuring asset recoverable value, issuers should consider modelling multiple possible future scenarios and provide adequate transparency of the estimates and key assumptions;
- That, in applying IFRS9-IFRS7, information should be given on assumptions underlying the measurement of ECL and on the impact of support measures (moratoria) on the assessment of increase in credit risk.
- That, applying IAS 16, information should be given on the accounting treatment of rent concessions enjoyed as lessees.

Bank of Italy – Provisions supplementing Circular no. 262 "Banks' financial statements: layouts and preparation" concerning the impacts of the COVID-19 pandemic and of the measures to support the economy and amendments to IAS/IFRS (15 December 2020)

With the aforementioned document, the bank of Italy supplemented the provisions governing banks' financial statements (Circular no. 262 of 2005, 6th update) in order to provide the market with information on the effects that the COVID-19 pandemic and the measures to support the economy generated on the strategies, objectives and risk management policies, as well as on the profitability and financial situation of intermediaries.

The supplemented provisions shall apply to reporting periods closed or underway on 31 December 2020 (with some exceptions regarding comparative figures for the previous financial year).

Besides qualitative information, the Bank of Italy also requires that specific quantitative information be reported in the tables in the Note to the financial statements, specifically in Part B (Information on the Balance Sheet), Part C

(Information on the Income Statement) and Part E (Information on risks and relative hedging policies), regarding loans under "moratoria" or other concession measures in force as at the reporting date, or loans providing new liquidity and backed by public guarantees.

Due to the temporary nature of the COVID-19 emergency and of the support measures, the supplemented provisions regarding these matters shall be in force until the Bank of Italy communicates otherwise.

Consob – Warning notice (no. 1/21 of 16 February 2021): Covid 19 – Measures to support the economy

The document issued by Consob notifies supervised issuers, supervisory bodies and audit firms of the thematic areas of particular significance to preparing financial statements, offer documents and prospectuses, as already highlighted by ESMA in its document of 28 October 2020 (European common enforcement priorities for 2020 annual financial reports) and by the Bank of Italy in its document of 15 December 2020 (Provisions supplementing Circular no.262).

The areas identified as of particular relevance are:
- Issues related to the existence of the going concern assumption, to the causes of uncertainty in accounting estimates, as well as to the representation of the items impacted by COVID-19 (IAS 1);
- The methods used to determine the recoverable value of goodwill and the intangible and tangible assets that may be affected by a deterioration in economic prospects (IAS36);
- Liquidity risk and the measurement of expected credit losses by credit institutions (IFRS9 – IFRS7);
- Impacts of Covid-19 on lease contracts (IFRS16).

The supervisory bodies must: strengthen information flows with the Board of Directors and with the independent audit firm, both of the entity and of its subsidiaries. Particular attention must also be paid to the assessments made by issuers regarding the existence of the going concern assumption and the suitability of the internal control system.

Independent auditors must raise the level of professional scepticism to make it appropriate to the circumstances, paying special attention to the impacts that may result from the uncertainty due to the pandemic and the consequent effects on the estimates made in the financial statements.

Therefore, in accordance with the general framework given above, the information on the financial reporting areas impacted by COVID-19 is given below .

COVID-19–related contractual modifications

Since March 2020, the Crédit Agricole Italia Banking Group, and therefore Crédit Agricole Italia, has been giving its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period . In the reporting year, the solutions to suspend repayment were made progressively compliant with the applicable legislation entered into force and with the agreements between the Italian Banking Association (ABI) and trade associations, which the Group immediately signed in order to ensure the highest possible protection to its Customers. As at 31 December 2020, the loans whose repayment was suspended amounted to over Euro 8 billion.

For the accounting treatment of these concessions to Customers, reference was made to the regulatory framework given above, having specific regard to EBA guidelines; those guidelines have clarified that the application of a general payment moratorium does not entail automatic reclassification as forborne, if the concession meets the following requirements:
- The moratorium was launched in response to the COVID-19 pandemic and was applied before 31 March 2021 For suspensions formalized after 30 September 2020, a suspension constraint length was introduced of 9 months in total;
- The moratorium is widely applied based on a legislative measure or bilateral initiatives; in this case, payment relief initiatives should be shares throughout the banking industry to ensure that relief measures are harmonized across the various banks;
- The moratorium applies to a large group of obligors; this condition is necessary to ensure that the change in payment schedule is not intended to meet specific financial difficulties of specific debtors;

- The moratorium envisages only changes to the schedule of payments to address short-term systemic shortages of liquidity; the concessions must not change any other contractual terms and conditions of the loan, such as the interest rate;
- The moratorium does not apply to new loan contracts granted after the date when the moratorium was announced;

The moratoria that Crédit Agricole Italia has offered to its Customers consist in postponing the payment schedule (in case payment of the full instalment is suspended, the date of interest collection is also postponed), which has caused no impacts on the present value of the exposures under moratoria; therefore, applying modification accounting, no profits or losses resulting from said concessions have been recognized. Furthermore, the moratoria have not, as a rule, entailed the classification of the exposure as forborne or its automatic classification in stage 2 with consequent calculation of the related lifetime expected loss. In accordance with the approach set out by the ECB, the moratorium application has not been identified as automatically triggering unlikeness to pay, and past due days have been counted based on the new repayment schedule.

Given the impact of the crisis caused by the COVID-19 pandemic, in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis – also with new review processes supplementing ordinary ones – in order to implement f the appropriate management actions consistently with the situation of the single positions. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends, with an anticipation logic acting before the expiry of the relief measure. In order to foretell any latent risk situations in that perimeter, Crédit Agricole Italia made manual adjustments, in terms of both staging and coverage on a cluster of Retail positions for which it cannot be ruled out that the concession of the moratorium may have generated an impact on the risk parameters used for stage classification and for the ECL calculation.

The quantitative analysis of the perimeter of exposures benefiting from concessions is reported in Part E, Sectin 1 - Credit risk - of this Note to the financial statements.

Measurement of expected losses

Impairment on the performing loans portfolio is calculated with a tool that is centralized on the Information Systems of the French Parent Company Crédit Agricole S.A. using the information and parameters of each entity as inputs.

In compliance with the requirements laid down by the standard, in order to estimate parameters, a set of forward-looking scenarios is used, each one of which is weighted by the related probability of occurrence. In agreement with the Parent Company Crédit Agricole S.A., Crédit Agricole Italia uses four different macroeconomic scenarios: These scenarios were updated considering the recent developments linked to the health emergency and can be summarized as follows:

- Central scenario, which is the most likely scenario, i.e. the epidemic continuing in 2021, with alternating phases of restrictive measures imposed and lifted in H1, but less penalizing than in 2020 (mass vaccination is not expected before mid-2021);
- Moderately adverse scenario, which is the economic scenario in moderately adverse conditions, forecasting a worse development in the health situation in 2021 with stricter measures than in the central scenario;
- Stressed budget scenario, which is the most severe scenario with no recovery in the short term;
- Favourable scenario, which is a variant of the central scenario with economic recovery going at a faster pace in early 2021, thanks to the support measures deployed by the State and at a slower pace in the following years.

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

The evidence about the assessment model, the main macroeconomic indicators taken into account in redesigning the scenarios, the corrective factors introduced to manage the uncertainty of the effectiveness of the economic stimulus measures and the sensitivity analysis made on the ECL is fully reported in Part E – Credit Risk of this Note to the financial statements.

IFRS 16 – Covid-19–related concessions

As, under the prevention measures deployed for the health emergency, the use of leased premises had to be limited, the Crédit Agricole Italia Banking Group, and therefore Crédit Agricole Italia, agreed with various lessors on reductions in the 2020 rents for the premises of the which it is the lessee.

Because of said reductions, in accordance with the amendment to IFRS 16 described in Part A - Section 1 of this Note to the Financial Statements, a positive component was recognized in the 2020 income statement amounting to €0.7 million under “Other operating expenses/income” (item 200 of the Income Statement).

Deferred Tax Assets (DTA): probability test

As regards the recognition of DTAs, which were recognized for an amount of Euro 9966 million, the probability test was carried out and confirmed their full recoverability.

As reported also in the “Tax assets and tax liabilities” table, in Part B – Section 10 of the Note to the financial statements, the decrease in DTA on losses in the period, down by Euro 22 million, was determined solely by the conversion into tax credits under Article 44-bis of Italian Decree Law no. 34 of 30 April 2019, as amended by Article.55 of Italian Decree Law no.18 of 17 March 2020, subsequent to the disposals of loans to defaulted debtors made in the period from 17 March 2020 and 31 December 2020. The probability test, especially as regards the recognition of DTA on tax losses, was calculated based on the estimated future profits and losses used in the impairment test. The test showed that the recognized DTA for tax losses cane be reasonably expected to be recovered over a modest time horizon, which, in the most likely scenario, is five years.

OTHER INFORMATION

COVERED BONDS

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

For more exhaustive information on the issue, please see the Finance paragraph in the Management Report to the Consolidated Financial Statements.

TLTRO III

A third series of targeted long-term refinancing operations was resolved by the ECB in March 2019 and was amended in September 2019 due to the worsening in the economic scenario and again in March and April 2020 due to the Covid-19 situation.

In accordance with the terms as amended in April 2020, the borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2021 (then extended to June 2022), and as low as the average interest rate on the deposit facility during the rest of the life of the respective TLTRO III. The borrowing rate is linked to the achievement of a target growth rate in lending to businesses and households. The reduced interest rate is subject to the achievement of pre-set thresholds in lending performances. Interest shall be settled at the maturity of each TLTRO III or upon early repayment.

Acknowledging the ECB’s pivotal role in determining the conditions for the banking system funding, Crédit Agricole Italia determined the accounting treatment to be applied to TLTRO loans in accordance with the IFRS 9 provisions on variable-rate loans (para.B5.4.4 e par.B5.4.5). The Management considered (based on the periodic monitoring of lending performances - mentioned below) the outstanding loans from the ECB could be recognized at a-1% rate.

The Bank has implemented periodic monitoring of the level of eligible loans in order to assess the achievement of the pre-set thresholds in lending performance and to give grounds for the reasonableness of the used interest rate.

PURCHASE OF TAX CREDITS – ECOBONUS

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

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

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

PROPERTY SALE AND LEASEBACK TRANSACTIONS

In June 2020, Crédit Agricole Italia finalized the sale of a property located in Milan on Via Armorari to Kensington, an Italian closed-end real estate alternative investment Fund reserved to professional investors, the units in which are held by Allianz Real Estate S.p.A.. for a total amount of Euro 140 million. The buyer was selected after a competitive procedure, which started in January 2020, and after an appropriate due diligence phase. This transaction achieved the purpose of seizing the favourable period in the real estate market, while divesting an important asset of the Bank. More specifically, it was a sale-leaseback transaction, whereby, concomitantly with the transfer of the property ownership, a lease contract was signed for the entire building, which, therefore, will remain one of the most important premises of Crédit Agricole Italia in Milan. In accordance with IFRS16, the sale-leaseback transaction generated a gross capital gain of approximately Euro 65 million, which was recognized in the Income Statement as at 30 June 2020 under item "250. Gains and losses on disposal of investments", net of the recognized right of use under the nine-year lease contract, which may not be renewed and was signed concomitantly with the sale, and of the related liability, amounting to Euro 14 million and Euro 42 million, respectively.

For more exhaustive information, please see Part M - Disclosure of leases

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.

Initially, 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. Taking into account the new entities that joined the scheme and one entity that was terminated in 2020, as at 31 December 2020, the tax consolidation scheme consisted of 23 entities.

This regime provides for the consolidated companies to transfer their taxable income (or their tax loss), as regards the Italian corporate income tax (IRES), to the consolidating Entity Crédit Agricole Italia, which calculates a single taxable income or a single tax loss for the Group, as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

As balancing item of taxes/lower taxes for tax losses and Allowance for Corporate Equity (ACE) benefits to be transferred to the consolidation scheme or withholdings, detractions and the like, the companies in the consolidation scheme recognize due and payables/receivables from the consolidating entity.

In its separate Financial Statements, the Consolidating Entity recognizes matching items of due and payables to/receivables from the entities in the consolidation scheme.

Specifically, the intra-group balances resulting from the tax consolidation scheme are recognized in the items:

- “Financial assets measured at amortized cost - due from banks”, or “Financial assets measured at amortized cost - loans to customers”, in accordance with the kind of counterparty, for estimating the corporate income tax (IRES) transferred by the member entities to the tax consolidation scheme;
- “Financial liabilities measured at amortized cost - due to banks”, or “Financial liabilities measured at amortized cost - due to customers”, in accordance with the kind of counterparty, for the transfer of tax losses or ACE benefits by the member entities to the tax consolidation scheme.

Finally, the tax consolidation scheme’s tax account payable to or receivable from the Italian Inland Revenue Agency is recognized under current tax liabilities or assets based on whether the IRES payable amount is higher or lower than the down-payments made.

OPTION FOR THE VAT GROUP

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

Crédit Agricole Italia is the Group’s Representative Member. Subsequent to some mergers by absorption and to the entry of a new entity in 2020, the perimeter of the VAT Group, initially of 15 entities, consisted of 11 entities of the Group as at 31 December 2020. Thanks to this scheme, the member entities operate, for VAT purposes, as a single taxable person in their transactions with external companies, with a single VAT registration number. The main advantage generated by the exercise of this option is that, in general, the transactions between the Group member entities are not subject to VAT.

PATENT BOX

In December 2020, Patent Box agreements were closed with Agenzia delle Entrate (the Italian Revenue Agency), the applications for which had been filed inl 2015. The benefit applied for was linked to assumed income generated by trademarks in force in 2015 for the 2015/2019 period and trademarks created afterwards were not eligible for said benefit.

Specifically, as regards Crédit Agricole Italia, the final benefit of the agreement already reached, with effects on the taxes item in the Income Statement, was approximately Euro 0.66 million, of which Euro 0.13 million regarding the merged entity Crédit Agricole Carispezia (which had signed an agreement for 2015-2016 and 2017) and Euro 0.53 million regarding Crédit Agricole Italia, which, for the time being, has signed the agreement only for 2015. It is pointed out that Crédit Agricole Italia is still negotiating with the Inland Revenue Agency to obtain the benefit also for 2016 and 2017.

In any case, no benefit may be obtained for 2018-2019, as in those years, subsequent to the Rebranding, almost only new trademarks were used.

AUDIT OF THE ACCOUNTS

The Annual Report and Financial Statements are audited by EY S.p.A, implementing the Resolution passed by the General Meeting of Shareholders on 21 April 2012, whereby this Firm was assigned the audit task for the period 2012-2020.

A.2 PART REPORTING ON THE MAIN FINANCIAL STATEMENT ITEMS

FINANCIAL INSTRUMENTS (IFRS 9, IAS 39 AND IAS 32)

DEFINITIONS

IAS 32 defines a financial instrument as anycontract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract establishing contractual rights and obligations to receive or deliver cash or other assets.

Derivative instruments are financial assets or liabilities the value of which evolves in accordance with that on an underlying instrument; they require low or no initial investment and are settled at a later date.

Financial assets and liabilities have been recognized in the financial statements in accordance with IFRS 9, as endorsed by the Europe Union.

IFRS 9 lays down the bases for:
1. Classification and measurement of financial instruments;
2. Impairment of exposures for credit risk deterioration;
3. Hedge accounting, excluding macro hedging.

However, it is pointed out that Crédit Agricole Italia, in accordance with the instructions of its Parent Company Crédit Agricole S.A., has exercised the option, which is given to IFRS 9 first-time adopters, to continue to fully apply IAS 39 as regards hedge accounting. Therefore, all hedges have remained within the IAS 39 scope, pending the future application of the new "dynamic risk management accounting model".

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Initial measurement

At their initial recognition, financial assets and liabilities are measured at fair value, as defined in IFRS 13.

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

Subsequent measurement

After their initial recognition, financial assets and liabilities shall be measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method for debt instruments 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. In case of a financial asset measured at amortized cost or at fair value through other comprehensive income, its amount may be adjusted, where necessary, as impairment.

The effective interest rate (EIR) is the rate that discounts the estimated future cash flows (paid or collected) from the financial instrument through its expected life or, as the case may be, over a shorter period, to the net book value of the financial asset or liability.

1. FINANCIAL ASSETS

Financial assets other than derivatives (debt instruments or equity instruments) shall be classified in one of the three categories given below:

- Financial assets recognized at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost; (for debt instruments only);
- Financial assets at fair value through equity (with recycling for debt instruments, without recycling for equity instruments).

The classification and measurement of financial assets depend on the financial asset nature, whether it qualifies as:

- Debt instrument (i.e. loans and securities with fixed or determinable payments);
- Equity instruments (i.e. shares).

Debt instruments

The classification and measurement of a debt instrument is determined at its initial recognition and is based on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for, at set dates, cash flows that are are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI test"), unless the fair value option is exercised.

Business Model

The business model expresses how a cluster of financial assets is collectively managed in order to order to pursue a set corporate objective, thus representing the strategy of the Crédit Agricole Italia Banking Group in managing its financial assets. The business model is determined for an asset portfolio, rather than specifically for a single financial asset.

There are three business models:

- Hold to Collect (HTC), the objective of which is to hold the financial asset to collect its contractual cash flows throughout its useful life; this model does not require that all the assets be held until their contractual maturity; however, any sale of the assets is subject to restrictions in terms of frequency and significance. In the financial year, sales are permitted as long as they do not breach a non-significance threshold that, in accordance with the Group policy, varies based on the portfolio average duration;
- Hold to Collect and Sell (HTC&S), the objective of which is to hold the financial assets both to collect their contractual cash flows and to sell them; in this model, both the sale of financial assets and the collection of their cash flows are permitted;
- Other, this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not qualify for the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applied to a portfolio of financial assets whose management and performance are measured based on fair value.

In accordance with the standard and with the choices made by the Group, the sale of financial assets classified in the HTC business model HTC are allowed in different terms, as described below, based on whether the sale concerns a security portfolio or a loan portfolio.

Sales of securities are allowed for the following reasons:

a) Increase in credit risk;
b) Debt instruments close to maturity;
c) The sales are frequent but not significant;
d) The sales are not frequent.

Specifically:

a) *Sales allowed due to an increase in credit risk*

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of debt securities classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met.

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;
- Market indicators:
  - Material increase in the issuer's credit spread between the date of purchase and the date of sale of the instrument;
  - Material evolution in the issuer's premium CDS between the date of purchase and the date of sale of the instrument;

b) *Sales permitted as the debt instruments are close to maturity*

Financial assets in the Hold to Collect portfolio may be sold if they are close to maturity and the proceeds from their sales approximate the collection of the remaining contractual cash flows (IFRS 9.B4.1.3B).

In order to judge such sales consistent with the Hold to Collect Business Model, the following parameters were defined:

- Time to maturity considered admissible of 6 months;
- A maximum difference between the proceeds from the sale and the remaining contractual cash flows (amortized cost) of 3% (without taking 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.

Sales of loans are allowed for the following reasons:

- Increase in credit risk;
- Loans close to maturity and with a sale price that approximates the remaining contractual cash flows;
- The sales are frequent but not significant;
- Infrequent sales that are potentially significant.

Specifically:

a) *Sales allowed due to an increase in credit risk*

The Crédit Agricole Italia Banking Group has identified the following criteria to allow the sale of loans classified in the Hold to Collect Business Model; the sale shall be allowed when even just one of the following criteria is met:

- Accounting indicator: downgrade from Stage 1 to Stage 2 or to Stage 3;
- Risk indicators (applying to large-corporate customers only): downgrade of 3 notches in the issuer's long-term external rating (or the equivalent for internal rating) since the instrument purchase; downgrade of 2 notches in the issuer's country risk since the instrument purchase;

b) *Sales permitted as the loans are close to maturity*

The sales of loans in the Hold to Collect portfolio shall be allowed if all the following criteria set by the Group are met:

- The financial assets to be sold have residual life of less than 6 months;
- The value of the assets to be sold is close to the amortized cost of the financial asset (also in case of frequent sales);
- The difference between the sale price and the amortized cost of the loan shall not be higher than 3% without taking into account fair value hedge effects.

c) *Frequent but not significant sales*
   In the financial year, sales are permitted up to a 15% limit; this non-significance threshold varies in accordance with the portfolio average duration.
d) *Infrequent sales .*
   - Changes in the tax legislation entailing higher tax expenses generating a not negligible impact for the Group;
   - Non-recurring transactions by the issuer/the issuer's Group (i.e. mergers, sales of business units and, in general, any other non-recurring transaction impacting on the entity's equity);
   - Changes in the applicable legislation or regulations;
   - Need to strengthen capital requirements.

The contractual characteristics ('Solely Payments of Principal & Interest' or SPPI test):

The SPPI test provides for a set of criteria to be examined as a whole, whereby it can be determined whether the contractual cash flows are consistent with the characteristics of a basic lending arrangement (repayments of face principal and payment of interests on the face principal still outstanding).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interests represents the time value of money, the credit risk associated with the instrument, other costs and risks of a classic lending arrangement, as well as a reasonable profit margin, in case of both fixed and floating interest rates.

Under a basic lending arrangement, interest represents the cost of the passage of time, the price for credit and liquidity risks over the period, and other components linked to the asses maintenance cost (e.g.: administrative costs).

If no conclusion can be made with this qualitative analysis, a quantitative analysis (or benchmark test) shall be made. This additional analysis consists in comparing the contractual cash flows of the asset under analysis to the cash flows of a benchmark asset (an asset with characteristics that are similar to those of the asset under analysis but "simple").

If the difference between the cash flows of the financial asset and those of the benchmark instrument is not deemed significant, the asset shall be considered a basic lending arrangement.

Furthermore, a specific analysis shall always be carried out if the financial asset provides for payments with different priorities linked to flows from other benchmark financial assets (e.g. In case of Credit Linked Instruments (CLI) or instruments issued by Special Purpose Entities (SPE) incorporated within Project Finance schemes), as regards which the credit risk concentration for each single tranche shall be analyzed. In this case, the SPPI tests requires the analysis of the characteristics of the contractual cash flows of the asset in question and of the underlying assets, in accordance with a «look-through» approach, and of the credit risk borne by the subscribed tranches compared to the credit risk of the underlying assets.

The recognition of debt instruments resulting from the definition of the business model along with the SPPI test can be presented with the chart below:

Debt instruments		Management models		
		HTC	Mixed	HTS
SPPI testing	Passed	Amortized cost	Fair value through equity with recycling	Fair value through profit or loss
	Not passed	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

Debt instruments at amortized cost

Debt instruments shall be measured at amortized cost if they are eligible for the HTC model and if they pass the SPPI test.

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs.

The amortization of any premiums/discounts and transaction costs of loans, receivables and fixed-income securities are recognized in the Income Statement with the effective interest rate method.

This category of financial assets is subject to impairment in accordance with the criteria set forth in the specific paragraph “Impairment for credit risk”.

Debt instruments at fair value through equity with recycling

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

They are recognized at the settlement date and their initial measurement includes accrued interest and transaction costs. The amortization of any premiums/discounts and of security transaction expenses is recognized in the Income Statement with the Effective Interest Rate (EIR) method.

These financial assets are then measured at fair value and fair value changes are recognized through equity (with recycling) as the financial asset balancing item (excluding interest accrued taken to the Income Statement with the EIR method).

In case of sale, any fair value changes recognized through Equity are transferred to the Income Statement.

This category of financial instruments is subject to value adjustments for expected losses in accordance with the criteria set forth in the specific paragraph “Impairment for credit risk” (without any resulting impacts on the fair value on the balance sheet).

Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments are measured at fair value through profit or loss in the following cases:

- The instruments are classified in the portfolio held within the Other Business Model (or financial assets held for trading or held with the main objective of selling them): financial assets held for trading are assets acquired or generated by the company mainly in order to sell them in the short term or part of a portfolio of instruments managed collectively in order to generate a profit from price fluctuations in the short-term or from the profit of the operator. Although contractual cash flows are collected in the period in which the Crédit Agricole Italia Banking Group holds the assets, the collection of such contractual cash flows is not essential but rather incidental.
- Debt instruments mandatorily measured at FVTPL as they do not comply with the SPPI test requirements. For instance, this is the case of Collective Investment Undertakings (open-end funds and closed-end funds)
- The financial instruments classified in portfolios for which the entity opts for fair value measurement. In that case, it is a specific designation of instruments to be measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement) and including accrued interest.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the balance sheet item reporting the financial assets.

This category of financial assets is not subject to impairment.

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

If the SPPI test is failed, debt instruments mandatorily measured at fair value through profit or loss are recognized at the settlement date.

Equity instruments

Equity instruments are recognized at fair value through profit or loss (FVTPL) unless an irrevocable option for their measurement at fair value through equity (in this case “without recycling”) is exercised, granted that such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (directly recognized in the income statement). These assets are recognized at their settlement date.

Afterwards, they are measured at fair value and value changes are taken to the income statement, in net banking income, as the balancing item of the value of the financial assets on the balance sheet

This category of financial assets is not subject to impairment.

Equity instruments at fair value through equity without recycling (irrevocable option)

The irrevocable option to recognize equity instruments at fair value through equity without recycling may be exercised for each single transaction and shall apply as of the date of initial recognition. These financial instruments are recognized at their settlement date. The initial fair value includes transaction costs.

At subsequent measurements, fair value changes are recognized in equity. In case of sale, these changes are not recycled to profit or loss; therefore, the profit or loss from the sale continues to be recognized in equity.

Only collected dividends are recognized in profit or loss if:
- The entity’s right to collect their payment is set;
- It is likely that the economic benefits associated with the dividends will go to the entity;
- The dividend amount can be reliably measured.

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 recognized.

Where any ”Financial assets measured at fair value through profit or loss” is reclassified under “Financial assets measured at amortized cost”, the fair value as at the reclassification date shall become the new gross book value; the date of reclassification shall be the date of initial recognition for assigning the credit risk stage in order to estimate impairment. Where the financial asset is reclassified under “Financial assets measured at fair value through other comprehensive income”, the financial asset shall continue to be measured at fair value. The effective interest rate shall be determined based on the asset fair value as at the reclassification date.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through profit or loss, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through profit or loss.

If the financial asset is reclassified from measured at fair value through other comprehensive income to measured at amortized cost, the financial asset shall be reclassified at fair value on the reclassification date. However, accumulated profit (loss) previously recognized through other comprehensive income shall be derecognized in equity and adjusted to the fair value of the financial asset as at the reclassification date. Consequently, the financial asset shall be measured as at its reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the financial asset is reclassified from measured at amortized cost to measured at fair value through other comprehensive income, its fair value shall be measured as at the reclassification date. The profits or losses from any difference between the previous amortized cost of the financial asset and its fair value shall be recognized through other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted subsequent to reclassification.

If the entity reclassifies a financial asset from measured at fair value through other comprehensive income to measured at fair value through profit or loss, the financial asset continues to be measured at fair value. Accumulated profit (loss) previously recognized through other comprehensive income shall be reclassified from "through equity" to "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 disposed of under repurchase agreements) do not generally fulfil the conditions for derecognition.

Securities lent or sold under repurchase agreements remain on the balance sheet. In the case of securities under repurchase agreements, the amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet by the transferor.

Securities borrowed or received under repurchase agreements are not recognised on the balance sheet of the transferee.

In the case of securities disposed of under repurchase agreements, an account receivable from the transferor is reported on the balance sheet of the transferee and offset against the amount paid. If the security is subsequently resold, the transferee recognizes a liability measured at fair value representing its obligation to return the security received under repurchase agreements.

Revenue and expenses relating to such transactions are recognized to profit and loss on an accrual basis, except in the case of classification of assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or group of financial assets) is fully or partially derecognized if:
- The contractual rights to the cash flows from the financial 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 derecognized when the entity can no longer reasonably expect to recover a financial asset (write-off). A financial asset may be written off before the conclusion of the legal actions for its recovery and this does not necessarily entail waiver by the Bank of its legal right to collect the credit claim. In this case, the gross nominal value of the loan remains unchanged, but its gross book value is written down by the write-off amount . The write-off may concern the entire amount of a financial asset or part thereof and is equal to:
- The reversal of total value adjustments as the balancing item of the financial asset gross value;

- For any portion exceeding the amount of total value adjustments, the financial asset impairment recognised directly through profit or loss.

Any recoveries from collection after the write-off are recognized in the income statement as recoveries on impairment/writebacks.

2. FINANCIAL LIABILITIES

Financial liabilities are classified on the balance sheet in the two accounting categories given below:

- Financial liabilities at fair value through profit or loss, either by their nature or by designation;
- Financial liabilities at amortized cost.

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 recognized 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 equity with no recycling for value changes related to own credit risk.

Financial liabilities measured at amortized cost

All other liabilities fulfilling the definition of a financial liability (excluding derivatives) are measured at amortised cost.

These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is authorised.

Distinction between debt - equity instruments

Securities are classed as debt instruments or equity instruments based on the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation to:

- Provide another entity with cash, another financial asset or a variable number of equity instruments;
- Exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Treasury share buyback

Treasury shares or equivalent derivative instruments such as options on shares bought with a fixed strike ratio, including shares held to cover stock option plans, do not meet the definition of a financial asset and are recognized as reduction in equity. They do not generate any impact on the income statement.

Derecognition of and change to financial liabilities

A financial liability is derecognised in full or in part:
- When it is extinguished;
- When quantitative or qualitative analyses show it has undergone a substantial change following restructuring.

A substantial change in an existing financial liability shall be recognized as the extinction of an initial financial liability and the recognition of a new financial liability (novation). Any difference between the book value of the extinguished liability and the new liability shall be recognised immediately in the income statement.

If the financial liability is not derecognised, the original effective interest rate (EIR) shall be maintained and the book value shall be change through profit or loss on the date of change, discounting the new future cash flows (as resulting from the change) to the date of change using the original EIR.

This impact is then spread over the residual lifetime of the instrument based on the original effective interest rate.

3. DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities classified by default as derivative instruments held-for-trading unless they can be considered to be hedging derivatives.

They are initially recognized at fair value on the settlement date and then measured at fair value.

At each reporting date, the fair value changes on derivative contracts shall be recognized:
- Through profit or loss for derivative instruments held for trading or for fair value hedging;
- Through equity for derivative instruments held as cash flow hedges or hedges of net investments in foreign operations, for the effective portion of the hedge.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This definition applies only to financial liabilities and non-financial contracts. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:
- The hybrid contract is not measured at fair value through profit or loss;
- The embedded component taken separately from the host contract has the characteristics of a derivative;
- The characteristics of the derivative are not closely linked to those of the host contract.

Conversely, financial assets with an embedded derivative are classified as a whole as separation is not allowed: in these cases, the instrument as a whole shall be classified under ”financial assets measured at fair value through profit or loss”.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

In accordance with IAS 32, the Crédit Agricole Italia Banking Group offsets a financial asset against a financial liability and recognizes a net amount when and only when it has a legally enforceable right to offset the recognized amounts and intends either to settle the net amount or to realize the asset and settle the liability simultaneously.

The derivative instruments and the repurchase agreements handled with clearing houses that meet the two criteria required by IAS 32 have been offset on the balance sheet.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments at fair value through profit or loss

For financial instruments recognised at fair value through profit or loss, this item notably reports the following income statement elements:

- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Changes in fair value of financial assets or liabilities at fair value through profit or loss;
- Gains and losses on disposal of financial assets at fair value through profit or loss;
- changes in fair value and gains and losses on disposal or termination of derivative instruments not included in a fair value hedging relationship or cash flow hedge.

This item also reports the ineffective portion of hedges.

Net gains (losses) on financial instruments at fair value through equity

For financial assets recognised at fair value through equity, this item notably reports the following income statement elements:

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

FINANCING COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

Financing commitments that are not designated as fair value through profit or loss or not treated as derivative instruments within the meaning of IFRS 9 are not recognised on the balance sheet. . However, they are covered by provisions in accordance with the IFRS 9.

A financial guarantee contract is a contract under which the issuer must make specific payments to reimburse the guarantee holder for a loss incurred due to a specific debtor's failure to make a payment when due under the initial or amended terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of:

- The value adjustment amount for losses determined in accordance with IFRS 9;
- The amount originally recognised less, where applicable, the costs recognised in accordance with IFRS 15.

IMPAIRMENT FOR CREDIT RISK

Scope of application

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

- Financial assets consisting of debt instruments and recognised at amortised cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments which are not measured at fair value through profit or loss;
- Guarantee commitments that fall within IFRS 9 scope of application and that are not measured at fair value through profit or loss;
- Lease receivables falling in the IFRS16 scope;
- Trade receivables generated by transactions under the IFRS 15 scope of application.

Equity instruments (at fair value through profit or loss or at fair value without recycling) are not concerned by impairment provisions.

Derivative instruments and other instruments at fair value through profit or loss are subject to the calculation of counterparty risk which is not covered by the ECL model.

Credit risk and impairment (provisioning) stages

Credit risk is defined as risk of loss related to default by a counterparty leading to its inability to meet its commitments to the Bank.

The model of impairment (provisioning) for credit risk has three stages:

- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Definition of default

In June 2018, the European Central Bank invited Banks using models validated for prudential purposes to actually implement the new definition of default, in accordance with EBA guidelines on the application of the new definition of default pursuant to Article 178 of Regulation (EU) no. 575/2013 and the related legislation measures.

As done by its French Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group opted for the early adoption of the new regulation. As early as in 2018, the Parent Company had started a specific project, which entailed intense "gap analysis" activities and crosswise involvement also of the relevant Structures of the Crédit Agricole Italia Banking Group. The scopes compliant with the EBA guidelines were analyzed and identified, as were those needing specific actions (normative instruments, processes, methodologies). Then, a specific project roll-out was implemented, with strong impacts also on IT systems. In December 2018, the gap analysis outcomes, with the consequent plans of the Crédit Agricole Italia Group, were sent to the Supervisory Authority through the French Parent Company Crédit Agricole S.A., with the Application Package, in compliance with the instructions given by the European Central Bank.

Based on the application submitted to and the following audit by the Supervisory Authority, on 24 March 2020, the European Central Bank formalized its authorization decision, allowing the Crédit Agricole S.A. Group and, therefore, also the Crédit Agricole Italia Banking Group, to make the necessary changes to internal normative instruments, processes and IT systems.

The new Definition of Default requires more rigorous classification into the default status of pastdue exposures, both for enterprises (of all types and sizes) and for individuals, sole traders and households. Therefore, the Crédit Agricole Italia Banking Group made considerable investments in all training and management activities in order to appropriately inform beforehand its Customers, through current relational channels, advanced IT tools and through its website.

More exhaustive information on the changes made and the related impacts is given in the Note to the financial statements – Part E – Credit Risk.

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 uses four different macroeconomic scenarios. Said scenarios can be summarized as follows:

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

The weights to be given to the four scenarios – which may change each time the parameters are re-estimated – have been set for the Crédit Agricole Group as a whole (Crédit Agricole SA Economic Research Department - ECO) and validated by CA.SA. Group IFRS9 Guidance Committee, on which the Risk Management and Permanent Controls Department of the Crédit Agricole Italia Banking Group also sits.

More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

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

The ECL calculation formula 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 deterioration of credit risk

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

Monitoring on significant deterioration shall cover every financial instrument, unless specific exceptions apply. Contagion is not required for the downgrading of financial instruments of the same counterparty from stage 1 to stage 2. Significant deterioration monitoring shall consider the change in credit risk of the principal debtor without taking account of any guarantee, including for transactions with a shareholder guarantee.

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

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

Portfolio		SICR (significant increase in credit risk) threshold
Large Corporate		2.0%
Small Medium Enterprises		3.0%
Retail Bnkg	Individuals with real estate collaterals	2.0%
	Qualified rotating Retail Exposures	6.0%
	Other exposures to individuals	3.0%
	Small Enterprises and Sole Traders	3.0%

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

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

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

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

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

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

Therefore, the following rules shall apply for monitoring significant deterioration of securities:
- "Investment Grade" (IG) securities, at the reporting date, shall be classified in stage 1 and provisioned for based on 12-month ECL;
- "Non-Investment Grade" (NIG) securities, at the reporting date, shall be subject to monitoring for significant deterioration, since origination, and be classified in Stage 2 (lifetime ECL) in the event of significant deterioration in credit risk.

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

Post-model adjustments

Based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty.

More exhaustive information is given in the Note to the financial statements – Part E – Credit Risk.

Impairment model on stage 3

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the already envisaged scenario of internal recovery with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

This choice proved consistent with the objectives set in the NPL strategy of the Crédit Agricole Italia Banking Group, which primarily identifies the reduction of the NPL stock (especially bad loans), through the sale of certain portfolios, as the strategy able, in certain conditions, to maximize their value for the Group, considering also the time for NPE recovery.

Specifically, as laid down in its "Guidance to banks on non-performing loans" published in March 2017, the ECB expects Banks with an NPL level that is considerably higher than the EU average level to design a strategy aimed at progressively reducing their NPLs; those changes in the NPL recovery strategies have been taken into account in applying IFRS9.

Indeed, IFRS9 (paragraph 5.5.17) reads that "the entity shall measure expected credit losses in a way that reflects:
a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money;
c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions".

Specifically, IFRS 9 defines loss as the difference between all the contractual cash flows due and the cash flows that the entity expects to receive; therefore, the source of cash flows is not limited to the relevant contract, but includes all the cash flows that the creditor will receive. Consequently, if the entity intends to sell a non-performing loan to a third party in order both to increase its cash flows as much as possible and to implement a specific strategy for NPL management, the ECL estimate shall reflect also the sale scenario and, thus, the cash flows from the sale. In accordance with IFRS 9, sales scenarios that are merely possible may be taken into account and, as such, shall be smoothed with others that are deemed more likely.

Having said that, in the measurement of loans and receivables, in accordance with the IFRS 9 impairment model, Crédit Agricole Italia considers the various assumed recovery strategies in order to proportionally align them to a probability of sale determined consistently with the Group's NPL Plan.

Consequently, to the "ordinary" scenario, which assumes a recovery strategy based on loan collection typically through legal actions, realization of mortgage collaterals, contracts with loan collection firms, also the scenario of loan sale was added.

Measuring the impairment loss requires the assessment of the future cash flows that are deemed recoverable in the most likely scenario.

The methods to assess the loan recovery forecasts, in compliance with the 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 recognized or the original financial asset is to be eliminated recognizing a new financial instrument.

To this end, it is to be assessed whether the modifications to the contract terms and conditions as renegotiated are substantial or not.

In case of substantial modifications, the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Renegotiations are deemed substantial if they introduce specific objective elements affecting the characteristics and/or cash flows of the financial instrument or if they concern customers that are not experiencing financial difficulties, in order to align the contract onerousness to the current market conditions. In the latter case, it is to be specified that, if the Bank did not agree to a renegotiation of the contractual conditions, the customer would be able to borrow from another intermediary with the subsequent loss by the bank of the revenue flows under the renegotiated contract; in other words, in case of renegotiation for commercial reasons, no loss in to be recognized by the bank in its income statement subsequent to the alignment to the current market conditions that are more favourable for its customers.

Conversely, in case of renegotiations deemed not substantial, the entity shall redetermine the present value of the new cash flows subsequent to the renegotiation, based on the original rate of the exposure in force before the renegotiation. The difference between said value and the book value before the modification shall be recognized in the specific item of the income statement as profit or loss from contract modifications with no derecognition ("modification accounting").

Restructuring due to financial difficulties (forbearance measures)

Debt instruments that are restructured due to financial difficulties are those for which the entity has modified the initial financial conditions (interest rates, maturity) for business and legal reasons linked to the financial difficulties experienced by the borrower, in ways that would not have been applied in other circumstances.

This concerns all debt instruments, irrespective of the category the security has been classified into based on the deterioration in credit risk since initial recognition.

Loan restructuring includes all the modifications made to one or more loan contracts, as well as any other loans or credit facilities granted in consideration of the financial difficulties experienced by the customer.

This restructuring concept shall be assessed with regard to the contract rather than with regard to the customer (no contagion). The definition of restructured loans subsequent to financial difficulties experienced by the customers is based on two cumulative criteria:
- Contract modifications or loan refinancing;
- A Customer in a difficult financial position.

"Contract modifications" are, for example, situations in which:
- There is a difference in favour of the borrower between the modified contract and the conditions before contract modification;
- The modifications made to the contract lead to conditions that are more favourable for the concerned borrower than those that other borrowers of Crédit Agricole Italia, having similar risk profiles, could have obtained at that moment in time.

"Refinancing" means a new debt/loan is granted to the customer to repay, fully or in part, another debt as regards which the customer cannot comply with the contract conditions because of its financial situation.

The restructuring of a loan (whether performing or defaulted) is a sign of possible incurred loss risk. Therefore, the restructured/forborne exposure shall be accordingly assessed for any impairment/provisioning (restructuring does not systematically entail adjustment for incurred loss and classification as defaulted).

The classification as "restructured loan" or "Forborne exposure" is temporary.

If the restructuring transaction is carried out in accordance with the instructions of the European Banking Authority (EBA), the exposure retains the "restructured/forborne" status for at least 2 years, if it was performing upon restructuring, or for 3 years if it was defaulted upon restructuring. These periods shall be longer if some events provided for in the Group's principles occur (for instance "reoccurrence").

With no derecognition, the reduction in future flows granted to the counterparty or the deferral of such flows over a longer time horizon than the one before the restructuring shall entail recognition of impairment in the Income Statement.

The impairment for the restructuring shall be calculated as the difference between:
- The loan book value;
- The sum of the restructured future flows discounted at the original Effective Interest Rate (EIR).

In case of waiver of the claim to part of the principal, this amount shall be immediately recognized as an impairment adjustment of the loan.

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

Purchased or Originated Credit-Impaired (POCI) assets

Pursuant to IFRS 9, a financial asset is considered impaired upon initial recognition if credit risk is very high and it is purchased with significant rebates vs. the residual contractual debt.

If, based on the classification drivers (SPPI test e Business Model), these financial assets are classified as assets measured at amortized cost or at fair value through other comprehensive income, they shall be classified as "Purchased or Originated Credit Impaired Assets" ("POCI") and shall be subject to specific treatment as regards impairment.

As regards these exposures, IFRS 9 requires:
- Their initial recognition at fair value;
- That the expected credit loss be always estimated based on the expected loss over the lifetime of the financial instrument;
- That recognized interests be determined applying the "credit-adjusted effective interest rate" ("Credit Adjusted EIR") or the interest rate that, upon initial recognition, discounts all estimated future cash flows to the amortized cost of the asset, taking account in the estimate also of expected credit losses.

HEDGE ACCOUNTING

General 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 IFRS 9, exercising the option given by IFRS9 itself. All hedges have continued to be reported in accordance with IAS 39, up to the date of application of the supplement on fair value macro hedging (after its endorsement by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with 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 at fair value through equity with recycling.

The Crédit Agricole Italia Banking Group hedges interest rate risk in order to immunize the Banking Book from changes in the fair value of funding and lending, caused by adverse movements in the interest rate curve, or of reducing the uncertainty of cash flows linked to a specific asset/liability in an integrated balance sheet perspective. Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and fixed-rate gaps detected by the internal model, which have been subject to macro-hedging. The hedges were made exclusively by purchasing Interest Rate Swaps and Interest Rate Options.

Documentation

Hedging relationships shall comply with the following principles:
- Fair value hedges have the purpose of protecting the entity against exposure to changes in the fair value of a recognize asset or liability or of an irrevocable commitment not recognized, attributable to the hedged risk or risks and able to impact on the income statement (for instance, total or partial hedge of fair value changes due to interest rate risk on a fixed-rate debt);
- Cash flow hedges have the purpose of protecting the entity against exposure to changes in future cash flows of a recognized asset or liability or of a transaction deemed very likely, attributable to the hedged risk or risks and able (in case of an expected transaction not occurred) to impact on the income statement (for instance, hedging of all or part of the payment of future interests on a floating-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:
- Crédit Agricole Italia documents these hedging relationships based on a gross position of derivative instruments and hedges items;
- The effectiveness of these hedging relationships is proved with effectiveness tests.

Measurement

The measurement of the derivative at fair value is recognized as follows:
- Fair value hedges: the derivative remeasurement is recognized in the income statement matching the remeasurement of the hedged item. The income statement reports only the net amount of any ineffective portion of the hedge;
- Cash flow hedges: the derivative remeasurement is recognised as a balancing item of a specific profit or loss account directly recognized through equity with recycling for the effective portion and any ineffective portion of the hedge is recognised through profit or loss. Accumulated profits and losses through equity are then recycled to the income/through profit or loss when the hedged cash flows occur;
- Hedges of net investments in foreign operations: the derivative remeasurement derivative is recognised as a balancing item through equity with recycling and the ineffective portion of the hedge is recognized through profit or loss.

Where the conditions for benefiting from hedge accounting are no longer met, the following accounting treatment shall be applied prospectively:
- Fair value hedges: only the hedging instrument continues to be remeasured through profit or loss. The hedged item is wholly recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, fair value changes after the termination of hedging relationship shall be fully recognized through equity.

For hedged items measured at amortized cost, which were hedged for interest rate risk, the remaining portion of the remeasurement difference shall be amortized over the remaining life of the hedged items;
- Cash flow hedges: the hedging instrument is measure at fair value through profit or loss. The amounts accumulated through equity and regarding the effective portion of the hedge shall remain in equity until the hedged element affects profit or loss. Interest-rate hedged items shall be recognized through profit or loss as interests are paid. The remaining portion of the remeasurement difference is then amortized over the remaining life of the hedged items;
- Hedges of net investments in foreign operations: the accumulated amounts in equity regarding the hedge effective portion shall remain in equity as long as the net investment is held. When no longer within the scope of consolidation, net investments in foreign operations shall be recognized through profit or loss.

MAIN FINANCIAL STATEMENT ITEMS

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

CLASSIFICATION

This category comprises the financial assets not classified as "Financial assets measured at fair value through other comprehensive income" or as "Financial assets measured at amortised cost".

The "Financial assets measured at fair value through profit or loss" item consists of three sub-items:
a) *"Financial assets held for trading"*: this category consists of financial assets (debt securities, equity securities, loans and units in OICR collective investment undertakings) managed in order to realize cash flows through their sale and, therefore, under the "Other" Business Model; this category also includes derivative instruments (except for those classified as hedging derivatives or financial guarantee contracts);
b) *"Financial assets designated at fair value"*: this category consists of financial assets (debt securities and loans) so designated upon initial recognition and where the related requirements are met (fair value option). As regards this category, an entity may irrevocably designate a financial asset at fair value through profit or loss if, and only if, by doing so it removes or materially reduces any measurement inconsistency;
c) *"Financial assets mandatorily measured at fair value"*, consisting of the financial assets that are managed with the Business Model is "Hold to Collect" or "Hold to Collect and Sell", but that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These are financial assets that do not pass the SPPI test, as their contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding, or that are managed under the "Other" business model but are not held for trading. This category reports also units in OICR collective investment undertakings and equity securities that are not held for trading, for which, at first recognition, the entity did not exercised the option to classify them at fair value through other comprehensive income.

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 recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

Debt and equity securities and units in OICR collective investment undertakings are initially recognized at the settlement date, while derivative contracts are recognized on the date they are signed. Loans are recognized on their disbursement date.

Specifically, upon recognition at the settlement date, the reporting entity recognizes any changes in the fair value of the asset to be received occurred between such date and the previous trading date, in the same way the purchased asset is recognized.

On initial recognition, "Financial assets measured at fair value through profit or loss" are recognized at fair value; unless otherwise specified, it consists of the price paid to execute the transaction and any transaction costs or revenues attributable to the instrument are not taken into account but are taken directly to the Income Statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

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 recognized in the Income Statement, under item 80 “Net profit (loss) on trading” for “Financial assets held for trading” and under item 110 “Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss” for “Financial assets designated at fair value” and for “Financial assets mandatorily measured at fair value”. The same items report the derecognition of such financial assets. For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”.

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:
- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

CLASSIFICATION

This category consists of financial assets that meet both the following conditions:
- The financial asset is managed in accordance with the “Hold to Collect and Sell” Business Model whose objective is achieve both by collecting the contractual cash flows and by selling the asset, and
- The contractual terms of the financial asset provide for, at specified date, cash flows that are solely payments of principal and interest on the principal amount outstanding and, therefore the SPPI test is passed.

Therefore, this category includes debt securities and loans that are managed in accordance with the “Hold to Collect and Sell” Business Model and that have passed the SPPI test. This category also includes equity instruments, not held for trading, for which the irrevocable option was exercised upon initial recognition for their designation at fair value through other comprehensive income.

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 recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the “Financial instruments (IFRS9, IAS 39 and IAS32)” paragraph in Part A.2 herein.

RECOGNITION

These financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. At initial recognition, these assets are recognized at fair value that equal to, unless otherwise stated, the price paid for the transaction execution, including any costs or revenues directly attributable to the instrument.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, Assets classified at fair value through other comprehensive income, consisting of debt securities and loans, are measured at fair value, recognizing the impacts generated by the amortized costs application in the Income Statement. For amortized cost measurement, please refer to paragraph 16 “Other information - Amortized Cost Measurement”. Profits and losses on fair value measurement are recognized in a specific equity reserve (item “110. Valuation reserves”), which shall be recycled to the income statement (item 100b “Profit/losses from disposal/repurchase of financial assets measured at fair value through other comprehensive income) upon derecognition of the financial asset.

“Financial assets measured at fair value through other comprehensive income” - being them debt securities and loans - are subject to impairment testing in accordance with the IFRS 9, as are Assets at amortized cost, with subsequent recognition of value adjustments in the Income Statement for expected losses.

These adjustments are recognized in the Income Statement under item “130. Net losses/recoveries for credit risk”, as the balancing item of the specific valuation reserve in equity (item “110. Valuation reserves”); the same applies, in a mirror-like way, to recoveries on part or all write-downs made in previous periods.

Equity instruments for which the option was exercised for their classification in this category are measured at fair value; profits or losses from fair value measurement are recognized as a balancing item of a specific equity reserve (item “110. Valuation reserves”). These reserves shall never be recycled to the income statement, including where allocated by selling the asset; in that case, the accumulated balance of the reserve is not recycled through profit or loss, but it is classified under retained earnings reserves in equity (item “140. Reserves”). Moreover, these assets shall not be written down in the Income Statement as they are not subject to impairment. The only component recognized in the Income Statement is collected dividends.

Fair value is determined using the standards adopted for “Financial assets measured at fair value through profit or loss”. For the equity instruments included in this category, which are not quoted in an active market, the cost approach is used as the fair value estimate to a residual extent only and in very few circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there is a wide range of possible measurements of fair value, of which cost is the most significant estimate. For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”.

DERECOGNITION

Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets which have been sold are derecognized if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, without relevant delay to other third parties.

3. Financial assets measured at amortized cost

CLASSIFICATION

This category consists of financial assets, specifically debt securities and loans,that meet both the following conditions:

- The financial asset is managed in accordance with the "Hold to Collect" Business Model whose objective is achieve by collecting the contractual cash flows;
- 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 finance lease loans under FRS16.

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 recognized.

For more exhaustive reporting on the accounting effects generated by reclassifications, please refer to the "Financial instruments (IFRS9, IAS 39 and IAS32)" paragraph in Part A.2 herein.

RECOGNITION

Financial assets are initially recognized at the settlement date for debt and equity securities and, as regards loans, at their disbursement date. This asset item reports separately:

- Due from banks;
- Loans to customers.

Financial assets classified in this category are initially recognized at fair value, including any costs and revenues directly attributable to them.

Specifically, for loans, their disbursement date is usually the same as the date of contract signing. Should this not be the case, upon contract signing a commitment to disburse funds shall be recognized and derecognized on the loan disbursement date.

Loans and receivables are initially recognized at their fair value that it is equal to the amount disbursed, or subscription price, including costs and revenues directly attributable to the individual loan and determinable from the inception of the transaction, even if settled at a later time.

The initially recognized amount does not include costs to be reimbursed by the borrower or that can be classified as normal administrative overhead costs, despite having the above characteristics.

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

MEASUREMENT

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

Measurement at amortized cost entails that the asset is recognized at an amount equal to its initial recognition value less principal repayment, plus or minus accumulated amortization in accordance with the aforementioned effective interest rate method, of the difference between the initial amount and the amount at maturity (typically attributable to costs/income directly pertaining to the individual asset) and adjusted by any loss coverage provision.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the asset in terms of principal and interest, to the amount disbursed including costs and revenues attributable to the asset. Expected cash flows shall be estimated taking account of all contractual terms of the financial instrument, but irrespective of expected losses on loans and receivables. The calculation includes all fees and commissions, transaction costs and all other premiums or discounts. This measurement method uses a financial approach and allows the economic effect of the costs/income directly attributable to a financial asset to be spread over its expected remaining lifetime. For more exhaustive reporting on this matter, please refer to paragraph 16 “Other information - Amortized Cost Measurement”.

The amortized cost method is not used for assets that have short lifetime, as their discounting is expected to have negligible effects, for those with indefinite maturity and revocable loans.

These assets are measured at historical cost and the costs/revenues attributable to them are recognized in the Income Statement on an accrual basis throughout their contractual term of validity.

The book value of financial assets at amortized cost is adjusted in order to report any provision for expected loss coverage. Indeed, at every reporting date, these assets are tested for impairment in order to estimate any Expected Credit Losses (ECL).

This scope includes non-performing loans (so-called “Stage 3” loans) classified as bad, unlikely- to-pay or non-performing past due in accordance with the rules issued by the Supervisory Authorities; this scope also includes performing loans classified as “Stage 1” and “Stage 2”, to which the “Expected credit losses” concept applied on a 12-month or lifetime basis, respectively.

The used bases of measurement are exhaustively described in the paragraph “Financial instruments (IFRS9, IAS 39 and IAS32) - Impairment for credit risk)” in Part A.2 of this document and, as already said, are strictly linked to the classification of these instruments in one of the three stages (credit risk stages) provided for by IFRS 9.

The model of impairment (provisioning) for credit risk comprises:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, then in stage 1 according to the subsequent improvement in the quality of credit risk.

Impairment losses are recognized in the income statement under item “130. Net losses/recoveries for credit risk”.

The original value of the financial assets is written back in following financial years if the exposure credit quality improves vs. the one that entailed the previous write-down. Writebacks for impairment recoveries are recognized in the Income Statement under the same item and the value of the loan after the writeback shall not in any event exceed the amortized cost that the asset would have had if the prior adjustment had not been made.

For non-performing exposures, accrued interests recognized in the Income Statement under item “10. Interest and similar income” 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.

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

DERECOGNITION

Financial assets are derecognized if one of the following cases occurs:

- Contractual rights to the cash flows from the assets have expired;
- The financial asset is sold with substantial transfer of all risks and rewards resulting from its ownership. Financial assets are derecognized only if their sale has substantially transferred all the risks and rewards associated with ownership of the same assets. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial assets is retained, the assets continue to be recognized, even if the relevant legal title has been transferred. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the assets has been retained. Conversely, if even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

- Financial assets are written off where their recovery can no longer be reasonably expected, including in case of waivers of the rights to the asset;
- The entity retains the contractual right to receive the cash flows from the assets, but it concomitantly undertakes the contractual obligation to pay such flows to a third party (pass-through arrangements).
- The contract undergoes modifications that qualify as “substantial”. In case of substantial modifications to the contract (i.e. modifications that affect the characteristics and/or the cash flows of the financial instrument), the entity shall derecognize the financial instrument affected by the modification and shall recognize a new financial asset based on the contract as modified, irrespective of whether the renegotiation is finalized by signing a new contract or by modifying the existing one.

4. Hedging derivatives

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 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. 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;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency.

RECOGNITION

Hedging derivatives, like all derivatives, are initially recognized at subscription date and later measured at fair value.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value. Specifically:
- in case of fair value hedging, changes in the fair value of the hedged item are offset against changes in the fair value of the hedging instrument. This offsetting is recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" by reporting value changes regarding both the hedged item and the hedging instrument. Any difference that may arise, since it represents the partial ineffectiveness of the hedge, also represents its net effect 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 recognizes in equity (item "110. Valuation reserves"), for the effective portion of the hedge, and are recognized through profit or loss only when the cash flow change to be offset occurs regarding the hedged item;
- Hedge of an investment in a foreign currency: it is used to hedge risks of an investment in a foreign operation expressed in a foreign currency and it is recognized as cash flow hedges are.

The derivative instrument is classified as held for hedging where there is formal documentation of the relationship between the hedged item and the hedging instrument and where it is effective at inception and throughout its life.

The effectiveness of the hedge depends on the degree to which changes in fair value of the hedged instrument or the relative expected cash flows are offset by changes in that of the hedging instrument. Accordingly, the 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.

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 recognized subsequent to the fair value change of the hedges risk are recognized in the Income Statement under interest income and interest expense throughout the residual life of the hedged item, based on the effective interest rate.

Effective interest rate If the hedged item is sold or repaid, the fair value portion that has not yet been amortized shall be immediately recognized in the Income Statement.

Hedging of portfolios of assets and liabilities

The hedging of portfolios of assets and liabilities ("macrohedging") and its consistent recognition can be done after:

- Identifying the portfolio to be hedged and breaking it down by maturity;
- Designating the item to be hedged;
- Identifying the interest rate risk to be hedged;
- Designating the hedging instruments;
- Determining effectiveness.

The portfolio hedged against interest rate risk may contain both assets and liabilities. This portfolio is broken down by maturity in terms of collection or repricing of the interest rate, after analyzing the cash flow structure. Fair value changes occurred in the hedged item are recognized in the Income Statement under item "90 Net profit (loss) on hedging activities" and in the Balance Sheet under item "50. Fair value change of financial assets in macro-hedge portfolios" or under item "50. Fair value change of financial liabilities in macro-hedge portfolios". Fair value changes occurred in the hedged item are recognized in the Income Statement under item "90. Net profit (loss) on hedging activities" and in the Balance Sheet under asset item "50. Hedging Derivatives" or under liability item "40. Hedging derivatives".

In case of early termination of fair value macrohedging, the accumulated recoveries/losses are recognized in the Income Statement under interest income or interest expense throughout the residual duration of the original hedging relationships, granted that it is verified that the related requirements are met.

5. Equity investments

CLASSIFICATION

This item reports equity investments held in associates and joint arrangements, as well as minority interests in subsidiaries and associates belonging to the Crédit Agricole Italia Banking Group.

Joint 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 Company exercises a significant influence, holding, directly or indirectly, at least 20% of the voting rights (including "potential" voting rights that may be exercised) or having the power to participate in determining its financial and management policies, despite holding less than 20% of the voting rights, owing to specific legal ties, such as being party to a shareholders' agreement.

RECOGNITION

These financial assets are initially recognized at the settlement date. At initial recognition, these financial assets are recognized at cost, including any goodwill paid upon acquisition which, therefore, is not separately recognized.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Equity investments are measured at cost, where the case written down for impairment.

Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking into account the present value of future cash flows that the equity investment could generate, including its value upon divestment.

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

If the reasons for the impairment are removed subsequent to an event occurred after the impairment loss recognition, a writeback is taken to the Income Statement.

DERECOGNITION

Equity investments are derecognized in case of any sale that transfers essentially all rights and rewards associated with their ownership.

In case significant influence or joint control can no longer be exercised, any residual investment shall be reclassified to the portfolios of financial assets in accordance with 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 rights-of-use of property, plant and equipment assets acquired with lease contracts in which the Bank is the lessee, irrespective of their specific legal form.

RECOGNITION

"Property, plant and equipment" items are initially recognized at cost, which includes, in addition to the purchase cost, all costs directly attributable to purchasing and placing the asset in service. Extraordinary maintenance expenses that increase the future economic benefits generated by such assets are recognized as an increase in the value of the assets, while ordinary maintenance costs are recognized in the Income Statement.

The initial measurement of the right-of-use asset includes the present value of future lease payments, the lease payments made on or before the lease contract effective date, initial direct costs and any estimated costs for dismantling, removal or restoration of the lease underlying asset, less any lease incentives received by the lessee.

As pointed out in the paragraphs below, the lessee may apply also IAS 40 to measure the Right-of-Use asset.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Property, plant and equipment assets, including investment property and right-of-use assets, are measured at cost less depreciation and impairment.

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

Description	Duration
Land	No depreciation
Operating property	33 years (1)
Other investment property	
- Other	33 years (1)
- High-end property and property inventories (IAS2)	No depreciation
Furniture, fittings, alarm systems and vehicles	From 4 to 10 years
Computers and electronic equipment	From 3 to 10 years
Works of art	No depreciation

(1) It is specified that, in few specific cases and for specific property units, their useful life, appropriately calculated, may have different duration

Lease right-of-use assets are depreciated on a straight-line basis overt the lease term as determined in accordance with the IFRS 16 policy of the Crédit Agricole Italia Banking Group.

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

The depreciation cost for property, plant and equipment is recognized in the Income Statement in 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 and measured at the lower between cost and fair value;
- Works of art, since their useful life cannot be estimated and their value normally increases over time.

If there is evidence of impairment of the asset, the asset's book value is compared to its recoverable value. For more exhaustive reporting, please refer to paragraph "16 Other Information - Method to calculate impairment losses - Other non-financial assets".

Any adjustments are recognized in the Income statement under item "180 Net adjustments of/recoveries on property, plant and equipment".

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

DERECOGNITION

Property, plant and equipment items are derecognized when disposed of or when the asset is permanently withdrawn from use and no future benefits are expected from its disposal.

7. Intangible assets

CLASSIFICATION

Intangible assets are non-monetary assets that are identifiable and not physical, stem from legal or contractual rights, are held to be used for several years and are expected to generate future economic benefits. The main types of intangible assets are:

- Software acquired from external sources or with licence for use;
- In-house developed software;
- Residual goodwill recognized as the difference between purchase cost and the fair value of the assets and liabilities acquired and contingent assets and liabilities recognized upon acquisition in accordance with the IFRS 3 determination criteria;
- The intangibles representing business with Customers are recognized subsequent to the application of IFRS 3.

RECOGNITION AND MEASUREMENT

Separately acquired and internally generated intangible assets are initially recognized at cost adjusted by any ancillary expenses, only if the economic benefits from the asset are likely to be generated and if its cost can be reliably determined. Otherwise, the intangible asset cost is recognized in the Income Statement for the period in which it is borne. Intangible assets acquired through business combinations are recognized at fair value as at the acquisition date.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

After initial recognition, intangible assets are recognized net of the accumulated amortization and of any 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 recognized through the change of the period or amortization approach, as the case may be, and are considered as accounting estimate changes. The amortization cost for intangible assets with finite useful life is recognized in the Income Statement in the 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 recognized in the Income Statement.

DERECOGNITION

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

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

8. Non-current assets held for sale and discontinued operations

"Non-current assets held for sale and discontinued operations" and "Liabilities in respect of assets held for sale" report non-current assets or groups of assets/liabilities which are in the process of being divested and for which a sale is considered highly probable. In case of transactions subject to authorization to be issued by Supervisory Authorities, the Group's accounting policy, since it attaches an essential value to such authorization, provides for "Non-current Assets/Liabilities and discontinued operations" to be recognized as from the date of receipt of the such authorization (whether express or tacit).

These assets/liabilities are measured at the lower between their book value and their fair value net of disposal costs. The related income and expenses (net of tax effects) are recognized as a separate item in the Income Statement.

9. Current and Deferred Taxes

RECOGNITION, CLASSIFICATION AND MEASUREMENT

These items report current and deferred tax assets and current and deferred tax liabilities, respectively, as regards income taxes.

Income taxes, calculated in accordance with the Italian tax legislation, are recognized on an accrual basis, consistently with the recognition of the costs and revenues generating them. Therefore, they represent the expense, equal to the balance of current and deferred tax assets and current and deferred tax liabilities, for taxes on income for the period. Income taxes are recognized in the Income Statement, except for those related to items debited or credited directly in equity, for which the related taxes are recognized, for consistency purposes, in equity.

The effects of current taxes and deferred tax assets and liabilities are recognized at the applicable tax rates.

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

In March 2016, the national tax consolidation scheme was adopted, with effects since the 2015 tax period, by the Crédit Agricole 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, which calculates a single taxable income or a single tax loss of the Group for the Italian corporate income tax (IRES), as the algebraic sum of the income and/or losses of the single Companies, and recognizes a single tax account payable to or receivable from the Italian Inland revenue Service.

In the consolidating entity's financial statements, the intra-group balances resulting from the tax consolidation scheme are reported under the "Financial assets measured at amortized cost - due from banks" item for the provisions for Corporate Income Tax (IRES) allocated by the scheme member entities net of withholdings due and down-payments made (in the "Financial liabilities measured at amortized cost - due to banks" item if the down-payments made are higher than the provisions). In the same financial statement items, the scheme member entities recognize the receivable or payable balances resulting from their respective taxable income contributions to the consolidating entity.

Deferred tax liabilities are calculated using the so-called balance-sheet liability method.

Deferred tax assets, with regard to deductible temporary differences or future tax benefits that can be gained by carrying forward tax losses, are recognized to the extent their recovery is deemed likely.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the reserves subject to tax deferral arrangements, since the amount of available reserves already subject to taxation makes it likely that no taxable operations will be carried out.

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

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

10. Provisions for risks and charges

Allocations to provisions for risks and charges are made when:
- A present obligation (legal or implicit) exists resulting from a past event;
- It is likely that resources will have to be used in order to generate the economic benefits necessary to fulfil the obligation;
- The obligation amount can be reliably estimated.

Where the time factor is significant, provisions are discounted. The allocation to provision is recognized in the Income Statement, which also reports interest expense accrued on provisions that have been discounted.

POST-EMPLOYMENT BENEFITS

The company pension plans, created pursuant to corporate agreements, qualify as "defined-benefit plans".

The liabilities referring to these plans and the relating social security costs for employees currently on staff are determined based on actuarial assumptions by applying the Projected Unit Credit (PUC) method. Under this method, future outlays are projected based on analyses of time series and the demographic curve and the discounting of these cash flows using market interest rates, as set forth in the relevant tables in the Note to the Financial Statements.

Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

Actuarial profits and losses, defined as the difference between the liability book value and the present value of the commitments as at the reporting date, are fully recognized directly in equity, under the item "Valuation reserves".

PROVISIONS FOR RISKS AND CHARGES REGARDING COMMITMENTS AND GUARANTEES GIVEN

This sub-item of the "provisions for risks and charges" item reports credit risk allowances recognized for commitment to disburse funds and for guarantees given within the scope of application of the impairment rules pursuant to IFRS 9. In principle, for these cases, the same methods apply for the allocation to the three credit risk stages and for the calculation of the expected loss as reported with regard to financial assets measured at amortized cost or at fair value through other comprehensive income.

OTHER PROVISIONS

Other provisions for risks and charges include provisioning for legal or other obligations associated with employment relationships or disputes, including tax disputes, resulting from a past event for which a cash outflow to settle the obligation is likely, granted that its amount can be reliably estimated.

Where the time factor is significant, provisions are discounted using current market rates. The amount allocated to provision is recognized in the Income Statement under item "170. Net provisions for risks and charges" and reports the increases in the provisions due to the passage of time.

This item also reports long-term employee benefits, the liabilities for which are determined using the same actuarial assumptions described for post-employment benefits. Actuarial gains and losses are immediately recognized in full in the Income Statement.

11. Financial liabilities measured at amortized cost

CLASSIFICATION

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

This item also reports lease liabilities recognized by the entity as the lessee.

RECOGNITION

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

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

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

Lease liabilities are recognized based on the present value of future lease payments still to be made as at the lease contract effective date in accordance with IFRS16.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

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

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

After the lease contract effective date, the lessee shall redetermine its lease liabilities in order to take account of the changes to lease payments; the amount of the redetermined lease liabilities shall be recognized as an adjustment of the right-of-use assets

DERECOGNITION

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

The difference between the liability book value and the amount paid to purchase such liability is recognized in the Income Statement under item 100 "Net profit (loss) on sale or repurchase of financial liabilities".

The subsequent placement of repurchased securities on the market is treated as a new issue and is recognized at the new placement price, with no effect through profit or loss.

12. Financial liabilities held for trading

RECOGNITION

These financial instruments are recognized, at the date of subscription or at the date of issue, at cost 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 AND RECOGNITION OF INCOME COMPONENTS

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

For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”.

Profits and losses on trading and any capital gains and losses on measurement of the trading book are recognized in the Income Statement under item “80. Net profit (loss) on trading activities”.

DERECOGNITION

Financial liabilities held for trading are derecognized when the contractual rights to the relevant cash flows expire or when the financial liability is sold with substantial transfer of all risks and rewards of ownership.

13. Financial liabilities designated at fair value

Crédit Agricole Italia has decided not to exercise the fair value option for financial liabilities

CLASSIFICATION

Financial liabilities are designated at fair value if one of the following conditions is met:
- This classification allows to eliminate or significantly reduce any “accounting mismatching”;
- They belong to groups of liabilities that are managed and their performance is measured based on fair value, in accordance with an appropriately documented risk management strategy.

RECOGNITION

They are initially recognized at fair value, without taking into account any transaction income or costs.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

These liabilities are recognized at fair value with the related effects recognized in accordance with the following rules laid down by IFRS 9:
- Any fair value changes attributable to changes in the entity’s credit rating shall be recognized in a specific valuation reserve (item “110. Valuation reserve”) net of the related tax effect in the Statement of Comprehensive Income (Equity);

- Any other fair value changes shall be recognized in the Income Statement under item “110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss”.

For more information on fair value measurement, please refer to paragraph 16 “Other Information - Fair Value Measurement” and to “Part A.4 - Fair value reporting”.

The amounts recognized in the Statement of Comprehensive Income shall not be later recycled through profit or loss, including when the liability has expired or has been settled; in this case, the accumulated Profit (Loss) shall be reclassified to the specific valuation reserve under another Equity item (item “140. Reserves”). This recognition approach shall not be applied if the recognition of the effects of the entity’s credit rating in Equity determines or increases any accounting mismatch in the Income Statement. In this case, profits or losses associated with the liability, including those resulting from any changes in the entity’s credit rating, shall be recognized through profit or loss.

After initial recognition, these financial liabilities are measured at fair value.

To measure the fair value of financial instruments that are quoted in an active market, market prices are used.

Where there is no active market, fair value is measured using generally accepted estimation methods and measurement models that are based on information available on the market, such as: methods based on the price of listed instruments with similar features, discounted cash flows, option pricing models and values reported for recent comparable transactions.

DERECOGNITION

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

14. Foreign currency transactions

RECOGNITION

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

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

At each annual and interim financial reporting date, foreign currency items are measured as follows:
- Monetary items are translated at the exchange rate in force as at the reporting date;
- Non-monetary items measured at historical cost are translated at the exchange rate in force as at the transaction date;
- Non-monetary items measured at fair value are translated at the exchange rate in force as at the reporting date.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or the translation of previous Financial Statements, are recognized in the Income Statement for the period in which they emerge.

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

Conversely, when gains or losses are recognized in the Income Statement, the related exchange rate difference is also recognized in the Income Statement.

15. Insurance assets and liabilities

The Financial Statements of Crédit Agricole Italia do not report any assets or liabilities bearing insurance risks.

16. Other Information

ADJUSTMENT OF FINANCIAL ASSETS AND FINANACIAL LIABILITIES IN MACRO-HEDGE PORTFOLIOS

These items report changes in the fair value of financial assets and liabilities macro-hedged against interest rate risk, based on their respective balances, either positive or negative. The recognition of hedges is reported in point 4 “Hedging” of this section.

LEASES

IFRS 16 “Leases” requires entities to determine whether a contract is (or contains) a lease, based on the right to control the use of an identified asset for a given period of time; therefore, rental, hire, lease or loan for use contracts are in the scope of application of the new standard.

Leases in which the Bank is the lessee

IFRS 16 provides for a single lessee accounting model, requiring lessees to apply it to both operating and finance leases, with a “Rights-of-use” approach (hereinafter “right of use” or “RoU”)

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

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

The minimum disclosure requirements for the lessee include:
- The subdivision of underlying assets into “classes”;
- Breakdown by maturity of lease liabilities;
- Information potentially useful to better understand the lessee’s business with reference to the lease contracts (e.g. early repayment or extension options).

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

Leases in which the Bank is the lessor

IFRS16 keeps the distinction between operating leases and finance leases provided for by IAS 17. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

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

For operating leases, the lease payments accrued are recognized under the "Other income" item.

Sale and leaseback transactions

In a sale and leaseback transaction, an entity (seller-lessee) sells an asset to another entity (buyer lessor) which then leases it back to the seller-lessee; therefore, under the lease contract, the seller-lessee keeps its right to use of the sold asset.

In order to determine the appropriate accounting treatment under IFRS 16, it must first be assessed whether the transaction qualifies as a sale complying with the IFRS 15 requirements.

If the transaction qualifies as a sale, the seller-lessee shall derecognize the sold asset and recognize the acquired right of use in accordance with the methods laid down by IFRS16 para.100 et seq.

Specifically, the lessee shall measure the right-of-use asset for an amount equal to the percentage of the previous book value representing the right of use it has kept; consequently, the gain or loss that the seller-lessee shall recognize refers only to the transferred rights and, therefore, it is not quantified simply as the difference between the asset fair value and its book value, but it shall be determined as equal to the consideration portion attributable to the portion of the asset the control on which has been transferred to the buyer-lessor minus the portion of the asset book value attributable to the period after the end of the lease, when control is transferred to the buyer-lessor. If the sale consideration is not consistent with the asset fair value or the lease payments are not consistent with market ones, the differences shall be recognized as other liabilities or advance payment..

If the transaction does not qualify as a sale under IFRS15, the seller-lessee shall continue to recognize the transferred asset and a financial liability under IFRS 9 equal to the transfer proceeds; the buyer-lessor shall not recognize the transferred asset but shall recognize a financial asset under IFRS 9 resulting from the transfer.

INSURANCE ASSETS AND LIABILITIES

The Financial Statements of Crédit Agricole Italia do not report any assets or liabilities bearing insurance risks.

TREASURY SHARES

Any treasury shares held are recognized under a specific item and deducted from equity. Similarly, the original costs of these shares and any gains or losses resulting from their subsequent sale are recognized as changes in Equity.

OTHER ASSETS

This item reports assets that cannot be classified under other asset items in the Balance Sheet. By way of example, this item may report:

- Gold, silver and precious metals;
- Accrued income other than capitalized on the related financial assets;
- Receivables associated with the supply of non-financial goods and services;
- Tax due and payables other than those recognized under item "100. Tax assets".

It also reports leasehold improvement expenses other than those recognized under item "80. Property, plant and equipment", as they cannot be separated 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 recognized in the relevant accounts as long as their total amount is negligible.

ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses and accrued expenses and deferred income for the period on assets and liabilities are recognized as adjustments to the assets and liabilities they refer to.

LEASEHOLD IMPROVEMENT

The costs of renovating leased property are capitalized in consideration of the fact that, 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 recognized under "Other operating expenses".

EMPLOYEE SEVERANCE BENEFITS

Until 31 December 2006, the employee severance benefits of Italian companies were considered defined-benefit plans. The regulation of these benefits was amended by Italian Law No. 296 of 27 December 2006 (Italy's "2007 Finance Act") and subsequent Decrees and Regulations issued in the first months of 2007. In the light of such amendments, this item is now to be considered a defined-benefit plan exclusively for the portions accrued before 1 January 2007 (and not yet settled as at the reporting date), whereas, after such date, it is treated as a defined-contribution plan.

Therefore, with reference to the defined-benefit plan component the benefit cost is calculated separately for each plan using the actuarial unitary credit projection method. Under this method, future outlays are projected based on an analysis of time series and the demographic curve, and the discounting of these cash flows using a market interest rate. Contributions paid in each period are treated as separate items, recognized and measured individually in calculating the final obligation.

The expenses for the plan are recognized under personnel expenses, include interests accrued, while employees' severance benefits accrued in the year, following the supplementary pension scheme reform introduced with the 2007 Financial Act, are entirely allocated to the "defined-contribution plan".

Actuarial gains and losses, including revaluation of the portions accrued in the previous years, based on the reference ISTAT (Italian National Institute of Statistics) index, are taken to a specific equity reserve, starting from 2010.

Based on the employees' choice, the amounts are allocated to supplementary pension schemes or to the Treasury fund managed by INPS (Italian Social Security Institute). The portions allocated to the defined-contribution plan are calculated based on the contributions due for each year without applying actuarial calculation methods.

SHARE-BASED PAYMENT

Share-based remuneration plans for employees are recognized 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 recognized on an accrual basis, using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- Default interest, if any is contractually provided for, is recognized in the Income Statement only upon collection;
- Dividends are recognized in the income statement when their distribution is authorized;
- Fee and commission income for revenues from services is recognized, where the relevant agreements exist, in compliance with IFRS 15 (fee and commission income considered in the amortized cost for determining the effective interest rate are recognized under interest income);
- Revenues from intermediation of financial instruments held for trading, calculated as the difference between the transaction price and the instrument fair value, are recognized in the Income Statement when the transaction is recognized, if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded.

If these values cannot be easily detected or the instrument is not highly liquid, the financial instrument is recognized at a value equal to the transaction price, less the business profit; the difference with the fair value is recognized in the Income Statement over the transaction duration with progressive reduction, in the measurement model, of the correction factor relating to the instrument's low liquidity.

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues and expenses are recognised in the Income Statement based on the nature of services they refer to.

Fees and commissions that are an integral part of the 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 recognized through profit or loss when the service is provided.

Fees and commissions to be paid or collected, or not yet earned, shall be progressively recognized as the performance obligation is satisfied over time. These estimates shall be updated at every reporting date. In practice, this condition can result in the deferred recognition of certain items of performance-related fee and commission income until such income has been definitively acquired.

CONTRIBUTIONS TO THE SINGLE RESOLUTION FUND

The Bank Recovery and Resolution Directive (BRRD – 2014/59/EU) lays down the resolution rules applying since 1 January 2015 to all the banks within the European Union.

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 2020, credit institutions were allowed to use such commitments for 15% of total contributions, as in the two previous years. To secure full payment of the total contributions, intermediaries are required to give eligible assets as collateral, which, for the five years in question, may consist only of cash.

In 2020, 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 2020 financial year, calculated pursuant to Delegated Regulations of the European Commission No. 2015/63 and Council Implementing Regulation no. 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 2020 amounts to Euro 15.8 million.

Moreover, in June 2020, 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 5.9 million.

These contributions are recognized in the Income Statement under “Other administrative expenses”.

CONTRIBUTIONS TO THE DEPOSIT GUARANTEE SCHEME

The Deposit Guarantee Scheme Directive - 2014/49/EU (DGSD) laid down an harmonized regulatory framework applying throughout the European Union on deposit guarantee schemes.

The Deposit Guarantee Scheme provides a coverage of Euro 100,000 per depositor. In Italy, it is managed by the Interbank Deposit Protection Fund.

The Scheme requires member banks to give an ex-ante contribution, which is intended to achieve the financial target level, i.e. 0.8% of the amount of the covered deposits of all authorized credit institutions in all Member States, by 3 July 2024.

If the Scheme does not have the resources to intervene where needed, an extraordinary contribution (ex-post) may be requested.

The contribution paid by Crédit Agricole Italia for 2020 amounted to Euro 27.1 million. These contributions are recognized in the Income Statement under “Other administrative expenses”.

BUSINESS COMBINATIONS

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

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

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

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

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

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

IFRS 3 gives limited accounting guidelines regarding transactions under common control, previously described in the Accounting Principles Board (APB) Opinion. This method ("pooling of interest") requires, for these transactions, assets and liabilities to be recognized at the historical values (book valued) of the combined entities, rather than at their respective fair values without recognizing goodwill.

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

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

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

FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) on the main (or more advantageous) market, irrespective of whether this price can be directly observed or is estimated using a valuation technique. Fair value applies to every financial asset or liability on an individual basis. As an exception, it can be estimated at a portfolio level, if the strategy for risk management and monitoring allows it and if appropriate documentation is provided. However, certain fair value parameters are calculated on a net basis, when a group of financial assets and financial liabilities is managed based on its net exposure to market or credit risks. This is the case for calculation of Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA) for derivatives.

More exhaustive reporting on these parameters is given in Part A.4 of the Note to the Financial Statements.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments, fair value is determined using prices from financial markets in the case of financial instruments listed in active markets, or using internal measurement models for other financial instruments.

A market is considered active if quoted prices, representing actual and regular market transactions occurring during an appropriate reference period, are readily and regularly available from sources such as stock exchanges, stockbrokers, intermediaries, industry companies, pricing services or authorized bodies. Collective investment schemes (EFT), spot exchange transactions, futures, options and equity securities listed on a regulated market are considered as traded on a regulated market. Bonds for which at least two executable prices can be detected on a quotation service with a bid-asking spread that is less than an interval deemed consistent are also considered as quoted.

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 index-linking parameter.

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

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

The funds resulting from the acquisition of Cassa di Risparmio di Cesena, Cassa di Risparmo di Rimini and Cassa di Risparmio di San Miniato, finalized in 2017, were measured applying a buffer to the NAV reported by the Asset Manager,as those funds are not liquid.

The adjustment is -25% of the NAV and any increases in the NAV do not trigger any value increase, but rather cause the buffer to increase; whereas, any decrease in the NAV reported by the Asset Manager (according to reporting time schedule set by the Asset Manager) triggers:

- If the decrease in the NAV reduces the buffer down to a minimum threshold of 10%, the measurement preceding the one of the new NAV is kept;
- If the decrease in the NAV reduces the buffer below the 10% threshold, the 25% buffer is restored aligning the measurement recognized. The resulting impact is recognized in the Income Statement.

The fair value of units in funds resulting from loan management initiatives is determined in accordance with Bank of Italy/Consob/Ivass Joint Document no. 8 – Coordination table between Consob, the Bank of Italy and Ivass regarding the application of the. IAS/IFRS of 14 April 2020; therefore, for fair value determination, the Crédit Agricole Italia Banking Group asks the Asset Manager to periodically provide an estimate of the Fund made by an independent expert and compliant with IFRS13 and with the Joint Document. Said Fair Value is the value the fund units are measures and recognized at.

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

For financial instruments held for sale and for those assets and liabilities recognized at cost or amortized cost, the fair value for reporting purposes or given as disclosure in the Note to the Financial Statements is calculated as follows:

- The fair values of medium/long-term assets and liabilities are primarily measured by discounting future cash flows, taking account of the riskiness of the relevant portfolio;
- A good approximation of the fair value of demand or short-term assets and liabilities is their book value as initially recognized and net of collective/individual writedowns;
- The book value of non-performing loans (bad loans, unlikely-to-pay and past-due positions) is deemed to be a reasonable fair value approximation;
- the book value initially recognized of floating-rate and short-term fixed-rate securities is deemed a reasonable fair value approximation, due to the fact that it reflects both the change in rates and the measurement of the credit risk associated with the issuer.

An analogous approach is applied for the fair value measurement of medium-/long-term fixed-rate securities and structured securities that are hedged for interest rate risk, for which the book value determined for hedge accounting purposes already takes account of interest rate risk measurement. For the latter, in determining the fair value reported in the Note to the Financial Statements, changes in their credit spread were not taken into account, considering the same within the Group.

With regard to real estate, for which the fair value is calculated only for the purposes of disclosure in the Note to the Financial Statements, reference is made to a value primarily based on appraisals by independent experts, considering transactions at current prices in an active market for similar properties in the same geographical area and under the same conditions for leases and other contracts.

AMORTIZED COST MEASUREMENT

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the amount at maturity, and minus any impairment loss.

The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the financial asset or liability up to maturity or the subsequent repricing date to the present value of the financial asset or liability.

To calculate the present value, the effective interest rate is applied to future cash flows or payments over the life of the financial asset or liability or for a shorter period of time under certain conditions (for example, changes in market rates).

Subsequent to initial recognition, the amortized cost method makes it possible to allocate revenues and costs pertaining to the instruments over their expected lifetime. The determination of the amortized cost varies according to whether the financial assets/liabilities being 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 recognized as expense or income in the Income Statement.

Measurement at amortized cost applies to financial assets measured at amortized cost and to financial assets measured at fair value through other comprehensive income, as well as to financial liabilities measured at amortized cost.

Financial assets and liabilities traded on an arm's length basis are initially recognized at fair value, which is normally equal to the amount received or paid, including, for instruments measured at amortized cost, directly attributable transaction costs, fees and commissions.

Transaction costs are marginal internal or external costs or revenues that are directly attributable to the issue, acquisition or disposal of a financial instrument and that cannot be charged to the customer. These fees and commissions, which must be directly attributable to individual financial assets or liabilities, affect the original effective rate of return and cause the effective interest rate associated with the transaction to vary from the contractual interest rate. Transaction costs do not include costs and revenues that apply, indiscriminately, to more than one transaction and do not include components relating to events that could occur over the life of the 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.

Furthermore, the amortized cost calculation does not take account of the costs that the Group would bear independently of the transaction (for example, administrative costs, recording and communication expenses), of the costs that, though specifically attributable to the transaction, fall within normal loan management practices (for example, activities associated with disbursement of the loan), as well as fees and commissions for services collected for the completion of Structured Finance operations, which would however have been collected irrespectively of the subsequent financing of the transaction (such as, for example, arrangement fees and commissions).

With specific reference to loans, costs attributable to the financial instrument include commission paid to distribution channels, fees paid for advice/assistance regarding the organization and/or participation in syndicated loans and expenses borne for loans acquired by subrogation; while the revenues considered in the calculation of amortized cost are up-front commissions relating to loans granted at lower-than-market rates, fees and commissions for participation in syndicated transactions and brokerage fees linked to commissions paid by intermediation companies.

With regard to securities not measured at "fair value through profit or loss", transaction costs include fees and commissions on contracts with stockbrokers operating in Italian markets, fees and commissions paid to intermediaries operating in foreign stock and bond markets based on set fee and commission schedules. The amortized cost does not include stamp duties, as these are deemed immaterial.

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

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

Hedged financial assets and liabilities, for which changes in fair value with respect to the hedged risk are recognized in the income statement, are not measured at amortized cost. However, the financial instrument is once again measured at amortized cost where the hedge terminates. From that moment, previously recognized changes in fair value are amortized, calculating the new effective interest rate that takes account of the value of the loan adjusted for the fair value of the hedged item, up to the originally scheduled expiry of the hedge. Moreover, as previously stated in the section on measuring loans and receivables, debt and debt securities issued, the amortized cost method does not apply to short-term financial assets and liabilities since the impact of discount is negligible, and does not apply to loans without a specified maturity or loans subject to revocation.

IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

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

- Financial assets recognised at amortised cost or at fair value through equity 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 in the IFRS16 scope;
- Trade receivables generated by transactions under the IFRS 15 scope of application.

The model of impairment (provisioning) for credit risk has three stages:
- Stage 1: from the initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Stage 2: if the credit quality deteriorates significantly for a given transaction or portfolio, the entity shall recognize the losses expected up to maturity;
- Stage 3: when one or more default events have occurred on the counterparty with an adverse effect on the estimated future cash flows, the entity shall recognize incurred credit losses up to maturity. Subsequently, if the conditions for classifying financial instruments in stage 3 are not met, the financial instruments are reclassified in stage 2, 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 combines the probability of default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters.

ECLs are calculated according to the type of product concerned, i.e. financial instruments or off-balance sheet instruments.

Within the review of its impairment model for the non-performing portfolio, already essentially based on the discounting of future recovery flows in accordance with IAS 39, the further requirement of IFRS 9 to estimate a multi-scenario and forward-looking ECL was complied with combining the scenario pursuant to IAS 39 (internal recovery) with an alternative recovery scenario consisting in the sale of the single non-performing exposure on the market.

Expected credit losses are discounted at the effective 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 recognized only when the fair value, net of sale costs, or the value in use of the asset is lower than its book value for three consecutive years.

For other Property, plant and equipment items and intangible assets (other than goodwill), the Group determines the value in use as the present value of the estimated future cash flows using a discount rate before-taxes reflecting market data (the present value of money and asset-specific risks).

SEGMENT REPORTING METHOD

Crédit Agricole 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 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. 9.3 - Assets.

A.3 DISCLOSURE OF TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

In 2020, no transfers between portfolios were made.

A.4 FAIR VALUE REPORTING

QUALITATIVE DISCLOSURES

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

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

The standard classifies fair value into three different levels based on the observability of the inputs used for its measurement:
- *Level 1:* Fair value equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted on active markets.

  Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (EFT) and derivatives traded in regulated markets.

  Markets are considered active if the quotations are easily and regularly available on the stock exchange, from brokers, intermediaries, price quotation services or regulatory agencies and these prices represent actual transactions that are regularly carried out in the market on an arm's length basis.

- *Level 2:* Fair value determined using measurement models that are universally acknowledged and based on observable or indirectly observable market inputs (for example determining the interest rate curve based on interest rates that are directly observable on the market at a given reference date).

  Level 2 includes:
  - Stocks and bonds that are quoted on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- *Level 3:* Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded in active markets is determined with measurement techniques based on inputs that are not observable on the market.

They are mainly complex interest rate instruments, stock derivatives and structured loans, where the measured correlation or volatility inputs are not directly comparable to market inputs.

CREDIT VALUATION ADJUSTMENT (CVA) AND DEBIT VALUATION ADJUSTMENT (DVA)

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

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

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

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

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

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

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

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

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

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

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

- The first category includes the counterparties for which CDS input parameters are directly observable 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 2020, the CVA value for Crédit Agricole Italia, calculated in accordance with the method reported above, was Euro 11.55 million

Similarly, as at 31 December 2020, the DVA value was Euro 0.43 million.

The difference between the CVA and DVA amounts as calculated (equal to Euro 11.12 million), net of the same component already recognized as at 31 December 2019 (equal to Euro 8.33 million), is a negative income component and, as such, has been recognized in the Income Statement.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

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

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

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

A.4.2 Processes and sensitivity of measurement

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

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

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

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

A.4.3 Fair value hierarchy

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

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

A.4.4 Other information

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

QUANTITATIVE DISCLOSURES

A.4.5 Fair value hierarchy

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

Assets/liabilities measured at fair value	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1 Financial assets measured at fair value through profit or loss	95	70,539	37,170	93	57,444	34,117
a) financial assets held for trading;	95	70,539	492	93	57,444	24,518
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	36,678	-	-	9,599
2 Financial assets measured at fair value through other comprehensive income	2,732,519	202,000	20,213	2,495,193	202,000	23,226
3 Hedging derivatives	-	943,109	-	-	668,306	-
4 Property, Plant and Equipment	-	-	-	-	-	-
5. Intangible Assets	-	-	-	-	-	-
Total	**2,732,614**	**1,215,648**	**57,383**	**2,495,286**	**927,750**	**57,343**
1 Financial liabilities held for trading	-	81,546	-	-	65,642	-
2 Financial liabilities designated at fair value	-	-	-	-	-	-
3 Hedging derivatives	-	136,493	569,446	-	155,442	259,953
Total	**-**	**218,039**	**569,446**	**-**	**221,084**	**259,953**

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 11,120 thousand.

A.4.5.2 Changes for the year in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, Plant and Equipment	Intangible assets
	Total	Of which a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which c) other financial assets mandatorily measured at fair				
1 Opening balance	**34,117**	**24,518**	**-**	**9,599**	**23,226**	**-**	**-**	**-**
2 Increases	**31,346**	**70**	**-**	**31,276**	**3,895**	**-**	**-**	**-**
2.1 Purchases	8,090	57	-	8,033	3,709	-	-	-
2.2 Profits recognized in:	23	13	-	10	186	-	-	-
2.2.1 Profit or loss	23	13	-	10	186	-	-	-
- of which: capital gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	23,233	-	-	23,233	-	-	-	-
3 Decreases	**28,293**	**24,096**	**-**	**4,197**	**6,908**	**-**	**-**	**-**
3.1 Sales	3,743	43	-	3,700	-	-	-	-
3.2 Repayments	-	-	-	-	600	-	-	-
3.3 Losses recognized in:	691	194	-	497	6,308	-	-	-
3.3.1 Profit or loss	691	194	-	497	-	-	-	-
- of which: capital losses	691	194	-	497	-	-	-	-
3.3.2 Equity	-	X	X	X	6,308	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	23,859	23,859	-	-	-	-	-	-
4 Closing Balance	**37,170**	**492**	**-**	**36,678**	**20,213**	**-**	**-**	**-**

A.4.5.3 Changes for the year in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1 Opening balance	-	-	**259,953**
2 Increases	-	-	**359,145**
2.1 Issues	-	-	359,145
2.2 Losses recognized in:	-	-	-
2.2.1 Proft or loss	-	-	-
- of which Capital losses	-	-	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3 Decreases	-	-	**49,652**
3.1 Repayments	-	-	24,956
3.2 Repurchases	-	-	-
3.3 Profits recognized in:	-	-	24,696
3.3.1 Profit or loss	-	-	24,696
- of which Capital gains	-	-	24,696
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4 Closing Balance	-	-	**569,446**

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2020				31.12.2019			
	VB	L1	L2	L3	VB	L1	L2	L3
1 Financial assets measured at amortized cost	61,344,579	7,616,570	11,055,538	43,988,220	50,981,631	4,013,636	7,522,014	40,166,615
2 Investment property	98,127	-	-	103,563	100,585	-	-	106,221
3 Non-current assets held for sale and discontinued operations	5,207	-	-	-	-	-	-	-
Total	**61,447,913**	**7,616,570**	**11,055,538**	**44,091,783**	**51,082,216**	**4,013,636**	**7,522,014**	**40,272,836**
1 Financial liabilities measured at amortized cost	61,053,272	-	60,838,243	533,416	50,807,795	-	50,333,845	645,724
2 Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**61,053,272**	**-**	**60,838,243**	**533,416**	**50,807,795**	**-**	**50,333,845**	**645,724**

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

The book value recognized for non-performing loans, classified at Level 3 of the fair value hierarchy is assumed to be a reasonable approximation of the fair value. This assumption is based on the fact that the fair value calculation is mainly affected by the expected recovery from the borrower through internal collection activities based on the account manager's subjective assessment, as well as by the alternative scenario of selling the individual non-performing exposure on the market, which considers the main assessment parameters used by potential buyers; therefore, the recovery value recognized results from the weighting of such scenarios. For more exhaustive reporting, please refer to Part A.2 -Classification and measurement of financial instruments - ECL governance and measurement.

On the other hand, it is pointed out that the fair value of performing loans, classified at Level 3, as reported in the table, has been calculated based on models that use mainly unobservable inputs (e.g: internal risk parameters). Therefore, for these loans (stage 1 and stage 2), also because there is no secondary market, the fair value recognized, for disclosure purposes only, could be significantly different from the prices of any disposals.

A.5 REPORTING ON DAY ONE PROFIT/LOSS

Paragraph 28 of IFRS 7 governs the specific situation where, in case of purchase of a financial instrument that is designated at fair value but not listed on an active market, the transaction price, which generally is equal to the fair value best estimate upon initial recognition, is different from the fair value determined based on the measurement techniques used by the entity.

In this case, a measurement profit/loss is realized upon acquisition, which shall be adequately reported by financial instrument class.

It is pointed out that this case does not apply to Crédit Agricole Italia Financial Statements.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

	31.12.2020	31.12.2019
a) Cash	313,267	326,279
b) Demand deposits with Central Banks	-	-
Total	313,267	326,279

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE

Items/Values	31.12.2020			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1 Debt securities	95	-	-	93	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	95	-	-	93	-	-
2 Equity securities	-	-	-	-	-	-
3 Units of O.I.C.R. collective investment undertakings	-	-	-	-	-	23,832
4 Loans	-	-	-	-	-	-
4.1 Repurchase agreements for lending purposes	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**95**	**-**	**-**	**93**	**-**	**23,832**
B. Derivatives						
1 Financial Derivatives	-	70,539	492	-	57,444	686
1.1 held for trading	-	70,539	492	-	57,444	686
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	**-**	**70,539**	**492**	**-**	**57,444**	**686**
Total (A+B)	**95**	**70,539**	**492**	**93**	**57,444**	**24,518**

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

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/ COUNTERPARTY

Items/Values	31.12.2020	31.12.2019
A. On-balance-sheet assets		
1 Debt securities	95	93
a) Central Banks	-	-
b) Public administration bodies	94	92
c) Banks	1	1
d) Other financial companies	-	-
of which: insurance undertakings		
e) non-financial corporations	-	-
2 Equity securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance undertakings	-	-
c) non-financial corporations	-	-
c) Other issuers	-	-
3 Units of O.I.C.R. collective investment undertakings	-	23,832
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 A	95	23,925
B. Derivatives		
a) Central counterparties	-	-
b) Other	71,031	58,130
Total B	71,031	58,130
Total (A+B)	**71,126**	**82,055**

The trading book consists mainly of Over-The-Counter derivatives traded on a matched basis (back-to-back trading). The mismatch vs. the measurement of derivatives held for trading recognized in the "Financial liabilities held for trading" item resulted from the CVA/DVA application to fair value measurement, as reported in Section A.4 of Accounting Policies.

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE

Items/Values	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1 Debt securities	-	-	-	-	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2 Equity securities	-	-	9,540	-	-	9,599
3 Units of O.I.C.R. collective investment undertakings	-	-	27,138	-	-	-
4 Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**36,678**	**-**	**-**	**9,599**

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

Item 2 “Equity securities”, amounting to Euro 9,540 thousand, reports the investments in the Company Fraer leasing for Euro 5,211 thousand, in the Company Termomeccanica for Euro 4.115 thousand and in Banca Popolare di Puglia e Basilicata for Euro 214 thousand.

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	31.12.2020	31.12.2019
1 Equity securities	9,540	9,599
of which: banks	214	274
of which: other financial companies	5,211	5,211
of which: non-financial corporations	4,114	4,114
2 Debt securities	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
3 Units of O.I.C.R. collective investment undertakings	27,138	-
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	**36,678**	**9,599**

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE

Items/Values	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1 Debt securities	2,717,777	-	-	2,478,066	-	-
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	2,717,777	-	-	2,478,066	-	-
2 Equity securities	14,742	202,000	20,213	17,127	202,000	23,226
3 Loans	-	-	-	-	-	-
Total	**2,732,519**	**202,000**	**20,213**	**2,495,193**	**202,000**	**23,226**

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 2,718 million and consisted of Italian government bonds.

Among equity securities at level 2, the Crédit Agricole Italia Banking Group holds 8,080 shares in the Bank of Italy, equal to 2.69% of its entire share capital. These shares were recognized for a book value of Euro 202 million, obtained measuring each share at a unit value of Euro 25,000. These shares resulted from the share capital increase that the Bank of Italy made in 2013 in accordance with Italian Decree Law no. 133 of 30 November 2013, converted with Italian Law no. 5 of 29 January 2014, which determined the issue of new shares for a value of Euro 25,000 each.

Equity securities at level 1 mainly consist of the shares held in Unipol- Sai capital for an amount of Euro 14,149 thousand.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY DEBTOR/ISSUER

Items/Values	Total 31.12.2020	Total 31.12.2019
1 Debt securities	**2,717,777**	**2,478,066**
a) Central Banks	-	-
b) Public administration bodies	2,717,777	2,478,066
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) non-financial corporations	-	-
2 Equity securities	**236,955**	**242,353**
a) Banks	205,759	205,822
c) Other issuers:	31,196	36,531
- other financial companies	18,132	25,418
of which: insurance undertakings	14,149	16,887
- non-financial corporations	13,064	11,113
- 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	**2,954,732**	**2,720,419**

Line 2.a) reports also the value of the shareholding in the Bank of Italy amounting to Euro 202 million.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs (*)
	Stage 1	O/w: Low credit risk instruments	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	2,720,934	2,720,934	-	-	3,157	-	-	-
Loans	-	-	-	-	-	-	-	-
Total	**2,720,934**	**2,720,934**	**-**	**-**	**3,157**	**-**	**-**	**-**
Total T-1	**2,481,066**	**2,481,066**	**-**	**-**	**3,000**	**-**	**-**	**-**
of which: POCI	X	X	-	-	X	-	-	-

(*) Value to be stated for disclosure purposes

Section 4 – Financial assets measured at amortized cost – Item 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE FROM BANKS

Type of transactions/Values	31.12.2020						31.12.2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3
A. Claims on Central Banks	**8,141,175**	**-**	**-**	**-**	**8,141,175**	**-**	**3,546,257**	**-**	**-**	**-**	**3,546,257**	**-**
1 Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2 Reserve requirement	8,130,811	-	-	X	X	X	3,538,693	-	-	X	X	X
3 Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4 Other	10,364	-	-	X	X	X	7,564	-	-	X	X	X
B. Due from Banks	**2,914,363**	**-**	**-**	**-**	**2,914,363**	**-**	**3,975,757**	**-**	**-**	**-**	**3,975,757**	**-**
1 Loans	2,914,363	-	-	-	2,914,363	-	3,975,757	-	-	-	3,975,757	-
1.1 Current accounts and deposits	271,317	-	-	X	X	X	149,790	-	-	X	X	X
1.2 Time deposits	2,473,336	-	-	X	X	X	2,872,837	-	-	X	X	X
1.3 Other loans:	169,710	-	-	X	X	X	953,130	-	-	X	X	X
- Repurchase agreements for lending purposes	-	-	-	X	X	X	426,400	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	169,710	-	-	X	X	X	526,730	-	-	X	X	X
2 Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**11,055,538**	**-**	**-**	**-**	**11,055,538**	**-**	**7,522,014**	**-**	**-**	**-**	**7,522,014**	**-**

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

As at 31 December 2020, there were no non-performing assets due from banks.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF LOANS TO CUSTOMERS

Type of transactions/Values	31.12.2020						31.12.2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3	Stage 1 and 2	Stage 3	of which: POCI	L1	L2	L3
Loans	41,370,291	1,202,406	-	-	-	43,822,615	37,941,261	1,338,181	-	-	-	39,996,886
1 Current accounts	1,485,506	262,529	-	X	X	X	2,121,616	308,320	-	X	X	X
2 Repurchase agreements for lending purposes	-	-	-	X	X	X	-	-	-	X	X	X
3 Mortgage loans	27,856,284	853,657	-	X	X	X	25,109,206	915,029	-	X	X	X
4 Credit cards, personal loans and loans repaid by automatic deductions from salaries/ pensions	141,276	4,197	-	X	X	X	158,742	5,210	-	X	X	X
5 Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7 Other loans	11,887,225	82,023	-	X	X	X	10,551,697	109,622	-	X	X	X
Debt securities	7,716,344	-	-	7,616,570	-	165,605	4,180,175	-	-	4,013,636	-	169,729
1 Structured Securities	-	-	-	-	-	-	-	-	-	-	-	-
2 Other debt securities	7,716,344	-	-	7,616,570	-	165,605	4,180,175	-	-	4,013,636	-	169,729
Total	**49,086,635**	**1,202,406**	**-**	**7,616,570**	**-**	**43,988,220**	**42,121,436**	**1,338,181**	**-**	**4,013,636**	**-**	**40,166,615**

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:

- item “3 Mortgage loans” also reports loans pledged as collateral for the issues of covered bonds amounting to Euro 8.7 billion;
- Item “2 Other debt securities” reports almost exclusively Italian Government securities.

4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS

Type of transactions/Values	31.12.2020			31.12.2019		
	Stage 1 and 2	Stage 3	of which: POCI	First and second stage	Stage 3	of which: POCI
1 Debt securities	**7,716,344**	**-**	**-**	**4,180,175**	**-**	**-**
a) Public administration bodies	7,550,740	-	-	4,010,447	-	-
b) Other financial companies	145,628	-	-	149,731	-	-
of which: insurance undertakings	145,628	-	-	149,703	-	-
c) non-financial corporations	19,976	-	-	19,997	-	-
2 Loans to:	**41,370,291**	**1,202,406**	**-**	**37,941,261**	**1,338,181**	**-**
a) Public administration bodies	227,275	1	-	231,017	1	-
b) Other financial companies	7,588,661	7,075	-	7,083,998	12,228	-
of which: insurance undertakings	72,020	3	-	88,028	3	-
c) non-financial corporations	13,285,267	803,982	-	11,493,525	961,598	-
d) Households	20,269,088	391,348	-	19,132,721	364,354	-
Total	**49,086,635**	**1,202,406**	**-**	**42,121,436**	**1,338,181**	**-**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: Low credit risk instruments						
Debt securities	7,725,851	7,725,851	-	-	9,507	-	-	-
Loans	50,242,262	-	2,410,998	2,478,931	72,089	155,341	1,276,526	37,833
Total 31 Dec. 2020	**57,968,113**	**7,725,851**	**2,410,998**	**2,478,931**	**81,596**	**155,341**	**1,276,526**	**37,833**
Total 31 Dec. 2019	**47,783,912**	**4,185,153**	**2,041,557**	**2,823,201**	**69,749**	**112,270**	**1,485,020**	**28,692**
of which: POCI	X	X	-	-	X	-	-	-

(*) Value to be stated for disclosure purposes

4.4A LOANS MEASURED AT AMORTIZED COST UNDER COVID-19 SUPPORT MEASURES: GROSS VALUE AND TOTAL ADJUSTMENTS

	Gross value				Total adjustments			Total/partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: Low credit risk instruments						
1 Loans with GL-compliant concessions	3,883,411	-	954,099	57,470	9,208	56,285	11,155	-
2 Loans with other concession measures	-	-	-	-	-	-	-	-
3 New loans	1,903,045	-	51,873	1,144	10,097	6,120	260	-
Total 31 Dec. 2020	**5,786,456**	**-**	**1,005,972**	**58,614**	**19,305**	**62,405**	**11,415**	**-**
Total 31 Dec. 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

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

	Fair value 31.12.2020			NV 31.12.2020	Fair value 31.12.2019			NV 31.12.2019
	L1	L2	L3		L1	L2	L3	
A. Financial Derivatives	-	943,109	-	20,733,945	-	668,306	-	18,246,172
1) Fair value	-	943,109	-	20,733,945	-	668,306	-	18,246,172
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**943,109**	**-**	**20,733,945**	**-**	**668,306**	**-**	**18,246,172**

Key:
NV =r Notional value
L1 = Level 1
L2= Level 2
L3= Level 3

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

Transactions/Type of hedge	Fair value							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1 Financial assets measured at fair value through other comprehensive income	813	-	-	-	X	X	X	-	X	X
2 Financial assets measured at amortized cost	3,415	X	-	-	X	X	X	-	X	X
3 Portfolio	X	X	X	X	X	X	-	X	-	X
4 Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**4,228**	-	-	-	-	-	-	-	-	-
1 Financial liabilities	938,881	X	-	-	-	-	X	-	X	X
2 Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**938,881**	-	-	-	-	-	-	-	-	-
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	-	-

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

The “Hedging Derivatives” item referring to financial liabilities measured at amortized cost came to Euro 3,415 thousand, of which Euro 2,639 thousand for hedging mortgage loans and Euro 776 thousand for hedging securities measured at amortized cost. Specifically, the hedged item is limited to the portion referring to interest rate risk.

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 538,905 thousand for hedging own bonds issued and Euro 399,976 thousand for macrohedging of demand deposits; specifically, the hedged item is limited to the 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 Euribor +/- spread. To hedge sight deposits, a “fictitious” bond-equivalent is simulated, which is designed to identify the hedged item obtained by modeling the financial statements item hedged.

Section 6 – Fair value change of financial assets in macro-hedge portfolios – Item 60

6.1 FAIR VALUE CHANGE OF HEDGED ASSETS BREAKDOWN BY HEDGED PORTFOLIO

Adjustments of hedged assets/Values	31.12.2020	31.12.2019
1 Positive fair value change	**113,833**	**97,842**
1.1 of specific portfolios:	113,833	97,842
a) financial assets measured at amortized cost	113,833	97,842
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2 Negative fair value change	**1,212**	**233**
2.1 of specific portfolios:	1,212	233
a) financial assets measured at amortized cost	1,212	233
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**112,621**	**97,609**

The hedged assets are mortgage loans with cap option. 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.

Section 7 – Equity investments – Item 70

7.1 EQUITY INVESTMENTS: DISCLOSURE ON EQUITY INVESTMENTS IN OTHER ENTITIES

Name	Registered Office	Operating HQ	% held	% of votes available
A. Subsidiaries				
Crédit Agricole FriulAdria S.p.A.	Pordenone, Italy	Pordenone, Italy	82.05	82.43
Crédit Agricole Group Solutions S.C.p.A	Parma, Italy	Parma, Italy	89.10	
Crédit Agricole Leasing Italia – Calit S.r.l.	Milan, Italy	Milan, Italy	85.00	
Crédit Agricole Italia OBG S.r.l.	Milan, Italy	Milan, Italy	60.00	
Crédit Agricole Real Estate S.r.l.	Parma, Italy	Parma, Italy	100.00	
Le Village by Crédit Agricole Parma S.r.l.	Parma, Italy	Parma, Italy	66.67	
MondoMutui Cariparma S.r.l.	Milan, Italy	Milan, Italy	19.00	
Nuova Madonnina S.p.A	Cesena, Italy	Cesena, Italy	100.00	
San Giorgio Immobiliare S.p.A.	Cesena, Italy	Cesena, Italy	100.00	
San Piero Immobiliare S.p.A.	Cesena, Italy	Cesena, Italy	100.00	
Sliders S.r.l.	Milan, Italy	Milan, Italy	100.00	
Società Agricola Le Cicogne S.r.l.	Faenza, Italy	Faenza, Italy	50.01	
B. Joint arrangements	-	-	-	-
A. Companies subject to significant influence				
Fiere di Parma S.p.A.	Parma, Italy	Parma, Italy	32.42	
Le Village by Crédit Agricole Milano S.r.l.	Milan, Italy	Milan, Italy	38.91	

7.5 EQUITY INVESTMENTS: CHANGES FOR THE YEAR

	Total 31.12.2020	Total 31.12.2019
A. Opening balance	**1,074,438**	**1,371,395**
B. Increases	**6,639**	**30,312**
B.1 Purchases	6,639	29,211
B.2 Recoveries/writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	1,101
C. Decreases	**2,591**	**327,269**
C.1 Sales	-	-
C.2 Value adjustments	2,591	30
C.3 Impairment/writedowns	-	-
C.4 Other changes	-	327,239
D. Closing balance	**1,078,486**	**1,074,438**
E. Total recoveries/writebacks	-	-
F. Total impairment losses	-	-

The increase of Euro 6,639 thousand mainly consisted of the increase in Crédit Agricole FriulAdria shares (€4,149 thousand) and in San Giorgio Immobiliare shares (€2,460 thousand).

The decreases resulted from the impairment Sliders, San Giorgio Immobiliare and San Piero Immobiliare.

7.8 DISCLOSURE OF SIGNIFICANT RESTRICTIONS

As at 31 December 2020, there were no significant restrictions pursuant to IFRS 12, paragraphs 13 and 22 a).

Section 8 – Property, plant and equipment – Item 80

8.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31.12.2020	Total 31.12.2019
1 Owned	**501,252**	**569,743**
a) land	131,138	164,621
b) buildings	333,285	364,478
c) furniture	13,082	15,296
d) electronic plants	4,559	4,812
e) other	19,188	20,536
2 Rights of use acquired through leases	**167,434**	**148,094**
a) land	172	172
b) buildings	166,030	146,736
c) furniture	-	-
d) electronic plants	-	-
e) other	1,232	1,186
Total	**668,686**	**717,837**
of which: obtained through the enforcement of guarantees received	-	-

8.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

Assets/Values	Total 31.12.2020				Total 31.12.2019			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1 Owned	**92,885**	**-**	**-**	**98,321**	**95,404**	**-**	**-**	**101,040**
a) land	37,479	-	-	38,425	41,198	-	-	43,024
b) buildings	55,406	-	-	59,896	54,206	-	-	58,016
2 Rights of use acquired through leases	**5,242**	**-**	**-**	**5,242**	**5,181**	**-**	**-**	**5,181**
a) land	-	-	-	-	-	-	-	-
b) buildings	5,242	-	-	5,242	5,181	-	-	5,181
Total	**98,127**	**-**	**-**	**103,563**	**100,585**	**-**	**-**	**106,221**
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 equipment	Other	Total
A. Opening gross balance	**164,792**	**778,624**	**94,946**	**64,220**	**71,141**	**1,173,723**
A.1 Total net impairment writedowns	-	267,410	79,650	59,408	49,418	455,886
A.2 Opening net balance	164,792	511,214	15,296	4,812	21,723	717,837
B. Increases	**259**	**62,580**	**1,689**	**2,521**	**2,073**	**69,122**
B.1 Purchases	-	54,226	1,689	2,521	2,073	60,509
B.2 Capitalized improvement expenses	-	6,224	-	-	-	6,224
B.3 Recoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	259	2,130	X	X	X	2,389
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**33,741**	**74,479**	**3,903**	**2,774**	**3,376**	**118,273**
C.1 Sales	33,291	36,903	-	-	-	70,194
C.2 Depreciation	-	20,131	3,903	2,774	3,049	29,857
C.3 Impairment losses recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.4 Fair value recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	450	7,855	-	-	-	8,305
a) Investment property	450	7,855	X	X	X	8,305
b) Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	9,590	-	-	327	9,917
D. Closing net balance	**131,310**	**499,315**	**13,082**	**4,559**	**20,420**	**668,686**
D.1 Total net impairment writedowns	-	287,422	83,552	62,182	52,468	485,624
D.2 Closing gross balance	131,310	786,737	96,634	66,741	72,888	1,154,310
E. Measurement at cost	-	-	-	-	-	-

All the asset classes in the table have been measured at cost.

The other decreases report the gross value of rights of use under lease contracts terminated in the reporting year.

8.6BIS CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening gross balance	**172**	**173,240**	**-**	**-**	**1,676**	**175,088**
A.1 Total net impairment writedowns	-	26,504	-	-	490	26,994
A.2 Opening net balance	172	146,736	-	-	1,186	148,094
B. Increases	**-**	**54,226**	**-**	**-**	**695**	**54,921**
B.1 Purchases	-	54,226	-	-	695	54,921
B.2 Capitalized improvement expenses	-	-	-	-	-	-
B.3 Recoveries/writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**34,932**	**-**	**-**	**649**	**35,581**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	25,342	-	-	322	25,664
C.3 Impairment losses recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income Statement	-	-	-	-	-	-
C.4 Fair value recognized in:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Profit or loss	-	-	-	-	-	-
C.5 Negative foreign exchange 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	-	9,590	-	-	327	9,917
D. Closing net balance	**172**	**166,030**	**-**	**-**	**1,232**	**167,434**
D.1 Total net impairment writedowns	-	51,846	-	-	812	52,658
D.2 Closing gross balance	172	217,876	-	-	2,044	220,092

8.7 INVESTMENT PROPERTY: CHANGES FOR THE YEAR

	Total 31.12.2020	
	Land	Buildings
A. Opening gross balance	**41,198**	**89,764**
A.1 Total net impairment writedowns	-	30,377
A Opening net balance	**41,198**	**59,387**
B. Increases	**450**	**11,215**
B.1 Purchases	-	3,208
B.2 Capitalized improvement expenses	-	152
B.3 Fair value gains	-	-
B.4 Recoveries/writebacks	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	450	7,855
B.7 Other changes	-	-
C. Decreases	**4,169**	**9,954**
C.1 Sales	654	1,000
C.2 Depreciation	-	3,212
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	3,515	4,081
a) operating assets	259	2,130
b) Non-current assets held for sale and discontinued operations	3,256	1,951
C.7 Other changes	-	1,661
D. Closing net balance	**37,479**	**60,648**
D.1 Total net impairment writedowns	-	32,993
D.2 Closing gross balance	37,479	93,641
E. Measurement at fair value	**38,425**	**65,138**

All the asset classes in the table have been measured at cost.

8.7BIS CHANGES FOR THE PERIOD IN PROPERTY PLANT AND EQUIPMENT RECOGNIZED APPLYING IFRS 16

	Total 31.12.2020	
	Land	Buildings
A. Opening gross balance	**-**	**7,079**
A.1 Total net impairment writedowns	-	1,898
A Opening net balance	-	5,181
B. Increases	**-**	**3,208**
B.1 Purchases	-	3,208
B.2 Capitalized improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Recoveries/writebacks	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfers from operating assets	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**3,147**
C.1 Sales	-	-
C.2 Depreciation	-	1,487
C.3 Fair Value losses	-	-
C.4 impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfers to:	-	-
a) operating assets	-	-
b) Non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	1,660
D. Closing net balance	**-**	**5,242**
D.1 Total net impairment writedowns	-	3,385
D.2 Closing gross balance	-	8,627
E. Measurement at fair value	**-**	**-**

Section 9 – Intangible assets – Item 90

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Values	Total 31.12.2020		Total 31.12.2019	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**1,042,598**	**X**	**1,042,598**
A.2 Other intangible assets	**120,505**	**-**	**145,333**	**-**
A.2.1 Assets measured at cost:	120,505	-	145,333	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	120,505	-	145,333	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**120,505**	**1,042,598**	**145,333**	**1,042,598**

The cost of intangible assets with finite life is amortized on a straight-line basis over their useful life. The useful life of all software in general has been set at 5 years, but, for some types of software, specifically identified, the useful life 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
		Finite	Indefinite	Finite	Indefinite	
A. Opening balance	**1,042,598**	-	-	**348,468**	-	**1,391,066**
A.1 Total net impairment writedowns	-	-	-	203,136	-	203,136
A.2 Opening net balance	1,042,598	-	-	145,332	-	1,187,930
B. Increases	-	-	-	-	-	-
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries/writebacks	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	**24,827**	-	**24,827**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	24,827	-	24,827
Amortization	X	-	-	24,827	-	24,827
- Impairment:	-	-	-	-	-	-
+ Equity	X	-	-	-	-	-
+ Profit and loss	-	-	-	-	-	-
C.3 Fair Value losses:	-	-	-	-	-	-
- through equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net balance	**1,042,598**	-	-	**120,505**	-	**1,163,103**
D.1 Total net value adjustments	-	-	-	227,963		227,963
E. Closing gross balance	**1,042,598**	-	-	**348,468**	-	**1,391,066**
F. Measurement at cost	-	-	-	-	-	-

Key:
DEF: Finite life
INDEF: Indefinite life

9.3 INTANGIBLE ASSETS: OTHER INFORMATION

Impairment testing of intangible assets with finite useful life

Within the purchase transactions made in 2007, in 2011 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 2020 it was verified that the value of each of the elements making up the intangible assets acquired within the scope of the transactions made in 2007, which was calculated as the present value of future cash flows, was still higher than the recognized value and specifically:

- For the component relating to loans to Customers, the present value was calculated taking into account the rate of early repayment of mortgage loans between March 2008 and September 2020, the cost of credit (the 2009-2020 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 16,072 thousand as at 31 December 2020.

At the end of 2020 it was verified that the value of each of the elements making up intangible assets, which were recognized within the scope of transactions made in 2011 and calculated as the present value of future cash flows, was still higher than the recognized value and specifically:
- For the component relating to demand deposits, volumes were essentially in line with the date of purchase and their measurement took into account the introduction of the Multiple ITR System;
- With regard to Net Fee and Commission Income, the changes in Wealth Management fee and commission income for Assets under Administration and Assets under Management were analyzed for the 2011-2019 period and for 2020 (budget), as well as the relevant perspective forecasts to 2026, year when amortization will end, made by projecting the growth rate as per the 2021 budget on future years.

The total value of the intangible assets acquired was found higher than their book value, amounting to Euro 30,313 thousand as at 31 December 2020

At the end of 2020, the value of each one of the components of the intangible assets recognized within the transactions finalized in 2017 was verified. Based on the evidence found on changes in intangible assets as recognized, no elements have been found suggesting that the value in use of the finite useful life intangible asset representing the value assigned to business with customers resulting from the acquisition of Cassa di Risparmio Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato may be lower than its book value as at 31 December 2018 equal to Euro 63,846 thousand.

Impairment testing of goodwill

As required by IASs/IFRSs, Crédit Agricole Italia tested for impairment the goodwill emerged from the transactions for the acquisition of the 180 branches purchased in 2007, the 81 branches purchased in 2011 and of Crédit Agricole Carispezia (purchased in 2011 and merged by absorption into Crédit Agricole Italia in 2019.

First the Cash Generating Unit (CGU) was identified, i.e. the minimum unit generating cash flows, to which goodwill (equal to Euro 1,042,598 thousand) is to be allocated. First the Cash Generating Unit (CGU) was identified, i.e. the minimum unit generating cash flows, to which goodwill (equal to Euro 1,042,598 thousand) is to be allocated. Based on the customer segments used for reporting to the management, the CGU was identified as being the Retail+Private Banking channel of Crédit Agricole Italia (which includes the 180 branches acquired in 2007, the 81 acquired in 2011 and those coming from the absorption of Crédit Agricole Carispezia).

The CGU value in use has been calculated consistently with the method adopted by the Crédit Agricole Group S.A. Group, i.e. using the Discounted Cash Flows method and compared with absorbed own funds.

Information on the method for calculating future cash flows and the discount rate is provided in the Annual Report and Consolidated Financial Statements of the Crédit Agricole Italia Banking Group.

The test showed that the CGU value is higher than the relevant goodwill value.

Sensitivity to variations in the used parameters was also analyzed. Specifically, this sensitivity analysis was developed calculating the threshold levels of each parameter above which impairment would arise.

The analysis results have shown that the book value is equal to the value in use taking the risk premium to 5.60% (vs, 5.01% used for the test); the same result would be obtained taking the risk-free rate to 3.74% (vs, 2.76% used for the test) or the beta parameter to 1.34 (vs, 1.20 used for the test).

Lastly, it was verified at which discounting rate or at which long-term growth rate “g” the value in use becomes equal to the book value.

This analysis showed that the book value is equal to the use value only with a marked increase in the discount rate Ke (return on capital) to 9.48% (vs.8.80% used for the test), 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

	(*)	Reversal timeframe					Total recognized	Tax			
		2021	2022	2023	Beyond	Undetermined reversal		IRES	ADD.LE IRES	IRAP	Total
Deductible temporary differences											
Value adjustments of loans (1)	From 27.50 to 33.08	100,432	125,540	125,540	466,448	-	817,960	196,310	28,629	28,830	253,769
Adjustments of valuation of securities	33.08	-	-	-	80	-	80	19	3	-	22
Provisions for risks and charges											
- legal disputes as defendant and legal actions to revoke transactions in insolvency proceedings	27.50	41,513	3,079	1,732	-	-	46,324	11,118	1,621	-	12,739
- signature loans	27.50	-	-	-	-	24,821	24,821	5,957	869	-	6,826
- staff expenses	From 27.50 to 33.08	33,266	12,140	6,818	32,035	-	84,259	20,222	2,949	3,909	27,080
- other reasons	From 27.50 to 33.08	9,025	-	-	-	78,545	87,570	21,017	3,065	6	24,088
Recognition of goodwill for tax purposes	33.08	96,507	101,603	101,603	652,764	-	952,477	228,595	33,337	53,157	315,089
Other costs or provisions not yet deducted	From 27.50 to 33.08	75,700	56,699	63,155	280,562	140,530	616,646	147,995	21,583	30,216	199,794
Tax losses that can be carried forward	27.50	-	81,712	93,432	317,966	-	493,110	118,346	18,115	-	136,461
3.2 Tax losses converted into tax credits		73,880	-	-	-	-	73,880	17,731	2,586	-	20,317
Total by reversal year		**430,323**	**380,773**	**392,280**	**1,749,855**	**243,896**	**3,197,127**	**767,310**	**112,757**	**116,118**	**996,185**

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets
(1) For adjustments since 2013, also IRAP applies

As regards the recognition of DTAs, especially those relating to tax losses, the probability test was carried out and confirmed their full recoverability. For such verification, profits and losses for tax purposes in the coming FYs were simulated, starting from the assumed profit or losses for those FYs and taking into account, for that purpose, the permanent increases and decreases that can be estimated, as well as the release of temporary differences, both positive and negative, expected for that period.

Besides the recovery of the aforementioned temporary differences, the calculation also showed that the DTA for tax losses can be recovered over a modest time horizon, which, in the most likely scenario, is five years. Other possible scenarios of more severe, albeit reasonable, stress were also assumed, taking into account decreases in profits or higher recovery of temporary difference assets than deemed likely, and recoverability was confirmed. It may be useful to point out that the main portion of the recognized DTAs consists of so-called “convertible” DTAs, i.e. DTAs whose recoverability does not depend on future profit or loss, as they may be converted in true tax credits, receivable form the Inland Revenue Agency in case of statutory or tax losses.

Furthermore, as regards Italian Corporate income tax (IRES) DTAs, it is to be considered that the companies of the Crédit Agricole Italia Banking Group are members of a tax consolidation scheme under Article 117 et seq. of Italian Presidential Decree 917/86, which includes also other resident entities that are directly or indirectly controlled by Crédit Agricole S.A. The expected tax profit or loss of said tax consolidation scheme in the coming FYs is by far higher than the total profits or losses of the entities belonging to the Crédit Agricole Italia Banking Group, which is further ground supporting the recoverability of most recognized DTA for IRES.

10.2 DEFERRED TAX LIABILITIES: BREAKDOWN

	(*)	Reversal timeframe					Total recognized	Taxes			
		2021	2022	2023	Beyond	Undetermined reversal		IRES	ADD.LE IRES	IRAP	Total
Taxable temporary differences											
Realized capital gains	From 27.50 to 33.08	19,002	15,800	15,587	15,587	-	65,976	15,835	2,309	-	18,144
Assets not recognized for tax purposes	From 27.50 to 33.08	11,691	13,083	15,555	93,570	62,390	196,289	47,109	6,870	9,368	63,347
Total by reversal year		30,693	28,883	31,142	109,157	62,390	262,265	62,944	9,179	9,368	81,491

(*) Indicates the percentage applied in calculating deferred tax liabilities and assets

10.3 CHANGES IN DEFERRED TAX ASSETS (THROUGH PROFIT OR LOSS)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**1,040,621**	**1,096,512**
2 Increases	**64,197**	**73,834**
2.1 Deferred tax assets recognized in the year	43,086	14,931
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	43,086	14,931
2.2 New taxes or increases in tax rates	-	8
2.3 Other increases	21,111	58,895
3 Decreases	**125,473**	**129,725**
3.1 Deferred tax assets derecognized in the year	85,769	94,331
a) reversals	85,769	94,331
b) writedowns for supervening non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	39,704	35,394
a) conversion into tax credits pursuant to L. 214/2011	-	-
b) other	39,704	35,394
4 Closing balance	**979,345**	**1,040,621**

It is pointed out that the "other decreases" item under point 3.3 letter b) also reports the conversion into tax credits, for an amount of Euro 22,000 thousand, of DTAs from tax losses generated by the mergers of the "Fellini" banks (Cassa di Risparmio di San Miniato, Cassa di Risparmio and Cesena e Cassa di Risparmio di Rimini), which were finalized in 2018. Said DTAs were converted into tax credits under Article 44-bis of Italian Decree Law no. 34 of 30 April 2019, as amended by Article 55 of Italian Decree Law no.18 of 17 March 2020, subsequent to the disposals of loans to defaulted debtors made from 17 March 2020 and 31 December 2020.

The "Other increases" and "Other decreases" in the latter net of the figures reported in the previous period under points 2.3 and 3.3 refer to the increases or decreases resulting from 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, at the very beginning non-convertible DTA for losses were acquired amounting to Euro 135,645 thousand as at 31 December 2020.

10.3BIS CHANGES IN DEFERRED TAX ASSETS PURSUANT TO ITALIAN LAW 214/2011

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**609,852**	**587,494**
2 Increases	**22,703**	**22,362**
3 Decreases	**41,028**	**4**
3.1 Reversals	40,993	4
3.2 Conversion into tax credits	-	-
a) from loss for the year	-	-
b) from tax losses	-	-
3.3 Other decreases	35	-
4 Closing balance	**591,527**	**609,852**

10.4 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH PROFIT OR LOSS)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**62,145**	**74,287**
2 Increases	**18,889**	**10,928**
2.1 Deferred tax liabilities recognized in the year	17,935	31
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	17,935	31
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	954	10,897
3 Decreases	**13,201**	**23,070**
3.1 Deferred tax liabilities derecognized in the year	13,144	5,473
a) reversals	13,144	5,473
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	57	17,597
4 Closing balance	**67,833**	**62,145**

10.5 CHANGES IN DEFERRED TAX ASSETS (THROUGH EQUITY/OCI)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**19,380**	**40,864**
2 Increases	**1,428**	**6,439**
2.1 Deferred tax assets recognized in the year	1,101	-
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	1,101	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	327	6,439
3 Decreases	**3,968**	**27,925**
3.1 Deferred tax assets derecognized in the year	1,088	27,925
a) reversals	1,088	27,925
b) writedowns for supervening non-recoverability	-	-
b) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	2,880	-
4 Closing balance	**16,840**	**19,378**

10.6 CHANGES IN DEFERRED TAX LIABILITIES (THROUGH EQUITY/OCI)

	Total 31.12.2020	Total 31.12.2019
1 Opening balance	**7,203**	**651**
2 Increases	**24,942**	**8,689**
2.1 Deferred tax liabilities recognized in the year	24,942	240
a) referring to previous years	-	-
b) due to change in accounting policies	-	-
c) other	24,942	240
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	8,449
3 Decreases	**18,487**	**2,137**
3.1 Deferred tax liabilities derecognized in the year	17,852	2,080
a) reversals	17,852	2,080
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	635	57
4 Closing balance	**13,658**	**7,203**

Section 12 – Other assets – Item 120

12.1 OTHER ASSETS: BREAKDOWN

	31.12.2020	31.12.2019
Sundry debits in process	37,483	76,729
Revenue stamps and other instruments	32	3
Items being processed	48,396	91,887
Accrued income not allocated to other items	5,991	6,891
Prepaid expenses not allocated to other items	3,473	2,873
Protested bills and cheques	4,738	4,494
Leasehold improvements	10,594	10,739
Tax advances paid on behalf of third parties	50,246	39,390
Sundry	85,895	94,123
Total	**246,848**	**327,129**

LIABILITIES

Section 1 – Financial liabilities measured at amortized cost – Item 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO BANKS

Type of transactions/Values	Total 31.12.2020				Total 31.12.2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1 Due to central banks	9,449,764	X	X	X	4,147,987	X	X	X
2 Due to banks	3,491,191	X	X	X	3,090,327	X	X	X
2.1 Current accounts and demand deposits	1,113,355	X	X	X	753,782	X	X	X
2.2 Time deposits	1,157,185	X	X	X	1,178,528	X	X	X
2.3 Loans	1,214,187	X	X	X	1,147,666	X	X	X
2.3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
2.3.2 Other	1,214,187	X	X	X	1,147,666	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	209	X	X	X	277	X	X	X
2.6 Other due and payables	6,255	X	X	X	10,074	X	X	X
Total	**12,940,955**	**-**	**12,940,955**	**-**	**7,238,314**	**-**	**7,238,314**	**-**

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

As at 31 December 2020, the "Due to central banks" reports targeted long term refinancing operations (TLTRO) with the European Central Bank. TLTROS provide the Eurosystem credit institutions with the possibility to obtain loans with multi-year maturity, intended to improve the monetary policy transmission mechanism supporting bank lending to the real economy.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST: BREAKDOWN BY TYPE OF DUE TO CUSTOMERS

Type of transactions/Values	Total 31.12.2020				Total 31.12.2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	37,112,829	X	X	X	34,218,307	X	X	X
2 Time deposits	6,931	X	X	X	13,040	X	X	X
3 Loans	-	X	X	X	695	X	X	X
3.1 Repurchase agreements for funding purposes	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	695	X	X	X
4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5 Lease liabilities	202,953	X	X	X	156,328	X	X	X
6 Other due and payables	205,128	X	X	X	164,595	X	X	X
Total	**37,527,841**	**-**	**37,527,841**	**-**	**34,552,965**	**-**	**34,552,965**	**-**

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 securities/values	Total 31.12.2020				Total 31.12.2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1 Bonds	10,051,060	-	10,369,447	-	8,370,792	-	8,542,566	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 other	10,051,060	-	10,369,447	-	8,370,792	-	8,542,566	-
2 Other securities	533,416	-	-	533,416	645,724	-	-	645,724
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	533,416	-	-	533,416	645,724	-	-	645,724
Total	**10,584,476**	**-**	**10,369,447**	**533,416**	**9,016,516**	**-**	**8,542,566**	**645,724**

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

Item “Bonds” reports debenture loans for Euro 412,515, covered bonds for Euro 8,787,534 thousand and senior non-preferred bonds for Euro 851,011 thousand.

Item “ Other securities” reports banker’s drafts for Euro 149,664 thousand and certificates of deposit for Euro 383,752 thousand.

1.4 BREAKDOWN OF SUBORDINATED LIABILITIES/SECURITIES

Characteristics	Issue date	Maturity date	Repayment schedule	Interest rate	Currency	Original amount in the rep. currency	Book value
Lower Tier II deposit	28.06.2017	28.06.2027	at maturity	3M Euribor + 219 bps	euro	250,000	250,034
Lower Tier II deposit	11.12.2017	11.12.2027	at maturity	3M Euribor 162 bps	euro	400,000	400,239
Lower Tier II deposit	14.12.2018	14.12.2028	at maturity	1M Euribor + 571 bps	euro	100,000	100,244
Lower Tier II deposit	02.08.2019	02.08.2029	at maturity	1M Euribor + 213 bps	euro	80,000	80,212
Lower Tier II security	31.05.2010	30.11.2023	in one payment at maturity	4% fixed-rate	euro	4,050	4,378
Lower Tier II security	20.09.2010	20.09.2022	in one payment at maturity	3.75% fixed-rate	euro	8,875	9,314
Lower Tier II security	18.11.2014	18.11.2021	in one payment at maturity	Fixed-rate 3.20%	euro	30,000	30,657
Lower Tier II security	25.03.2015	25.03.2021	in one payment at maturity	Fixed-rate 3%	euro	55,000	55,706
Lower Tier II security	20.04.2015	20.04.2021	in one payment at maturity	Fixed -ate 2.75%	euro	14,250	14,428
Lower Tier II security	31.03.2015	31.03.2021	in one payment at maturity	6M Euribor + 300 bps	euro	6,000	6,068

Total subordinated deposits came to Euro 830,729 thousand, whereas total subordinated securities came to Euro 120,551 thousand.

1.5 BREAKDOWN OF STRUCTURED LIABILITIES

As at 31 December 2020, there were no structured liabilities.

1.6 LEASE LIABILITIES

For reporting on lease liabilities and the breakdown of maturities and cash flows, please see Part M of this Note to the financial statements.

Section 2 – Financial liabilities held for trading – Item 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE

Type of transactions/ Values	Total 31.12.2020					Total 31.12.2019				
	Nominal or notional value	Fair Value			Fair value*	Nominal or notional value	Fair Value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1 Due to banks	-	-	-	-	-	-	-	-	-	-
2 Due to Customers	-	-	-	-	-	-	-	-	-	-
3 Debt securities	-	-	-	-		-	-	-	-	-
3.1 Bonds	-	-	-	-		-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1 Financial Derivatives	-	-	81,546	-	-	-	-	65,642	-	-
1.1 Held for trading	X	-	81,546	-	X	X	-	65,642	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2 Credit Derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**81,546**	**-**	**X**	**X**	**-**	**65,642**	**-**	**X**
Total (A+B)	**X**	**-**	**81,546**	**-**	**X**	**X**	**-**	**65,642**	**-**	**X**

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

Fair Value* = fair value calculated excluding value changes 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 2020, there were no subordinated "Liabilities held for trading".

2.3 BREAKDOWN OF FINANCIAL LIABILITIES HELD FOR TRADING: STRUCTURED LIABILITIES

At the end of 2020, there were no structured "Liabilities held for trading".

Section 4 – Hedging derivatives – Item 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND BY HIERARCHY LEVEL

	NV 31.12.2020	Fair value 31.12.2020			NV 31.12.2019	Fair value 31.12.2019		
		L1	L2	L3		L1	L2	L3
A. Financial Derivatives	6,930,023	-	136,493	569,446	5,899,475	-	155,442	259,953
1) Fair value	6,930,023	-	136,493	569,446	5,899,475	-	155,442	259,953
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**6,930,023**	**-**	**136,493**	**569,446**	**5,899,475**	**-**	**155,442**	**259,953**

Key:
NV = Notional value
L1 = Level 1
L2= Level 2
L3= Level 3

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

Transactions/Type of hedge	Fair value							Cash flows		Investments in foreign operations
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging	
	Debt securities and interest rates	Equity securities and equity indices	Foreign exchange and gold	Credit	Commodities	Other				
1 Financial assets measured at fair value through other comprehensive income	188,600	-	-	-	X	X	X	-	X	X
2 Financial assets measured at amortized cost	516,973	X	-	-	X	X	X	-	X	X
3 Portfolio	X	X	X	X	X	X	-	X	-	X
4 Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**705,573**	-	-	-	-	-	-	-	-	-
1 Financial liabilities	366	X	-	-	-	-	X	-	X	X
2 Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**366**	-	-	-	-	-	-	-	-	-
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 282 thousand for hedging mortgage loans and Euro 516,691 thousand for hedging securities measured at amortized cost.

The “Hedging Derivatives” item referring to financial liabilities consisted of Euro 366 thousand for hedgies on deposits.

Section 5 – Fair value change of financial liabilities in macro-hedge portfolios – Item 50

5.1 FAIR VALUE CHANGE OF HEDGED FINANCIAL LIABILITIES BREAKDOWN BY HEDGED PORTFOLIO

Fair value change of hedged liabilities/Values	Total 31.12.2020	Total 31.12.2019
1 Increase in fair value of hedged financial liabilities	386,253	359,422
2 Decrease in fair value of hedged financial liabilities	-	17,615
Total	**386,253**	**341,807**

The part of demand deposits that is considered stable as to liquidity and rate by the internal model adopted by the Crédit Agricole Italia Banking Group is subject to macro-hedging.

Section 6 – Tax Liabilities – Item 60

Please, see Section 10 – Assets.

Section 8 – Other liabilities – Item 80

8.1 OTHER LIABILITIES: BREAKDOWN

	31.12.2020	31.12.2019
Trade payables	92,822	82,816
Amounts due to third parties	283,583	230,438
Credit transfers ordered and being processed	47,288	30,900
Amounts payable to tax authorities on behalf of third parties	49,782	80,515
Advances on loans to mature	199	244
Adjustments for illiquid items	219,093	222,578
Personnel expenses	68,577	67,004
Uncapitalized accrued expenses	11,365	9,439
Deferred income not allocated to other items	13,883	20,799
Sundry	231,858	216,963
Total	**1,018,450**	**961,696**

Section 9 – Employee severance benefits – Item 90

9.1 EMPLOYEE SEVERANCE BENEFITS: CHANGES FOR THE YEAR

	Total 31.12.2020	Total 31.12.2019
A. Opening balance	96,811	94,809
B. Increases	2,306	14,291
B.1 Provision for the year	307	664
B.2 Other changes	1,999	13,627
C. Decreases	7,115	12,289
C.1 Severance payments	6,634	11,600
C.2 Other changes	481	689
D. Closing balance	92,002	96,811
Total	**92,002**	**96,811**

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, thus calculated,i s 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).

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 that were formerly employees of the Intesa San Paolo Group 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

To formerly Intesa employees, in case of employment termination, a supplementary amount is paid which is calculated 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 2020 of the present value of the plan obligation for Crédit Agricole Italia is given below:

Actuarial value of the obligation as at 1 Jan. 2020	**96,811**
a Service cost	42
b Interest cost	264
c Transfer in/out	23
d.1 Actuarial gains/losses from changes in financial assumptions	1,975
d.2 Actuarial gains/losses from changes in demographic assumptions	-
d.3 Actuarial gains/losses from demographic experience	-480
e. Payments provided for by the Plan	-6,633
Actuarial value of the obligation as at 31 Dec. 2020	**92,002**

Disclosure of the fair value of the plan assets (IAS 19, paragraphs 142 and 143)

This point does not apply because no assets covering Employee Severance Benefits have been provided for.

Description of the main actuarial assumptions (IAS 19, paragraph 144)

In order to be able to make the required measurement, appropriate demographic and economic assumptions must be used on:

- Mortality;
- Invalidity;
- Termination (resignation or dismissal);
- Requests for advances;
- The workers' future economic career (including the assumptions on promotion to higher positions);
- Performance of the actual purchasing power of money.

Specifically, the following assumptions were used:

a) DEMOGRAPHIC TECHNICAL BASES:

a.1 Annual probability of exclusion due to death of employees on staff were calculated based on IPS55;

a.2 Annual probabilities of exclusion due to causes other than death of employees on staff were calculated based on appropriate smoothing of historical data of the Group and, therefore, an annual frequency of turnover of 3.50% was used;

a.3 The annual probability of request for advances on the accrued severance benefits was calculated based on the Group's experience and was assumed as equal to an average annual rate of 3.00%;

a.4 Retirement is assumed upon meeting the first requirement to qualify for pension.

b) ECONOMIC TECHNICAL BASES:

b.1 To calculate the present value for the various plans, in compliance with the instructions given by Crédit Agricole S.A., the rate adopted was IBOXX AA -0.08% (IBOXX duration 5-7 years);

b.2 The cost of living index for white-collar and blue-collar households, required for the revaluation of the employee severance benefits amounts allocated to provision, was assumed at 1.75%, as per the instructions given by Crédit Agricole SA;

b.3 The pay line, as a function of seniority, increasing by automatic pay increases only, was calculated, on average, with reference to the Company's employees, based on the interpolation and smoothing of the distribution of pays by seniority and on the national and company collective bargaining agreements;

b.4 The average annual rate of increase in pay for changes in the minimum wage, is to be seen as related to the fluctuation in the value of money and, therefore, its appreciation, especially in a long-term perspective, is technically difficult; a 1.75% rate was assumed;

b.5 Percentage of accrued employee severance benefits requested as advances: 60%.This percentage was inferred based on the Group historical data.

Disclosure of amount, timing and uncertainty of cash flows (IAS 19, paragraphs 145, 146 and 147)

The outcomes of the sensitivity analyses for each one of the above main assumptions are given below:

Discount rate

Actuarial value of the obligation as at 31 Dec. 2020		
Central assumption	+50 bp	-50 bp
92,002	93,661	98,608

Inflation rate

Actuarial value of the obligation as at 31 Dec. 2020		
Central assumption	+50 bp	-50 bp
92,002	98,857	94,871

Turnover rate

Actuarial value of the obligation as at 31 Dec. 2020		
Central assumption	+100 bp	-100 bp
92,002	96,152	97,519

Multi-employer plans (IAS 19, paragraph 148)

This point does not apply because the provision for employee severance benefits is not a Multi-employer plan.

Defined-benefit plans that share risks between various entities under common control (IAS 19, paragraphs 149 and 150).

This point does not apply because the provision for employee severance benefits is not a plan that shares risks between various entities under common control.

Section 10 – Provisions for risks and charges – Item 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

Items/Values	Total 31.12.2020	Total 31.12.2019
1 Provisions for credit risk on commitments and financial guarantees given	25,328	27,210
2 Provisions for other commitments and guarantees given	-	-
3 Company pension plans	35,816	37,325
4 Other provisions for risks and charges	213,060	247,711
4.1 Legal and tax-related disputes litigation	55,029	60,450
4.2 Personnel expenses	84,977	108,119
4.3 Other	73,054	79,142
Total	**274,204**	**312,246**

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provisions for other commitments and guarantees given	Pension plans	Other provisions for risks and charges	Total
A. Opening balance	-	**37,325**	**247,711**	**285,036**
B. Increases	-	**2,012**	**29,431**	**31,443**
B.1 Provision for the year	-	-	29,378	29,378
B.2 Changes due to passage of time	-	209	-	209
B.3 Changes due to alterations in the discount rate	-	-	-	-
B.4 Other changes	-	1,803	53	1,856
C. Decreases	-	**3,521**	**64,082**	**67,603**
C.1 Use in the year	-	3,521	42,776	46,297
C.2 Changes due to alterations in the discount rate	-	-	-	-
C.3 Other changes	-	-	21,306	21,306
D. Closing balance	-	**35,816**	**213,060**	**248,876**

10.3 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	Provisions for credit risk on commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	1,311	3,812	-	5,123
Financial guarantees given	2,293	2,833	15,079	20,205
Total	**3,604**	**6,645**	**15,079**	**25,328**

10.4 PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES GIVEN

As at 31 December 2020, there were no provisions for other commitments and guarantees given.

10.5 COMPANY DEFINED-BENEFIT PENSION PLANS

1. Information on the characteristics of defined-benefit plans and risks associated with them

Through its Defined-Benefit Pension Plan, Crédit Agricole Italia provides pension schemes that are supplementary or complementary to the pensions paid by INPS (Italian National Social Security Institute) on whatsoever ground, in compliance with the specific Regulation of the Pension Fund.

In 2020, the Company implemented the agreement that was signed with the Trade Unions on 5 November 2029; ruling out any intention to novate the benefits already provided for, under said agreement the various pension plans of Crédit Agricole Italia S.p.A. operating exclusively for retired employees or their survivors were concentrated into a single Pension Fund (Fondo Pensioni Aziendale della Cassa di Risparmio di Parma e Piacenza S.p.A)..

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 2020, 510 people (248 women and 262 men) were the beneficiaries of Crédit Agricole Italia Pension Fund, to whom a gross annual supplementary pension is paid amounting to Euro 6,772.60.

The average age of Crédit Agricole Italia beneficiaries is 81.9 years.

2. Change for the year in defined-benefit net liabilities (assets) and in rights to repayment from the plan

The table below reports the 2020 reconciliation figures for Crédit Agricole Italia:

Actuarial value of the obligation as at 1 Jan. 2020	**37,325**
a Service cost	-
b Interest cost	209
c.1 Actuarial gains/losses from changes in financial assumptions	1,610
c.2 Actuarial gains/losses from changes in demographic assumptions	-
c.3 Actuarial gains/losses from demographic experience	193
d Payments provided for by the Plan	-3,521
e Transfer in	-
Actuarial value of the obligation as at 31 Dec. 2020	**35,816**

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 measurements, appropriate demographic and economic assumptions must be used, such as:

- Mortality;
- Probability to have a family;
- Performance of the actual purchasing power of money.

The main economic and demographic assumptions are given below, which have been used for the plan measurement and have been made based on the information provided by the Company subject to assessment and on market data/statistics:

- Annual probability of exclusion due to death of employees not on staff were calculated based on IPS55;
- For assignment to the surviving family in case of the pensioner's death, differentiated technical bases were used according to the age and gender of the member;
- The cost of living index for white-collar and blue-collar households, required for smoothing the annual pension instalments, was assumed at 1.75%, in accordance with the instructions given by Crédit Agricole SA;
- The annual increase in the plan benefits is governed by the relevant regulation, and, therefore, by the applicable regulations in force for INPS (Italian National Social Security Institute) pensions (automatic smoothing pursuant to paragraph 1, Article 34 of Italian Law No. 448/1998, as amended by paragraph 1, Article 69 of Italian Law No. 388/2000);
- To calculate the Present Value, in compliance with the instructions issued by Crédit Agricole SA, the rate used was IBOXX AA (duration 7-10 years) of -0.02%.

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. 2020		
Central assumption	+50 bp	-50 bp
35,816	35,898	38,863

Mortality rate

Actuarial value of the obligation as at 31 Dec. 2020		
Central assumption	+20 bp	-20 bp
35,816	34,110	41,520

6. Multi-employer plans

This does not apply to Crédit Agricole Italia.

7. Defined-benefit plans that share risks between various entities under common control

This does not apply to Crédit Agricole Italia.

10.6 PROVISIONS FOR RISKS AND CHARGES - OTHER PROVISIONS

Sub-item 4.2 "Other provisions – personnel expenses" of Table 10.1 also reports the provisions allocated in 2020 and the remaining portion of those allocated in 2019 and 2018 by Crédit Agricole Italia, for the liabilities resulting from the Trade Union agreement that gave the possibility to interested employees, who are already eligible for pension or will become eligible in the next few years, to voluntarily terminate their employment receiving incentives.

Some years ago several disputes were started with the Agenzia delle Entrate (the Italian Revenue Agency) as the Agency reclassified the transfers of branches from the Intesa Sanpaolo Group to Crédit Agricole Italia and Crédit Agricole FriulAdria and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units. Although favourable judgements were obtained and believing that its conduct has always been fair and lawful, the Crédit Agricole Group assessed the expediency, merely for risk mitigation purposes, of exercising the option provided for by Italian Decree Law 119/2018, so-called tax amnesty measures, for which formalization only of the dispute closure by the competent Authorities is pending.

Nevertheless, two disputes are still open concerning the transfers made in 2011 to Crédit Agricole Italia, for a total tax amount of Euro 11.7 million, plus interest, claimed from all the parties in the transfer on a joint and several basis; as regards these disputes in agreement with all parties concerned, it was decided not to exercise the Tax Amnesty option, as the cost would have been excessive. On the transaction requalification, favourable fist -and second-instance court judgements have already been obtained and the Italian Court of Cassation's ruling is pending. Having said that, also in this case, the Group believes that its conduct has always been fair and lawful and expects a favourable outcome of the dispute,, also on the grounds of the aforementioned judgements, considering that the charge - if any - would be shared between the parties jointly and severally involved under specific agreements, on a prudential basis a provision of Euro 1.15 million has remained

Other minor disputes are underway for taxes totalling Euro 1.4 million, plus any interest and penalties, for which the Group believes it has good grounds as its conduct has always been fair and lawful, as substantiated, in several cases, by fully or partially favourable judgements, which, therefore, have not been provisioned for.

More specifically:
- A dispute for alleged failure to pay a tax account receivable under Italian Decree Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008. The total amount claimed is Euro 1.3 million, including penalties. The first-instance judgement upheld the tax claim but ruled out any penalties. As its arguments are believed to be valid, the Group continued the dispute;
- Some disputes on registration tax on legal deeds coming from the merged entity Cassa di Risparmio di Rimini, for a total amount of Euro 0.35 million;
- A dispute coming from Crédit Agricole Carispezia, which was absorbed in 2019, concerning the determination of the taxable base for the Italian Regional Tax on Productive Activities (IRAP) for 2013, for a total amount, including tax, interest and penalties, of Euro 0.177 million; the first-instance judgement was in favour of the Group and the second-instance judgement is pending;
- A similar dispute for the following year is underway, for a total amount of Euro 0.26 million, for which the first-instance judgement is pending;

Section 12 – Parent Company Shareholders' Equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 SHARE CAPITAL AND TREASURY SHARES: BREAKDOWN

As at 31 December 2020, the Parent Company's share capital , fully paid in, consisted of 979,234,664 ordinary shares, with a nominal value of Euro 1 each.

No treasury shares were held as at the reporting date.

12.2 SHARE CAPITAL – NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Shares - opening balance	**979,233,295**	**-**
- fully paid in	979,233,295	-
- partially paid in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	979,233,295	-
B. Increases	**1,369**	**-**
B.1 New issues	1,369	-
- for a consideration:	1,369	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	1,369	-
- other	-	-
- free of charge:	-	-
- to Employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**979,234,664**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares - closing balance	979,234,664	-
- fully paid in	979,234,664	-
- partially paid in	-	-

12.3 SHARE CAPITAL: OTHER INFORMATION

The unit nominal value of the 979,234,664 ordinary shares is Euro 1.

Please, see the Management Report for more exhaustive information on the book Equity, Own Funds and Capital Ratios.

12.4 RETAINED EARNINGS RESERVES: OTHER INFORMATION

Items/Types	Amounts
Legal reserve	192,078
Reserves provided for by the Articles of Association	969,570
Reserve pursuant to Art. 13 of It. Leg. D. 124/93 *	314
Extraordinary reserve of undistributable dividends on treasury shares	5
Reserve for business combinations under common control	549
Reserve for interest on Additional Tier 1 Instruments	-143,423
Merger surplus	543,691
Reserve from the sale of financial assets at fair value through other comprehensive income without recycling	2,699
Carim IAS 19 revised first-time adoption reserve	-305
Retained earnings reserves	**1,565,178**
Reserve from share-based payments **	3,028
Total reserves	**1,568,206**

(*) Reserve pursuant to Art.13 of Italian Legislative Decree No. 124/1993 to take advantage of tax relief on the portions of Employee severance benefits to be used for supplementary pension schemes.

(**) Reserve recognizing the increase in equity resulting from payments based on shares of the controlling company Crédit Agricole SA. made to Employees and Directors

12.5 EQUITY INSTRUMENTS: BREAKDOWN AND CHANGES FOR THE YEAR

The "Equity instruments" item reports the issues of Additional Tier 1 instruments for Euro 715 million. There were no changes in the reporting period.

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

	Notional value on commitments and financial guarantees given			Total 31.12.2020	Total 31.12.2019
	Stage 1	Stage 2	Stage 3		
Commitments to disburse funds	**928,653**	**29,026**	**41,188**	**998,867**	**1,090,257**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	3,035	4,263	-	7,298	10,632
c) Banks	1,314	-	-	1,314	5,827
d) Other financial companies	251,104	652	378	252,134	187,540
e) non-financial corporations	584,105	13,153	38,303	635,561	796,264
f) Households	89,095	10,958	2,507	102,560	89,994
Financial guarantees given	**2,095,213**	**121,306**	**38,209**	**2,254,728**	**2,252,846**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	1,920	118	-	2,038	1,983
c) Banks	615,895	1,740	-	617,635	546,894
d) Other financial companies	54,358	40,349	-	94,707	79,602
e) non-financial corporations	1,337,910	75,647	37,562	1,451,119	1,530,355
f) Households	85,130	3,452	647	89,229	94,012

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount as at 31.12.2020	Amount as at 31.12.2019
1 Financial assets measured at fair value through profit or loss	-	-
2 Financial assets measured at fair value through other comprehensive income	-	165,246
3 Financial assets measured at amortized cost	14,250,443	9,668,057
4 Property, Plant and Equipment	-	-
- of which: property, plant and equipment inventories	-	-

4. Management and intermediation services

Type of services	Amount
1 Trading on behalf of customers	-
a) Purchases	-
1. settled	-
2. not yet settled	-
b) Sales	-
1. settled	-
2. not yet settled	-
2 Portfolio management	-
3 Custody and administration of securities	**68,535,178**
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	29,512,993
1. Securities issued by the reporting Bank	449,137
2. other securities	29,063,856
c) third-party securities deposited with third parties	28,865,869
c) proprietary securities deposited with third parties	10,156,316
4 Other transactions	-

5. Financial assets subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset (b)	Net amount of financial assets recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31.12.2020	Net amount 31.12.2019
				Financial Instruments (d)	Cash deposits received as collateral (e)		
1 Derivatives	1,014,139	-	1,014,139	708,462	247,563	58,114	41,138
2 Repurchase agreements	-	-	-	-	-	-	426,400
3 Securities lending	-	-	-	-	-	-	-
4 Other	-	-	-	-	-	-	-
Total 31 Dec. 2020	**1,014,139**	**-**	**1,014,139**	**708,462**	**247,563**	**58,114**	**X**
Total 31 Dec. 2019	**1,152,836**	**-**	**1,152,836**	**419,800**	**265,498**	**X**	**467,538**

6. Financial liabilities subject to offsetting or subject to master netting agreements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset (b)	Net amount of financial liabilities recognized (c=a-b)	Related amounts not subject to offsetting		Net amount (f=c-d-e) 31 Dec. 2020	Net amount 31 Dec. 2019
				Financial Instruments (d)	Cash deposits as collateral (e)		
1 Derivatives	787,485	-	787,485	708,462	-	79,023	61,237
2 Repurchase agreements	-	-	-	-	-	-	-
3 Securities lending	-	-	-	-	-	-	-
4 Other	-	-	-	-	-	-	-
Total 31 Dec. 2020	**787,485**	**-**	**787,485**	**708,462**	**-**	**79,023**	**X**
Total 31 Dec. 2019	**481,037**	**-**	**481,037**	**419,800**	**-**	**X**	**61,237**

IFRS 7 requires specific disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting as they are governed by “master netting agreements or similar arrangements” that do not comply with all the requirements laid down by IAS 32 paragraph 42.

As regards instruments that may potentially be offset, at the occurrence of certain events, and to be reported in tables 5 and 6, it is pointed out that, for transactions in OTC, the Crédit Agricole Italia Group has signed bilateral netting agreements (ISDA), mainly with counterparties belonging to the Crédit Agricole Group, whereby, where certain conditions are met, claims and obligations relating to financial derivatives may be offset. Furthermore, the Group has signed Credit Support Annexes (CSA) attached to the ISDA agreements, providing for the exchange of collateral with the counterparties in order to reduce net exposure.

In order to prepare the tables and in accordance with IFRS 7 and with the new regulations on Banks’ financial statements, it is reported that:

- The effects of the potential offsetting of the balance sheet values of financial assets and liabilities are reported in column (d) “Financial instruments”;
- The related cash collaterals are presented in column (e) “Cash deposits pledged as collateral”;
- Transactions in derivatives are recognized at fair value.

These effects are calculated for each master netting agreement, to the extent of the exposure stated in column (c).

Based on the preparation methods described above, thanks to the netting agreements and the related collateral, the credit/debt exposure to the counterparties can be significantly reduced, as shown in column (f) “Net amount”.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2020	Total 31.12.2019
1 Financial assets measured at fair value through profit or loss	-	-	-	-	81
1.1 Financial assets held for trading	-	-	-	-	81
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	9,619	-	X	9,619	29,472
3 Financial assets measured at amortized cost	43,223	641,900	-	685,123	750,148
3.1 Due from banks	-	7,382	X	7,382	14,503
3.2 Loans to customers	43,223	634,518	X	677,741	735,645
4 Hedging derivatives	X	X	(11,494)	(11,494)	(37,021)
5 Other assets	X	X	5,177	5,177	4,949
6 Financial liabilities	X	X	X	60,665	18,974
Total	**52,842**	**641,900**	**(6,317)**	**749,090**	**766,603**
of which: interest income on impaired financial assets	-	31,570	-	31,570	37,419
of which: interest income on finance leases	-	-	-	-	-

Item “Financial liabilities” reports, as to Euro 58,449 thousand, interest income accrued on the funding from the ECB consisting of TLTRO II loans taken.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 Interest income on foreign-currency financial assets

As at 31 December 2020, interest income on foreign-currency financial assets came to Euro 3,041 thousand.

1.3 INTEREST AND SIMILAR EXPENSES: BREAKDOWN

Items/Technical forms	Due and payables	Securities	Other transactions	Total 31.12.2020	Total 31.12.2019
1 Financial liabilities measured at amortized cost	(58,943)	(95,950)	-	(154,893)	(144,856)
1.1 Due to central banks	(15,537)	X	X	(15,537)	(6,342)
1.2 Due to banks	(25,908)	X	X	(25,908)	(27,481)
1.3 Due to customers	(17,498)	X	X	(17,498)	(25,725)
1.4 Debt securities issued	X	(95,950)	X	(95,950)	(85,308)
2 Financial liabilities held for trading	-	-	-	-	-
3 Financial liabilities designated at fair value	-	-	-	-	-
4 Other liabilities and provisions	X	X	(189)	(189)	(364)
5 Hedging derivatives	X	X	197,882	197,882	191,536
6 Financial assets	X	X	X	(7,422)	(4,361)
Total	**(58,943)**	**(95,950)**	**197,693**	**35,378**	**41,955**
Of which: interest expenses on lease liabilities	(3,533)	-	-	(3,533)	(3,386)

1.4 INTEREST AND SIMILAR EXPENSES: OTHER INFORMATION

1.4.1 Interest expense on foreign-currency financial liabilities

As at 31 December 2020, interest expense on foreign-currency financial liabilities came to Euro 1,320 thousand.

1.5 DIFFERENTIALS ON HEDGING TRANSACTIONS

Items	31.12.2020	31.12.2019
A. Positive differentials on hedging transactions	279,952	262,788
B. Negative differentials on hedging transactions	(93,563)	(108,273)
C. Balance (A-B)	**186,389**	**154,515**

Section 2 – Fees and Commissions – Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN

Type of services/Values	Total 31.12.2020	Total 31.12.2019
a) guarantees given	16,875	17,857
b) credit derivatives	-	-
c) management, intermediation and advisory services:	470,966	490,342
1. trading in financial instruments	-	-
2. foreign exchange trading	3,192	3,831
3. portfolio management	5,815	8,534
4. custody and administration of securities	4,127	4,331
5. depositary bank services	-	-
6. placement of securities	167,525	166,444
7. receipt and transmission of orders	10,080	10,749
8. advisory services	22,044	25,445
8.1 on investments	181	190
8.1 on financial structure	21,863	25,255
9. distribution of third-party services	258,183	271,008
9.1. portfolio management	1,745	454
9.1.1. individual	1,745	454
9.1.2. collective	-	-
9.2 insurance products	231,625	236,284
9.3. other products	24,813	34,270
d) collection and payment services	52,020	51,264
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	180,205	184,261
j) other services	59,869	66,188
Total	**779,935**	**809,912**

Item “j) other services” mainly reports fees and commissions on debit and credit cards and on other e-money services amounting to Euro 30,771 thousand and fees and commissions for loans granted amounting to Euro 5,409 thousand.

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

Channels/Values	Total 31.12.2020	Total 31.12.2019
a) At own branches:	**431,523**	**445,986**
1. portfolio management	5,815	8,534
2. placement of securities	167,525	166,444
3. third party products and services	258,183	271,008
b) off-premises distribution:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
Total	**431,523**	**445,986**

2.3 FEE AND COMMISSION EXPENSES: BREAKDOWN

Services/Values	Total 31.12.2020	Total 31.12.2019
a) Guarantees received	(12,987)	(14,400)
b) Credit derivatives	-	-
c) Management and intermediation services:	(7,099)	(7,384)
1. trading in financial instruments	(1,922)	(1,501)
2. foreign exchange trading	-	(3)
3. asset management:	(1,563)	(2,026)
3.1 own portfolio	-	-
3.2 third-party portfolio	(1,563)	(2,026)
4. custody and administration of securities	(1,368)	(1,123)
5. placement of financial instruments	(2,246)	(2,731)
6. off-premises distribution of financial instruments, products and services	-	-
d) Collection and payment services	(2,571)	(2,731)
e) Other services	(13,731)	(14,157)
Total	**(36,388)**	**(38,672)**

Item “e) 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 revenues – Item 70

3.1 DIVIDEND AND SIMILAR INCOME: BREAKDOWN

Items/Revenues	Total 31.12.2020		Total 31.12.2019	
	Dividend income	Similar income	Dividend income	Similar income
A. Financial assets held for trading	-	205	9	214
B. Other financial assets mandatorily measured at fair value	-	-	933	-
C. Financial assets measured at fair value through other comprehensive income	10,233	-	10,188	-
D. Equity investments	-	-	44,060	-
Total	**10,233**	**205**	**55,190**	**214**

The main dividend 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.

Section 4 – Net profits (loss) on trading activities – Item 80

4.1 NET PROFITS (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	-	186	(3)	(87)	96
1.1 Debt securities	-	85	(3)	(62)	20
1.2 Equity securities	-	-	-	-	-
1.3 Units of O.I.C.R. collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	101	-	(25)	76
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	6,129
4 Derivatives	40,302	41,523	(42,121)	(29,685)	10,498
4.1 Financial derivatives:	40,302	41,523	(42,121)	(29,685)	10,498
- On debt securities and interest rates	39,889	41,093	(41,498)	(29,274)	10,210
- On equity securities and equity indices	-	-	(194)	-	(194)
- On foreign exchange and gold	X	X	X	X	479
- Other	413	430	(429)	(411)	3
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
Total	**40,302**	**41,709**	**(42,124)**	**(29,772)**	**16,723**

Section 5 – Net profits (loss) on hedging activities – Item 90

5.1 NET PROFITS (LOSS) ON HEDGING ACTIVITIES: BREAKDOWN

Income components/Values		Total 31.12.2020	Total 31.12.2019
A.	Income from:		
A.1	Fair value hedging derivatives	452,846	412,236
A.2	Hedged financial assets (fair value)	64,294	137,573
A.3	Hedged financial liabilities (fair value)	6,502	3,113
A.4	Cash flow hedging financial derivatives	-	-
A.5	Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)		**523,642**	**552,922**
B.	Expenses for:		
B.1	Fair value hedging derivatives	(201,668)	(247,641)
B.2	Hedged financial assets (fair value)	(11,415)	(11,612)
B.3	Hedged financial liabilities (fair value)	(320,961)	(302,457)
B.4	Cash flow hedging financial derivatives	-	-
B.5	Assets and liabilities in foreign currencies	-	-
Total expenses on hedging activities (B)		**(534,044)**	**(561,710)**
C.	Net profit (loss) on hedging activities (A - B)	**(10,402)**	**(8,788)**
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	Total 31.12.2020			Total 31.12.2019		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
A. Financial Assets						
1 Financial assets measured at amortized cost	21,650	(31,853)	(10,203)	2,404	(13,955)	(11,551)
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	21,650	(31,853)	(10,203)	2,404	(13,955)	(11,551)
2 Financial assets measured at fair value through other comprehensive income	12,930	(14,751)	(1,821)	13,293	(10,417)	2,876
2.1 Debt securities	12,930	(14,751)	(1,821)	13,293	(10,417)	2,876
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**34,580**	**(46,604)**	**(12,024)**	**15,697**	**(24,372)**	**(8,675)**
B. Financial liabilities measured at amortized cost						
1 Due to banks	-	-	-	-	-	-
2 Due to Customers	-	-	-	-	-	-
3 Debt securities issued	85	(33)	52	223	(365)	(142)
Total liabilities (B)	**85**	**(33)**	**52**	**223**	**(365)**	**(142)**

Section 7 – Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 NET CHANGE IN VALUE OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MANDATORILY MEASURED AT FAIR VALUE

Transactions/Income components	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net profit (loss) [(A+B) - (C+D)]
1 Financial assets	-	10	(497)	-	(487)
1.1 Debt securities	-	-	(433)	-	(433)
1.2 Equity securities	-	10	-	-	10
1.3 Units of collective investment undertakings	-	-	(64)	-	(64)
1.4 Loans	-	-	-	-	-
2 Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	-
Total	**-**	**10**	**(497)**	**-**	**(487)**

Section 8 – Net losses/recoveries for credit risk – Item 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN

Transactions/income components	Losses			Recoveries		Total 31.12.2020	Total 31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Due from Banks	(16)	-	-	2,563	-	2,547	(655)
- Loans	(16)	-	-	2,563	-	2,547	(655)
- Debt securities	-	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-	-
B. Loans to customers	(138,099)	(76,526)	(209,774)	56,708	28,760	(338,931)	(182,008)
- Loans	(131,309)	(76,526)	(209,774)	56,692	28,760	(332,157)	(181,112)
- Debt securities	(6,790)	-	-	16	-	(6,774)	(896)
of which: POCI	-	-	-	-	-	-	-
Total	**(138,115)**	**(76,526)**	**(209,774)**	**59,271**	**28,760**	**(336,384)**	**(182,663)**

8.1A NET ADJUSTMENTS FOR CREDIT RISK ON LOANS MEASURED AT AMORTIZED COSTS SUBJECT TO COVID-19-RELATED SUPPORT MEASURES: BREAKDOWN

Transactions/income components	Net adjustments			Total 31.12.2020	Total 31.12.2019
	Stage 1 and 2	Stage 3			
		Write-off	Other		
1 Loans with GL-compliant concessions	(21,411)	-	(7,648)	(29,059)	-
2 Loans with other concession measures	-	-	-	-	-
3 New loans	(16,218)	-	(260)	(16,478)	-
Total	**(37,629)**	**-**	**(7,908)**	**(45,537)**	**-**

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Transactions/income components	Losses			Recoveries		Total 31.12.2020	Total 31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Debt securities	(1,093)	-	-	112	-	(981)	(991)
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: POCI	-	-	-	-	-	-	-
Total	**(1,093)**	**-**	**-**	**112**	**-**	**(981)**	**(991)**

Section 9 – Profits/losses on contract modifications without derecognition – Item 140

9.1 PROFITS (LOSSES) ON CONTRACT MODIFICATIONS: BREAKDOWN

Losses on contract modifications came to Euro 1,310 thousand.

This item reports the impacts resulting from contract modifications on medium/long-term loans to customers, which, as they do not classify as substantial in accordance with IFRS 9, do not entail derecognition of the assets, but recognition in the Income Statement of the modifications made to contractual cash flows.

Section 10 – Administrative expenses – Item 160

10.1 PERSONNEL EXPENSES: BREAKDOWN

Type of expense/Values	Total 31.12.2020	Total 31.12.2019
1) Employees	(561,893)	(572,188)
a) wages and salaries	(403,204)	(411,803)
b) social security contributions	(107,179)	(108,584)
c) severance benefits	(501)	(157)
d) pensions	-	-
e) allocation to employee severance benefit provision	(307)	(664)
f) allocation to provision for post-employment and similar obligations:	(209)	(390)
- defined-contribution	-	-
- defined-benefit	(209)	(390)
g) payment to external supplementary pension schemes:	(36,219)	(36,794)
- defined-contribution	(36,219)	(36,794)
- defined-benefit	-	-
h) costs from share-based payment agreements	-	-
i) other employee benefits	(14,274)	(13,796)
2) Other staff	(240)	(316)
3) Directors and Auditors	(1,140)	(1,582)
4) Retired personnel	-	-
Total	**(554,771)**	**(567,940)**

10.2 AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY

	31.12.2020
Employees:	7,060
a) Senior Managers	93
b) Junior Managers	3,299
c) other Employees	3,668
Other staff	27

10.3 COMPANY DEFINED-BENEFIT PENSION PLANS: COSTS AND REVENUES

Type of expenses/Values	31.12.2020	31.12.2019
Provision for the year	-	-
Changes due to passing of time	(209)	(390)

10.4 OTHER EMPLOYEE BENEFITS

These mainly consisted of costs for non-occupational policies, benefits to employees, as well as the contribution to the bank employees' cultural and recreational club and the cost for the voluntary redundancy incentives.

10.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2020	31.12.2019
Direct and indirect taxes	(95,811)	(99,840)
IT services, data processing	(12,510)	(18,534)
Facility rental and management	(6,466)	(9,567)
Expenses for advisory services	(16,408)	(19,889)
Mail, telegraph and delivery services	46	(117)
Telephone and data transmission	(2,065)	(2,570)
Legal expenses	(5,900)	(8,409)
Property maintenance	(3,941)	(3,679)
Furnishing and plant maintenance	(452)	(786)
Marketing, promotion and entertainment expenses	(8,736)	(12,842)
Transport services	(1,233)	(1,951)
Lighting, heating and air conditioning	(9,520)	(11,775)
Printed material, stationery and consumables	(1,677)	(1,193)
Staff training expenses and reimbursements	(5,018)	(9,797)
Security services	(307)	(50)
Information and title searches	(3,440)	(3,920)
Insurance premiums	(153,505)	(151,082)
Cleaning services	(369)	(254)
Leasing of other property, plant and equipment	(1,784)	(2,100)
Management of archives and document handling	50	-
Reimbursement of costs to Group companies	(251,725)	(235,526)
Contributions to support the banking system	(48,777)	(34,051)
Sundry expenses	(27,081)	(12,314)
Total	**(656,629)**	**(640,246)**

Section 11 – Net provisions for risks and charges – Item 170

11.1 NET PROVISIONS FOR CREDIT RISK ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BREAKDOWN

The “Net provisions for credit risk on commitments and guarantees” item came to Euro 1,602 thousand.

11.2 NET PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN: BREAKDOWN

As at 31 December 2020, there were no provisions for other commitments and guarantees given.

11.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: BREAKDOWN

In 2020, the “Net provisioning for risks and charges” item showed a negative mismatch of Euro 7,502 thousand resulting from lower provisions for risks of revocatory actions and disputes by a total of Euro 7,758 thusand.

Section 12 – Net adjustments to/recoveries on of property, plant and equipment – Item 180

12.1 NET VALUE ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN

Assets/Income components	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment:				
1 Operating assets	(54,570)	-	-	(54,570)
- owned	(25,379)	-	-	(25,379)
- Rights of use acquired through leases	(29,191)	-	-	(29,191)
2. Investment property	(3,690)	-	-	(3,690)
- owned	(1,276)	-	-	(1,276)
- Rights of use acquired through leases	(2,414)	-	-	(2,414)
3 Inventories	X	-	-	-
Total	**(58,260)**	**-**	**-**	**(58,260)**

Section 13 – Net adjustments of/recoveries on intangible assets – Item 190

13.1 NET VALUE ADJUSTMENTS OF INTANGIBLE ASSETS: BREAKDOWN

Assets/Income components	Amortization (a)	Impairment losses (b)	Recoveries/ writebacks (c)	Net profit (loss) (a + b - c)
A. Intangible assets				
A.1 Owned	(24,827)	-	-	(24,827)
- Internally generated	-	-	-	-
- Other	(24,827)	-	-	(24,827)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(24,827)**	**-**	**-**	**(24,827)**

Section 14 – Other operating expenses/income – Item 200

14.1 OTHER OPERATING EXPENSES: BREAKDOWN

Type of expense/Values	31.12.2020	31.12.2019
Amortization of expenditure for leasehold improvements	(5,227)	(6,881)
Other expenses	(35,339)	(8,316)
Total	**(40,566)**	**(15,197)**

14.2 OTHER OPERATING INCOME: BREAKDOWN

Type of expense/Values	31.12.2020	31.12.2019
Rental income and recovered expenses on real estate	4,057	4,159
Taxes and levies recovered	82,784	85,602
Insurance costs recovered	151,178	148,093
Other expenses recovered	4,628	5,301
Service recovery	10,351	10,525
Other income	37,834	8,958
Total	**290,832**	**262,638**

Section 15 – Profits (losses) on equity investments – Item 220

15.1 PROFITS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN

Income components/Values	Total 31.12.2020	Total 31.12.2019
A. Income	9,761	12,836
1 Revaluations	-	-
2 Profits on disposal	-	-
3 Recoveries/writebacks	-	-
4 Other income	9,761	12,836
B. Expenses	(121)	(40)
1 Writedowns	-	-
2 Losses on impairment	(121)	(30)
3 Losses on disposal	-	(10)
4 Other expenses	-	-
Net profit (loss)	**9,640**	**12,796**

The “Other income” item reports Euro 9,761 thousand worth of the last adjustment price under the contract for the sale, made in 2012, of the equity investment in CA Vita to Crédit Agricole Assurances.

Section 18 – Profits (losses) on disposal of investments – Item 250

18.1 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN

Income component/Values	Total 31.12.2020	Total 31.12.2019
A. Real estate	64,726	283
- Profits on disposal	65,511	283
- Losses on disposal	(785)	-
B. Other assets	-	(22)
- Profits on disposal	-	2
- Losses on disposal	-	(24)
Net profit (loss)	**64,726**	**261**

Profits on disposal of property include approximately Euro 65 million from a sale and leaseback transaction of the property in Milan For more exhaustive information, please see Part M- Disclosure of leases- of this Note to the financial statements.

Section 19 –Taxes on income from continuing operations – Item 270

19.1 TAXES ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN

Income components/Values	Total 31.12.2020	Total 31.12.2019
1 Current taxes (-)	(2,575)	(33,453)
2 Changes in current taxes for previous years (+/-)	-	-
3 Reduction in current taxes for the year (+)	371	635
3.bis Reduction in current taxes for the year for tax receivables pursuant to Law No. 214/2011 (+)	-	-
4 Change in deferred tax assets (+/-)	(42,684)	(79,391)
5 Change in deferred tax liabilities (+/-)	(4,791)	5,442
6 Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(49,679)	(106,767)

19.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	31.12.2020
Income before taxes from continuing operations	217,886
Income from discontinued operations (before taxes)	-
Theoretical taxable income	217,886

	31.12.2020
Income taxes - Theoretical tax liability at the 27.5% ordinary rate	-59,919
- 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	24,389
Income tax – actual tax liability	-35,530
- use of excess tax provisioning in previous periods	-
- taxes for acceptance of assessment on foreign P/T	-
- substitute tax from realignment under Italian Decree Law 98/2011	-
- substitute tax from realignment of values under suspended taxation for tax-neutral transfers	-
effect of recovery of future taxes on realignment gain under Decree Law 98/2011	-
- effect of recovery of future taxes from realignment of values under suspended taxation for tax-neutral transfers	-
- effect of application for corporate income tax (IRES) refund for Italian Regional Tax on Productive Activities (IRAP) under DL 201/2011	-
- effect of tax credits and deduction	371
Effects of equity investments	-
Other costs	-
IRAP - Theoretical tax liability	-12,158
- effect of income/expenses that do not contribute to the taxable base	-73,345
- effect of other changes	70,983
- effect of change in the average tax rate	
IRAP - Actual tax liability	-14,520
Other taxes	-
Effects of equity investments	-
Other costs	-
Actual tax liability recognized	-49,679
of which: actual tax liability on continuing operations	-49,679
Actual tax liabilities on discontinued operations	-

Section 22 – Earnings per share

22.1 AVERAGE NUMBER OF ORDINARY SHARES OF DILUTED CAPITAL

The Bank's share capital consists of 979,234,664 ordinary shares, with a nominal value of Euro 1 each.

PART D – COMPREHENSIVE INCOME

BREAKDOWN STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2020	31.12.2019
10.	Profit (Loss) for the period	168,206	302,571
Other income components not reclassified to profit or loss		**(9,330)**	**(8,938)**
20.	Equity instruments designated at fair value through other comprehensive income	(8,829)	(6,095)
	a) Fair value change	(8,829)	(6,095)
	b) Transfers to other equity components (equity securities derecognized)	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
	a) Fair value change		
	b) Transfers to other equity components		
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-
	a) Fair value change (hedged item)	-	-
	a) Changes in fair value (hedging instrument)	-	-
50.	Property, Plant and Equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(3,297)	(6,701)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
100.	Income taxes for other income components not reclassified to profit or loss	2,796	3,858
Other income components reclassified to profit or loss		**20,336**	**70,575**
110.	Hedging of investments in foreign operations:	-	-
	a) Fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) Fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) Fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: fair value adjustments on net positions	-	-
140.	Hedging instruments: (not designated elements)	-	-
	A) Value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	30,378	99,423
	a) Fair value changes	35,442	100,134
	b) reclassification to profit or loss	(5,064)	10,514
	- adjustments for credit risk	981	991
	- profit/losses on disposal	(6,045)	9,523
	c) other changes	-	(11,225)
160.	Non-current assets held for sale and discontinued operations	-	-
	a) Fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserve on equity investments measured with the equity method:	-	-
	a) Fair value changes	-	-
	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	(10,042)	(28,848)
190.	**Total other comprehensive income**	**11,006**	**61,637**
200.	**Comprehensive income (10+190)**	**179,212**	**364,208**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

Section 1 – Credit Risk

Qualitative disclosures

1. GENERAL ASPECTS

The Credit Department is responsible for lending activities regarding the Performing loan portfolio. This Department has the task of setting, in compliance with the corporate strategies and objectives, the lending policies directions and the guidelines on taking and managing credit risk, coordinating their implementation by the relevant structures of the Bank and of the Group.

This Credit Department has also the following responsibilities:
- To coordinate, fully respecting the independence of every Company of the Crédit Agricole Italia Banking Group, lending to ordinary Customers and to Customers entailing significant exposures.
- To set and oversee the implementation of the Crédit Agricole Italia Banking Group's strategies and guidelines pursuing effective control on the number of position becoming non-performing and the related cost, by steering the lending chain structures of the Companies of the Group and of the Distribution Channels.
- To define and promote, consistently with the Group strategies and objectives, an appropriate harmonization of lending governance rules.
- To verify, through appropriate operating control mechanisms, compliance with the lending guidelines and policies within the Group, ensuring their quality and monitoring the allocation of loans in terms of sectors and sizes.

The UTP Management Division is responsible for defining the NPE strategy for the Crédit Agricole Italia Banking Group, reporting the related contents and developments to the NPE Committee, ensuring and coordinating constant interaction with Crédit Agricole S.A. and with the Supervisory Authorities as regards NPEs.

The UTP Management Division is responsible, as regards the relevant Customer perimeter, for ensuring management, recovery and/or out-of-court collection of non-performing exposures (except bad loans), in close contact and cooperation with the Network of Crédit Agricole Italia for prompt and effective action to prevent loan impairment, so that the relevant cost is kept under control.

It is responsible for Customers, single ones and/or by Economic Group, in accordance with the specific "Limits to Decision-Making Powers" and with the specific guidelines set out in the "NPE Regulation" and in the applicable legislation and internal normative instruments (specifically, the "Non performing exposure – stage3" Policy).

The UTP Management Division is responsible, also through the structures of the Group's Banks reporting to this Division on a dotted line, for the following tasks:
- Monitoring compliance with the NPE strategy and its development throughout the Group;
- Coordinating the relations with the Group as regards NPEs, as well as managing the preparation of all NPE-related documentation and reporting to the Supervisory Authorities;
- Arranging for, in cooperation with the Bad Loans Division, the design and update of the NPE impairment policy, ensuring the use of harmonized models for lending processes and tools to manage NPEs;
- Ensuring, consistently with the Group's strategies and objectives and through the structures reporting to this Division on a solid line, the appropriate harmonization of Models, tools and rules for Loan Management, as regards the positions within the Non-Performing Loans management process;
- Setting, steering and verifying, in cooperation with the Structures of the Group's Banks reporting on a dotted line to this Division, the implementation of the Guidelines on the management, recovery and/or out-of-court collection of exposures classified as "NPEs" within its scope of responsibility.

The Bad Loans Division is responsible for the management, performance and credit quality of loans to Customers of the Group's Banks and of Crédit Agricole Leasing Italia classified as bad.

It performs this responsibility within the specific “Limits to decision-making powers” set out in the “NPE Regulation” and in the applicable legislation 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.

It is pointed out that the information to be reported in accordance with the EBA “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis” (EBA/GL/2020/07) is given in the “Disclosure - Basel III Pillar 3”.

2. CREDIT RISK MANAGEMENT POLICIES

Impacts generated by the Covid-19 pandemic

Risk monitoring, management and control polices, especially regarding credit risk, are core pillars of the response to the impacts generated by the Covid-19 pandemic.

The Crédit Agricole Italia Banking Group immediately responded to the unprecedented effects of the economic crisis caused by the pandemic, with actions aimed, on the hand, at providing appropriate support measures to its Customers and, on the other hand, with measures aimed at strengthening its structures and processes for monitoring the loan portfolio quality.

The organizational actions deployed in 2020 were planned in order to achieve higher specialization in assessing Customers’ risk profiles, with the decision-making structure designed to be fully consistent with Customer business segmentation.

The lending policies, directions and objectives given to the decision-making bodies and to the commercial network were updated to the situation and economic scenario generated by the Covid-19 pandemic, implementing closer control on the criteria to assess the sector and counterparty risk profile; in that scope, the sector-specific approach was strengthened, thus fostering higher granularity and and differentiations also in the use of specific Key Risk Indicators in the analysis of the debt present and forward-looking affordability.

As regards the cost of credit, the Crédit Agricole Italia Banking Group strengthened systematic control on the development in loans to Customers, enhancing and making surveillance on positions even more selective; furthermore, specific criteria were set for the identification of the priority portfolio to be subjected to enhanced monitoring, also by implementing new processes for reviewing and supplementing ordinary processes. For the counterparties benefiting from moratoria, the analyses aim at assessing loan repayment capacity once the suspension measure ends, with an anticipation logic acting before the expiry of the relief measure.

As regards the calculation of expected losses on the performing portfolio, the adopted measurement model was fed with all available information, including forward-looking data as required by IFRS9. The main macroeconomic indicators that were taken in to account in designing the forward-looking scenarios were set in agreement with the specialist structure of the French Parent Company Crédit Agricole S.A., as were the actions to mitigate the effects of the volatility of some factors and the weighting of the scenarios.

Following the ECL calculation, the Group also took yet another step with the analysis of the model results and, based on a regulated process and on the available management information, post-model adjustments were made on a cluster of positions under Covid-related moratoria.

Exhaustive disclosure on the single phases and processes in credit risk management is given in the paragraphs below, along with yet further evidence of the actions deployed by the Group to respond to the impacts generated by the Covid-19 pandemic.

2.1 ORGANIZATIONAL ASPECTS

The present organizational arrangement (in place since 2018) ensures separation between the roles and structures responsible for managing Performing Loans and those in charge of managing Non-Performing Exposures (NPEs).

On 4 December 2020, Crédit Agricole Italia's Board of Directors approved the reorganization of the structures responsible for Non-Performing Loans, pursuing further integration and crosswise management. The new organization will go live in 2021.

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 2020, some actions on the lending chain organizational structure were resolved and are expected to go live by the end of H1 2021; said actions specifically consist in eliminating the Credit Advisory Division, with concomitant assignment of its responsibilities to the Loan Authorization Division, as regards authorization and origination of performing loans, and to the Loan Management and Protection Division, as regards non-performing loans. The action pursues:

- Further streamlining of the levels of decision-making bodies, with clearer assignment of their respective responsibilities for performing and non-performing loans;
- Higher specialization in assessing Customers' risk profiles, with the decision-making structure designed to be fully consistent with Customer business segmentation;
- Rationalization of decision-making powers, different in accordance with the Commercial Channels and Customer segments, implementing the new "weighted authorized amount", resulting from the application to the nominal authorized amount of a set of weighting coefficients reflecting the counterparty's specific riskiness, the sector attractiveness and the structure and nature of the credit lines.

Subsequent to the organizational action, the Credit Department of Crédit Agricole Italia comprises three Divisions:

- The Loan Authorization Division, responsible for the performance and credit quality of Performing loans to Customers with no material non-performing signs (performing loans) and comprises Loan Authorization Services, each one of which specializes in assessing the loan proposals made by one of the Commercial channels (Corporate Banking, Private Banking, Retail Banking Small Business, Retail Banking Individuals and Financial Advisors) or specific "production chains" requiring specific skills in risk assessment, especially as regards the real estate and hotel sector;
- The Loan Management and Protection Division, responsible for the performance and credit quality of loans that show early warning, as per the adopted early-warning indicators, in order to pursue full recovery of the position and/or to design risk mitigation solutions and/or, where these activities do not prove sufficient, for classifying said loans in the non-performing perimeter;
- The Credit Intelligence Division, responsible for supporting the Credit Department in defining the Credit strategic guidelines and in putting them in operation, with specific regard to Lending Policies, to the governance of apps and of the reporting system, to directing and monitoring projects the Credit Department is directly responsible for, as well as to loan performances.

The management of the Non-Performing portfolio is the responsibility of the UTP Management Division and of the Corporate Affairs and Bad Loans Department.

The UTP Management Division is responsible for the management of the UTP portfolio and reports directly to the Deputy General Manager in charge of Corporate Banking.

The Division is engaged in a management function and in a strategic one, with the respective activities carried out by two Services:

- The UTP Management Service, which is engaged in the management and has the specialist responsibility for the credit quality of the UTP portfolio;
- The NPE Strategy Service, which is responsible for controlling the cost of credit, updating and monitoring the NPE strategy, as well as for the related reporting to the Control Bodies and to the Supervisory Authorities.

The UTP Management Division directly coordinates the management of the UTP portfolio of CA-Leasing and the counterpart structure of Crédit Agricole FriulAdria reports on a dotted line to it.

2.2 MANAGEMENT, MEASUREMENT AND CONTROL

Lending policies and strategies

Lending policies lay down the standards and directions for the Banking Group as a whole, which the Distribution Network and the Decision-making Bodies shall comply with in making lending proposals and decisions. Lending policies, which are different for the various types of Customers, are structured in order to foster balanced growth with the worthiest Customers and to recover exposures to the riskiest ones. The Lending Policies are regularly updated consistently with the developments in the economic, financial and market scenarios; they also implement the guidelines set within the Risk Strategy, which is agreed on every year with the Parent Company Crédit Agricole S.A., with specific regard to risk concentration limits and to the limits set for specific types of transactions.

The Lending Policies for Businesses, designed based on counterparty risk and the on the riskiness of the economic activity sectors, pursue the following objectives:

- To set the credit risk management strategy based on the specific creditworthiness;
- To set appropriate management guidelines in accordance with the risk profile and the growth prospects of the economic activity sector the customers operate in.

The Lending Policies for Individuals apply to Natural Persons (holders or co-holders of accounts) operating for purposes other than business ones and are structured based on counterparty risk and on the type of lending product applied for (especially Crédit Agricole SA home mortgage loans).

Corporate Social Responsibility (CSR) and Environmental Social Governance (ESG) standards are an integral part of creditworthiness assessment. In that scope.

In Q4 2020, the Policies were updated consistently with the developments in the market and regulatory scenario, also in order to fully comply with the directions given in the Risk Strategy of the Crédit Agricole Italia Banking Group. Specifically, they were updated also in order to take the following into account:

- The context and economic scenario determined by the Covid-19 pandemic, which require more effective control on the criteria to assess sector and counterparty riskiness;
- The requirements set out in the EBA New Guidelines on Loan Origination & Monitoring («LOM»), which will entry into force in June 2021, especially on the criteria to assess the loan affordability for the Customer in the medium/long-term and Environmental, Social and Governance (ESG) qualitative criteria, pending the evolution towards more advanced quantitative tools;
- The directions given in the Risk Strategy, whereby control on the quality of new production was strengthened, the Small Business portfolio was enhanced, appropriate balance was kept between development and risk profile in the Corporate segment and the derisking strategy continued to be implemented on the riskiest sectors.

The revision of the Policies resulted in the main developments given below:

- New operation logics within the new origination workflow (New PEF), thanks to the implementation of a mechanism combining:
  - The Weighted authorized amount, as a function of the counterparty's rating, the sector forward-looking riskiness - as revised to take the Covid-19 impacts into account - and the loan specific features (duration, financial vs self-liquidating nature, type of guarantee based on eligibility requirements and capital absorption mitigation);
  - Qualitative–quantitative rulebook, different for each segment and type of counterparty;

- Stronger focus, crosswise all segments, on the debt present and forward-looking affordability, by identifying specific KRIs (affordability criterion);
- Higher granularity and differentiation, with specific polices for the Piccoli Operatori Economici (POE, non-structured enterprises featuring operational flexibility but financial rigidity), sMEs in the Small Business segment,, consistently with the specialization of the lending chain;
- Stronger control on the Real Estate and Hotel sector, implementing specific Key Risk Indicators (Debt Yield, project profitability).

The integration of the new Policies 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, is expected by the end of H1 2021.

As regards Significant Increase in Credit Risk (SICR) rules, please refer to Part A - Accounting Policies.

Lending processes

In 2020, lending focused on the priority of providing support to customers hit by the Covid-19 epidemic. Specifically, also applying the measures issued by the Italian Government (with specific regard to the "Cure Italy" Decree, to the Liquidity Decree and the subsequent enacting laws), as well as the agreements within the Italian banking system (the protocols signed by and between ABI and associations of enterprises, consumers and government bodies), the Crédit Agricole Italia Banking Group has deployed a structured program to provide support to households, businesses and government bodies, which comprises both loans backed by state guarantees (Central Guarantee Fund, ISMEA, Italian state body providing services to the agri-food market, and SACE), and measures for suspending repayment of outstanding loans to households, businesses and organizations.

Once again substantiating its commitment and will to provide support to all its Customers, especially to those that were hardest hit by the health emergency, the Group originated loans under the Liquidity Decree Law of 8 April 2020 and the subsequent law converting it:

- For SMEs, sole traders, store keepers, and small businesses, loans up to Euro 30,000 have been made available, with full and free-of-charge guarantee given by the Central Guarantee Fund, with maximum duration of 120 months, with repayment of the principal portion starting 24 months after drawdown, at very advantageous conditions;
- For corporate banking customers, loans were made available with amounts up to 25% of the customer's revenue, with maximum duration of 72 months, with repayment of the principal portion starting up to 24 months after drawdown, with the prior assessment by the Central Guarantee Fund (for corporations with revenue up to Euro 3.2 million), with gives guarantees free of charge up to 90%, or backed by SACE guarantees (for corporations with revenue up to Euro 5 billion).

In accordance with the relevant accounting principles, these loans are recognized at amortized cost. As at 31 December 2020, the Crédit Agricole Italia Banking Group had originated loans backed by state guarantees for over Euro 2.5 billion, of which loans for Euro 2 billion originated by Crédit Agricole Italia

Furthermore, since March 2020, the Crédit Agricole Italia Banking Group has been giving its Customers the possibility to suspend repayment of mortgage loans and other loans, concomitantly extending their maturity by the suspension period . In the reporting year, the solutions to suspend repayment were made progressively compliant with the applicable legislation entered into force and with the agreements between the Italian Banking Association (ABI) and trade associations, which the Group immediately signed in order to ensure the highest possible protection to its Customers. Therefore, households and individuals had the option to suspend payment of the full instalment of home loans for a period up to 18 months, under the measure provided for by the so-called "Fondo Gasparrini" (which provides for a state measure on part of the interest due by the customer) or to suspend the repayment of the principal portion only of home loans and other loans for up to 12 months,opting for the measure laid down in the Agreement between the Italian Banking Association (ABI) and trade associations, which was in force until 30 September 2020. Corporate banking Customers were given the possibility to suspend repayment of the principal portion of loans for 12 months under the measures laid down in the ABI Credit Agreement, whereas SMEs had the option to suspend also the full instalment until 30 September 2020 under the measure laid down by the "Cura Italia" Decree Law, which was later extended to 31 January 2021 under the Decree Law of August and then to 30 June 2021 under the 2021 Budget Law. Furthermore, the Group signed another agreement with ABI in favour of local government bodies and provided, in general, specific solutions at its own initiative to those of its Customers that did not meet the requirements to enjoy the aforementioned measures. All the above-reported initiatives have not generated any impacts on revenues (in case of full instalment suspension, the collection of interest is postponed) and no additional fees, commissions or other additional costs are charged to Customers. As at 31 December 2020, the loans whose repayment was suspended amounted to over Euro 8 billion, of which Euro 6 billion in Crédit Agricole Italia loans.

Furthermore, in compliance with the applicable law, the authorized amounts for additional credit lines, totalling almost Euro 2 billion (of which €1.6 billion in Crédit Agricole Italia loans), have been frozen, initially up to 31 January 2021, which was then extended to June 30 2021 under the 2021 Budget Law.

The internal lending processes of the Crédit Agricole Italia Banking Group are thoroughly defined and regulated by the internal procedures, 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 operation of said internal lending processes is outlined below.

The rules governing authorization and this origination of loans to applicants are set out in the "Regulation on Performing and Non-performing Loans", which gives the core logics guiding the assessment of credit risk:

- Classifying transactions based on their intrinsic riskiness, consistently with the set risk appetite;
- Structuring of authorization power brackets based on counterparty risk, in accordance with the Internal Rating Systems used within the Crédit Agricole Italia Banking Group, and also in compliance with the regulation on corporate groups
- 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.

To this end, the "Regulation on Performing Loans and Non-performing Loans" sets out the characteristics of the loans that fall within the "Non-performing" 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 loan-origination process in force uses risk assessment metrics based on the internal rating systems and sets the lending decision-making powers based on the Probability of Default assigned to the counterparty, which is reassessed at least once a year, as well as on the sector riskiness, which was reviewed in order to take the effects of the underway pandemic into account, and the characteristics of the specific technical forms (duration, financial or self-liquidating nature, type of guarantees in accordance with eligibility criteria and capital absorption mitigation). 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.

Counterparty risk is measured after assessing the counterparty's overall financial situation based on all information - positive and negative - that the Crédit Agricole Italia Banking Group has available. Specifically, the latest possible income statements, cash flow statements and balance sheets are currently acquired, along with budgets, in order to have a point-in-time and forward-looking view of the counterparty, thus taking into account also the effects of the pandemic-related crisis.

The loan authorization process is managed by the Company Information System, within the scope of a specific procedure ("Electronic Loan Application procedure - PEF"). The activities for the development of a new work flow, within a specific project aimed at strengthening the governance of lending processes, as well as their overall effectiveness and efficiency, continued in 2020, although the priority actions to manage the pandemic crisis made it necessary that the work schedule be revised. In 2020 the new tool went live in the Corporate Banking commercial network, whereas its go-live in the Retail Banking Channel was rescheduled for 2021. In order to improve the quality of loan-authorization and loan-review processes, the "Expert System" shall apply to all Business Accounts. This tool supports the account manager in the loan application processing phase and is used to analyze and comment the Customer's income and financial situation, also based on forward-looking sensitivity analyses, It also makes suggestions for further assessment, in order to provide the account manager with guidance in the talks with the representatives of the customer businesses.

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).

Then, in some cases, the review of the loans is simplified, after assessing that suitable and pre-set requirements are met in terms of counterparty riskiness, which shall be at modest levels.

The process for monitoring and managing non-performing loans is steered by the early warning indicator (the Performance Monitoring Indicator - IMA), which is defined and maintained by the Risk Management and Permanent Controls Department, supported by the Credit Department, and is updated on a monthly basis. The process has been fine-tuned over time in order to is fit to ensure that actual risk warnings can be more accurately distinguished from "false alarms" and practical and prompt action lines are set, by which:

- The counterparties that are temporarily non-performing 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 non-performing loans is also supported with a dedicated procedure, called "Electronic Management Procedure" or with the Italian acronym "PEG"; it is structured in well-defined process steps, with automatic workflow logic but with the possibility for the relevant staff to act on the strategies and action plans, in accordance with very clear roles and responsibilities. Thanks to the PEG procedure, the guidelines on loans showing early warnings have a single and clear direction, thus fostering harmonization of account managers' conducts, the monitoring of time frames and outcomes of the implemented actions, as well as adequate tracing of the management actions carried out on the single positions.

Given the impact of the crisis caused by the Covid-19 pandemic, in H2 2020 specific criteria were defined for the identification of the portfolio to be subjected to enhanced monitoring on a priority basis – also with new review processes supplementing ordinary ones – in order to implement f the appropriate management actions consistently with the situation of the single positions. Having specific regard to the counterparties benefiting from moratoria, the analyses aim at assessing whether there are periodic flows that are adequate to ensure the loan repayment once the suspension measure ends, with an anticipation logic acting before the expiry of the relief measure.

In 2020, several actions were developed and implemented to ensure full compliance with the new developments in the applicable regulations, as well as with the guidelines set by the Business Plan. Among the main actions, the following are worth specific mentioning:

- The implementation and go-live, in September 2020 of the requirements set by the EBA for the application of Article 178 of Regulation (EU) no. 575/2013 on the definition of default, coordinated by the Risk Management and Permanent Controls Department. In this scope, the Credit Department:
  - Triggered the levers of action required to implement the logics underlying the new legislation in the behaviours and operation of the lending and commercial structures;
  - Set the requirements for the upgrading of the loan management applications in compliance with the new legislation;
- The definition of the functional requirements of the new management workflow for current accounts and payments instruments, with the ultimate objective of curbing any increase in small-amount overdrafts; the completion of the related development and go-live is expected by the end of 2021 through progressive releases starting from Q4 2020.
- The start of an assessment to identify the gap vs. the expectations expresses in the «Loan Origination & Monitoring Guidelines» issued by the EBA in May 2020, which is needed to define the type and priority of implementation actions, as well as to prepare a master plan for the deployment of priority actions in compliance with the regulatory deadline in H1 2021.

In terms of lending, the main directions set out in the Business Plan for the next three years focus on overall strengthening of tools, processes and infrastructure pursuing higher industrialization, in order to enhance analysis

and assessment efficiency and thus to improve both the time to yes and the quality of the lending decisions made. The main projects include:
- Overhaul of the end-to-end lending processes, pursuing higher digitalization and industrialization, as well streamlining;
- The strengthening of forecast analysis and of loan management processes to anticipate and forestall any impairment;
- The evolution in the data infrastructure (“Data Lake”) with an “LOM oriented” logic, to ensure agile use by the various structures of the Bank, also for portfolio scenarios.

Cost of credit

The Crédit Agricole Italia Banking Group has kept and 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. Specifically, in 2020, subsequent to the Covid-19 pandemic, the recovery forecasts were revised with a conservative approach, increasing the provisions covering NPLs.

The process to define, manage and monitor the cost of credit is owned by the UTP Management Division, which ensures its overall consistency and all he controls within the wider scope of the strategy for the management of Non-performing Loans.

Said process comprises all steps in the cost of credit management, from setting strategic objectives in the NPE Strategy to verifying actuals, with the involvement of all relevant structures and with periodic reporting to the NPE Committee.

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, target KPIs and the related monitoring).

Stress test

The credit risk monitoring strategy pursued in 2020 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 2020, 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.

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 2020 the Group stress testing exercises were strongly affected by the pandemic:
- The EBA 2020 regulatory stress test exercise started in January 2020, but was not completed and was postponed to 2021 by the EBA;

- The budget and on the MTP (Budgétaire) stress test exercise was carried out using the macroeconomic scenarios given by the Parent Company Crédit Agricole S.A in the period September-November 2020. 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 other stress test exercises as initially provided for by the Stress Test Policy that was approved in March 2020 were not carried out due to the pandemic.

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 part of the overall cost of credit process, which is 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. Expected losses are estimated using the information on the evolution in the macroeconomic 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: off-balance-sheet financial instruments and exposures.

Expected credit losses are discounted at the effective interest rate (EIR) used for the initial recognition of the financial instrument.

The models and parameters used are backtested at least annually by the Risk Management and Permanent Controls Department.

Multi-scenario calculation

To estimate the parameters used in calculating the forward-looking scenarios at the 31 December 2020 reporting date, the weights set by the Parent Company Crédit Agricole S.A. were the following:

- Central scenario, 55%;
- Moderately adverse scenario, 20%;
- Stressed budget scenario, 5%;
- Favourable scenario, 20%;

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

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

Indicators used as at 31 December 2020

	2020 ANNUAL REPORT Main macroeconomic indicators for 2020-2023															
	Central Scenario				Moderately adverse scenario				Stressed budget scenario				Favourable scenario			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Italy GDP	-9.7%	3.7%	4.7%	1.9%	-9.7%	1.3%	3.4%	2.1%	-10.4%	-0.5%	1.4%	1.0%	-9.7%	5.6%	2.0%	0.7%
EU GDP	-8.2%	12.1%	-0.6%	-1.4%	-8.2%	10.7%	0.4%	-1.1%	-8.8%	0.7%	3.4%	1.7%	-7.8%	5.3%	2.7%	1.3%
Industrial Production Index (IPI)	-5.3%	2.7%	3.2%	0.2%	-5.3%	1.5%	1.9%	1.5%	-15.3%	2.7%	1.8%	1.2%	-10.3%	5.7%	4.2%	0.2%
Investments in constructions	-13.5%	4.4%	8.2%	4.3%	-13.5%	4.0%	6.8%	4.3%	-15.2%	6.3%	3.8%	4.1%	-13.9%	8.9%	4.9%	3.2%
Investments in machinery	-19.6%	-1.7%	8.3%	4.8%	-19.6%	-0.8%	7.6%	4.8%	-20.1%	-3.8%	6.6%	4.2%	-18.0%	10.0%	6.9%	4.5%
Employment rate	-2.4%	0.7%	0.6%	0.5%	-2.4%	0.1%	0.7%	0.5%	-2.4%	-0.5%	0.9%	0.2%	-2.4%	0.7%	0.6%	0.5%
Propensity to consume	-7.4%	1.5%	2.3%	1.3%	-7.4%	-0.8%	2.4%	1.6%	-7.4%	-0.2%	1.7%	0.8%	-7.3%	4.0%	0.9%	0.0%
Public expenditure	0.3%	4.0%	-0.1%	-0.8%	0.3%	4.0%	-0.1%	-0.8%	1.1%	1.5%	-0.3%	-0.8%	-1.1%	1.2%	-0.3%	-0.8%
WEIGHT	**55%**				**20%**				**5%**				**20%**			

The main underlying assumptions are:

- The central scenario, with a -9.7% negative growth in the GDP IT in 2020, envisages uneven recovery in H1 2021 (due to the alternation between restrictive measures being tightened and eased, but less penalizing than in 2020) and at a faster pace from H2 2021 driven by mass vaccination, with a peak in 2022 when the GDP IT is expected to increase by +4.7%.
- The moderately adverse scenario, vs. the central scenario, envisages worse evolution in the health situation in 2021, with tougher restrictive measures curbing the growth in the GDP IT to no more than +3.4% in 2022.
- The stressed budget scenario is the most severe scenario with no recovery in the short term. It is considered a variant of the moderately adverse scenario and envisages a long-lasting decrease in consumption due to lockdowns. With a negative growth in the GDP IT in 2020 of -10.4%, recovery is expected to start in H2 2021, with a peak in 2022 when the GDP IT is expected to grow by +1.4%.
- The favorable scenario is considered a variant of the central scenario with economic recovery at a somewhat faster pace in early 2021, the year in which the GDP IT reaches its peak at +5.6%, but, from 2022 on, the GDP is expected to grow by +2.0%, i.e. at a slower pace than in the central scenario, which then goes down to +0.7% in 2023 (vs. +1.9% in the central scenario).

In order to prevent excessive volatility of models caused by the strong growth in macroeconomic indicators in 2021-2022 following the deep depression expressed by the 2020 indicators thus mitigating excessive procyclicality , Crédit Agricole S.A. decided that the whole Group was to adopt the smoothing approach (so-called lissage) for some macroeconomic variables (Italian and Euro Area GDP, fixed investments in constriction and machinery, Industrial output index) in order to spread the effects of the 2020 economic slump over the following forecast years. This treatment can be justified with the uncertainty in the effectiveness of the measures to stimulate the economy (moratoria, new liquidity, ect.) on the probabilities of default in the first year.

The economic scenarios used in the 2020 Half-year Report and in the 2019 Annual Report are also given, in order to represent the main changes occurred.

Indicators used as at 30 June 2020

	HALF-YEAR FINANCIAL REPORT Main macroeconomic indicators for 2020-2022											
	Central Scenario			Moderately adverse scenario			Stressed budget scenario			Favourable scenario		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Italy GDP	-9.9%	4.7%	1.8%	-17.2%	2.3%	4.5%	-18.5%	-1.0%	6.8%	-8.9%	6.7%	2.1%
EU GDP	-8.5%	5.5%	2.4%	-17.8%	4.5%	6.6%	-17.4%	-0.1%	6.6%	-7.4%	6.4%	2.6%
Industrial Production Index (IPI)	-20.0%	5.0%	2.8%	-26.0%	3.4%	5.0%	-26.0%	-10.0%	9.0%	-16.0%	6.0%	3.4%
Investments in Buildings	-17.0%	-5.5%	10.0%	-22.0%	-6.0%	16.0%	-27.0%	-7.0%	11.0%	-15.0%	2.5%	10.0%
Investments in machinery	-14.5%	-3.8%	8.0%	-19.0%	-4.5%	12.5%	-26.0%	-12.0%	15.0%	-13.0%	-1.5%	10.0%
Employment rate	-0.5%	0.4%	0.3%	-0.5%	-0.7%	-0.1%	-0.5%	-1.4%	0.4%	-0.5%	0.5%	0.3%
Propensity to consume	-11.1%	1.6%	-1.1%	-18.5%	3.7%	3.4%	-16.0%	5.6%	4.5%	-11.6%	1.4%	-1.3%
Public expenditure	1.8%	1.5%	-0.3%	1.8%	2.0%	-0.1%	1.8%	2.0%	-0.1%	1.8%	1.5%	-0.3%
WEIGHT	10%			5%			1%			84%		

Indicators used as at 31 December 2019

	2019 ANNUAL REPORT Main macroeconomic indicators for 2019-2022															
	Central Scenario				Moderately adverse scenario				Stressed budget scenario				Favourable scenario			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Italy GDP	0.2%	0.4%	0.4%	0.4%	0.2%	-0.1%	-0.5%	0.1%	0.2%	-0.3%	-1.0%	-0.5%	0.2%	1.0%	1.0%	1.4%
EU GDP	1.2%	1.2%	1.1%	1.1%	1.2%	0.5%	0.3%	0.6%	1.2%	0.4%	-0.2%	0.3%	1.2%	1.6%	1.8%	2.0%
Industrial Production Index (IPI)	1.3%	1.5%	0.9%	0.6%	1.3%	1.2%	-1.3%	0.4%	1.3%	-0.9%	-1.7%	0.2%	1.3%	2.2%	2.6%	2.8%
Investments in Buildings	2.7%	2.4%	3.0%	2.7%	3.1%	2.0%	-1.2%	-0.3%	3.1%	1.8%	-2.0%	-0.5%	2.7%	3.0%	3.5%	3.2%
Investments in machinery	1.5%	1.8%	2.5%	3.0%	4.0%	-2.0%	-0.2%	1.8%	4.0%	-2.2%	-2.0%	-0.4%	1.5%	1.9%	2.8%	3.6%
Employment rate	0.7%	0.5%	0.2%	0.2%	0.7%	-0.5%	-0.3%	0.2%	0.7%	-1.3%	0.0%	-0.4%	0.7%	0.0%	0.0%	0.0%
Propensity to consume	-0.8%	-0.6%	-0.3%	0.0%	-0.8%	-0.4%	0.5%	0.5%	-0.8%	0.6%	0.7%	0.9%	-0.8%	-1.5%	-1.3%	-0.7%
Public expenditure	0.2%	-0.4%	-0.8%	-0.8%	0.2%	-0.4%	-0.8%	-0.8%	0.2%	-0.4%	-0.8%	-0.9%	0.2%	0.4%	-0.1%	0.3%
WEIGHT	60%				25%				10%				5%			

Scenario sensitivity analysis

The Crédit Agricole Italia Banking Group analyzed the sensitivity of the ECL estimate to the different macroeconomic scenarios given by the Crédit Agricole SA Group's ECO team, specialized in macroeconomic studies; the sensitivity analysis is reported in the "Multi-scenario calculation" paragraph in Section "2.3 Methods to measure expected losses".
To estimate the impact from the different scenarios identified, the maximum weighting was associated to each scenario, each time zeroing the contribution from the others in determining the forward-looking risk parameters and, thus, assessing the marginal contribution of each scenario to the final result.

Considering the weights of the different scenarios as provided by the Parent Company Crédit Agricole S.A. And the related percentage deviation from the multi-scenario used for the accounting 'ECL, the result of the sensitivity analysis applied to the Group ECL may vary from -0.9% to 14.3% (in the stressed budget scenario).

Post-model adjustments

Following the Forward-Looking Local ECL calculation at at the end of 2020, the Crédit Agricole Italia Banking Group made management overlays for a total amount of Euro 44.7 million. Said adjustments can be broken down into two types:

- Single-name adjustments (adjustments on single positions) whereby the results could be aligned with the expectations – in terms of risk profile – of the IFRS9 work group. In accordance with the regulated process, based on the results obtained with the calculation approach defined by the Group and based on the management information of the single counterparties, if the expected loss value associated with a specific counterparty does not accurately reflect its riskiness, the provisioning on the counterparty may be adjusted manually to a level deemed appropriate; such manual actions are allowed only if they increase the coverage ratio on the counterparty.

Single-name adjustments also include adjustments of the ECL value associated with exposures to the Bank of Italy, to the State Treasury and to intra-group positions);

- Portfolio adjustments made through massive spreading of the identified amounts over all positions proportionally to the ECL.

  Said case included the following actions:
  - Inclusion of an impact generated by the recalibration of the IFRS9 for the New Definition of Default (NDoD), which went live in the systems of the Crédit Agricole Italia Banking Group on 7 September 2020;
  - Manual adjustments in order to restore the coverage of a cluster of Retail positions for which it cannot be ruled out that theCovid-19-related moratorium has not entailed benefits in the 'ECL calculation (in addition to the impact on the FLL ECL due to the reclassification of some positions under Covid-19-related moratoria to Stage 2);
  - Actions concerning methodological elements not yet included in the used parameters or the shifting from a regulatory FIRB LGD to a management one, also for the Corporate segment and the implementation of a Forward-Looking Local model also for the LGD value;
  - Actions aimed at mitigating the impacts on the impairment of positions with State guarantees that had not been correctly factored in to calculate the Forward-Looking Local ECL;
  - Actions to address corrections asked for by the Validation function.

In order to foretell any latent risk situations in that perimeter, Crédit Agricole Italia made manual adjustments, in terms of both staging and coverage on a cluster of Retail positions for which it cannot be ruled out that the concession of the moratorium may have generated an impact on the risk parameters used for stage classification and for the ECL calculation.

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.

In particular, specific processes regulate the obtainment and management of guarantees, with clear definition of the relevant roles, responsibilities and controls. Close attention is paid to the adequacy of the rules and procedures for monitoring that the requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

The standards for the appraisal of real estate properties securing the exposures of the Crédit Agricole Italia Banking Group, as laid down in the «Policies on the Valuation of Real Estate Properties Securing Exposures», are compliant with the Guidelines issued by the Italian Banking Association (ABI) in force at the relevant time and prepared in accordance with the recent regulatory principles “International Valuation Standards” (IVS) and “European Valuation Standards” (EVS).

In December 2020, said Policies were updated in order to further strengthen the overall framework. The main changes were:

- The definition of assignment turnover (2 consecutive ones at the most);
- The differentiation of the type of appraisal in accordance with the type of property and the extension of the cases in which full appraisals are to be requested;
- The extension of the appraisal contents (including wider disclosure of the appraisal methods) and of the documents needed for the appraisal process, in accordance with the type of property and development stage;
- Stricter fit requirements for the appraisers, requiring in particular the RICS certification;
- The differentiation of appraisal methods in accordance with the type of property and the integration of ESG criteria;
- The possibility of having the appraisals updated more frequently in case of any negative market scenario;
- Stronger role of governance and control on the appraisal quality to be played by the Real Estate Chain Service of Crédit Agricole Group Solutions, with special regard to retaining appraisers, to the appraisal methods and criteria used by external experts and to control activities;

- Better formalization of the control framework with internal protocols designed to set the related methods, frequency, type and summary periodic reporting.

3. NON-PERFORMING EXPOSURES

The UTP Management Service, part of the UTP Management Division, is responsible for managing non-performing exposures classified as Unlikely to pay (UTP).

The Division in in charge of out-of-court collection and/or full recovery of the exposures it manages, excluding the positions within the scope of outsourced collection services, consistently with the NPE strategy.

The Division manages relations with the Customers falling within its scope of responsibility with the objective of collecting the credit claims of the Crédit Agricole Italia Banking Group, promptly implementing all actions that are deemed the most suitable and effective towards borrowers.

In addition to periodic specific measurement of the recovery 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 on 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.

The "Non Performing Exposures (NPE) – STAGE 3" Policy (which was issued in 2019), has systematized the entire framework governing NPEs, thus pursuing the objective of reviewing and encapsulating the internal rules to identify, classify, manage, assess and recognize Non-performing exposures (NPE), within essential continuity in the management and assessment criteria (pending the entry into force of the next regulatory developments on the new definition of default)

Specifically, the Policy sets out the internal rules for assessing Past Due, UTP and Bad Loans and, for each category, it governs the following scopes:

- Identification and classification methods;
- Criteria to determine statutory impairment applied upon entry in the category;
- Discounting rule to determine thel present value in accordance with the estimated recovery plan;
- Assessment methods and criteria during the stay in the category;
- Conditions and methods for exiting the category with migration between NPE categories.

Given the impacts generated by the Covid-19 pandemic, in 2020 the NPE strategy (2018-2020) dynamics was reviewed in order to assess whether any adjustments were appropriate of the set KPIs to new scenario assumptions.

Specifically, the 2020 cost of credit trajectory was reviewed, mainly due to:

- Increase in the performing portfolio coverage, following the revision of the macroeconomic forecast scenario
- Increase in the non-performing stock coverage, following the revision of recovery forecasts from a conservative standpoint and the acceleration in the deleveraging process. The coverage ratio of the NPE portfolio came to 51.6%.

In 2020, the target reduction in the stock of non-performing loans was achieved, with NPLs amounting to Euro 2,479 million at the end of 2020 vs. Euro 2,823 million at the end of 2019.. This contributed to the achievement also of the target gross NPE ratio (5.62% vs. 6.9% at the end of 2019) and the target net NPE ratio (2.82% vs. 3.41% as at 31 December 2019).

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".

It is also pointed out that, since September 2020, the Group has implemented the New Definition of Default. Albeit confirming the concepts of late payment and unlikeness to pay of the debtor as the default bases, the new definition has introduced some considerable changes mainly concerning:

- "relative" and "absolute" materiality thresholds to identify pastdue determining classification in the default status. It is automatic is two thresholds (relative and absolute) are jointly breached for 90 days in a row. More specifically:
- The relative threshold was lowered to 1% (vs. 5% as previously in force), to be compared to the ratio of the total pastdue and/or overlimit amount to the total amount of recognized exposures to the same debtor;
- The absolute threshold was set at Euro 100 for Retail Customers and at Euro 500 for Non-Retail Customers, to be compared to the total pastdue and/or overlimit amount of the debtor;
- Banks are not allowed to net existing pastdue and/or overlimit exposures on some credit lines of the debtor against existing available margins on other credit lines of the same borrower;
- A 3-month probation period shall be applied, running from the moment the positions no longer meet the conditions to be classified as defaulted and during which no pastdue instances must occur, before classifying the loan, and therefore the Debtor, back to a non-default status. The regulation previously in force did not provide for said probation period and, therefore, allowed reclassification to a performing status upon settlement of the pastdue and/or overlimit amounts:
- Specific rules (so-called "triggers") shall be applied, which require automatic classification as non-performing of exposures meeting even one only of the following characteristics:

- Loss of more than 1% on restructured exposures (suspensions, rescheduling, renegotiations) because of financial difficulties experienced by the debtors;
- Disposal of performing loans and consequent recognition of a loss of more than 5%.

Therefore, the new rules are much stricter, especially as regards the lowering of materiality thresholds (relative and absolute) and the fact that no netting is allowed of the pastdue or overlimit amounts against available margins on other credit lines held by the same debtor. Therefore, in its roll out phase, the New Definition of Default caused the positions classified as non-performing loans to increase for a total gross exposure of Euro 36.5 million. The effects of the first-time adoption of the New Definition of Default on profit or loss were no more than Euro 2.5 million.

3.2 WRITE-OFF

The Bad Loans Management Division writes off bad loans after full recovery of the exposure or resumption of its amortization.

Furthermore, bad loans are written off with loan waiver subsequent to:
- Unilateral remission of the residual amount due within authorized and executed settlement;
- Loan disposal;

Conversely, bad loans are written off also without loan waiver subsequent to:
- Loan uncollectibility, as proved or inferred, including the implementation of all possible affordable actions;
- Very marginal possibility of collection.

In this case, the loan is fully or partially written off. These loans are written off in order not to keep, on the Balance Sheet, loans that, although still managed by the structures in charge of collection, are hardly likely to be recovered. The positions to be subject to this treatment must be identified - through a judgemental analysis- from among those that have both high vintage and high coverage.

3.3 PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI) FINANCIAL ASSETS

Considering that the Crédit Agricole Italia Banking Group did not purchase or originate credit-impaired exposures, the only POCI case applicable is that resulting from the business combination finalized on 21 December 2017 (the Fellini combination).

As regards the non-performing loans purchased within the Fellini combination (a net amount of approx. Euro 280 million), it is pointed out that the accounting treatment described above was implemented substantially by recognizing, under interest income on an accrual basis, the reversal effect of the lower values of non-performing loans within the Purchase Price Allocation. This approach has been deemed a reasonable approximation of the credit-adjusted effective interest rate, as the contractual interest rate is, in actual fact, supplemented by the higher yield resulting from the higher value assigned to the purchased loans.

As regards the accounting treatment of these assets and the related reporting, please refer to “A.2 - Part reporting on the main financial statement items”.

4 RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

As regards the accounting treatment of these assets and the related reporting, please refer to “A.2 - Part reporting on the main financial statement items”.

Forborne exposures are those for which “concessions” have been granted to a borrower that is experiencing or is about to experience difficulties in fulfilling his/her/its financial commitments (“financial difficulty”).

Concessions consist in the following:
- Changes in the terms/conditions of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties;

- Total or partial refinancing of an existing contract as regards which the borrower is not deemed able to comply with the set payments due to financial difficulties, which would not have been granted if the borrower had not been in financial difficulties.

Starting from the definition given by the EBA in its "ITS" and following the guidelines issued by its Parent Company Crédit Agricole SA, the CAI Group defined an internal algorithm whereby forborne exposures can be identified, also setting apart performing from non-performing ones.

As opposed to the "by counterparty" approach, used by the CAI Group to classify non-performing exposures, it classifies forborne positions with a "by individual credit facility" approach". An exposure shall be classified as forborne when:
- The counterparty is classified as performing at the time of contract modification and there were contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before its modification. The contracts meeting these features are classified as "forborne performing - probation period",except for contractual modifications featuring a difference between the net present value before and after the modification of more than 1%, in which case, under the new definition of default implemented in 2020, they shall be classified in their cure period and no longer considered forborne when all the following conditions are met:
  - The contract is considered performing;
  - At least two years have passed from the beginning of the probation period;
  - Regular payments have been made for a more than considerable portion of the principal/interest due during at least one half of the probation period;
  - No one of the exposures to the same borrower is past due by more than 30 days at the end of the probation period.
- The counterparty is classified as defaulted at the time of contract modification. The contracts with a counterparty that is classified as non-performing at the time of contract modification or that show contractual repayment instalments totally or partially past due by over 30 days at least once in the three months before modification, featuring a difference between the net present present value before and after the modification or more than 1% are classified as "forborne non performing – cure period" for at least one year and kept in the Unlikely-to-Pay status. The contract shall be classified "forbearance performing - probation period" when all the following conditions are met:
  - At least one year has passed since the start of the cure period[1];
  - There are no late payments;
  - The counterparty has returned fully able to fulfil its credit obligations.

Having said that contract modifications made for business reasons or contract modifications that were provided for in the original contract are not included in the forbearance perimeter, in order to assess whether any "concession" exists, the adopted approaches require that the existence of forbearance is identified when:
- The amortization schedule regarding a loan is suspended or modified in its original duration;
- The loan has be renegotiated;
- Several credit lines granted to a counterparty are closed and consolidated in a new loan;
- A real estate mortgage loan based on the project progress which has been partially disbursed to a counterparty classified in the perimeter of real estate players has a pre-amortization period of over 36 months.

Furthermore, an exposure may be classified in the forborne perimeter on a judgemental basis where the algorithm does not automatically detect the contract modification or the financial difficulties experienced by the debtor. In the same way, the concessions automatically detected by the algorithm may be excluded on a judgemental basis, where the account manager believes that the classification in the forborne perimeter is not consistent with the contract modification made and/or with the customer's financial situation.

1 In case of suspensions, the year of cure period starts from the suspension date.

An analysis of exposures referring to forborne assets measured at amortized cost is given below, separately reporting performing and non-performing ones.

		Total
PERFORMING	Forborne Performing exposures	375,380
DEFAULTED	Forborne Non-performing exposures	1,138,754
	Total Forborne Exposures	**1,514,134**

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

All financial assets are classified by credit quality with the exception of equity securities and units of O.I.C.R. collective investment undertakings.

The term “on-balance-sheet exposures” defines all on-balance-sheet financial assets consisting of due from banks or customers, irrespective of the accounting portfolio they are allocated to (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortized cost, financial assets being divested).

The term “off-balance-sheet exposures” means all financial transactions other than on-balance-sheet ones (guarantees given, commitments, derivatives) for which credit risk is taken.

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	Performing past-due exposures	Other performing exposures	Total
1 Financial assets measured at amortized cost	345,962	829,635	26,808	369,491	59,772,683	61,344,579
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,717,777	2,717,777
3 Financial assets designated at fair value	-	-	-	-	-	-
4 Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5 Financial assets being divested	-	-	-	-	-	-
Total 31.12.2020	**345,962**	**829,635**	**26,808**	**369,491**	**62,490,460**	**64,062,356**
Total 31.12.2019	**456,793**	**863,733**	**17,654**	**854,509**	**51,267,008**	**53,459,697**

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 adjustments	Net exposure	Total/partial write-offs (*)	Gross exposure	Total adjustments	Net exposure	
1 Financial assets measured at amortized cost	2,478,931	1,276,526	1,202,405	37,833	60,379,111	236,937	60,142,174	61,344,579
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,720,934	3,157	2,717,777	2,717,777
3 Financial assets designated at fair value	-	-	-	-	X	X	-	-
4 Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5 Financial assets being divested	-	-	-	-	-	-	-	-
Total 31.12.2020	**2,478,931**	**1,276,526**	**1,202,405**	**37,833**	**63,100,045**	**240,094**	**62,859,951**	**64,062,356**
Total 31.12.2019	**2,823,201**	**1,485,020**	**1,338,181**	**24,246**	**52,306,536**	**185,020**	**52,121,516**	**53,459,697**

(*) Value to be stated for disclosure purposes

Portfolio/quality	Assets with clearly poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1 Financial assets held for trading	662	516	70,610
2 Hedging derivatives	-	-	943,109
Total 31.12.2020	**662**	**516**	**1,013,719**
Total 31.12.2019	**684**	**600**	**725,929**

A.1.3 Breakdown of financial assets by past due brackets (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1 Financial assets measured at amortized cost	183,283	4,557	516	114,543	47,925	18,668	27,535	33,222	870,588
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3 Financial assets being divested	-	-	-	-	-	-	-	-	-
Total 31.12.2020	**183,283**	**4,557**	**516**	**114,543**	**47,925**	**18,668**	**27,535**	**33,222**	**870,588**
Total 31.12.2019	**404,891**	**33,759**	**384**	**278,106**	**73,043**	**64,326**	**39,846**	**14,870**	**1,054,720**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and total provisions

Reasons/risk stages	Total adjustments															of which: POCI	Total provisions for commitments to disburse funds and financial guarantees given			Total
	Stage 1 assets					Stage 2 assets					Stage 3 assets									
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets being divested	of which: individual impairment	of which: collective impairment		First stage	Second stage	Third stage	
Opening total adjustments	**69,749**	**3,000**	**-**	**-**	**72,749**	**112,270**	**-**	**-**	**-**	**112,270**	**1,485,020**	**-**	**-**	**1,485,020**	**-**	**-**	**4,102**	**6,021**	**17,087**	**1,697,249**
Increases from purchased or originated financial assets	15,952	818	-	-	16,770	6,143	-	-	-	6,143	2,136	-	-	2,136	-	-	36	728	26	25,839
Derecognized items other than write-offs	-2,245	-823	-	-	-3,068	-	-	-	-	-	-321,862	-	-	-321,862	-	-	-	-	-	-324,930
Net losses/recoveries for credit risk (+/-)	-8,921	162	-	-	-8,758	36,928	-	-	-	36,928	218,674	-	-	218,674	-	-	-534	-104	-2,034	244,171
Contract modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimate approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognized directly through profit and loss	-126	-	-	-	-126	-3	-	-	-	-	-118,001	-	-	-118,001	-	-	-	-	-	-118,130
Other changes	7,191	-	-	-	7,190	-	-	-	-	-3	10,558	-	-	10,558	-	-	-	-	-	17,749
Closing total adjustment djustments	**81,600**	**3,157**	**-**	**-**	**84,757**	**155,338**	**-**	**-**	**-**	**155,338**	**1,276,525**	**-**	**-**	**1,276,525**	**-**	**-**	**3,604**	**6,645**	**15,079**	**1,541,948**
Recoveries from collection on financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognized directly through profit and loss	-99	-	-	-	-	-8	-	-	-	-	-23,445	-	-	-23,445	-	-	-	-	-	-23,552

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: 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	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1 Financial assets measured at amortized cost	1,165,328	586,546	200,552	15,089	96,576	8,865
2 Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3 Financial assets being divested	-	-	-	-	-	-
4 Commitments to disburse funds and financial guarantees given	65,995	22,550	1,745	618	1,576	4,108
Total 31.12.2020	**1,231,323**	**609,096**	**202,297**	**15,707**	**98,152**	**12,973**

A.1.5a Loans subject to Covid-19-related relief measures: transfers between the different credit risk 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	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortized cost	**482,038**	**135,326**	**35,361**	**2,194**	**14,655**	**173**
A1 Loans with GL-compliant concessions	456,574	130,610	35,244	2,194	14,403	116
A2 Loans with other concession measures	-	-	-	-	-	-
A.3 new loans	25,464	4,716	117	-	252	57
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B1 Loans with GL-compliant concessions	-	-	-	-	-	-
B2 Loans with other concession measures	-	-	-	-	-	-
B.3 new loans	-	-	-	-	-	-
Total 31.12.2020	**482,038**	**135,326**	**35,361**	**2,194**	**14,655**	**173**
Total 31.12.2019	-	-	-	-	-	-

A.1.6 On-balance-sheet and off-balance-sheet exposures to banks: gross and net values

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	-	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	11,056,204	665	11,055,539	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**-**	**11,056,204**	**665**	**11,055,539**	**-**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	-	X	-	-	-
b) Performing	X	1,564,570	265	1,564,305	-
TOTAL B	**-**	**1,564,570**	**265**	**1,564,305**	**-**
TOTAL A+B	**-**	**12,620,774**	**930**	**12,619,844**	**-**

(*) Value to be stated for disclosure purposes

A.1.7 On-balance-sheet and off-balance-sheet exposures to customers: gross and net values

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	1,151,742	X	805,780	345,962	881
- of which: forborne exposures	344,806	X	250,988	93,818	-
b) Unlikely to Pay	1,297,901	X	468,266	829,635	30,860
- of which: forborne exposures	792,914	X	266,500	526,414	-
c) Non-performing past due exposures	29,288	X	2,480	26,808	3
- of which: forborne exposures	88	X	3	85	-
d) Performing past due exposures	X	382,921	13,430	369,491	-
- of which: forborne exposures	X	21,026	1,395	19,631	-
e) Other performing exposures	X	51,661,014	225,998	51,435,016	6,089
- of which: forborne exposures	X	354,572	29,536	325,036	-
TOTAL A	**2,478,931**	**52,043,935**	**1,515,954**	**53,006,912**	**37,833**
B. OFF-BALANCE-SHEET EXPOSURES			-	-	-
a) Non-performing	79,396	X	15,079	64,317	-
b) Performing	X	2,623,673	9,984	2,613,689	-
TOTAL B	**79,396**	**2,623,673**	**25,063**	**2,678,006**	**-**
TOTAL A+B	**2,558,327**	**54,667,608**	**1,541,017**	**55,684,918**	**37,833**

(*) Value to be stated for disclosure purposes

A.1.7a On-balance-sheet exposure to Customers subject to Covid-19 relief measures: gross and net values

Type of exposures/Values	Gross exposure	Total adjustments and total provisions for credit risk	Net exposure	Total partial write-offs (*)
A. Bad loans:	-	-	-	-
a) Loans with GL-compliant concessions	-	-	-	-
b) Loans with other concession measures	-	-	-	-
c) New loans	-	-	-	-
B. Loans classified as Unlikely to Pay:	**56,073**	**11,208**	**44,865**	-
a) Loans with GL-compliant concessions	55,351	11,026	44,325	-
b) Loans with other concession measures	-	-	-	-
c) New loans	722	182	540	-
C. Non-performing pastdue loans:	**2,540**	**206**	**2,334**	-
a) Loans with GL-compliant concessions	2,119	128	1,991	-
b) Loans with other concession measures	-	-	-	-
c) New loans	421	78	343	-
D. Other performing pastdue loans:	**91,634**	**5,403**	**86,231**	-
a) Loans with GL-compliant concessions	90,074	5,346	84,728	-
b) Loans with other concession measures	-	-	-	-
c) New loans	1,560	57	1,503	-
E. Other performing loans:	**6,700,794**	**76,308**	**6,624,486**	-
a) Loans with GL-compliant concessions	4,747,436	60,147	4,687,289	-
b) Loans with other concession measures	-	-	-	-
c) New loans	1,953,358	16,161	1,937,197	-
TOTAL (A+B+C+D+E)	**6,851,041**	**93,125**	**6,757,916**	-

(*) Value to be stated for disclosure purposes

A.1.9 On-balance sheet exposures to Customers: changes in gross non-performing exposures

Reasons/categories	Bad loans	Unlikely to Pay	Non-performing past due exposures
A. Opening gross exposure	**1,443,902**	**1,359,034**	**20,265**
- of which: sold exposures not derecognized	-	-	-
B. Increases	**205,251**	**341,151**	**40,725**
B.1 from performing exposures	3,766	285,910	32,523
B.2 from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	192,697	15,977	5,615
B.4 Contract modifications without derecognition	20	48	-
B.5 other increases	8,768	39,216	2,587
C. Decreases	**497,411**	**402,284**	**31,702**
C.1 to performing exposures	63	19,709	2,226
C.2 Write-offs	69,509	60,754	6,814
C.3 collections	47,929	95,485	6,746
C.4 profits on disposals	46,468	14,084	-
C.5 losses on disposals	31,198	533	-
C.6 transfers to other categories of non-performing exposures	105	198,269	15,916
C.7 Contract modifications without derecognition	503	875	-
C.8 other decreases	301,636	12,575	
D. Closing gross exposure	**1,151,742**	**1,297,901**	**29,288**
- of which: sold exposures not derecognized	-	-	-

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.1.9bis On-balance-sheet exposures to Customers: changes in gross forborne exposures broken down by credit quality

Reasons/Quality	Non-performing forborne exposures	Performing forborne exposures
A. Opening gross exposure	**1,279,275**	**520,695**
- of which: sold exposures not derecognized	-	-
B. Increases	**185,674**	**151,905**
B.1 from non-forborne performing exposures	34,347	124,508
B.2 from forborne performing exposures	102,496	X
B.3 from forborne non-performing exposures	X	17,024
B.4 from non-forborne non-performing exposures	-	-
B.5 other increases	48,831	10,373
C. Decreases	**327,141**	**297,002**
C.1 to non-forborne performing exposures	X	150,436
C.2 to forborne performing exposures	17,024	X
C.3 to forborne non-performing exposures	X	102,496
C.4 Write-offs	50,956	120
C.5 collections	58,477	31,281
C.6 profits on disposals	39,599	-
C.7 losses on disposal	18,011	-
C.8 other decreases	143,074	12,669
D. Closing gross exposure	**1,137,808**	**375,598**
- of which: sold exposures not derecognized	-	-

A.1.11 On-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 total adjustments	**987,109**	**291,541**	**495,301**	**290,007**	**2,610**	**39**
- of which: sold exposures not derecognized	-	-	-	-	-	-
B. Increases	**250,793**	**115,677**	**186,996**	**91,318**	**8,970**	**2,561**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	130,138	51,295	152,629	63,938	4,357	702
B.3 losses on disposals	31,198	17,669	533	342	-	-
B.4 transfers from other categories of non-performing exposures	89,338	45,042	1,791	121	3,646	1,850
B.5 Contract modifications without derecognition	-	-	-	-	-	-
B.6 other increases	119	1,671	32,043	26,917	967	9
C. Decreases	**432,122**	**156,230**	**214,031**	**114,825**	**9,100**	**2,597**
C.1 recoveries on impairment/writebacks	2,180	2,932	13,103	16,347	174	-
C.2 recoveries/writebacks from collections	6,061	905	6,545	2,828	190	-
C.3 profits on disposal	10,056	4,402	1,277	1,244	-	-
C.4 write-offs	69,509	19,853	60,754	28,545	6,814	2,558
C.5 transfers to other categories of non-performing exposures	-	-	92,982	46,973	1,793	39
C.6 Contract modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	344,316	128,138	39,370	18,888	129	-
D. Total closing adjustments	**805,780**	**250,988**	**468,266**	**266,500**	**2,480**	**3**
- of which: sold exposures not derecognized	-	-	-	-	-	-

Item C.7 “Other decreases” mainly reports, as to derecognized 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 GIVEN BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given 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	391,407	2,682,062	4,149,958	1,430,892	136,721	17,320	54,049,682	62,858,042
- Stage 1	380,962	2,651,094	4,056,340	1,175,461	101,231	9,286	49,593,739	57,968,113
- Stage 2	10,445	30,968	93,618	251,726	32,324	7,913	1,984,004	2,410,998
- Stage 3	-	-	-	3,705	3,166	121	2,471,939	2,478,931
B. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	2,720,934	2,720,934
- Stage 1	-	-	-	-	-	-	2,720,934	2,720,934
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial assets being divested	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A+B+C)	391,407	2,682,062	4,149,958	1,430,892	136,721	17,320	56,770,616	65,578,976
of which: POCI	-	-	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees given	105,656	721,770	509,868	231,280	219,331	17,279	1,448,410	3,253,594
- Stage 1	98,367	720,692	497,369	200,541	211,791	14,327	1,280,780	3,023,867
- Stage 2	7,289	1,078	12,499	30,682	7,500	2,952	88,331	150,331
- Stage 3	-	-	-	57	40	-	79,299	79,396
Total D	105,656	721,770	509,868	231,280	219,331	17,279	1,448,410	3,253,594
Total (A+B+C+D)	497,063	3,403,832	4,659,826	1,662,172	356,052	34,599	58,219,026	68,832,570

The above breakdown by rating grades refers to measurements made by Cerved Group S.p.A. and DBRS (which are ECAI – External Credit Assessment Institutions – recognized by the Bank of Italy). The “without rating” column reports exposures with counterparties for which ratings given by the two ECAIs are not available, 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 C2.1	from CCCH to D

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating grades (gross values)

Exposures	Internal rating grades					Total
	From AAA to BBB+	From BBB to BBB-	From BB+ to B	from B- to D	Without rating	
A. Financial assets measured at amortized cost	**25,765,653**	**13,554,007**	**8,914,784**	**3,432,396**	**11,191,201**	**62,858,041**
- Stage 1	25,720,131	13,458,444	7,756,068	128,969	10,904,502	57,968,114
- Stage 2	45,522	95,563	1,158,716	824,534	286,661	2,410,996
- Stage 3	-	-	-	2,478,893	38	2,478,931
B. Financial assets measured at fair value through other comprehensive income	**2,720,934**	-	-	-	-	**2,720,934**
- Stage 1	2,720,934	-	-	-	-	2,720,934
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
C. Financial assets being divested	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Total (A+B+C)	**28,486,587**	**13,554,007**	**8,914,784**	**3,432,396**	**11,191,201**	**65,578,975**
of which: POCI	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees given	**937,088**	**902,359**	**957,920**	**144,828**	**311,400**	**3,253,595**
- Stage 1	936,833	893,889	929,707	13,853	249,585	3,023,867
- Stage 2	255	8,470	28,213	51,579	61,815	150,332
- Stage 3	-	-	-	79,396	-	79,396
Total (D)	**937,088**	**902,359**	**957,920**	**144,828**	**311,400**	**3,253,595**
Total (A+B+C+D)	**29,423,675**	**14,456,366**	**9,872,704**	**3,577,224**	**11,502,601**	**68,832,570**

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, 77% of total counterparties fall within the Investment grades (from AAA to BBB-), whereas 17% falls within the BB+/BB grades and 6% in the B-/D grades.

It is pointed out that 53% of total "without rating" exposures refers to Financial Institutions, followed by Banks accounting for 25%; the remaining portion refers to Mixed Joint Accounts and other types of counterparties that are less material in terms of exposure.

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 On-balance-sheet and off-balance-sheet secured exposures to banks

			Collaterals (1)				Personal guarantees (2)									
							Credit derivatives					Signature loans				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate- Loans for leases	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties	Total (1)+(2)
1 On-balance-sheet secured exposures:	961	959	-	-	-	-	-	-	-	-	-	-	659	300	-	959
1.1 fully secured	961	959	-	-	-	-	-	-	-	-	-	-	659	300	-	959
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Off-balance-sheet secured exposures:	184,150	184,149	-	-	-	-	-	-	-	-	-	-	181,536	2,490	-	184,026
2.1 fully secured	181,936	181,935	-	-	-	-	-	-	-	-	-	-	181,536	399	-	181,935
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	2,214	2,214	-	-	-	-	-	-	-	-	-	-	-	2,091	-	2,091
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 On-balance-sheet and off-balance-sheet secured exposures to Customers

			Collaterals (1)				Personal guarantees (2)									
							Credit derivatives					Signature loans				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate- Loans for leases	Securities	Other collaterals	CLN	Central counterparties	Banks	Other financial companies	Other parties	Public administration bodies	Banks	Other financial companies	Other parties	Total (1)+(2)
1 On-balance-sheet secured exposures:	33,903,238	32,886,356	20,611,924	-	811,021	1,015,862	-	-	-	-	-	2,145,833	4,659,559	566,502	1,919,297	31,729,998
1.1 fully secured	30,009,597	29,125,734	20,465,529	-	781,523	847,674	-	-	-	-	-	917,995	3,362,369	409,022	1,787,294	28,571,406
- of which non-performing	1,749,604	1,018,305	788,042	-	435	10,995	-	-	-	-	-	5,529	-	18,018	143,016	966,035
1.2 partially secured	3,893,641	3,760,622	146,395	-	29,498	168,188	-	-	-	-	-	1,227,838	1,297,190	157,480	132,003	3,158,592
- of which non-performing	167,377	57,663	20,094	-	268	1,456	-	-	-	-	-	3,250	187	4,136	14,588	43,979
2 Off-balance-sheet secured exposures:	711,489	636,322	167,020	-	24,895	139,484	-	-	-	-	-	22,843	14,747	27,519	256,117	652,625
2.1 fully secured	571,924	505,513	156,025	-	14,211	118,794	-	-	-	-	-	14,632	2,140	22,341	239,060	567,203
- of which non-performing	37,786	5,942	28,437	-	60	814	-	-	-	-	-	289	135	129	5,002	34,866
2.2 partially secured	139,565	130,809	10,995	-	10,684	20,690	-	-	-	-	-	8,211	12,607	5,178	17,057	85,422
- of which non-performing	13,050	9,457	5,603	-	2,029	128	-	-	-	-	-	-	2,765	-	628	11,153

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 SECTOR OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Counterparties	Public administration bodies		Financial companies		Financial companies (of which: insurance undertakings)		Non-financial 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 exposures										
A.1 Bad loans	-	-	1,751	6,589	3	16	207,568	657,687	136,643	141,234
- of which: forborne exposures	-	-	175	2,389	-	-	81,732	238,766	11,911	9,833
A.2 Unlikely to Pay	1	2	5,319	8,365	-	-	594,258	361,081	230,057	98,818
- of which: forborne exposures	-	-	3,931	7,107	-	-	399,675	224,067	122,808	35,326
A.3 Non-performing past-due exposures	-	-	5	1	-	-	2,156	457	24,647	2,022
- of which: forborne exposures	-	-	-	-	-	-	-	-	85	3
A.4 Performing exposures	10,495,884	13,080	7,734,289	7,668	217,649	28	13,305,243	121,887	20,269,090	96,793
- of which: forborne exposures	-	-	198	7	-	-	230,287	25,105	114,182	5,819
Total A	10,495,885	13,082	7,741,364	22,623	217,652	44	14,109,225	1,141,112	20,660,437	338,867
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	379	-	-	-	61,050	14,814	2,888	265
B.2 Performing exposures	9,343	11	348,596	737	36,967	115	2,064,022	6,676	191,728	2,560
Total B	9,343	11	348,975	737	36,967	115	2,125,072	21,490	194,616	2,825
Total (A+B) 31.12.2020	10,505,228	13,093	8,090,339	23,360	254,619	159	16,234,297	1,162,602	20,855,053	341,692
Total (A+B) 31.12.2019	6,732,256	8,903	7,240,947	25,815	273,423	257	14,828,789	1,323,271	19,682,397	334,159

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.2 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS

Exposures/Geographical areas	Northwest Italy		Northeast Italy		Central Italy		South and insular Italy	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance-sheet exposures								
A.1 Bad loans	137,120	287,569	118,833	313,478	54,864	134,288	34,618	68,678
A.2 Unlikely to Pay	268,003	139,176	332,956	199,944	170,604	99,204	57,199	28,874
A.3 Non-performing past-due exposures	9,242	847	4,257	499	6,592	594	6,647	536
A.4 Performing exposures	22,867,351	88,363	9,208,133	77,355	16,865,011	51,736	2,315,093	17,542
Total A	**23,281,716**	**515,955**	**9,664,179**	**591,276**	**17,097,071**	**285,822**	**2,413,557**	**115,630**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	12,920	2,192	43,704	12,080	5,568	675	2,125	132
B.2 Performing exposures	1,075,730	4,736	816,531	4,099	555,574	768	80,579	222
Total B	**1,088,650**	**6,928**	**860,235**	**16,179**	**561,142**	**1,443**	**82,704**	**354**
Total (A+B) (31.12.2020)	**24,370,366**	**522,883**	**10,524,414**	**607,455**	**17,658,213**	**287,265**	**2,496,261**	**115,984**
Total (A+B) (31.12.2019)	**22,140,491**	**593,767**	**10,362,427**	**664,871**	**13,368,547**	**303,536**	**2,302,862**	**125,774**

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 BREAKDOWN BY GEOGRAPHICAL AREA OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES TO BANKS

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	8,194,005	635	2,749,227	26	101,244	-	4,512	1	6,551	3
Total A	**8,194,005**	**635**	**2,749,227**	**26**	**101,244**	**-**	**4,512**	**1**	**6,551**	**3**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	420,209	238	1,084,577	19	1,663	-	45,479	3	12,377	5
Total B	**420,209**	**238**	**1,084,577**	**19**	**1,663**	**-**	**45,479**	**3**	**12,377**	**5**
Total (A+B) (31.12.2020)	**8,614,214**	**873**	**3,833,804**	**45**	**102,907**	**-**	**49,991**	**4**	**18,928**	**8**
Total (A+B) (31.12.2019)	**7,960,976**	**1,802**	**237,616**	**3,011**	**452,624**	**1**	**34,624**	**15**	**20,870**	**15**

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.4 LARGE RISKS

As at 31 December 2020, positions showing large risk features, as defined in Circular No. 258/2013 (as updated) were:

a) Of a total nominal amount of Euro 38,436,524 thousand;
b) Of a total weighted amount of Euro 1,087,247 thousand;
c) A total number of 6.

C. SECURITIZATION

QUALITATIVE DISCLOSURES

On 3 November 2009 and on 30 January 2012, Crédit Agricole Italia carried out two so-called “internal” securitization transactions transferring receivables deriving from residential 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.

The transactions entailed the transfer by Crédit Agricole Italia of the “fondiari” residential mortgage loans to MondoMutui Cariparma Srl (the Bank’s special-purpose entity for securitizations); based on the acquired securities, the SPE issued bonds (senior and junior), which were fully subscribed by the Parent Company.

On 1 December 2020, Crédit Agricole Italia Spa divested those asset-backed securities reacquiring the underlying loans, which, as at 30 November 2020 were still held by MondoMutui Cariparma Srl and, concomitantly, the issued bonds were repaid.

E. ASSET DISPOSALS

A. Financial assets disposed of and not fully derecognized

E.4 COVERED BOND PROGRAM

In order to increase its liquidity reserves, in 2013 the Crédit Agricole Italia Banking Group designed its programME for the issue of Covered Bonds. These bonds are secured, i.e. “covered” both by the issuing bank and by a pool of high-quality loans, 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 transaction, 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 CAI 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 derecognize the assets used as collaterals.

Disclosure

At its meetings held on 24 July 2012 and 26 March 2013, the Board of Directors of Crédit Agricole Italia resolved to start the design of a programME for the issue of covered bonds.

The Italian legislation framework on covered bonds consists of Article 7-bis of Law No. 130 of 30 April 1999 (as amended and supplemented, hereinafter referred to as “Law 130”), of the Decree issued by the Italian Minister of the Economy and Finance No. 310 of 14 December 2006 (the “MEF Decree”) and by the Provisions for Prudential Supervision of Banks 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 and Crédit Agricole FriulAdria) 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 whose favour 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 2020, the Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy. In 2020, Crédit Agricole Italia also made another two issues of Covered Bonds, which were then repurchased in April and July, for an amount of Euro 500 million each, in order to create new eligible reserves with the ECB. Furthermore, in July 2020, the Covered Bond issued in 2013 and amounting to Euro 1.2 billion matured.

The cover pool

The loan pool that, each time, is transferred to the Special-purpose entity must have some common features.

Since May 2013, several transfers have been made of credit claims based on mortgage loan contracts, which, as at their respective transfer date, had, by way of example and not limited to, the following common features:

Credit claims based on mortgage loan contracts:
- Which are residential mortgage loans (i) having a risk-weighting factor not higher than 35% and (ii) for which the residual principal amount plus the residual principal of any previous mortgage loans with mortgage on the same property is not higher than 80% of the value of the mortgaged property; or
- Which are mortgage loans disbursed or purchased by the Crédit Agricole Italia Banking Group;
- Which are performing with no instalments past due by over 30 days;
- Which do not include clauses restricting the right of the Banks of the Crédit Agricole Italia Banking Group to 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 period provided for by the contract has fully expired and at least one instalment has matured and has been paid;
- Which have been granted to a natural person, a legal person or to more than one natural or legal person, who have jointly taken out the loan;
- Which provide for the borrower to pay floating-rate interest (determined each time by the Banks of the Crédit Agricole Italia Banking Group) or fixed-rate interest.

Specifically, in 20202 two transfers of residential mortgage loans were made:
- On 22 February 2020, the Banks of the Crédit Agricole Italia Banking Group transferred a ninth pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 1.2 billion (of which Euro 1 billion transferred by

Crédit Agricole Italia and Euro 0.2 billion by Crédit Agricole FriulAdria); on 24 October 2020, the Banks of the Crédit Agricole Italia Banking Group transferred a tenth pool to Cariparma OBG S.r.l. for a total principal amount of approximately Euro 0.9 billion (of which Euro 0.8 billion transferred by Crédit Agricole Italia and Euro 0.1 billion by Crédit Agricole FriulAdria).

As at 31 December 2020, the Cover Pool consisted of receivables resulting from 127,577 mortgage loans, with a total residual debt, net of any repayments, of approximately Euro 10.6 billion (Euro 8.7 billion transferred by Crédit Agricole Italia and Euro 1.9 billion by Crédit Agricole FriulAdria).

Current accounts

The Programme provides for a complex structure of current accounts to manage the cash flows from the transaction.

A number of accounts have been opened in the name of Crédit Agricole Italia OBG and specifically, but not limited to: collection accounts, quota capital account, reserve fund account, guarantor payments account and expenses account.

Parties involved in the Programme

With regard to the Programme, the following parties have the roles set forth here below:

- Transferor Banks: Crédit Agricole Italia and Crédit Agricole FriulAdria.
- Master Servicer: Crédit Agricole Italia (which, in this capacity, has been tasked by Crédit Agricole Italia OBG, pursuant to the Servicing Master Agreement, with the collection and recovery of the 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 this capacity, have signed the Quotaholders Agreement to exercise the corporate rights associated to the equity investment held by each one of them in Crédit Agricole Italia OBG);
- Representative of the Covered Bondholders: Zenith Service (which, in this capacity, exercises, towards Crédit Agricole Italia and Crédit Agricole Italia OBG, the rights of the counterparties involved in the transaction based on the Programme Contracts);

- Administrative Services Provider: Zenith Service (which, in this capacity, has the task of providing Crédit Agricole Italia OBG with administrative and corporate services relating to the activities to be carried out within the Programme);
- Arranger: CACIB;
- Rating Agency: Moody's.

Risks associated with the Programme

The Programme for the Issue of Covered Bonds entails the financial risks specified below, for which several mitigation measures have been adopted: Credit Risk, Liquidity Risk, Refinancing Risk, Counterparty Risk, Operational Risks, Risk of Bankruptcy of the Issuer Bank, Legal Risks.

Based on the procedures, in compliance with the Supervisory Instructions, the Internal Audit Department of Crédit Agricole 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 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 Cariparma made a new issue of Covered Bonds on the market amounting to Euro 0.75 billion; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, BBVA, Mediobanca.

In January 2018, the Crédit Agricole Italia Banking Group made another issue of Covered Bonds on the market for Euro 500 million with 20-year maturity; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Natixis, Caixa Bank, Banca Imi.

Moreover, in March 2019, Crédit Agricole Italia made a new issue of Covered Bonds on the market amounting to Euro 0.75 billion with 8-year maturity; these bonds were placed with institutional investors with the support of Dealers such as Crédit Agricole Corporate & Investment Bank, Unicredit, Mediobanca and Natixis. Concomitantly, Crédit Agricole Italia issued a Covered Bond for Euro 500 million, which was then repurchased in order to create a new eligible reserve with the ECB.

In January 2020, the Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy. In 2020, Crédit Agricole Italia also made another two issues of Covered Bonds, which were then repurchased in April and July, for an amount of Euro 500 million each, in order to create new eligible reserves with the ECB. Furthermore, in July 2020, the Covered Bond issued in 2013 and amounting to Euro 1.2 billion matured.

Therefore, as at 31 December 2020, the nominal value of the bonds issued came to Euro 10.0 billion, of which Euro 1.75 billion worth of retained bonds and Euro 8.25 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 16 billion.

Section 2 – Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

Qualitative disclosures

A. General aspects

Crédit Agricole Italia does not typically engage in proprietary trading on financial markets, but only in trading operations to meet its customers' needs. Furthermore, trading activities are subject to specific regulatory requirements that prohibit any proprietary speculative trading. The applicable legislation consists of the Volcker Rule (Dodd-Frank Wall Street Reform and Consumer Protection Act) and the LBF - "*Loi de séparation et de régulation des activités bancaires*" (French law no. 2013-672)). Therefore, trading activities are ancillary to and aimed at meeting customers' requirements; Crédit Agricole Italia takes only residual risk positions in the trading book.

The trading book of Crédit Agricole Italia mainly consists of Over-The-Counter derivatives (matched trading) and non-structured financial instruments. In its capacity as the Parent Company, Crédit Agricole Italia coordinates the interest rate risk and price risk of the trading books of all the Group's entities, centrally managing financial operations as well as the risk assessment and control activities. The control of market risk on the trading book ensures that a risk level consistent with the Group's objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

B. Management and measurement of interest rate and price risks

Organisational aspects

The process for the management of market risks is regulated by the relevant risk policy. This document lays down the internal system of normative instruments for the management of market risk with reference to operations in financial instruments, foreign currencies and commodities, in terms of:

- The principles, objectives, methodologies and tools used for the measurement, control and management of market risk;
- Guidelines and rules which the market risk management processes are based on.

The Market Risk Policy is one of the components of the overall risk governance model implemented by the Crédit Agricole Group, consistently with the guidelines issued by the Parent Company Crédit Agricole S.A.

Within the process for market risk management, primary responsibility is assigned to corporate bodies/structures, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is the body engaged in strategic oversight functions and is therefore responsible for defining market risk governance policies and management processes;

- The Deputy General Manager in charge of Corporate Banking, delegating the relevant 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 controlling the perfect back–to-back of the transactions entered by the Capital Market Division on behalf of Customers.
- The Risk Management and Permanent Controls Department is responsible for level 2.2 control. It verifies the corporate risk management process and supervises compliance of the market risk treatment with the applicable legislation in force and with the Group Risk Strategy.

The model for market risk management and governance applies to the entire consolidation perimeter.

The limit structure

The limit structure reflects the level of risk deemed acceptable with reference to the individual business areas and is a mechanism designed to control that operational practices, at the various organisational levels, are performed in compliance with management guidelines and strategies, as defined by the Top Management.

The risk framework system regarding the trading books of Crédit Agricole Italia is reviewed on a yearly basis, consistently with the guidelines and the risk appetite set by the Crédit Agricole Group. Its risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The system of global limits must be able to ensure a controlled development of the business. The limits are set in order to contain any losses within a level that is deemed acceptable for the Crédit Agricole Group as a whole and are defined using common metrics, such as Notional Value, Mark to Market and Value at Risk. As regards limits and thresholds on market risk, the global limits and global alert thresholds are validated by the Group Risk Committee of Crédit Agricole SA (*Comité Risques Groupe* - CRG) and approved by the Boards of Directors of the entities of the Crédit Agricole Italia Banking Group, whereas the operational limits – which are specific adaptations of the global limits - are adapted to the individual entities of the Crédit Agricole Italia Banking Group and are also validated by their respective Boards of Directors.

Control System

The monitoring of global and operational limits is a task assigned to the Risk Management and Permanent Controls Department. Reporting on compliance with the set limits is included in the monthly Financial Risk Report, while continuous compliance is verified with automated daily reporting through an internal procedure. .

The Financial Risk Report is sent to the Group's top bodies and officers, to the structures engaged in market risk management, to the Internal Audit Department and to the Group Risk Department (Direction Risques Groupe) of Crédit Agricole S.A. A summary of this report is the basis for quarterly reporting on market risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are significant changes in markets, significant losses, etc.), a specific alert procedure is triggered, reporting the event and a remedial action plan to the Top Management Bodies and to the Parent Company Crédit Agricole S.A., depending on the type of breach detected.

Furthermore, the Risk Management and Permanent Controls Department performs Independent Price Verification activities and audits on Prudent Valuation of the financial instruments on the trading book. As regards derivative instruments sold to ordinary instruments, it issues opinions on the pricing methodology, whose models, which are commonly used in financial practices, are fed with input parameters (such as interest rate, exchange rate and volatility curves) observed on the market and subject to monitoring processes.

Local "*Correspondant Volcker Rule*" (the Local Officer in charge of the Volcker Rule)

The Local "Correspondant Volcker Rule" (the Local Officer in charge of the Volcker Rule) for Crédit Agricole Italia is part of the Finance Department and is responsible for ensuring that the Group is always compliant with the Volcker

Rule on proprietary trading. He/she has the task of assessing compliance of the activities carried out with the Volcker Rule, interacting with the persons in charge of the Volcker Rule at a central level within Crédit Agricole SA.

Fair Value Option

In 2020, no transactions recognized under "Fair Value Option" were carried out.

Quantitative disclosure

1. Supervisory Trading Book: breakdown by residual maturity (repricing date) of on-balance-sheet financial assets and liabilities and financial derivatives

Type/Residual maturity (Euro)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	-	-	-	-	15	15	1	-
1.1 Debt securities	-	-	-	-	15	15	1	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	15	15	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2 On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3 Financial Derivatives	86,985	3,712,048	2,648,518	1,316,377	5,458,807	700,907	55,132	-
3.1 With underlying security	-	1,503	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	1,503	-	-	-	-	-	-
+ long positions	-	704	-	-	-	-	-	-
+ short positions	-	799	-	-	-	-	-	-
3.2 Without underlying security	86,985	3,710,545	2,648,518	1,316,377	5,458,807	700,907	55,132	-
- Options	25	4,918	9,938	18,710	46,644	6,093	848	-
+ long positions	15	2,459	4,969	9,355	23,320	3,046	424	-
+ short positions	10	2,459	4,969	9,355	23,324	3,047	424	-
- Other derivatives	86,960	3,705,627	2,638,580	1,297,667	5,412,163	694,814	54,284	-
+ long positions	43,480	1,861,698	1,319,438	639,525	2,706,132	347,407	27,142	-
+ short positions	43,480	1,843,929	1,319,142	658,142	2,706,031	347,407	27,142	-

Type/Residual maturity (other currencies)	On demand	Up to 3 months	From over 3 months up to 6 months	From over 6 months up to 1 year	From over 1 year up to 5 years	From over 5 years up to 10 years	Over 10 years	Indefinite maturity
1 On-balance-sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2 On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements for funding purposes	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3 Financial Derivatives	-	15,348	34,016	6,920	66,824	10,488	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	15,348	34,016	6,920	66,824	10,488	-	-
- Options	-	44	20	78	234	-	-	-
+ long positions	-	22	10	39	117	-	-	-
+ short positions	-	22	10	39	117	-	-	-
- Other derivatives	-	15,304	33,996	6,842	66,590	10,488	-	-
+ long positions	-	7,644	16,998	3,421	33,295	5,244	-	-
+ short positions	-	7,660	16,998	3,421	33,295	5,244	-	-

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

General aspects

Asset & Liability Management activities cover all the items on the banking book, on-balance-sheet and off-balance-sheet. Future fluctuations in interest rates that would impact on profits, through changes in net interest income, and that would also have an effect on the discounted value of its capital, as 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

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, as well as of validating the local operational limits and the local alert thresholds regarding interest rate risk.
- 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 also designs operational actions, carries out stress testing exercises based on the guidelines issued by the Crédit Agricole Group and prepares the ICAAP reports, both the local one and the contribution to the Group's ICAAP exercise.

The Risk Management and Permanent Controls Department is responsible for control. Therefore, it verifies the corporate risk management process and supervises compliance of the risk treatment with the applicable legislation in force and with the Group Risk Strategy.

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

Risk policy and management

The processes for the management of interest rate risk and price risk are governed by the respective risk policies. These documents lay down the internal normative framework for the management of risks with reference to operations in financial instruments, in terms of:
- Principles, objectives, methodologies and tools used for the measurement, control and management of risks;
- Guidelines and rules on which the risk management and stress testing processes are based.

The management of interest rate risk designed by the Crédit Agricole Italia Banking Group aims at ensuring that the individual legal entities and the Group as a whole achieve the maximum possible income from the existing positions through proactive management of interest risk hedges. The main financial instruments to manage risk hedges are derivative contracts, i.e. interest rate options and Interest Rate Swaps.

Control System

Independent level 2.2 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 the system with the internal model of Crédit Agricole S.A. Specifically, within its responsibilities, the Risk Management and Permanent Controls Department::
- Independently verifies compliance with the limits and alter thresholds provided for by the RAF and by the Risk Strategy; it also expresses its prior opinion in case of any changes to the approaches and methods used by the Finance Department, while reporting on them to the ALM Committee and to the Risk and Internal Control Committee;
- Submits the outcomes of its verifications to the Controlling Company on a monthly basis and, in case of breach of any one of the limits and alert thresholds set in the Risk Strategy, it triggers the alert procedure, with a specific escalation measure depending on the type of breach detected , and analyzes and approves the action plan proposed by the relevant corporate structures.
- 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 or thresholds, problems arisen and compliance with the Risk Strategy.

The Risk Management and Permanent Controls Department is responsible for level 2.2. control on compliance with the set limits; therefore, on a monthly basis, it prepares and sends its Financial Risk Report to the Corporate Bodies, which provides information on the control outcomes and on any breaches of limits, and activates, where required, the appropriate alert procedures. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to the Boards of Directors of all the Entities of the Crédit Agricole Italia Banking Group.

Risk measurement: methodological Aspects

The model for the measurement of global interest rate risk provides for an analysis of the contractual profile (cash flow generation by maturity), of all balance-sheet items and, where appropriate, for the "modeling" of other balance sheet items that, in terms of asset stability and responsiveness to changes in market interest rates, are among the items that are sensitive to interest rate risk for the Banks of the Group. Specifically, for interest rate risk analysis, the following elements are identified:

- Term loans (fixed and variable rate for the portion with an already established rate);
- Balance-sheet items modelled in accordance with Crédit Agricole S.A. guidelines;
- Balance-sheet items modelled in accordance with specific management rules set by the relevant corporate structures of Crédit Agricole Italia (local models).

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held, which are expressed with reference to indicators, such as the balance sheet notional value and fair value, along with the outcomes of the management for stress tests on the relevant perimeter.

Quantitative disclosure

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	**11,477,891**	**26,393,321**	**1,460,135**	**1,554,987**	**12,323,244**	**5,019,626**	**5,232,078**	**143,261**
1.1 Debt securities	-	-	86,201	369,911	7,819,475	1,885,424	-	143,261
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	86,201	369,911	7,819,475	1,885,424	-	143,261
1.2 Loans to banks	334,129	9,018,393	5,172	34,707	609,823	455,352	425,029	-
1.3 Loans to customers	11,143,762	17,374,928	1,368,762	1,150,369	3,893,946	2,678,850	4,807,049	-
- c/a	783,062	208,687	31,788	72,143	76,909	11,411	526,897	-
- other loans	10,360,700	17,166,241	1,336,974	1,078,226	3,817,037	2,667,439	4,280,152	-
- with early repayment option	1,355	272,855	138,524	28,845	44,503	4,015	111	-
- other	10,359,345	16,893,386	1,198,450	1,049,381	3,772,534	2,663,424	4,280,041	-
2 On-balance-sheet liabilities	**35,847,884**	**2,068,662**	**352,340**	**170,498**	**13,802,889**	**3,144,866**	**4,650,292**	**-**
2.1 Due to customers	34,733,452	6,383	8,561	16,922	100,584	61,616	2,319,615	-
- c/a	34,518,425	542	-	-	-	-	2,313,439	-
- other due and payables	215,027	5,841	8,561	16,922	100,584	61,616	6,176	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	215,027	5,841	8,561	16,922	100,584	61,616	6,176	-
2.2 Due to banks	1,112,652	1,096,854	190,980	35	9,818,835	328,478	337,017	-
- c/a	637,536	-	-	-	-	-	-	-
- other due and payables	475,116	1,096,854	190,980	35	9,818,835	328,478	337,017	-
2.3 Debt securities	1,780	965,425	152,799	153,541	3,883,470	2,754,772	1,993,660	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,780	965,425	152,799	153,541	3,883,470	2,754,772	1,993,660	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial Derivatives	**410,022**	**25,279,315**	**172,930**	**1,777,290**	**13,421,195**	**7,116,772**	**2,496,856**	**267**
3.1 With underlying security	-	757,555	-	-	-	-	-	267
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	757,555	-	-	-	-	-	267
+ long positions	-	757,555	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	267
3.2 Without underlying security	410,022	24,521,760	172,930	1,777,290	13,421,195	7,116,772	2,496,856	-
- Options	270,022	8,517	130	255	1,776	11,569	261,739	-
+ long positions	135,022	2,340	65	127	886	6,086	132,478	-
+ short positions	135,000	6,177	65	128	890	5,483	129,261	-
- Other derivatives	140,000	24,513,243	172,800	1,777,035	13,419,419	7,105,203	2,235,117	-
+ long positions	70,000	7,950,908	172,800	1,467,000	7,410,700	5,585,000	2,025,000	-
+ short positions	70,000	16,562,335	-	310,035	6,008,719	1,520,203	210,117	-
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	**14,985**	**21,145**	**423**	**1,415**	**3,431**	**9,738**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	13,170	20,946	-	-	-	-	-	-
1.3 Loans to customers	1,815	199	423	1,415	3,431	9,738	-	-
- c/a	1,815	-	-	-	-	-	-	-
- other loans	-	199	423	1,415	3,431	9,738	-	-
- with early repayment option	-	151	66	21	-	-	-	-
- other	-	48	357	1,394	3,431	9,738	-	-
2 On-balance-sheet liabilities	**38,704**	**1,295**	**12,508**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	38,605	-	-	-	-	-	-	-
- c/a	38,604	-	-	-	-	-	-	-
- other due and payables	1	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1	-	-	-	-	-	-	-
2.2 Due to banks	99	1,295	12,508	-	-	-	-	-
- c/a	99	-	-	-	-	-	-	-
- other due and payables	-	1,295	12,508	-	-	-	-	-
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	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2.3 FOREIGN EXCHANGE RISK

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF FOREIGN EXCHANGE RISK

General aspects

Crédit Agricole Italia 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.

Organisational aspects

The process for the management of foreign exchange risks is governed by the relevant risk policy, which is one of the key components of the overall risk governance model implemented by the Group, consistently with the guidelines given by Crédit Agricole S.A..

Within the process for foreign exchange risk management, primary responsibility is assigned to corporate bodies/departments, according to their respective scopes, and they must be fully aware of the Bank's level of exposure. Specifically:

- The Board of Directors is tasked with strategic oversight and is therefore responsible for defining risk governance policies and management processes;
- The Deputy General Manager in charge of Corporate Banking, through the Capital Market Division, is responsible for risk management, and, therefore, defines and steers the Group's mechanism for the management of exchange rate risk, in compliance with the instructions and resolutions issued by the ALM Committee and by the Risk and Internal Control Committee;
- The Risk Management and Permanent Controls Department is responsible for level 2.2 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 S.A. Group. Such risk appetite is structured through global limits and operational limits that are defined by the Risk Strategy.

The global limit is set in order to ensure a controlled development of the business. It is calculated as the sum of the value in Euro of the open foreign currency position (in absolute value) for each currency 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. That limit takes into account the foreign currency position of both Crédit Agricole Italia and of Crédit Agricole FriulAdria at a consolidated level; following every transaction made by CA FriulAdria, the subsequent risk position is automatically immunized through the transaction reversal with the Parent Company Crédit Agricole Italia, which, therefore, centrally manages foreign exchange risk for the whole Group.

Control System

The monitoring of the limits, which is carried out on a daily basis, is a task assigned to the Risk Management and Permanent Controls Department. The outcomes of monitoring on limits are included in the monthly Report on Financial Risks. It is sent to the Group's Top Management (CFO), to the structures engaged in foreign exchange risk management (Corporate Banking Department), to the Internal Audit Department and to Crédit Agricole S.A. (*Direction Risques Groupe*).

A summary of this report is the basis for quarterly reporting on foreign exchange risks to the Group's Executive and Control collective Bodies (Risk and Internal Control Committee, Board of Auditors, Board of Directors).

If certain events occur (the limits are breached, there are material changes in markets, material losses, etc.), the Group triggers the alert procedure in force, reporting the event and the related remedial action plan to the Top Management Bodies and to the Direction Risques Groupe of Crédit Agricole S.A., depending on the type of breach.

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, are traded upon the closing of the relevant transactions with Customers and entered in the relevant procesures within the business day.

Quantitative disclosure

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currencies					
	USD	GBP	JPY	CAD	CHF	Other currencies
A. Financial Assets	**261,488**	**36,674**	**5,375**	**1,885**	**7,207**	**15,418**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	126,041	23,246	4,841	1,290	4,739	12,776
A.4 Loans to customers	135,447	13,428	534	595	2,468	2,642
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**8,200**	**856**	**259**	**224**	**763**	**953**
C. Financial Liabilities	268,330	37,110	5,658	1,989	7,748	15,979
C.1 Due to banks	33,659	12,577	17	10	1,296	8,545
C.2 Due to customers	234,671	24,533	5,641	1,979	6,452	7,434
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**3,076**	**319**	**-**	**31**	**102**	**126**
E. Financial derivatives	**526,652**	**12,426**	**64**	**4,428**	**29,210**	**5,776**
- Options	720	322	56	-	-	-
+ long positions	360	161	28	-	-	-
+ short positions	360	161	28	-	-	-
- Other derivatives	525,932	12,104	8	4,428	29,210	5,776
+ long positions	263,326	6,112	-	2,157	14,617	2,869
+ short positions	262,606	5,992	8	2,271	14,593	2,907
Total assets	**533,374**	**43,803**	**5,662**	**4,266**	**22,587**	**19,240**
Total liabilities	**534,372**	**43,582**	**5,694**	**4,291**	**22,443**	**19,012**
Mismatch (+/-)	**-998**	**221**	**-32**	**-25**	**144**	**228**

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 31.12.2020				Total 31.12.2019			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1 Debt securities and interest rates	-	4,029,640	4,014,281	-	-	3,358,829	3,338,055	-
a) Options	-	708,949	704,619	-	-	778,864	774,559	-
b) Swaps	-	3,320,691	3,309,662	-	-	2,579,965	2,563,496	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2 Equity securities and equity indices	-	-	182	-	-	-	187	-
a) Options	-	-	182	-	-	-	187	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3 Foreign exchange and gold	-	292,575	341,796	-	-	296,098	355,558	-
a) Options	-	54,878	54,878	-	-	47,032	47,032	-
b) Swaps	-	40,298	40,298	-	-	37,746	37,746	-
c) Forwards	-	197,399	246,620	-	-	211,320	270,780	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4 Commodities	-	-	-	-	-	5,896	5,912	-
5 Other	-	-	-	-	-	-	-	-
Total	-	4,322,215	4,356,259	-	-	3,660,823	3,699,712	-

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

Underlying assets /Types of derivatives	Total 31.12.2020				Total 31.12.2019			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1 Positive fair value								
a) Options	-	457	3,180	-	-	679	2,265	-
b) Interest rate swaps	-	24	60,532	-	-	210	50,723	-
c) Cross currency swaps	-	-	260	-	-	-	252	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	1,663	4,890	-	-	908	2,586	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	26	-	-	-	506	-	-
Total	**-**	**2,170**	**68,862**	**-**	**-**	**2,303**	**55,826**	**-**
2 Negative fair value								
a) Options	-	2,715	411	-	-	1,598	612	-
b) Interest rate swaps	-	71,659	-	-	-	58,967	294	-
c) Cross currency swaps	-	263	-	-	-	258	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	4,212	2,261	-	-	2,069	1,356	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	26	-	-	-	488	-
Total	**-**	**78,849**	**2,698**	**-**	**-**	**62,892**	**2,750**	**-**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	251,718	3,762,564
- positive fair value	X	-	2,823	58,486
- negative fair value	X	-	-	394
2) Equity securities and equity indices				
- notional value	X	181	-	-
- positive fair value	X	492	-	-
- negative fair value	X	-	-	-
3) Foreign exchange and gold				
- notional value	X	38,027	15,239	288,529
- positive fair value	X	447	226	6,388
- negative fair value	X	550	-	1,754
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	-	4,027,991	1,649	-
- gross positive fair value	-	463	-	-
- gross negative fair value	-	72,410	43	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- gross positive fair value	-	-	-	-
- gross negative fair value	-	-	-	-
3) Foreign exchange and gold				
- notional value	-	292,576	-	-
- gross positive fair value	-	1,707	-	-
- gross negative fair value	-	6,396	-	-
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 TRADING: 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	1,868,962	4,950,341	1,224,618	8,043,921
A.2 Financial derivatives on equity securities and equity indices	182	-	-	182
A.3. Financial derivatives on foreign exchange rates and gold	501,877	132,494	-	634,371
A.4 Financial Derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2020	**2,371,021**	**5,082,835**	**1,224,618**	**8,678,474**
Total 31.12.2019	**2,756,639**	**3,807,709**	**796,187**	**7,360,535**

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 yield curve.

The main financial instruments for the management of interest risk hedges are Interest Rate Swaps, which, for their very nature, are contracts referring to “pure” interest rate risk.

Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with optional components to Customers (macro-hedging), government securities (micro- hedging), current accounts and fixed-rate mortgage loans in the macro-hedging portfolio.

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

B. CASH FLOW HEDGING

In 2020, no Cash Flow Hedge transactions were carried out.

D. HEDGING INSTRUMENTS

Crédit Agricole Italia hedges interest rate risk resulting from some parts of its balance sheet items under fair value hedging, with the following instruments:

- IRS, both for micro-hedging (Issued Debenture Loans and Securities under assets), and for macro-hedging (modelled Retail Current Accounts under liabilities and fixed-rate mortgage loans to Customers);
- 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:

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 and fixed-rate mortgage loans to Customers);
- 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.

Hedging of Securities recognized as Assets (fixed rate):

The hedged item is limited to portion referring to interest rate risk. Hedging is done with IRSs in which the variable-rate leg is determined as 3M Euribor and the fixed-rate leg equalizes the swap market rate with maturity equal to the security maturity.

Hedging of the fixed-rate part of Retail Current Accounts recognized 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 3M Euribor. The value of the hedged rate and the duration of this bond-equivalent are determined with a modelling process that is specific to the Retail channel and is reviewed on a yearly basis and validated by the relevant structures of Crédit Agricole Italia. Through a statistical analysis, the model breaks down a set of current accounts featuring the same behavioural aspects and product type (Retail current accounts under liabilities), into its different financial parts: stable part by volume (fixed-rate or variable-rate), and volatile part. The hedged part is the stable fixed-rate one.

Hedging of the CAP option on 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 Crédit Agricole Italia's financial leverage. Every IRO is specifically traded in order to hedge portfolios of mortgage loans having the same financial characteristics (strike, market parameter, payment schedule, …). In this way, Crédit Agricole Italia achieves its objective of having essential specularity between the characteristics of the implied Cap rates of the mortgage loans and those of the IRO hedging them.

Hedging of fixed-rate mortgage loans

The hedged item is limited to portion referring to interest rate risk and is an aggregate of mortgage loans homogeneous in terms of original duration (within the set time bracket) and interest settlement frequency. Once having defined the financial characteristics of the item to be hedged for interest rate risk, it is hedge "at par", i.e. with the swap market rate on the IRS fixed-rate leg, equal to the meta mortgage loan maturity,which, on the trade date, equalizes the value of 3M Euribor applied to the variable-rate leg.

Quantitative disclosure

A. Financial Derivatives held for hedging

A.1 FINANCIAL DERIVATIVES HELD FOR HEDGING CLOSING NOTIONAL VALUES

Underlying assets/Type of derivatives	Total 31.12.2020				Total 31.12.2019			
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1 Debt securities and interest rates	-	26,906,413	757,555	-	-	24,145,647	-	-
a) Options	-	2,225,005	-	-	-	2,419,272	-	-
b) Swaps	-	24,681,408	-	-	-	21,726,375	-	-
c) Forwards	-	-	757,555	-	-	-	-	-
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	**-**	**26,906,413**	**757,555**	**-**	**-**	**24,145,647**	**-**	**-**

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 31.12.2020				Total 31.12.2019				Total 31.12.2020	Total 31.12.2019
	Over-the-Counter			Organized markets	Over-the-Counter			Organized markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
1 Positive fair value										
a) Options	-	1,437	-	-	-	23,575	-	-	1,437	23,575
b) Interest rate swaps	-	941,561	-	-	-	644,731	-	-	941,561	644,731
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	111	-	-	-	-	-	111	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**942,998**	**111**	**-**	**-**	**668,306**	**-**	**-**	**943,109**	**668,306**
2 Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	705,551	-	-	-	415,395	-	-	705,551	415,395
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	388	-	-	-	-	-	388	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**705,551**	**388**	**-**	**-**	**415,395**	**-**	**-**	**705,939**	**415,395**

A.3 OTC FINANCIAL DERIVATIVES HELD FOR HEDGING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other parties
Contracts not included in netting agreements				
1) Debt securities and interest rates	-	**758,054**	-	-
- notional value	X	757,555	-	-
- positive fair value	X	111	-	-
- negative fair value	X	388	-	-
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	-	**28,554,962**	-	-
- notional value	-	26,906,413	-	-
- gross positive fair value	-	942,998	-	-
- gross negative fair value	-	705,551	-	-
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	2,679,225	13,419,419	11,565,324	27,663,968
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 31.12.2020	**2,679,225**	**13,419,419**	**11,565,324**	**27,663,968**
Total 31.12.2019	**3,723,161**	**9,478,903**	**10,943,583**	**24,145,647**

D. HEDGED ITEMS

D.1 FAIR VALUE HEDGING

	Micro-hedges:book value	Micro-hedges – net positions: book value of assets or liabilities (before netting)	Micro-hedges			Micro-hedges:book value
			Cumulative changes In the fair value of the hedged item	Termination of hedging: Residual cumulative fair value changes	Change in value used to calculate hedge ineffectiveness	
A. ASSETS						
Financial assets measured at fair value through other comprehensive income - hedging of:	**2,637,001**	**-**	**55,150**	**-**	**-**	
1.1 Debt securities and interest rates	2,637,001	-	55,150	-	-	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:	**6,321,929**	**-**	**130,101**	**-**	**-**	
1.1 Debt securities and interest rates	6,320,560	-	129,848	-	-	X
1.2 Equity securities and equity indexes	-	-	-	-	-	X
1.3 Foreign exchange and gold	-	-	-	-	-	X
1.4 Loans	1,369	-	253	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31 Dec. 2020	**8,958,930**	**-**	**185,251**	**-**	**-**	**-**
Total 31 Dec. 2019	**4,022,351**	**-**	**155,460**	**921**	**-**	**-**
B. LIABILITIES						
Financial liabilities measured at amortized cost - hedging of:						
1.1 Debt securities and interest rates	8,959,812	-	-529,365	-	-	X
1.2 Foreign exchange and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31.12.2020	**8,959,812**	**-**	**-529,365**	**-**	**-**	**-**
Total 31.12.2019	**7,552,270**	**-**	**259,484**	**378**	**-**	**-**

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	-	**33,413,880**	**256,233**	**3,821,444**
- notional value	-	31,691,958	253,367	3,762,564
- positive fair value	-	943,573	2,823	58,486
- negative fair value	-	778,349	43	394
2) Equity securities and equity indices	-	**674**	-	-
- notional value	-	182	-	-
- positive fair value	-	492	-	-
- negative fair value	-	-	-	-
3) Foreign exchange and gold	-	**339,701**	**15,465**	**296,671**
- notional value	-	330,603	15,239	288,529
- positive fair value	-	2,153	226	6,388
- negative fair value	-	6,945	-	1,754
4) Commodities	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
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

SIGNIFICANT EVENT IN THE REPORTING PERIOD

Covid-19 – Impacts on liquidity risk

Having regard to liquidity risk, since the very beginning, Crédit Agricole Italia has deployed all necessary measures to optimize liquidity management, keeping a strong position that can rely on the availability of large buffers and on highly stable funding.

In 2020, the monetary policy implemented by the European Central Bank and the measures deployed by the Italian Government to support lending to the categories that were the hardest hit by the pandemic were able to mitigate the potential worsening in liquidity conditions.

In the reporting year, the effects of the COVID-19 epidemic drove the European Central Bank to extend its TLTRO-III programme and to improve the conditions for that source of funding.

Based on these elements, Crédit Agricole Italia's available liquidity buffers have been deemed adequate to meet present and forward-looking requirements.

In December 2020, Crédit Agricole Italia's LCR came to 246%, remaining well above the minimum requirement throughout the Business plan.

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

General and organisational aspects

Liquidity risk reflects the possibility that Crédit Agricole Italia may not be able to meet its payment commitments, both expected and unexpected, without prejudicing its daily operations or its financial position. This risk is managed based on the following components:

- Management of short-term liquidity: its objective is to ensure the balance between 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.

The model provides for the governance and management of liquidity risk to be centrally performed by the Parent Company Crédit Agricole Italia, which is also responsible for the funding process of all the entities of the Group. This framework is defined as the "Liquidity System".

The model lays down the responsibilities of the Corporate Bodies and Functions Holders involved, specifically:

- The Board of Directors, the body in charge of strategic oversight, is responsible for defining governance policies, the organizational structure and management processes. Specifically, it approves measurement methods, risk tolerance thresholds and the limits system, the assumptions at the basis of stress tests and the Contingency Funding Plan (CFP or *Plan d'Urgence*).
- The CFO, through the Finance Department, is the role responsible for management and, specifically, for the preparation of the reporting to the Bank of Italy, as well as of internal reporting on Crédit Agricole Italia's liquidity situation (Liquidity Report). The Finance Department operates in compliance with the directions set by the ALM Committee, the Risk and Internal Control Committee, the RAF and the Risk Strategy;
- The Risk Management and Permanent Controls Department is responsible for the permanent controls framework, verifies 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 and indicators provided for in the Contingency Funding Plan.

The process for the management of liquidity risk is governed by the relevant risk policy.

Risk management and control: methodological aspects

The model adopted for liquidity risk management is based on the monitoring of the short-term component (up to 12 months) and the medium/long-term one.

The main objective of the short-term liquidity management process is to ensure that Crédit Agricole Italia is able to meet its on-balance-sheet payment commitments, expected and unexpected, in such a way as not to prejudice normal business operations.

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, surplus 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 at a planned pace (monitoring the performance of liquidity used in loans to customers/from customer sources).

An essential aspect of liquidity management is the definition of an interbank short-term refinancing limit (LCT - Limite Court Terme), which is fine-tuned in accordance with the guidelines given by the French Parent Company Crédit Agricole S.A., aimed at limiting short-term funding on the market over a one-year time horizon in a market featuring stress conditions.

Short-term liquidity risk management and oversight policies aim at ensuring the surmounting of any crisis that leads to serious reduction in Crédit Agricole Italia'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 Crédit Agricole Italia Banking 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 Crédit Agricole Italia Banking 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 Crédit Agricole Italia Banking 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 Crédit Agricole Italia calculates its Liquidity Coverage Ratio (LCR= Stock of high quality liquid assets/Total net cash outflows in the subsequent 30 calendar days). The 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 2020, in compliance with the Basel III regulatory framework, the Banks of the Crédit Agricole Italia Banking 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 2020, the Liquidity Coverage Ratio (LCR) of Crédit Agricole Italia was 246%, once again firmly above the set compliance requirements(*).

Global alert thresholds have also been implemented for the management medium-/long-term liquidity, by defining the ratios Position en Resources Stable (PRS – Stable Resources Position) and Coefficient en Resources Stable (CRS – Stable Resources Ratio). They aim at ensuring financial balance between stable founding (medium-/long-term funding on the market, funding from Customers, own funds) and long-term uses (non-current assets, loans to Customers, Customers' securities and LCR reserves). PRS and CRS positive levels substantiate the Crédit Agricole Italia Banking Group's ability to support its assets during a crisis.

Moreover, a concentration limit to MLT maturities (concentration des échéances à 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 Crédit Agricole Italia Banking Group's risk appetite and are benchmarked against specific limits laid down by Crédit Agricole S.A. and approved by the Group Risk 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.

(*) Since 1 January 2018, the minimum requirement on an individual basis has been set at 100%

The drive towards diversification of the Group's refinancing sources through Covered Bonds placed in the market continued in 2020. In January 2020, the Crédit Agricole Italia Banking Group went again to the market with a new dual-tranche issue of Covered Bonds with 8-year and 25-year maturities for Euro 500 million and Euro 750 million, respectively. The 25-year maturity tranche was the issue of covered bonds with the longest maturity ever offered in Italy.

With this transaction, the Crédit Agricole Italia Banking Group aims at improving its liquidity profile diversifying financing sources and stabilizing them on longer maturities.

Crédit Agricole FriulAdria participates in the cover pool transferring credit claims from mortgage loans and obtaining its share of M/L term liquidity.

Furthermore, within the ECB Targeted Longer-Term Refinancing Operations (TLTRO) programme, between March and September 2020, the Parent Company Crédit Agricole Italia participated in TLTRO-III.

Lastly, in marketing the products of the Group's Banks, the internal transfer rate system takes account of the cost of liquidity.

Based on the products' financial features and on the prevailing market conditions, the system allows the internal return rate to be determined, which, in turn, is the basis for the pricing of lending and direct funding products.

Risk control

The Risk Management and Permanent Controls Department is responsible for controlling the risk taken and compliance with the set limits; therefore it prepares and issues its own Financial Risk Report on a monthly basis, which includes information on the control outcomes and on any breaches of the limits or alert thresholds and, in case any limits or thresholds are exceeded, it asks the Finance Department for a recovery plan. On a quarterly basis, it submits a summary of the above Report to the Risk and Internal Control Committee and to Crédit Agricole Italia Boards of Directors.

Lastly, in case any limits are breached, the Risk Management and Permanent Controls Department shall inform, through the Alert Procedure in force, the relevant Top Bodies of the Crédit Agricole Italia Banking Group and the relevant structures of Crédit Agricole SA., depending on the type of breach detected.

Jointly with the Finance Department, the Risk Management and Permanent Controls Department is also responsible for monitoring the ratios provided for in the Contingency Funding Plan (CFP).

The CFP of the Crédit Agricole Italia Banking Group is approved by the Board of Directors of the Parent Company Crédit Agricole Italia and applies to all the legal entities within the liquidity risk monitoring perimeter.

DISCLOSURE

The document "Disclosure" (Basel III Third Pillar) referring to 31 December 2020 is published on the Group's 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 European Union and, therefore, the conditions laid down in Part One, Title II, Chapter 2, Article 13, Paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) on "Application of disclosure requirements on a consolidated basis" are met.

Quantitative disclosure

1. Breakdown of financial assets and liabilities by residual contract maturity

Items/Time brackets (Euro)	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**1,936,803**	**97,608**	**172,750**	**704,051**	**1,902,624**	**1,737,439**	**3,896,627**	**24,831,378**	**20,023,685**	**8,266,057**
A.1 Government securities	25	-	2,093	-	48,207	105,626	396,911	7,195,300	1,770,711	-
A.2 Other debt securities	5	-	-	-	-	-	9,253	20,077	2	135,246
A.3 Units of collective investment undertakings	27,138	-	-	-	-	-	-	-	-	-
A.4 Loans	1,909,635	97,608	170,657	704,051	1,854,417	1,631,813	3,490,463	17,616,001	18,252,972	8,130,811
- banks	234,546	241	178	121,365	736,001	55,203	34,251	659,853	911,050	8,130,811
- customers	1,675,089	97,367	170,479	582,686	1,118,416	1,576,610	3,456,212	16,956,148	17,341,922	-
On-balance-sheet liabilities	**38,302,689**	**2,773**	**25,746**	**33,570**	**215,811**	**186,650**	**243,893**	**14,753,906**	**6,552,077**	**-**
B.1 Deposits and current accounts	37,928,100	-	-	267	78,827	398	11,752	368,900	665,000	-
- banks	1,106,379	-	-	-	73,629	-	-	368,900	665,000	-
- customers	36,821,721	-	-	267	5,198	398	11,752	-	-	-
B.2 Debt securities	153,938	2,773	25,117	29,374	120,677	155,475	171,684	4,504,453	4,970,000	-
B.3 Other liabilities	220,651	-	629	3,929	16,307	30,777	60,457	9,880,553	917,077	-
Off-balance-sheet transactions	**148,093**	**76,090**	**638,992**	**248,767**	**207,820**	**165,492**	**238,509**	**853,847**	**251,200**	**-**
C.1 Financial derivatives with exchange of principal	-	76,025	624,862	230,612	122,472	124,117	76,974	716,573	116,200	-
- long positions	-	47,983	592,326	203,813	61,228	62,207	38,492	51,585	100	-
- short positions	-	28,042	32,536	26,799	61,244	61,910	38,482	664,988	116,100	-
C.2 Financial derivatives without exchange of principal	148,093	65	14,130	18,155	85,348	41,375	161,535	137,274	135,000	-
- long positions	69,159	26	14,083	18,155	49,883	31,673	106,624	137,274	-	-
- short positions	78,934	39	47	-	35,465	9,702	54,911	-	135,000	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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/Time brackets (other currencies)	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Indefinite maturity
On-balance-sheet assets	**8,724**	**511**	**6,566**	**-**	**-**	**46**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,724	511	6,566	-	-	46	-	-	-	-
- banks	5,699	511	6,566	-	-	-	-	-	-	-
- customers	3,025	-	-	-	-	46	-	-	-	-
On-balance-sheet liabilities	**7,484**	**5,030**	**3,382**	**-**	**-**	**-**	**94**	**-**	**-**	**-**
B.1 Deposits and current accounts	7,405	5,030	3,382	-	-	-	94	-	-	-
- banks	134	5,030	3,382	-	-	-	-	-	-	-
- customers	7,271	-	-	-	-	-	94	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	79	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**2,528**	**794**	**1,001**	**-**	**-**	**5,042**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	734	1	-	-	-	5,042	-	-	-
- long positions	-	348	-	-	-	-	2,521	-	-	-
- short positions	-	386	1	-	-	-	2,521	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	1,558	793	765	-	-	-	-	-	-
- long positions	-	1,558	-	-	-	-	-	-	-	-
- short positions	-	-	793	765	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	236	-	236	-	-	-	-	-	-
- long positions	-	-	-	236	-	-	-	-	-	-
- short positions	-	236	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Section 5 – Operational risks

Qualitative disclosures

A. GENERAL ASPECTS MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

The Crédit Agricole Italia Banking Group has adopted the definition of operational risk given in "Basel 2 – International Convergence of Capital Measurement and Capital Standards" prepared by the Basel Committee on Banking Supervision.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

To consolidate and enhance control of operational risks, the 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 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 regulatory 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 Cariparma, which implements the guidelines issued by the Risk Management Department of the Controlling Company Crédit Agricole S.A., and reports on a solid line to the latter.

The Risk Management and Permanent Controls Department 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 FEi/PSEE (Critical and Important Functions) 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;
  - Interfunctional Unit for the Provision of Outsourced Critical and Important Functions
  - 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 structures in collective assessment work groups (CIF, improvement,).

Each one of these processes entails information processing based on methods that are predefined, repeatable and formalized in the Company's normative instruments, 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 on a yearly basis (Risk Self-Assessment") aimed at designing an annual Action Plan containing all the initiatives that the owners of the various corporate processes have identified as required in order to mitigate the detected operational risks operational risks; the Action Plan is then submitted to the Board of Directors for approval;
- 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 framework for controlling and monitoring outsourced critical and important functions (CIF):
- Implementation of the mechanism for control and monitoring on:
  - Physical security;
  - Business Continuity (BCP);
- Implementation of the function for 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 polices 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 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 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 Critical and Important Functions (CIF);
- Perform controls and specific analyses on the insurance policies underwritten by the Providers of Outsourced Important Operational Functions (FEI), in order to assess their adequacy to the risks associated with the outsourced essential services.

Risk management oversight and shared solutions

This is the specific task of the Group Risk and Internal Control Committee, composed of the main Corporate Function holders, which is responsible for:
- Approving guidelines and action plans on Operational Risks;
- Acknowledging the Loss Data Collection (LDC) outcomes;
- Monitoring control activities and outcomes, as well as periodically validating the mapping of operational risks;
- Governing Business Continuity for the Crédit Agricole Italia Banking Group;
- Monitoring and, if necessary, taking action on Information and Communication Technology (ICT) Risk for the Crédit Agricole Italia Banking Group, assessing the situation based on the periodic reporting made by the PRSI (Pilote des Risques SI) and by the CISO (Chief Information Security Officer) .
- Assessing the dossiers for the outsourcing of critical and important operational functions (CIF or with the Italian acronym FEII) for the Crédit Agricole Italia Banking Group;
- Managing risk transfer, with specific reference to insurance coverage.

Loss data

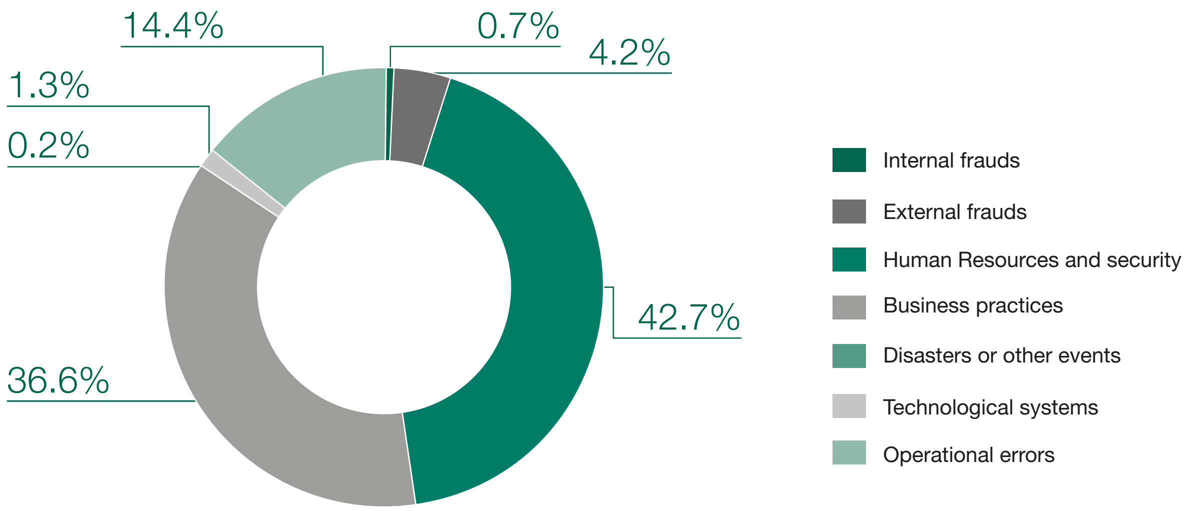
Operational losses, which the model considers as quantitative data, are collected, managed and analyzed, to different levels of granularity and detail, using an event classification scheme complying with the one set by the Basel II Framework, by the Supervisory Authority and by Crédit Agricole S.A. The basic structure is given below:
- Internal frauds: events due to deliberate acts committed by at least one party internal to the Bank and causing losses to the Bank;
- External frauds: events due to deliberate acts committed exclusively by parties that cannot be defined as internal to the Bank, generally for the purpose of personal gain;
- 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 Vendors.

For Loss Data Collection and for reporting consolidated loss data, the Crédit Agricole Italia Banking Group has adopted an IT application especially designed for the adoption of advanced approaches, as well as specific tools and models developed directly by Crédit Agricole S.A.

QUANTITATIVE DISCLOSURES

With reference to sources of operational risk, the breakdown of net losses (gross losses net of other collection excluding insurance-related ones) by event type recognized in 2020 is given below. Any so-called "boundary losses" have been excluded.



Information and Communication Technology (ICT) Risk

Pursuant to the regulatory provisions issued by the Bank of Italy (Circular 285/13), Information and Communication Technology (ICT) Risk is defined as the "risk of suffering losses, in terms of income, reputation and market shares, associated with the use of Information and Communication Technology (ICT). In the integrated statement of corporate risks for prudential purposes (ICAAP), this type of risk is included, in accordance with specific aspects, among operational, reputational and strategic risks".

To analyze and assess ICT risks on its IT resources, the Crédit Agricole Italia Banking Group implements and develops the key concepts of the "MESARI Risk Analysis Methodology" of the Parent Company Crédit Agricole S.A., supplementing it, to achieve an overall representation of its risk position, with:

- The definition of the risk taxonomy of the information system;
- The outcomes of the Risk Self-Assessment Process;
- The outcomes of the process for collection of Operational Losses data;
- The outcomes of the Permanent Controls framework;
- Continuous information flows on the main processes/events concerning the Information System and Information System Security, with specific reference to incident management.

The ICT Risk governance stricture meets the requirements in terms of roles and responsibilities; in 2020 the activities to comply with regulatory requirements and expectations were completed, specifically PSD2 (Guidelines on Operational e Security Measures, RTS on SCA & CSC for the e-money and Major Incidents components) and

Bank of Italy Circular no. 285 (July 2019 update) and with Group standards; said activities resulted in a structured framework for the governance of the ICT risks the Group is exposed to.

Furthermore, the actions deployed in 2020 to manage the COVID-19 pandemic entailed a large increase in work from home (smartworking), as well as in digitalization and remotization of contact and sale processes with Customers; safety and risk control measures were concomitantly upgraded to meet the changed operational needs, which caused strong pressure on the availability and security of the Group's information system.

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 Structure 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 for the Information Security System scope;
- The Head of the Information Systems Department of Crédit Agricole Group Solutions (CIO, Chief Information Officer) for the Information System scope (other risk not security-related).

Business Continuity Plan (Italian acronym: PCO)

In 2020, 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 2020, the main activities were:

- Continuing the implementation of the Crisis Management Organizational Model (CMOM): specifically, to manage the health emergency, a Covid-19 Task Force was set as the Crisis Management Operational Unit and as the Surveillance Team, with the Person in Charge of Physical Security and Occupational Safety, the Occupational Physician and the HR Department sitting on it; the Covid-19 Task Force reports to the Group Top Management on a weekly basis. The exceptional duration of the emergency required that the protections solutions envisaged by the Continuity Plan scenarios be adapted in order to ensure the survival of operational processes in the medium term,
- Full deployment of the initiatives concerning supervisory regulations (Bank of Italy Circular 285/2013) as regards the technical and organizational changes made within the Group, especially with the Chief Information Security Officer (CISO) being vested also with the role of Business Continuity Manager for the Group;
- Periodic testing and certification exercises on the solutions for information system recovery and on critical processes in the business continuity scope;
- Adequacy assessment and analysis of business continuity plans and of the relevant tests of providers of Outsourced Critical and Important Functions (CIF), starting the activity also on NON-CIF vendors involved in critical processes;
- The updating of the Business impact analysis (BIA);
- The updating of contingency Operational Plans (back-up solutions to be triggered in case of crisis);
- Comparison to third-party solutions (e.g. EBA), participating in the simulations of such solutions; The reliability of the business continuity plan was favourably verified by the departments and divisions engaged in control functions.

Critical or Important Functions (CIF or FEI, called PSEE – Provisions of Outsourced Essential Services - by Crédit Agricole S.A.)

The FEI/PSEE Control function, performed by a unit that is part of the Operational Risks and Permanent Controls Division of the Risk Management and Permanent Controls Department, governs the system of controls on compliance of the process implemented for outsourced critical and important functions; it is also responsible for specific matters in the definition of risk monitoring controls and provides management and methodological support, especially on risk assessment.

The FEI/PSEE control function chairs and steers the Interfunctional Unit for the Provision of Outsourced Essential Services/Outsourced Important Operational Functions (Italian acronyms: PSEE/FEI).

Within the Organization Department, the Outsourcing Process Manager role was set up as the single point of contract of the Crédit Agricole Italia Banking Group for interaction with the Supervisory Authority about outsourcing; the Outsourcing Process Manager is also responsible for coordinating the end-to-end process for outsourcing functions/bringing them back in house.

In 2020, the most important actions concerned:

- The update of the "Policy on the Outsourcing of Corporate Functions" implementing the latest regulatory expectations introduced by the European Banking Authority in its "Guidelines on outsourcing arrangements" as well as the recent internal normative instruments issued by Crédit Agricole SA ((Politique générale d'externalisation du Groupe Crédit Agricole and Stratégie générale d'externalisation du Groupe Crédit Agricole);
- 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 and the analysis of the associated risks;
- The review and upgrading -by the Unit responsible for control on outsourced critical and important functions - of the monitoring tools it uses to perform its tasks;
- The review and update of the tools used to assess risks associated with outsourcing;
- The preparation of the Register of Outsourcing Arrangements as a tool for the governance and management of information concerning all outsourcing arrangements in force, with different level of detail for critical and important functions;
- The start of the project to ensure compliance of the outsourcing arrangements with the new requirements laid down by Circular. 285/13 transposing the EBA Guidelines;
- General monitoring on and actions to increase the awareness of the outsourced service owners as regards their responsibilities, using also:
  - A specific "*tableau de bord*", managed by the CIFI/PSEE control unit;
  - Regular updating of the permanent controls plan;
  - Systematic performance of specific activities (e.g. "risk assessment", participation in work groups).

The most important results concerned the consolidation of methods, approaches and culture on this matter, all foreboding satisfactory general quality within the outsourcing of Critical and Important Functions (FEI).

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 2020 is given below:

Items/Values	31.12.2020	31.12.2019
1 Capital	979,235	979,233
2 Share premium reserve	3,118,389	3,118,381
3 Reserves	1,568,206	1,318,750
- retained earnings	1,565,178	1,315,927
a) legal reserve	192,078	176,950
b) reserve provided for by the Articles of Association	969,570	683,627
c) treasury shares	-	-
d) other	403,530	455,350
- other	3,028	2,823
3.5 Interim dividends (-)	-	-
4 Equity instruments	715,000	715,000
5 (Treasury Shares)	-	-
6 Valuation reserves	-33,784	-44,790
- Equity securities designated at fair value through other comprehensive income	-13,358	-6,418
- 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	27,450	7,114
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	-	-
Hedging instruments (non-designated elements)	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains (losses) pertaining to defined-benefit pension plans	-47,876	-45,486
- Share of Valuation Reserves on investees measured using the equity method	-	-
- Special revaluation laws	-	-
7 Profit (Loss) for the period	168,206	302,571
Total	**6,515,252**	**6,389,145**

B.2 VALUATION RESERVES OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN

Assets/Values	Total 31.12.2020		Total 31.12.2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debt securities	27,451	-	9,191	2,077
2 Equity securities	1,284	14,642	2,631	9,049
3 Loans	-	-	-	-
Total	**28,735**	**14,642**	**11,822**	**11,126**

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	**7,115**	**-6,418**	**-**
2 Increases	**24,816**	**177**	**-**
2.1 Fair value gains	24,024	177	-
2.2 Adjustments for credit risk	792	X	-
2.3 Reclassification to profit or loss of negative reserves from disposal	-	X	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5 Other changes	-	-	-
3 Decreases	**4,480**	**7,117**	**-**
3.1 Fair value losses	307	7,117	-
3.2 Recoveries for credit risk	81	-	-
3.3 Reclassification to profit or loss of positive reserves from disposal	4,092	X	-
3.4 Transfers to other equity components (equity securities)	-	-	-
3.5. Other changes	-	-	-
4 Closing Balance	**27,451**	**-13,358**	**-**

B.4 VALUATION RESERVES RELATING TO DEFINED-BENEFIT PLANS: CHANGES FOR THE YEAR

	31.12.2020
1 Opening balance	**-45,486**
2 Increases	**1,388**
2.1 Actuarial gains	480
2.2. Other changes	908
3 Decreases	**3,778**
3.1 Actuarial losses	3,778
3.2. Other changes	-
4 Closing Balance	**-47,876**

Section 2 – Own Funds and supervisory requirements

Please, refer to the disclosure on own funds and capital adequacy contained in Sections 2 and 3 of the public disclosure (“Basel III Pillar 3”), on the website of the Crédit Agricole Italia Banking Group, https://gruppo.credit-agricole.it/bilanci-ca-italia, posted concomitantly with the publication of the Parent Company’s Annual Report and Financial Statements, and in the Management Report to these Financial Statements.

PART G – BUSINESS COMBINATIONS

Section 1 – Business combinations made in the reporting year

In 2020 no business combinations were made.

Section 2 – Business combinations made after the reporting date

In the reporting year, Crédit Agricole Italia made a voluntary public tender offer for all ordinary shares in CreVal. For more information, please see paragraph "All-cash voluntary public tender offer made by Crédit Agricole Italia for all shares in Credito Valtellinese" in the Management Report and in Section 3 – Events occurred after the reporting date, in the Note to the financial statements.

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 regulatory framework concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "*control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders*". This regulation came into force on 31 December 2012 and, consequently, the Group submitted its the first supervisory reporting on 31 March 2013, as expected by the competent Authorities.

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

Lastly, 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 to risk assets with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

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

Related parties

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

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

Connected Persons

Persons connected to a related party are defined as follows:

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

Associated Persons

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

1. INFORMATION ON THE REMUNERATION OF MANAGERS VESTED 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.

	31.12.2020
Short-term benefits:	8,164
Benefits subsequent to severance from employment	228
Other long-term benefits	-
Employee severance benefits	-
Share-based payments	-

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are the transfer of resources, services or bonds between the Company (or companies directly and/or indirectly controlled) and one or more of the related parties, independently of whether payment was agreed or not. Transactions carried out with related parties have followed the specific procedures provided for by the aforementioned Regulation.

TYPE OF RELATED PARTIES 2020	Financial assets held for trading	Financial assets through other comprehensive income	Financial assets measured at amortized cost: loans to Customers	Financial assets measured at amortized cost: due from Banks	Financial liabilities measured at amortized cost: due to Customers	Financial liabilities measured at amortized cost: due to Banks	Guarantees given
Controlling Company	-	-	-	166,614	-	878,789	13,837
Entities exercising significant influence on the Company	-	-	-	-	21,823	-	-
Subsidiaries	229	-	1,860,290	2,377,887	484,383	1,743,113	38,980
Associates	76	-	14,337	-	10,023	-	1,035
Directors and Managers with strategic responsibilities	-	-	1,802	-	1,876	-	-
Other related parties	2,930	101	6,359,329	197,175	598,293	470,782	276,593
Total	**3,235**	**101**	**8,235,758**	**2,741,676**	**1,116,398**	**3,092,684**	**330,445**

Main income transactions with related parties

Amounts in thousands of Euro	Net interest income	Dividends and similar income	Net fee and commission income	Personnel expenses
Controlling Company	-22,216	-	-594	202
Entities exercising significant influence on the Company	-	-	178	-
Subsidiaries	689	-	1,471	8,339
Associates	208	-	109	-
Directors and Managers with strategic responsibilities	15	-	122	8,391
Other related parties	55,000	-	335,250	267
Total	**33,696**	**-**	**336,536**	**17,199**

PART I – SHARE-BASED PAYMENTS

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. Group was completed in December 2020 with the allotment of shares to Employees.

The Employees were given the opportunities to invest in shares of Crédit Agricole S.A. with a 30% discount vs. market value. These shares will be tied for the following five years (until 31 May 2025), at the end of which time each employee may freely dispose of them.

In 2020, 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 disclosure

The specific reserve recognized in equity in 2020 as the balancing item of personnel expenses and equal to the discount applied to the shares in Crédit Agricole S.A. subscribed by Crédit Agricole Italia employees, as reported in the previous paragraph, amounts to Euro 205 thousand.

PART L – SEGMENT REPORTING

Operations and profitability by business segment

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

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

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

The data are presented in compliance with the reclassified layouts contained in the report, whereas balance sheet data are presented consistently with the statutory layouts.

The Retail Banking, Private Banking and Financial Advisors channels generated operating income of Euro 1,278 million (-4.1%), net interest income (-5.7%) and net fee and commission income (-2.8%), stable operating costs (+0.5%) despite the weight of specific expenses incurred to continue operations ensuring safety in the present health emergency, and an operating profit coming to Euro 464 million (-11.2%). Net of the cost of risk, which came to Euro 182 million (+87.5%) and after taxes, the net profit came to Euro 217 million (-30.8%).

The Corporate Banking channel generated operating income of Euro 255 million (+4.1%): vs. 2019, net interest income increased (+12.8%) as did income from trading of financial assets (+74.1%), whereas net fee and commission income decreased (-13.4%), being affected mostly by lower fee and commission income on credit lines and lower non-recurring fee and commission components. Operating costs increased slightly (+0.5%) with the Operating profit coming to Euro 197 million (+5.2%). Due to the present scenario, the cost of risk increased (Euro 183 million +62.1%) resulting in a net profit after tax of Euro 11 million (-79.5%).

Assets by segment (point-in-time volumes) consisted of net loans to Customers; as at 31 December 2020, the assets of the Retail Banking, Private Banking and Financial Advisors channels came to Euro 24,313 million (+5.4%) and accounted for 57% of the Group aggregate; the assets of the Corporate Banking channel came to Euro 18,244 million (+12.6%) and accounted for the remaining 43%.

Liabilities by segment (point-in-time volumes) consisted of direct funding from Customers; within this aggregate, funding of the Retail, Private Banking and F.A. channel came to Euro 29,360 million (+6%), accounting for 77% of the total figure; the Corporate Banking channel posted a balance of Euro 7,781 million (+12%), accounting for 20% of the total figure; other funding channels 3%.

It is pointed out that unallocated assets and liabilities include all the other balance sheet typical items: exposures in the interbank market, funding through covered bonds, property, plant and equipment and intangible assets used in operations, tax assets and liabilities, specific-purpose provisions and other items.

In accordance with IFRS 8, it is reported that the 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 did not generate revenues from transactions with any single external customer for amounts exceeding 10% of the income recognized.

Segment reporting as at 31 December 2020

	Retail Bnkg, Private Bnkg and Financial Advisors	Corporate Banking	Other	Total
External operating income:				
Net interest income	629,005	155,031	2,034	786,070
Net fee and commission income	650,760	86,876	5,462	743,098
Profit (loss) on trading activities	3,116	13,454	-2,308	14,262
Dividend income	-	-	10,438	10,438
Other net operating income	-5,198	-368	12,715	7,149
Total operating income	**1,277,683**	**254,993**	**28,341**	**1,561,017**
Personnel and administrative expenses and depreciation and amortization	-813,583	-57,651	-163,682	-1,034,916
Operating profit (loss)	**464,100**	**197,342**	**-135,341**	**526,101**
Losses on impairment of other financial assets	-178,644	-178,921	-7,754	-365,319
Provisioning for risks	-3,748	-3,754	-	-7,502
Total Cost of Risk	**-182,392**	**-182,675**	**-7,754**	**-372,821**
Profit (losses) on equity investments - Profit on disposal of investments	-	-	64,605	64,605
Profit before taxes	**281,708**	**14,667**	**-78,490**	**217,885**
Taxes	-64,231	-3,344	17,896	-49,679
Profit (Loss) for the period	**217,477**	**11,323**	**-60,594**	**168,206**
Assets and liabilities				
Assets by segment (customers + intangibles)	24,312,864	18,244,053	15,780	42,572,697
Equity investments in associates	-	-	1,078,486	1,078,486
Unallocated assets	-	-	26,663,509	26,663,509
Total assets	**24,312,864**	**18,244,053**	**27,757,775**	**70,314,692**
Liabilities by segment	29,359,510	7,781,345	1,129,964	38,270,819
Unallocated liabilities	-	-	25,528,621	25,528,621
Total liabilities	**29,359,510**	**7,781,345**	**26,658,585**	**63,799,440**

Segment reporting as at 31 December 2019

	Retail Bnkg, Private Bnkg and Financial Advisors	Corporate Banking	Other	Total
External operating income:				
Net interest income	667,090	137,427	2,928	807,445
Net fee and commission income	669,364	100,341	7,078	776,783
Profit (loss) on trading activities	2,822	7,728	-2,963	7,587
Dividend income			55,404	55,404
Other net operating income	-7,495	-531	11,017	2,991
Total operating income	**1,331,781**	**244,965**	**73,464**	**1,650,210**
Personnel and administrative expenses and depreciation and amortization	-809,364	-57,343	-162,432	-1,029,139
Operating profit (loss)	**522,417**	**187,622**	**-88,968**	**621,071**
Losses on impairment of other financial assets	-93,477	-108,342	-1,965	-203,784
Provisioning for risks	-3,783	-4,384	-3	-8,170
Total Cost of Risk	**-97,260**	**-112,726**	**-1,968**	**-211,954**
Profit (losses) on equity investments - Profit on disposal of investments	-	-	221	221
Profit before taxes	**425,157**	**74,896**	**-90,715**	**409,338**
Taxes	-110,893	-19,535	23,661	-106,767
Profit (Loss) for the period	**314,264**	**55,361**	**-67,054**	**302,571**
Assets and liabilities				
Assets by segment (customers + intangibles)	23,058,746	16,206,773	13,923	39,279,442
Equity investments in associates	-	-	1,074,438	1,074,438
Unallocated assets	-	-	19,258,929	19,258,929
Total assets	**23,058,746**	**16,206,773**	**20,347,290**	**59,612,809**
Liabilities by segment	27,692,432	6,945,546	1,072,426	35,710,404
Unallocated liabilities	-	-	17,513,260	17,513,260
Total liabilities	**27,692,432**	**6,945,546**	**18,585,686**	**53,223,664**

PART M – DISCLOSURE OF LEASES

Section 1 – Lessee

Qualitative information

The additional information on leases required by IFRS16 is given below.
For the accounting treatment of leases, please see Part A of this Note to the Financial Statements.

Quantitative information

RIGHT OF USE

Lease type	Right of Use value as at 01.01.2020	Amortization for the year	New contracts	Other changes	Right of Use value as at 31/12/2019	Number of contracts as at 31.12.2020
Buildings used in operations	146,736	-28,570	54,034	-6,170	166,030	534
Land used in operations	172	-	-	-	172	-
Buildings used for investment	5,181	-2,414	3,206	-732	5,241	211
Other property, plant and equipment assets: vehicles	1,186	-621	695	-28	1,232	148
Total	**153,275**	**-31,605**	**57,935**	**-6,930**	**172,675**	**893**

The amount of the rights of use under 2020 new contracts does not match the value of the related liability at initial application because of the sale and leaseback transaction that was carried out in 2020 and recognized under para.100 et seq. of IFRS16. Further disclosure is given in the paragraph below "Leaseback transactions".

Rights of use are recognized in the Balance Sheet, item 80 "Property, plant and equipment".

LEASE LIABILITY

Lease type	Liability as at 01.01.2020	Interest expenses	New contracts	Cash outflows	Other changes	Remaining liability as at 31.12.2020	Remaining liability - breakdown by term to maturity			
							Maturity < 1 year	Term to maturity between 1 and 3 years	Term to maturity between 3 and 6 years	Term to maturity > 6 years
Buildings and land used in operations	150,155	3,480	81,236	-31,933	-6,313	196,625	31,200	54,443	60,355	50,627
Buildings used for investment	5,261	45	3,059	-2,334	-731	5,300	2,169	2,712	320	99
Other property, plant and equipment assets: vehicles	1,189	8	681	-613	-28	1,237	532	620	85	-
Total	**156,605**	**3,533**	**84,976**	**-34,880**	**-7,072**	**203,162**	**33,901**	**57,775**	**60,760**	**50,726**

OTHER DATA

Breakdown of real estate operating lease contracts by geographical area and by annual lease payment bracket

REGION	Lease payments up to 5 thousand	Lease payments from €5 thousand to €50 thousand	Lease payments from €50 thousand to €100 thousand	Lease payments over 100 thousand	Total
EMILIA ROMAGNA	13	220	20	4	257
LOMBARDY	5	85	34	16	140
TUSCANY	5	55	22	9	91
CAMPANIA	-	31	20	12	63
LIGURIA	10	35	8	5	58
PIEDMONT	3	38	20	6	67
LAZIO	-	22	8	20	50
OTHER	-	13	4	2	19
Total	**36**	**499**	**136**	**74**	**745**

Frequency of payment instalment by lease type

Lease type	Instalment frequency	Number of contracts
Properties used in operations	Monthly	50
	Quarterly	432
	Half-yearly	40
	other	12
	Total	**534**
Property used for investment	Quarterly	209
	other	2
	Total	**211**
Vehicles	Monthly	148
	Total	**148**
Total		**893**

All property lease contracts are linked to the cost-of-living index published by ISTAT (the Italian National Institute of Statistics).

Lease contracts out of the IFRS 16 scope of application (recognition exemptions para. 5 IFRS 16)

Crédit Agricole Italia has applied para. 6 of IFRS16 to short-term leases and to leases with the underlying asset having low value.

The table reports the information of which in para.. 53 letter d) of IFRS16.

Lease type	Short term lease - 2020 payments	Low value lease – 2020 payments
Real Estate properties	1,144	9
Vehicles	137	-
POS	-	7,408
Other	-	94
Total (net of VAT)	**1,281**	**7,511**

OTHER INFORMATION

Leaseback transactions

In June 2020, Crédit Agricole Italia finalized the sale of a property located in Milan on Via Armorari to Kensington, an Italian closed-end real estate alternative investment Fund reserved to professional investors, the units in which are held by Allianz Real Estate S.p.A.. for a total amount of Euro 140 million.

The buyer was selected after a competitive procedure, which started in January 2020, and after an appropriate due diligence phase. This transaction achieved the purpose of seizing the favourable period in the real estate market, while divesting an important asset of the Group.

In accordance with IFRS16, the sale entailed derecognition of the owned asset, the recognition of the right of use under the non-renewable nine-year lease contract that was signed concomitantly with the sale for an amount of Euro 14 million and the recognition the related liability totalling Euro 42 million, calculated discounting all quarterly payment instalments scheduled up to the contrary expiry in 2029. There are no payments not included in the lease liability recognized under liability item "Due to Customers".

The transaction entailed the recognition of gross capital gain of approximately Euro 65 million, reported in the Income Statement under item "250. Gains and losses on disposals of investments".

Section 2 – Lessor

Qualitative information

The disclosure required by paragraph 97 of the amended IFRS 16, which applies to reporting periods starting on or after 1 January 2019, is given below.

Quantitative information

1. INFORMATION OF BALANCE SHEET AND INCOME STATEMENT

Crédit Agricole Italia has only operating lease contracts. The leased properties are recognized in the Balance Sheet, item 80 "Property, plant and equipment".
In the Income Statement, lease income was recognized amounting to Euro 3,957 million at item 200 "Other operating expenses/income".

2. FINANCE LEASES

Crédit Agricole Italia hasn't finance leases contracts.

3. OPERATING LEASES

1.1 CLASSIFICATION OF PAYMENTS TO BE RECEIVED BY TIME BAND

TIME BANDS	Lease payments to be received Total 2020	Lease payments to be received Total 2019
Up to 1 year	3,986	3,882
From over 1 year to 2 years	3,976	3,779
From over 2 year to 3 years	3,927	3,772
From over 3 year to 4 years	3,861	3,715
From over 4 year to 5 years	3,617	3,650
From over 5 years	9,082	10,252
Total	**28,449**	**29,050**

The payments to be received reported in the table refer to property lease contracts.

There are no variable payments not included in the reported amounts and there are no purchase options on the leased asset. The reported amounts include Euro 16.3 million regarding lease contracts with subsidiaries.

FINANCIAL STATEMENTS OF THE CONTROLLING COMPANY CRÉDIT AGRICOLE S.A.(*)

Disclosure pursuant to Article 2497-bis of the Italian Civil Code.

ACTIF

	31.12.2019	31.12.2018
Opérations interbancaires et assimilées	155,186	147,976
Caisse. banques centrales	8,312	8,306
Effets publics et valeurs assimilées	14,867	14,863
Créances sur les établissements de crédit	132,007	124,807
Opérations internes au Crédit Agricole	336,348	314,865
Opérations avec la clientèle	4,439	3,997
Opérations sur titres	37,734	32,775
Obligations et autres titres à revenu fixe	37,688	32,768
Actions et autres titres à revenu variable	46	7
Valeurs immobilisées	64,413	64,728
Participations et autres titres détenus à long terme	950	878
Parts dans les entreprises liées	63,334	63,719
Immobilisations incorporelles	17	18
Immobilisations corporelles	112	113
Capital souscrit non versé	-	-
Actions propres	6	41
Comptes de régularisation et actifs divers	18,109	18,852
Autres actifs	5,581	5,828
Comptes de régularisation	12,528	13,024
Total actif	**616,235**	**583,234**

PASSIF

	31.12.2019	31.12.2018
Opérations interbancaires et assimilées	92,565	90,959
Banques centrales	12	7
Dettes envers les établissements de crédit	92,553	90,952
Opérations internes au Crédit Agricole	41,253	34,798
Comptes créditeurs de la clientèle	261,032	249,555
Dettes représentées par un titre	118,946	108,489
Comptes de régularisation et passifs divers	25,791	20,773
Autres passifs	11,729	7,382
Comptes de régularisation	14,062	13,391
Provisions et dettes subordonnées	25,108	27,349
Provisions	1,386	2,302
Dettes subordonnées	23,722	25,047
Fonds pour risques bancaires généraux	1,194	1,152
Capitaux propres hors FRBG	50,346	50,159
Capital souscrit	8,654	8,599
Primes d’émission	12,470	12,375
Réserves	12,597	12,591
Écart de réévaluation	-	-
Provisions réglementées et subventions d’investissement	12	15
Report à nouveau	14,597	13,839
Résultat de l’exercice	2,016	2,740
Total passif	**616,235**	**583,234**

(*) For more exhaustive information, plase refer to the website www.credit-agricole.com

COMPTE DE RESULTAT DE CRÉDIT AGRICOLE S.A.

	31.12.2019	31.12.2018
Intérêts et produits assimilés	9,698	10,113
Intérêts et charges assimilées	(11,261)	(11,411)
Revenus des titres à revenu variable	2,712	3,860
Commissions (produits)	972	903
Commissions (charges)	(596)	(648)
Gains ou pertes sur opérations des portefeuilles de négociation	(26)	(105)
Gains ou pertes sur opérations des portefeuilles de placement et assimilés	15	175
Autres produits d'exploitation bancaire	39	192
Autres charges d'exploitation bancaire	(52)	(171)
Produit net bancaire	1,501	2,908
Charges générales d'exploitation	(778)	(737)
Dotations aux amortissements et aux dépréciations sur immobilisations incorporelles et corporelles	(7)	(10)
Résultat brut d'exploitation	716	2,161
Coût du risque	(13)	(9)
Résultat d'exploitation	703	2,152
Résultat net sur actifs immobilisés	(292)	(10)
Résultat courant avant impôt	411	2,142
Résultat exceptionnel	-	-
Impôt sur les bénéfices	1,644	638
Dotations/reprises de FRBG et provisions réglementées	(39)	(40)
Résultat net de l'exercice	**2,016**	**2,740**

DISCLOSURE OF PUBLIC FUNDING

Public funding transparency requirements are laid down in Article 1, paragraphs 125-129, of Italian Law no. 124/2017 but the wording gave rise to several problems in terms of interpretation and application. The worries expressed by trade associations (including Assonime, the Italian Association of Joint-stock Companies) were for the most part solve by Article 35 of Italian Decree Law no. 34/2019 (Growth Decree), which, in many cases, clarifies important matters, in order to streamline and rationalize the aforementioned requirements.

The Law establishes the obligation to disclose, in the note to the financial statements as at 31 December 2019 – and, where applicable, in the note to the consolidated financial statements – the amounts of and other information on “grants, subsidies, advantages, contributions or aids, in money of in kind, not given in general and other than considerations, remuneration or compensations, received from public administration bodies and other identified entities” (hereinafter for short “public funding”).

Noncompliance with these obligations is punished with a civil fine equal to 1% of the received amounts, with a minimum fine of Euro 2,000 and the ancillary penalty of complying with the disclosure obligation. If the offender does not comply with the set disclosure obligation and does not pay the fine within 90 days of its imposition, it shall be required to return the all the amounts received to the entities that granted them.

In order to prevent accumulation of non-relevant information, the Euro 10,000 threshold has been kept, below which the recipient is not required to disclose any information on the received public funding.

Furthermore, in August 2017 the Italian national State Aid Registry was set up at the Directorate-general for business incentive at the Italian Ministry of Economic Development, where all State aids and small amount aids to businesses shall be entered by those that give or manage such aids.

For the aids to Crédit Agricole Italia, please refer to the “Registry Transparency” section, which is publicly available.

DISCLOSURE OF THE FEES FOR THE AUDIT OF THE ACCOUNTS AND OTHER SERVICES PURSUANT TO THE ITALIAN CIVIL CODE AT ARTICLE 2427 PARAGRAPH 16-BIS

FEES FOR:	31.12.2020
Statutory audit of annual accounts	830
Certification services	246
Other services	83
Total	**1,159**

Annexes

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED UP TO 31 DECEMBER 2020

List of IASs/ IFRSs		Endorsing EU Regulation
IFRS 1	First-time adoption of International Financial Reporting Standards	1136/2009 – 550/2010 – 574/2010 – 662/2010 – 149/2011 – 1205/2011 -1255/2012-183/2013-301/2013-313/2013 - 2343/2015- 2441/2015 – 182/2018
IFRS 2	Share-based payments	1126/2008 – 1261/2008 – 495/2009 - 243/2010 - 244/2010 - 28/2015 – 289/2018
IFRS 3	Business Combinations	495/2009 – 149/2011 – 1361/2014 - 28/2015 - 412/2019
IFRS 4	Insurance contracts	1126/2008 – 494/2009 – 1165/2009 – 1988/2017
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 – 494/2009 – 243/2010 - 2343/2015
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008
IFRS 7	Financial Instruments: disclosures	1126/2008 – 70/2009 – 495/2009 – 824/2009 – 1165/2009 – 574/2010 – 149/2011 – 1205/2011 – 1256/2012- 2343/2015- 2406/2015
IFRS 8	Operating Segments	1126/2008 – 243/2010 - 632/2010 - 28/2015
IFRS 9	Deposited financial Instruments	2067/2016 – 498/2018
IFRS 10	Consolidated Financial Statements	1254/2012 – 313/2013 - 1174/2013 - 1703/2016
IFRS 11	Joint Arrangements	1254/2012 – 313/2013 - 2173/2015 - 412/2019
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 – 313/2013 - 1174/2013 - 1703/2016
IFRS 13	Fair Value Measurement	1255/2012 – 1361/2014 - 28/2015
IFRS 15	Revenue from Contracts with Customers	1905/2016 – 1987/2017
IFRS 16	Leases	1986/2017
IAS 1	Presentation of Financial Statements	1274/2008 – 53/2009 – 70/2009 – 494/2009 – 243/2010 – 149/2011 – 301/2013 - 2113/2015 - 2406/2015
IAS 2	Inventories	1126/2008 – 70/2009
IAS 7	Statement of Cash Flows	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 243/2010 – 2017/1990
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 – 70/2009
IAS 10	Events after the Reporting Period	1126/2008 – 70/2009 – 1142/2009
IAS 11	Construction Contracts	1126/2008
IAS 12	Income Taxes	1126/2008 – 495/2009 – 1255/2012 – 2017/1989 - 412/2019
IAS 16	Property, Plant and Equipment	1126/2008 – 70/2009 – 70/2009 – 495/2009 – 301/2013 -28/2015 -2113/2015- 2231/2015 -
IAS 18	Revenue	1126/2008 – 69/2009
IAS 19	Employee Benefits	1126/2008 – 70/2009 – 29/2015 - 2343/2015 - 412/2019
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 – 70/2009
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 – 69/2009 – 494/2009 – 149/2011
IAS 23	Borrowing Costs	1260/2008 – 70/2009 - 2113/2015 - 412/2019
IAS 24	Related Party Disclosures	1126/2008 – 632/2010 - 28/2015
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Separate Financial Statement	494/2009 – 1254/2012 – 1174/2013 - 2441/2015
IAS 28	Investments in Associates and Joint Ventures	1126/2008 – 70/2009 – 494/2009 – 495/2009 – 149/2011 – 1254/2012 -2441/2015 - 1703/2016 – 182/2018 - 237/2019
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 – 70/2009
IAS 31	Interests in Joint Ventures	1126/2008 – 70/2009 – 494/2009 – 149/2011

List of IASs/ IFRSs		Endorsing EU Regulation
IAS 32	Financial Instruments: Presentation	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 495/2009 – 1293/2009 149/2011 – 1256/2012 – 301/2013
IAS 33	Earnings per share	1126/2008 – 494/2009 – 495/2009
IAS 34	Interim Financial Reporting	1126/2008 – 70/2009 – 495/2009 – 149/2011 – 301/2013 - 2343/2015- 2406/2015
IAS 36	Impairment of assets	1126/2008 – 69/2009 – 70/2009 – 495/2009 – 243/2010- 1174/2013 - 2113/2015
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 – 495/2009
IAS 38	Intangible assets	1126/2008 – 70/2009 – 495/2009 – 243/2010 - 28/2015 - 2231/2015
IAS 39	Financial Instruments: Recognition and Measurement (except for some provisions concerning hedge accounting)	1126/2008 – 53/2009 – 70/2009 – 494/2009 – 495/2009 – 824/2009 – 839/2009 – 1171/2009 – 243/2010 – 149/2011- 1375/2013 – 1174/2013
IAS 40	Investment Property	1126/2008 – 70/2009 – 1361/2014 - 2113/2015 – 400/2018
IAS 41	Agriculture	1126/2008 – 70/2009 - 2113/2015
IFRIC 1	Changes in Existing Decommissioning,Restoration and Similar Liabilities	1126/2008
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	1126/2008 – 301/2013
IFRIC 4	Determining whether an Arrangement contains a Lease	1126/2008 – 254/2009
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 – 70/2009 – 1142/2009
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29. Financial Reporting in Hyperinflationary Economies	1126/2008
IFRIC 8	Scope of IFRS 2	1126/2008
IFRIC 9	Reassessment of Embedded Derivatives	1126/2008 – 495/2009 – 1171/2009 – 243/2010
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008
IFRIC 11	IFRS 2 – Group and Treasury Shares Transactions	1126/2008
IFRIC 12	Service Concession Arrangements	254/2009
IFRIC 13	Customer Loyalty Programmes	1262/2008 – 149/2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 – 633/2010
IFRIC 15	Agreements for the Construction of Real Estate	636/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009
IFRIC 18	Transfers of Assets from Customers	1164/2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/02012
IFRIC 21	Levies	634/2014
IFRIC 22	Foreign Currency Transactions and Advance Consideration	519/2018
IFRIC 23	Uncertainty over Income Tax Treatments	1595/2018
SIC 7	Introduction of the Euro	1126/2008 – 494/2009
SIC 10	Government Assistance – No Specific Relation to Operating Activities	1126/2008
SIC 12	Consolidation – Special Purpose Entities	1126/2008
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1126/2008
SIC 15	Operating Leases – Incentives	1126/2008
SIC 21	Income Taxes – Recovery of Revalued Non-depreciable Assets	1126/2008

List of IASs/ IFRSs		Endorsing EU Regulation
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1126/2008
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1126/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 – 254/2009
SIC 31	Revenues – Barter Transactions involving Advertising Services	1126/2008
SIC 32	Intangible Assets – Website Costs	1126/2008

List of International Accounting Standards whose coordinated text has been adopted with Commission Regulation (EC) No. 1126/2008 of 3 November 2008. Said 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 are given next to the relevant item.

Source EFRAG – The EU endorsement process - Position as at 20 February 2021

TAX INFORMATION ON RESERVES

Tax information on equity reserves

	Reserves and provisions that do not form part of Shareholders' income in case of distribution	Reserves and provisions that form part of the Company's taxable income in case of distribution	Reserves and provisions that form part of the Company's taxable income in case of distribution	Undistributable valuation reserves
Share premium reserve	3,075,945	42,444	-	-
Reserve - Contributions for share capital increase	-	-	-	-
Reserve pursuant to It. Leg. D. 124/93 - Art. 13	-	314	-	-
Legal reserve	-	-	192,078	-
Extraordinary reserve	-	-	1,173,562	-
Reserve from first time adoption of IAS/IFRS	-	-	-97,651	-
Reserve from tax adjustment from first time adoption of IAS/IFRS for realignment of tax and reporting values	-	-	12,318	-
Valuation reserve for other corridor elimination	-	-	-5,076	-
Reserve from measurement of OCIRE securities	-	-	-	27,450
Reserve from measurement of OCINR securities	-	-	-	-13,358
Reserve from actuarial valuation - employee severance benefits and defined-benefit pension plan	-	-	-	-47,876
Undistributable extraordinary reserve gains on securities at FV	-	-	-	79
Reserve for share-based payments	1	-	1,787	-
Reserve for free assignation of shares	-	-	1,240	-
Reserve from adjustment of Transfer Purchase Price	-	-	605	-
Reserve for interest on Additional Tier 1 Instruments	-	-	-143,423	-
Reserve for purchases of business units	-	-	233,686	-
Reserve for disposal of business units	-	-	549	-
Reserve from OCINR category securities for sale	-	-	2,699	-
Extraordinary reserve of undistributable dividends on treasury shares	-	-	5	-
IFRS 9FTA reserve	-	-	-347,953	-
Reserve for Carim FTA IAS 19 revised	-	-	-305	-
Merger surplus	-	543,691	-	-
TOTAL	**3,075,946**	**586,449**	**1,024,121**	**- 33,705**
Reserve subject to tax deferral arrangements Law 266/2005 included in capital	-	21,391	-	-

Shareholders' equity: possible use and distributability (pursuant to Article 2427 – paragraph 7-bis)

Liabilities	Amount		Possible uses (*)	Distributable portion	Summary of uses in last three years	
					To cover losses	Other uses
Capital	-	979,235	-	-	-	-
o/w for reserve subject to tax deferral arrangements Law 266/2005	21,391	-	-	-	-	-
Equity instruments	-	715,000	-	-	-	-
Share premium reserve	-	3,075,945	A, B , C (4)	3,075,945	-	-
Share premium reserve taxable pursuant to Law 266/2005	-	42,444	A, B (2), C (3)	42,444	-	-
Reserves	-	1,568,206	-	-	-	-
Legal reserve	192,078	-	A (1), B	-	-	-
Extraordinary reserve	1,173,562	-	A, B, C	1,173,562	-	-
Reserve - Contributions for share capital increase	-	-	A	-	-	-
Reserve pursuant to It. Leg. D. 124/93 - Art. 13	314	-	A, B, C	314	-	-
2019 retained earnings reserve	233,686		A, B, C	233,686		
Reserve for share-based payments	1,788	-	A, B, C	1,788	-	-
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 disposal of business units	549	-	A, B, C	549	-	-
Reserve from OCINR category securities for sale	2,699	-	A, B, C	2,699	-	-
Reserve for interest on Additional Tier 1 Instruments	-143,423	-	A, B, C	-143,423	-	-
Reserve from first time adoption of IAS/IFRS	-97,651	-	-	-	-	-
Reserve from tax adjustment from first time adoption of IAS/IFRS for realignment of tax and reporting values	12,318	-	-	-	-	-
IFRS 9FTA reserve	-347,953	-	-	-	-	-
Valuation reserve for other corridor elimination	-5,076	-	-	-	-	-
Reserve for Carim FTA IAS 19 revised	-305	-	-	-	-	-
Undistributable extraordinary reserve gains on securities at FV	79	-	(5)	-	-	-
Extraordinary reserve of undistributable dividends on treasury shares	5	-	-	-	-	-
Merger surplus	543,691	-	A, B, C	543,691	-	-
Valuation reserves	-	-33,784	-	-	-	-
Reserve from measurement of OCIRE securities	27,450	-	-	-	-	-
Reserve from measurement of OCINR securities	-13,358	-	-	-	-	-
Reserve from actuarial valuation - employee severance benefits and defined-benefit pension plan	-47,876	-	-	-	-	-
Profit for the period	-	168,206	-	-	-	-
TOTAL		**6,515,252**		**4,933,100**	**-**	**-**

(*) 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 one fifth of the share capital.

(5) Undistributable reserve pursuant to Article 6 d. of Italian Legislative Decree 38/2005

OWNED PROPERTY SUBJECT TO REVALUATION PURSUANT TO SPECIAL LAWS

List of owned property items that have been revaluated and are still recognized by Crédit Agricole Italia, setting forth the revaluation amount pursuant to Article 10 of Italian Law No. 72 of 19 March 1983.

Description	Book value net of revaluations	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 31.12.2020	Net book value as at 31.12.2020
RICCIONE - LUNGOMARE DELLA REATT.IN DIS	5,207,320	-	-	-	-	-	-	-	-	-	-	5,207,320	-	5,207,320
VIA UNIVERSITÀ. 1 - PARMA	2,468,466	-	510,263	195,089	2,039,910	6,708,770	-	428,631	-	-	-	12,351,129	2,867,067	9,484,062
LA SPEZIA-CORSO CAVOUR 86. 94. 100	15,601,475	-	-	401,545	1,603,647	3,118,336	-	1,164,756	-	-	-	21,889,759	10,437,648	11,452,111
VIA CAVESTRO. - PARMA	2,445,714	-	385,900	-	1,501,229	3,609,776	-	389,474	-	-	-	8,332,094	2,785,252	5,546,842
LA SPEZIA-PIAZZA VERDI 43	1,588,511	-	-	-	203,259	141,229	-	104,793	-	-	-	2,037,791	1,409,967	627,824
LA SPEZIA-PIAZZA GARIBALDI 11.14.15	2,639,064	-	-	-	-	248,904	-	68,478	-	-	-	2,956,446	1,820,809	1,135,637
AGENZIA CITTÀ N.1 - PARMA	833,165	-	99,914	-	249,070	983,272	-	378,832	-	-	-	2,544,252	1,471,074	1,073,178
LA SPEZIA-VIA SARZANA 25/39	1,847,714	-	-	-	159,356	264,582	-	94,216	-	-	-	2,365,869	1,682,262	683,606
AGENZIA CITTÀ N.3 - PARMA	1,516,561	-	56,793	3,788	285,627	807,691	-	189,474	-	-	-	2,859,934	1,671,334	1,188,599
LA SPEZIA-VIA COLOMBO 121/129	1,545,164	-	-	-	231,608	215,178	-	106,104	-	-	-	2,098,053	1,314,563	783,490
AGENZIA CITTÀ N.6 - PARMA	1,066,819	-	2,406	25,203	112,926	159,997	-	166,015	-	-	-	1,533,365	968,989	564,376
SARZANA-VIA MARCONI 6/10	570,274	-	-	-	-	75,313	-	20,107	-	-	-	665,694	509,374	156,321
LEVANTO-CORSO ITALIA 22	2,463,778	-	-	-	-	7,353	-	117,929	-	-	-	2,589,060	1,886,216	702,844
AGENZIA CITTÀ N.8 - PARMA	1,038,447	-	37	-	382,861	887,578	-	319,388	-	-	-	2,628,312	1,441,132	1,187,180
BRUGNATO-VIA BRINIATI 20	594,422	-	-	-	-	127,067	-	43,974	-	-	-	765,462	546,384	219,079
AGENZIA CITTÀ N.9 - PARMA	617,948	-	15,987	-	186,612	319,851	-	149,334	-	-	-	1,289,733	735,795	553,938
FIVIZZANO-VIA ROMA	1,034,242	-	-	-	-	61,448	7,445	70,857	-	-	-	1,173,992	752,349	421,644
LA SPEZIA-CORSO NAZIONALE 1/3	1,383,800	-	-	-	-	328,874	-	45,497	-	-	-	1,758,171	1,088,833	669,337
LA SPEZIA-VIALE MAZZINI 23/31	936,752	-	-	-	-	331,678	-	9,447	-	-	-	1,277,876	642,276	635,600
AGENZIA CITTÀ N.4 - PARMA	3,831,492	-	-	-	-	1,954,872	-	607,415	-	-	-	6,393,778	4,248,172	2,145,605
FOLLO-VIA ALDO MORO 119/123	665,545	-	-	-	-	49,667	-	879	-	-	-	716,091	524,691	191,400
AGENZIA CITTÀ N.2 - PARMA	1,032,925	-	-	-	-	702,580	-	81,752	-	-	-	1,817,258	955,316	861,942
LERICI-VIA GERINI 54/66	2,482,716	-	-	-	-	286,365	-	81,078	-	-	-	2,850,159	1,733,899	1,116,260
TALIGNANO	657,722	-	-	-	-	1,710,026	289,767	-	-	-	-	2,657,515	628,013	2,029,501
LERICI-SAN TERENZO DI LERICI - VIA MATTE	944,497	-	-	-	-	120,382	-	7,718	-	-	-	1,072,597	458,432	614,165
CA GREEN LIFE VIA LA SPEZIA 138/A P	79,660,346	-	-	-	-	22,803,265	42,608	3,941,633	-	-	-	106,447,851	39,196,454	67,251,397
MONTEROSSO AL MARE-VIA ROMA 47/49	511,179	-	-	-	-	126,073	-	3,263	-	-	-	640,515	436,204	204,311
PARMA - VIA SPEZIA -(PODERE MARTINELLA	3,847,950	-	-	-	-	42,090	-	-	-	-	-	3,890,039	-	3,890,039
SARZANA	3,472,568	-	-	-	336,412	151,630	-	224,815	-	-	-	4,185,424	3,027,045	1,158,379

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 31.12.2020	Net book value as at 31.12.2020
ALBARETO	200,945	-	-	-	-	64,005	-	22,958	-	-	-	287,907	196,568	91,339
LA SPEZIA-VIA FIUME 293/299	1,451,543	-	-	-	172,169	127,874	-	85,263	-	-	-	1,836,848	1,301,784	535,064
BARDI	143,932	-	11,930	5,967	61,540	106,574	-	76,594	-	-	-	406,537	258,637	147,900
LICCIANA NARDI-VIA PROVINCIALE 23	65,192	-	-	-	-	26,585	-	12,575	-	-	-	104,352	23,147	81,205
BASILICANOVA	312,598	-	-	-	57,102	167,520	13,316	147,621	-	-	-	698,157	385,653	312,505
SANTO STEFANO DI MAGRA-PIAZZA MATTEOTTI	378,366	-	-	-	-	150,836	-	6,091	-	-	-	535,293	404,991	130,302
ORTONOVO-VIA AURELIA 248/252	719,067	-	-	-	-	19,306	-	25,241	-	-	-	763,614	492,294	271,320
BEDONIA - NUOVA SEDE	675,586	-	-	-	-	182,435	-	112,306	-	-	-	970,327	586,912	383,415
LA SPEZIA-CORSO NAZIONALE 9/11	150,149	-	-	-	-	41,382	-	9,764	-	-	-	201,295	36,479	164,816
BERCETO	153,751	-	2,161	11,500	61,274	87,586	-	55,926	-	-	-	372,197	221,490	150,707
CALICE AL CORNOVIGLIO-VIA MARCONI 2	146,464	-	-	-	-	17,175	-	1,980	-	-	-	165,618	111,467	54,151
BORGOTARO	475,181	-	11,389	18,401	95,615	128,117	-	16,994	-	-	-	745,698	468,242	277,456
BOLANO-VIA MANZONI 1/5	1,515,877	-	-	-	-	366,774	-	131,993	-	-	-	2,014,644	1,580,384	434,260
BUSSETO FILIALE	724,786	-	22,360	-	-	468,356	-	100,485	-	-	-	1,315,988	788,643	527,345
LA SPEZIA-VIA DELLA SPRUGNOLA 10	5,005,277	-	-	-	-	371,132	-	253,378	-	-	-	5,629,787	3,537,325	2,092,462
LA SPEZIA-PIAZZA CADUTI DELLA LIBERTA -	4,437,537	-	-	-	-	443,693	-	262,165	-	-	-	5,143,396	3,777,644	1,365,751
CALESTANO	67,333	-	9,321	1,911	47,801	94,609	-	17,398	-	-	-	238,373	136,031	102,342
LERICI-SAN TERENZO DI LERICI VIA BIAGGIN	20,249,025	-	-	-	-	3,287,968	-	1,580,071	-	-	-	25,117,063	9,291,414	15,825,649
COENZO	371,668	-	1,808	-	-	138,121	-	9,465	-	-	-	521,062	315,490	205,572
LICCIANA NARDI-VIA ROMA 14	1,001,877	-	-	-	-	97,505	-	-	-	-	-	1,099,382	788,309	311,073
COLLECCHIO	2,125,946	-	-	-	-	288,117	-	191,196	-	-	-	2,605,259	1,385,147	1,220,112
BEVERINO-VIA AURELIA NORD 54	378,948	-	-	-	-	41,624	-	18,300	-	-	-	438,871	322,015	116,857
COLORNO - NUOVA SEDE	980,044	-	-	-	-	786,454	-	108,667	-	-	-	1,875,165	1,105,901	769,264
VILLAFRANCA IN LUNIGIANA-VIA CHIUSURA 38	1,191,611	-	-	-	-	218,682	-	58,845	-	-	-	1,469,138	987,605	481,533
CORNIGLIO	151,514	-	26,353	928	48,146	194,040	-	35,078	-	-	-	456,059	226,235	229,824
BARBARASCO DI TRESANA-VIA EUROPA 23 S	803,417	-	-	-	-	80,186	-	47,582	-	-	-	931,185	721,524	209,661
FIDENZA AGENZIA N.1	2,108,296	-	83,677	29,665	215,527	307,531	-	-	-	-	-	2,744,696	1,221,539	1,523,157
LA SPEZIA-VIA MARALUNGA	1,919,486	-	-	-	-	105,729	-	1,512,010	-	-	-	3,537,225	1,638,173	1,899,052
FIDENZA AGENZIA N.2	615,559	-	-	-	28,659	345,710	-	48,093	-	-	-	1,038,021	587,534	450,488
LA SPEZIA-VIALE SAN BARTOLOMEO 629	1,115,398	-	-	-	-	65,547	-	145,997	-	-	-	1,326,942	860,248	466,694
FONTANELLATO	760,617	-	29,897	-	111,655	379,247	-	15,582	-	-	-	1,296,998	731,524	565,474
SESTA GODANO-VIA ROMA 34 CPD2016	705,794	-	-	-	-	13,364	-	41,276	-	-	-	760,434	577,594	182,840
FORNOVO TARO	1,211,968	-	8,156	19,437	-	198,065	-	14,142	-	-	-	1,451,768	842,977	608,791
PORTOVENERE-VIA GARIBALDI 5	2,071,792	-	-	-	-	81,023	-	89,171	-	-	-	2,241,986	1,687,559	554,427
LANGHIRANO	1,031,937	-	42,532	12,128	90,543	562,140	-	50,672	-	-	-	1,789,952	714,007	1,075,945

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 31.12.2020	Net book value as at 31.12.2020
SANTO STEFANO DI MAGRA-PONZANO DI MAGRA	7,900	-	-	-	-	900	-	-	-	-	-	8,800	3,703	5,097
MEDESANO	228,288	-	18,132	9,531	108,953	219,782	-	40,468	-	-	-	625,153	327,305	297,848
SARZANA - PALLODOLA-VIA VARIANTE AURELIA	586,705	-	-	-	-	15,897	-	25,821	-	-	-	628,424	441,299	187,125
MILANO	2,381,404	-	-	-	-	1,547,429	-	157,597	-	-	-	4,086,430	2,706,585	1,379,845
CARRARA-VIA GARIBALDI 35/A	3,234,278	-	-	-	-	43,972	-	112,869	-	-	-	3,391,118	1,559,325	1,831,793
MONCHIO	58,818	-	1,143	5,726	59,171	90,515	-	10,666	-	-	-	226,039	131,814	94,225
VEZZANO LIGURE-TERMO DI VEZZANO LIGURE V	1,440,119	-	-	-	-	13,110	-	36,687	-	-	-	1,489,916	1,096,473	393,443
NEVIANO ARDUINI	70,829	-	3,954	2,574	46,044	88,290	-	11,935	-	-	-	223,627	135,251	88,376
LA SPEZIA-VIA FONTEVIVO 19/F	740,690	-	-	-	-	-	-	-	-	-	-	740,690	223,350	517,340
NOCETO - FILIALE	808,965	-	14,143	10,558	76,036	108,038	-	28,103	-	-	-	1,045,842	626,027	419,814
ARCOLA-VIA DELLA REPUBBLICA	381,369	-	-	-	-	-	-	-	-	-	-	381,369	169,923	211,446
LERICI-SAN TERENZO DI LERICI	129,783	-	-	-	-	-	-	-	-	-	-	129,783	-	129,783
PALANZANO	76,040	-	974	8,767	46,594	122,582	-	13,092	-	-	-	268,049	163,369	104,680
LA SPEZIA-VIA CHIODO 36	1,417,796	-	-	-	-	-	-	-	-	-	-	1,417,796	278,682	1,139,114
LA SPEZIA - VIA GRAMSCI 71 MAGAZZINO	681,598	-	-	-	-	-	-	-	-	-	-	681,598	226,717	454,882
PELLEGRINO - FILIALE	254,342	-	15,431	2,998	49,259	182,482	-	19,224	-	-	-	523,736	272,537	251,199
CASTELNUOVO MAGRA-VIA DELLA PACE 1 FILI	512,001	-	-	-	-	-	-	-	-	-	-	512,001	183,013	328,988
PIEVEOTTOVILLE	44,007	-	342	-	45,249	73,623	-	8,525	-	-	-	171,744	105,284	66,460
LA SPEZIA CORSO CAVOUR 100 UFFICI PER	221,625	-	-	-	-	-	-	-	-	-	-	221,625	78,313	143,312
POLESINE	492,863	-	-	-	-	150,460	-	70,135	-	-	-	713,458	463,866	249,592
AULLA PIAZZA MAZZINI 9	857,274	-	-	-	-	-	114,140	273,656	-	-	-	1,245,070	847,439	397,631
PONTETARO	775,233	-	19,513	3,367	66,243	93,310	26,289	116,981	-	-	-	1,100,934	622,396	478,539
BAGNONE VIA DELLA REPUBBLICA 66 FILIALE	100,784	-	10,329	-	-	-	54,274	69,779	-	-	-	235,166	151,372	83,794
ROCCABIANCA	771,806	-	-	-	-	241,824	-	17,912	-	-	-	1,031,541	563,454	468,087
CARRARA-VIA ROMA ANG. VIA GROPPINI	112,884	-	-	-	-	-	64,806	385,522	-	-	-	563,212	396,806	166,406
SALA BAGANZA	101,123	-	46,459	6,907	72,054	323,203	-	59,315	-	-	-	609,060	249,909	359,151
CARRARA- VLE XX SETTEMBRE 248	2,770,149	-	-	-	-	-	905,346	222,095	-	-	-	3,897,590	2,519,635	1,377,955
SALSOMAGGIORE	1,627,794	-	60,047	41,818	338,509	424,119	-	16,718	-	-	-	2,509,005	1,488,611	1,020,394
S.MARIA DEL TARO	64,698	-	3,146	-	58,320	100,472	-	10,200	-	-	-	236,836	150,231	86,605
MASSA VIA CRISPI 24/26	676,111	-	17,556	-	-	-	105,023	557,251	-	-	-	1,355,940	890,733	465,208
S.SECONDO	440,117	-	145	-	105,674	392,743	-	71,430	-	-	-	1,010,108	527,345	482,762
PONTREMOLI VIA RICCI ARMANI 2	299,245	-	-	-	-	-	20,266	155,726	-	-	-	475,237	390,507	84,731
S.ANDREA BAGNI	211,545	-	1,859	-	-	129,517	-	5,253	-	-	-	348,174	237,142	111,032
VILLAFRANCA IN LUNIGIANA- P.ZZA DELLA VI	106,886	-	-	-	-	-	-	-	-	-	-	106,886	41,825	65,061
SISSA	555,176	-	3,353	7,578	-	159,671	-	27,414	-	-	-	753,193	386,854	366,339
SOLIGNANO	55,268	-	4,209	5,424	51,082	97,942	-	9,218	-	-	-	223,143	130,167	92,976
SORAGNA	247,913	-	18,533	17,254	67,759	177,224	-	39,340	-	-	-	568,023	313,918	254,105
SORBOLO	1,384,554	-	-	-	-	651,020	-	62,444	-	-	-	2,098,017	1,437,881	660,137

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 31.12.2020	Net book value as at 31.12.2020
SUZZARA	1,041,682	-	-	-	-	539,476	-	18,414	-	-	-	1,599,572	1,116,588	482,984
TABIANO TERME	68,799	-	757	19,119	85,501	132,004	-	16,618	-	-	-	322,800	215,765	107,035
TRAVERSETOLO	1,298,683	-	23,043	8,221	72,176	259,432	-	84,935	-	-	-	1,746,489	879,690	866,799
SARZANA - VIA GORI 7	183,389	-	-	-	-	1,528	-	-	-	-	-	184,917	136,236	48,681
LA SPEZIA - VIA SAN CIPRANO 33/35/37 sal	503,389	-	-	-	-	-	-	-	-	-	-	503,389	308,037	195,352
ZIBELLO	205,556	-	136	-	98,960	278,852	-	6,056	-	-	-	589,560	361,907	227,653
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	507,376	452,939
AGENZIA DI CITTÀ N. 5	4,179,592	-	-	-	-	2,518	-	-	-	-	-	4,182,110	2,456,309	1,725,801
LANGHIRANO AGENZIA 3	406,312	-	-	-	-	138	-	-	-	-	-	406,449	278,342	128,107
VIA MISTRALI 1/3 - PARMA	4,887,269	-	369,753	377,014	1,508,925	-	897,799	2,460,915	-	-	-	10,501,675	4,478,085	6,023,590
B.GO S. AMBROGIO 3/5/7 - PARMA	1,703,080	-	-	-	140,699	-	1,050,126	295,927	-	-	-	3,189,833	1,682,845	1,506,988
VIA EMILIO LEPIDO. 12/A - PARMA	1,149,678	-	-	-	179,927	-	498,958	177,237	-	-	-	2,005,800	1,275,665	730,135
PIAZZA DEL POPOLO. 22 - LANGHIRANO	57,180	-	34,618	15,494	162,684	-	255,039	217,764	-	-	-	742,779	418,727	324,052
PIAZZA MIODINI. 2 - FELINO	817,375	-	35,969	10,329	87,798	-	301,908	220,281	-	-	-	1,473,660	784,095	689,564
PIAZZA GRAMSCI. 24 - SALA BAGANZA	588,872	-	15,749	-	235,765	-	670,239	14,659	-	-	-	1,525,285	842,538	682,747
STRADA PER BUSSETO. 135 - FONTEVIVO	283,298	-	11,927	20,658	103,291	-	350,998	299,492	-	-	-	1,069,664	512,735	556,928
STRADA PROVINCIALE. 59 - FONTANELLE	84,888	-	9,533	2,582	45,448	-	151,905	63,487	-	-	-	357,844	211,090	146,754
VIA M. LIBERTÀ. 322 - MEZZANI	32,302	-	5,127	5,210	38,218	-	65,506	53,984	-	-	-	200,348	140,212	60,136
VIA LA SPEZIA. 8 - COLLECCHIO	808,700	-	-	-	73,636	-	59,469	641,640	-	-	-	1,583,444	924,850	658,594
LAGRIMONE	172,191	-	-	-	-	-	99,980	-	-	-	-	272,171	239,245	32,926
STRADA ASOLANA. 128 - S. POLO TORRI	835,692	-	-	-	-	-	-	11,996	-	-	-	847,688	430,278	417,410
VIA GRAMSCI. 13 - PARMA	564,991	-	-	-	-	-	436,369	70,280	-	-	-	1,071,641	644,587	427,053
VIA MACALLÈ 11 - AGAZZANO	147,426	-	-	-	72,046	53,139	-	27,352	-	-	-	299,963	111,152	188,811
VIA EMILIA OVEST 18 - ALSENO	376,537	-	-	-	51,646	108,998	-	47,211	-	-	-	584,392	304,238	280,154
PIAZZA COLOMBO 11 - BETTOLA	136,427	-	-	-	61,975	134,658	-	27,484	-	-	-	360,543	199,799	160,744
PIAZZA S.FRANCESCO 11/A - BOBBIO	288,159	-	-	-	43,608	112,497	-	20,969	-	-	-	465,233	272,988	192,245
VIA ROMA 23 - BORGONOVO VAL TIDONE	461,737	-	-	-	56,810	87,567	-	31,598	-	-	-	637,713	335,469	302,244
VIA EMILIA PARMENSE 146 - CADEO LOC	479,726	-	-	-	-	16,673	-	102,983	-	-	-	599,383	369,212	230,171
PIAZZA BERGAMASCHI 4 - CALENDASCO	314,391	-	-	-	-	36,431	-	41,650	-	-	-	392,472	157,273	235,199
VIA ROMA 8 - CAORSO	365,207	-	-	-	98,127	101,462	-	41,257	-	-	-	606,053	297,581	308,471
GALLERIA BRAGHIERI 1 - CASTEL S.GIO	750,045	-	-	-	171,844	413,391	-	88,751	-	-	-	1,424,031	779,967	644,064
VIA CAVOUR 1/A - CORTEMAGGIORE	314,934	-	-	-	77,469	87,409	-	35,055	-	-	-	514,866	243,971	270,895
VIA DEL CONSORZIO 7 - FERRIERE	178,073	-	-	-	-	4,523	-	53,147	-	-	-	235,743	174,995	60,748

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 31.12.2020	Net book value as at 31.12.2020
CORSO GARIBALDI 120 - FIORENZUOLA D	625,670	-	-	-	135,487	183,413	-	114,352	-	-	-	1,058,921	470,493	588,429
VIA ROMA 63 - GRAGNANO TREBBIENSE	298,660	-	-	-	41,317	23,034	-	29,569	-	-	-	392,580	214,282	178,298
P.ZZA CASTELLANA 22 - LUGAGNANO VAL	756,011	-	-	-	65,107	28,660	-	26,297	-	-	-	876,076	409,370	466,706
VIA MARTIRI LIBERTÀ 35 - MONTICELL	494,752	-	-	-	-	-	-	69,145	-	-	-	563,897	339,825	224,072
PIAZZA INZANI - MORFASSO	189,384	-	-	-	-	-	-	49,730	-	-	-	239,113	198,697	40,416
PIAZZA VITTORIA 25 - OTTONE	69,594	-	-	-	15,494	33,085	-	7,709	-	-	-	125,882	64,939	60,943
LARGO DAL VERME 3 - PIANELLO VAL TI	464,677	-	-	-	-	60,751	-	9,449	-	-	-	534,877	277,996	256,881
VIA MONTE GRAPPA 49 - PODENZANO	511,517	-	-	-	67,139	115,376	-	70,923	-	-	-	764,955	439,683	325,271
VIA VITTORIO VENETO 90 - PONTE DELL	513,652	-	-	-	-	172,170	-	99,830	-	-	-	785,652	435,518	350,133
PIAZZA TRE MARTIRI 11 - PONTENURE	777,790	-	-	-	-	-	-	68,083	-	-	-	845,873	508,972	336,902
VIA EMILIA EST 33 - ROTTOFRENO	47,391	-	-	-	56,810	61,128	-	24,581	-	-	-	189,910	121,072	68,838
VIA ANGUISSOLA 4 - TRAVO	273,607	-	-	-	-	1,640	-	38,548	-	-	-	313,795	172,082	141,713
VIA MORO 4 - VILLANOVA SULL'ARDA	460,437	-	-	-	-	57,044	-	71,327	-	-	-	588,807	246,033	342,773
VIA ZIANO 9 - VICOBARONE DI ZIANO P	48,378	-	-	-	15,494	14,084	-	8,451	-	-	-	86,408	57,936	28,471
VIA ROMA 175 - ZIANO PIACENTINO	85,449	-	-	-	20,658	45,381	-	8,838	-	-	-	160,327	86,077	74,250
VIA POGGIALI 18 - PIACENZA	4,806,215	-	-	769,851	1,567,362	5,788,954	-	1,952,811	-	-	-	14,885,194	5,863,573	9,021,621
VIA COLOMBO 101 - PIACENZA	1,265,827	-	-	-	-	195,554	-	196,597	-	-	-	1,657,979	931,423	726,556
VIALE DANTE ALIGHIERI 14 - PIACENZA	1,691,330	-	-	-	-	426,870	-	215,624	-	-	-	2,333,824	1,312,446	1,021,377
PIAZZA CAIROLI 3 - CODOGNO	1,335,309	-	-	-	-	171,309	-	217,624	-	-	-	1,724,242	1,169,521	554,721
CORSO MILANO 65 - VIGEVANO	260,099	-	-	7,230	-	163,008	-	17,382	-	-	-	447,720	252,705	195,015
PIAZZA VOLTA 4 - VIGEVANO	354,174	-	-	15,494	-	270,714	-	11,718	-	-	-	652,100	295,486	356,614
PIAZZA DUCALE 43 - VIGEVANO	1,865,030	-	-	129,114	1,077,258	1,004,817	-	417,537	-	-	-	4,493,756	1,299,300	3,194,456
VIA LAVATELLI 32 - CASSOLNOVO	470,139	-	-	10,329	-	91,583	-	21,130	-	-	-	593,181	255,502	337,679
VIA COTTA 2 - GAMBOLO'	416,272	-	-	10,329	-	94,165	-	4,474	-	-	-	525,240	303,255	221,985
VIA XXV APRILE 17 - PARONA	145,005	-	-	-	-	75,689	-	12,941	-	-	-	233,635	118,199	115,435
PIAZZA CAMPEGI 2 - TROMELLO	466,710	-	-	-	-	78,092	-	17,078	-	-	-	561,879	249,425	312,454
VIALE CAMPARI 12 - PAVIA	665,128	-	-	-	-	22,047	-	32,726	-	-	-	719,900	454,828	265,072
VALENZA	418,525	-	-	55,996	250,688	-	-	90,441	853,142	-	-	1,668,791	836,790	832,001
VINOVO	511,557	-	-	-	-	-	-	20,734	148,416	-	-	680,707	402,022	278,686
VIA FARINI 82 - MILANO	2,746,189	-	-	-	-	-	-	932,758	278,224	-	-	3,957,170	3,154,782	802,389
P.ZZA FRATTINI 19 - MILANO	816,865	-	81,632	-	371,849	-	-	543,908	268,264	-	-	2,082,518	1,250,387	832,132
VIA MUSSI 4 - MILANO	568,916	-	92,969	-	291,282	-	-	439,674	275,121	-	-	1,667,962	1,091,944	576,017

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 31.12.2020	Net book value as at 31.12.2020
VIA PISTRUCCI 25 - MILANO	707,384	-	41,673	-	127,048	-	-	258,173	351,453	-	-	1,485,732	882,720	603,011
VIA RIPAMONTI 177 - MILANO	581,284	-	103,421	-	335,697	-	-	381,513	161,503	-	-	1,563,418	1,058,004	505,414
P.ZZA VELASCA 4 - MILANO	608,800	-	191,991	-	192,122	-	-	433,140	889,114	-	-	2,315,166	1,517,774	797,392
VIA CAVOUR 40/42 - CASALMAGGIORE	278,021	2,359	22,273	-	-	-	-	36,030	292,244	-	-	630,927	347,276	283,650
P.ZZA MUNICIPIO 3-9-11 - CASTELVERD	71,126	-	5,526	-	-	-	-	17,998	94,559	-	-	189,208	111,450	77,758
VIA GIUSEPPINA 152 - CINGIA DE'BOTT	9,619	429	5,941	-	-	-	-	12,612	74,914	-	-	103,516	68,989	34,527
P.ZZA VITT.VENETO 4 - 6 - CORTE DE'	138,546	-	713	-	-	-	-	7,370	47,582	-	-	194,210	101,272	92,938
VIA MAZZINI 8 - GRUMELLO CREMONESE	156,931	59	2,644	-	-	-	-	9,162	66,174	-	-	234,970	105,767	129,203
VIA ROMA 8 - GUSSOLA	57,627	-	7,753	-	-	-	-	58,355	51,318	-	-	175,052	127,174	47,878
VIA ROMA 1 - PIEVE D'OLMI	27,673	-	12,488	-	-	-	-	21,534	48,712	-	-	110,408	68,989	41,419
LARGO DELLA VITTORIA 7 - PIZZIGHETT	495,894	-	-	-	178,694	-	-	99,878	20,092	-	-	794,558	470,200	324,358
VIA DELLA LIBERTÀ 10-16 - RIVAROLO	394,579	-	1,600	-	-	-	-	90,021	14,886	-	-	501,086	386,028	115,058
VIA MARTIRI LIBERTÀ 48-50 - ROBECC	138,623	948	8,786	-	-	-	-	15,957	81,443	-	-	245,757	100,800	144,957
VIA GIUSEPPINA 15-17 - S.GIOVANNI I	667,232	664	3,813	-	-	-	-	11,034	54,843	-	-	737,585	399,870	337,715
V.LE G.MATTEOTTI 6-8 - SESTO CREMON	245,616	508	3,370	-	-	-	-	12,890	76,972	-	-	339,357	119,276	220,081
VIA GARIBALDI 2 - VESCOVATO	76,855	48	12,183	-	-	-	-	17,887	100,177	-	-	207,149	102,461	104,688
VIA MARSALA 18 - LODI	684,980	4,127	113,691	-	-	-	-	259,762	1,051,150	-	-	2,113,711	1,308,414	805,296
LARGO CASALI 31 - CASALPUSTERLENGO	904,504	-	-	-	211,740	-	-	409,979	266,529	-	-	1,792,751	1,260,284	532,467
VIA ROMA 5 - S.GIULIANO MILANESE	759,784	-	43,900	-	232,406	-	-	369,534	73,368	-	-	1,478,993	916,254	562,739
P.ZZA DEI CADUTI 10 - SANT'ANGELO L	991,652	1,411	13,012	-	-	-	-	66,702	8,769	-	-	1,081,545	466,062	615,483
VIA I. NIEVO 18/VIA OBERDAN - MANTO	5,002,228	-	-	-	-	-	-	1,560,197	321,766	-	-	6,884,191	5,625,740	1,258,451
P.ZZA XX SETTEMBRE 23 - ASOLA	346,600	1,501	19,641	-	-	-	-	66,395	227,909	-	-	662,046	291,965	370,081
VIA G. MATTEOTTI 18 - CASTELLUCCHIO	661,516	-	-	-	-	-	-	226,505	49,464	-	-	937,486	684,592	252,894
VIA XXV APRILE 1 - MARMIROLO	165,914	-	10,252	-	-	-	-	78,068	61,702	-	-	315,935	215,326	100,609
VIA PIAVE 18-20 - OSTIGLIA	119,895	-	-	-	-	-	-	54,938	77,867	-	-	252,701	156,027	96,673
VIA CUSTOZA 124 - ROVERBELLA	257,918	-	14,949	-	-	-	-	22,589	155,423	-	-	450,879	191,899	258,981
P.ZZA DEL LINO 4 - PAVIA	1,136,034	3,079	92,263	-	481,035	-	-	941,760	217,178	-	-	2,871,349	2,159,966	711,383
VIA VITT.VENETO 2 - BELGIOIOSO	178,132	1,151	11,204	-	-	-	-	21,180	229,336	-	-	441,002	243,024	197,978
VIA EMILIA 371 - BRONI	979,441	-	-	-	328,983	-	-	300,316	50,149	-	-	1,658,888	1,062,281	596,608
V.LE CERTOSA 78 - CERTOSA DI PAVIA	496,776	-	4,692	-	120,851	-	-	82,275	28,618	-	-	733,212	378,575	354,638
VIA CARDINAL MAFFI 2 - CORTEOLONA	47,714	-	9,608	-	-	-	-	20,950	74,440	-	-	152,711	100,753	51,959
VIA ROMA 24 - PIEVE PORTO MORONE	163,526	-	-	-	-	-	-	53,937	84,966	-	-	302,429	186,703	115,726

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 31.12.2020	Net book value as at 31.12.2020
VIA G. MATTEOTTI 26/28 - CREMA	765,967	4,822	56,297	-	298,140	-	-	628,944	257,319	-	-	2,011,489	1,267,665	743,824
P.ZZA GARIBALDI 3 - ANNICCO	131,986	1,176	3,176	-	-	-	-	52,652	67,277	-	-	256,269	148,391	107,877
P.ZZA DELLA LIBERTÀ 21 - CASALBUTT	78,557	506	31,536	-	-	-	-	57,722	100,940	-	-	269,261	176,670	92,591
P.ZZA DELLA LIBERTÀ 6 - PADERNO PO	70,137	-	4,106	-	-	-	-	14,653	84,481	-	-	173,377	102,393	70,984
VIA MILANO 20-22 - PANDINO	466,329	1,731	27,915	-	-	-	-	66,462	159,407	-	-	721,844	282,883	438,961
VIA G. VEZZOLI 2 - ROMANENGO	851,899	795	12,932	-	-	-	-	21,601	110,278	-	-	997,505	409,331	588,174
VIA F. GENALA 17 - SORESINA	510,845	830	35,251	-	-	-	-	97,091	382,504	-	-	1,026,522	522,633	503,889
VIA ROMA 73 - TRIGOLO	91,789	129	8,539	-	-	-	-	14,433	61,857	-	-	176,747	89,877	86,870
IFIC- ASILO NIDO AZIENDALE-C/ OCAVAGNARI	2,398,210	-	-	-	-	271,083	-	48,005	-	-	-	2,717,299	651,356	2,065,942
SAN MINIATO - Via IV Nov.. 45	5,297,127	-	-	-	-	-	-	-	-	-	2,349,773	7,646,900	4,698,617	2,948,283
SAN MINIATO - Via C. Batt..45	302,318	-	-	-	-	-	-	-	-	14,129	-	316,447	57,528	258,918
CASTELFRANCO DI SOTTO - Via Petrar	22,817	-	-	-	-	-	-	-	-	1,984	-	24,801	4,041	20,760
PISA - Via G. Mazzini. 3	379,040	-	-	-	-	-	-	-	-	32,960	-	412,000	67,134	344,866
SANTA CROCE SULL'ARNO - Via Mainar	132,957	-	-	-	-	-	-	-	-	8,400	-	141,357	22,598	118,759
SAN MINIATO Piazza Bon	1,697,150	-	-	-	-	-	-	-	-	180,242	-	1,877,392	243,521	1,633,871
SAN MINIATO - Piazza del Pop.2	14,046	-	-	-	-	-	-	-	-	2,014	-	16,060	4,510	11,550
CAPANNOLI - Via Volterrana.149	3,887	-	-	-	-	-	-	-	-	2,118	-	6,006	524	5,482
FUCECCHIO - Viale B.Buozzi.130	596,393	-	-	-	-	-	-	-	-	373,900	-	970,293	219,746	750,547
LIVORNO - Piazza Dante. 8	259,633	-	-	-	-	-	-	-	-	2,006	-	261,639	87,696	173,943
SAN MINIATO - fraz. La Scala -Piazzale T	56,425	-	-	-	-	-	-	-	-	3,912	-	60,337	16,606	43,731
CAPANNOLI - Via Volterrana. 14	273,070	-	-	-	-	-	-	-	-	9,200	-	282,270	72,632	209,639
CASTELFRANCO DI SOTTO Via Calata	992,166	-	-	-	-	-	-	-	-	6,973	-	999,139	247,468	751,671
EMPOLI - fraz. Ponte a Elsa Via Senese	677,879	-	-	-	-	-	-	-	-	7,800	-	685,678	136,969	548,709
MONTOPOLI VALDARNO Via San Gi	234,828	-	-	-	-	-	-	-	-	3,959	-	238,786	63,411	175,375
MONTOPOLI VALDARNO San Romano	628,761	-	-	-	-	-	-	-	-	11,690	-	640,451	137,263	503,188
POGGIBONSI - Viale Marconi. 55	1,120,752	-	-	-	-	-	-	-	-	16,527	-	1,137,280	287,090	850,190
PONTEDERA - Via 1° Maggio. 17	786,313	-	-	-	-	-	-	-	-	47,170	-	833,483	232,664	600,819
PONTEDERA - fraz. La Rotta Piazza G.	168,581	-	-	-	-	-	-	-	-	6,677	-	175,258	45,860	129,398
SANTA CROCE SULL'ARNO fraz. Staf	423,737	-	-	-	-	-	-	-	-	4,540	-	428,277	101,550	326,727
VINCI - Via R. Fucini. 31	470,184	-	-	-	-	-	-	-	-	6,758	-	476,942	124,758	352,185
MONTELUPO FIORENTINO Via 1° Mag	543,877	-	-	-	-	-	-	-	-	16,061	-	559,938	124,623	435,315
EMPOLI - Via Cavour. 37	1,693,231	-	-	-	-	-	-	-	-	87,894	-	1,781,125	467,670	1,313,455

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SAN MINIATO - Via IV Novembre angolo Via	4,262,328	-	-	-	-	-	-	-	-	450,703	-	4,713,031	1,276,023	3,437,007
SAN MINIATO - fraz. San MiniatViale G. M	849,106	-	-	-	-	-	-	-	-	3,741	-	852,847	224,035	628,811
SAN MINIATO - fraz. Ponte a EgVia C. Pis	788,491	-	-	-	-	-	-	-	-	48,006	-	836,497	166,570	669,927
SANTA CROCE SULL'ARNO Piazza del	2,023,713	-	-	-	-	-	-	-	-	109,129	-	2,132,842	501,932	1,630,911
PONSACCO Piazza del	973,499	-	-	-	-	-	-	-	-	32,658	-	1,006,157	249,231	756,926
CASTELFIORENTINO Piazza Ken	478,919	-	-	-	-	-	-	-	-	14,609	-	493,528	136,084	357,444
CERRETO GUIDI Via dei Fo	303,737	-	-	-	-	-	-	-	-	4,601	-	308,338	83,770	224,569
VINCI - fraz. Spicchio/ SovigliVia Toglia	1,144,795	-	-	-	-	-	-	-	-	33,544	-	1,178,339	306,411	871,928
PISA - Lungarno Gambacorti. 21	1,387,968	-	-	-	-	-	-	-	-	55,531	-	1,443,498	366,218	1,077,281
PALAIA - Via A. di Mino. 7	212,581	-	-	-	-	-	-	-	-	29,687	-	242,268	63,394	178,874
SANTA MARIA A MONTE ia delle G	626,512	-	-	-	-	-	-	-	-	15,529	-	642,041	131,636	510,406
FIRENZE - Via de' Rondinelli.4	7,027,588	-	-	-	-	-	-	-	-	1,738,055	-	8,765,643	2,299,371	6,466,272
SAN MINIATO - Piazza Grifoni.	446,640	-	-	-	-	-	-	-	-	157,423	-	604,063	110,116	493,947
CAPANNOLI - Via Volterrana.149	11,968	-	-	-	-	-	-	-	-	602	-	12,570	2,287	10,283
CERRETO GUIDI - fraz. Stabbia Via Bercil	413,634	-	-	-	-	-	-	-	-	2,413	-	416,047	104,741	311,306
SANTA CROCE SULL'ARNO Via Provin	519,050	-	-	-	-	-	-	-	-	7,336	-	526,386	132,422	393,964
SAN MINIATO - Via IV Nov..46	84,756	-	-	-	-	-	-	-	-	95,244	-	180,000	21,185	158,815
SAN MINIATO - Piazza del Pop.1	90,997	-	-	-	-	-	-	-	-	72,103	-	163,100	18,391	144,709
SAN MINIATO - Piazza XX Set.21	115,000	-	-	-	-	-	-	-	-	10,000	-	125,000	12,500	112,500
SAN MINIATO - Via Roma. 5	187,889	-	-	-	-	-	-	-	-	76,111	-	264,000	28,125	235,875
SAN MINIATO Via della	14,401	-	-	-	-	-	-	-	-	25,599	-	40,000	4,420	35,580
SAN MINIATO - fraz. San MiniatViale G. M	7,233	-	-	-	-	-	-	-	-	57,597	-	64,830	3,759	61,071
SAN MINIATO - fraz. La Scala Piazzale T	59,754	-	-	-	-	-	-	-	-	25,413	-	85,167	8,874	76,292
PONSACCO - Via N. Sauro. 2 angolo Via	499,784	-	-	-	-	-	-	-	-	81,113	-	580,897	67,596	513,302
SAN MINIATO - Via Fontevivo (Palazzett	908,368	-	-	-	-	-	-	-	-	36,572	-	944,940	75,618	869,323
SAN MINIATO - Piazza Bonaparte15	195,010	-	-	-	-	-	-	-	-	74,990	-	270,000	21,887	248,113
BELLARIA IGEA MARINA - VIALE P	1,596,568	-	-	-	-	-	-	-	-	-	-	1,596,568	341,232	1,255,337
BELLARIA IGEA MARINA - VIA MAR	1,936,811	-	-	-	-	-	-	-	-	-	-	1,936,811	268,193	1,668,618
BOLOGNA - VIA DE NICOLA 1 (FIL	492,214	-	-	-	-	-	-	-	-	-	-	492,214	80,158	412,056
BOLOGNA - VIA AMENDOLA 11 - FO	723,809	-	-	-	-	-	-	-	-	-	-	723,809	205,723	518,086
CASTENASO (BO - PIAZZA MARIA	535,306	-	-	-	-	-	-	-	-	-	-	535,306	90,815	444,491

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 31.12.2020	Net book value as at 31.12.2020
CATTOLICA - VIA BOVIO 45 - FO	4,605,084	-	-	-	-	-	-	-	-	-	-	4,605,084	801,672	3,803,412
CORIANO - VIA STATALE SAN MARI	2,387,592	-	-	-	-	-	-	-	-	-	-	2,387,592	565,015	1,822,577
CESENA - VIALE OBERDAN N.642 -	592,107	-	-	-	-	-	-	-	-	-	-	592,107	108,450	483,657
CORIANO - PIAZZA DON MINZONI 1	672,587	-	-	-	-	-	-	-	-	-	-	672,587	114,095	558,492
FALCONARA MARITTIMA - VIA FLAM	328,583	-	-	-	-	-	-	-	-	-	-	328,583	86,182	242,401
GRADARA - VIA BOLOGNA N.1/A -	209,631	-	-	-	-	-	-	-	-	-	-	209,631	57,592	152,039
RIMINI - VIA CORIANO 58 - FOGL	829,300	-	-	-	-	-	-	-	-	-	-	829,300	188,464	640,836
MELDOLA - VIA SILVIO PELLICO 2	119,951	-	-	-	-	-	-	-	-	-	-	119,951	27,482	92,469
MISANO ADRIATICO - VIA DELLA R	1,702,265	-	-	-	-	-	-	-	-	-	-	1,702,265	262,256	1,440,008
MISANO ADRIATICO - VIALE SICIL	307,200	-	-	-	-	-	-	-	-	-	-	307,200	69,623	237,577
MONTESCUDO - VIA BORGO PANDOLF	381,256	-	-	-	-	-	-	-	-	-	-	381,256	82,830	298,426
MORCIANO DI ROMAGNA - VIA BUCC	1,138,940	-	-	-	-	-	-	-	-	-	-	1,138,940	144,999	993,941
OSIMO - VIA MARCO POLO 196/198	302,944	-	-	-	-	-	-	-	-	-	-	302,944	54,238	248,706
RICCIONE - VIALE EMPOLI - FOG	814,398	-	-	-	-	-	-	-	-	-	-	814,398	118,449	695,949
RICCIONE - VIA GIULIO CESARE 1	760,989	-	-	-	-	-	-	-	-	-	-	760,989	150,196	610,793
RICCIONE - VIA DANTE 249 - FOG	5,157,119	-	-	-	-	-	-	-	-	-	-	5,157,119	572,167	4,584,953
RICCIONE - VIALE DANTE ALIGHIE	6,282,979	-	-	-	-	-	-	-	-	-	-	6,282,979	698,854	5,584,126
RICCIONE - VIA FRATELLI CERVI	4,290,984	-	-	-	-	-	-	-	-	-	-	4,290,984	551,866	3,739,117
RIMINI - VIA APONIA 1/ VIA DANT	9,020,008	-	-	-	-	-	-	-	-	-	-	9,020,008	1,713,091	7,306,917
RIMINI - PIAZZA MARVELLI 8/V.L	6,790,000	-	-	-	-	-	-	-	-	-	-	6,790,000	774,686	6,015,314
RIMINI - VIA PRINC.DI PIEMONTE	4,197,284	-	-	-	-	-	-	-	-	-	-	4,197,284	654,331	3,542,953
RIMINI - CORSO D'AUGUSTO 62 -	7,028,522	-	-	-	-	-	-	-	-	-	-	7,028,522	600,197	6,428,325
RIMINI - VIA COLETTI 49 - FOGL	1,034,626	-	-	-	-	-	-	-	-	-	-	1,034,626	243,215	791,411
RIMINI - PIAZZA FERRARI 15 - F	24,673,303	-	-	-	-	-	-	-	-	-	-	24,673,303	2,165,229	22,508,074
RIMINI - VIA FLAMINIA CONCA 6	2,069,114	-	-	-	-	-	-	-	-	-	-	2,069,114	475,448	1,593,666
RIMINI - VIALE REGINA ELENA 12	364,446	-	-	-	-	-	-	-	-	-	-	364,446	92,729	271,717
RIMINI - VIALE DATI 168 - FOGL	2,744,926	-	-	-	-	-	-	-	-	-	-	2,744,926	529,605	2,215,321
RIMINI - VIA MARECCHIESE 32 -	2,040,415	-	-	-	-	-	-	-	-	-	-	2,040,415	292,272	1,748,143
ROMA PRATI FISCALI - VIA DI VA	483,281	-	-	-	-	-	-	-	-	-	-	483,281	121,656	361,626
SAN COSTANZO - VIA SALVO D'ACQ	542,428	-	-	-	-	-	-	-	-	-	-	542,428	211,979	330,450

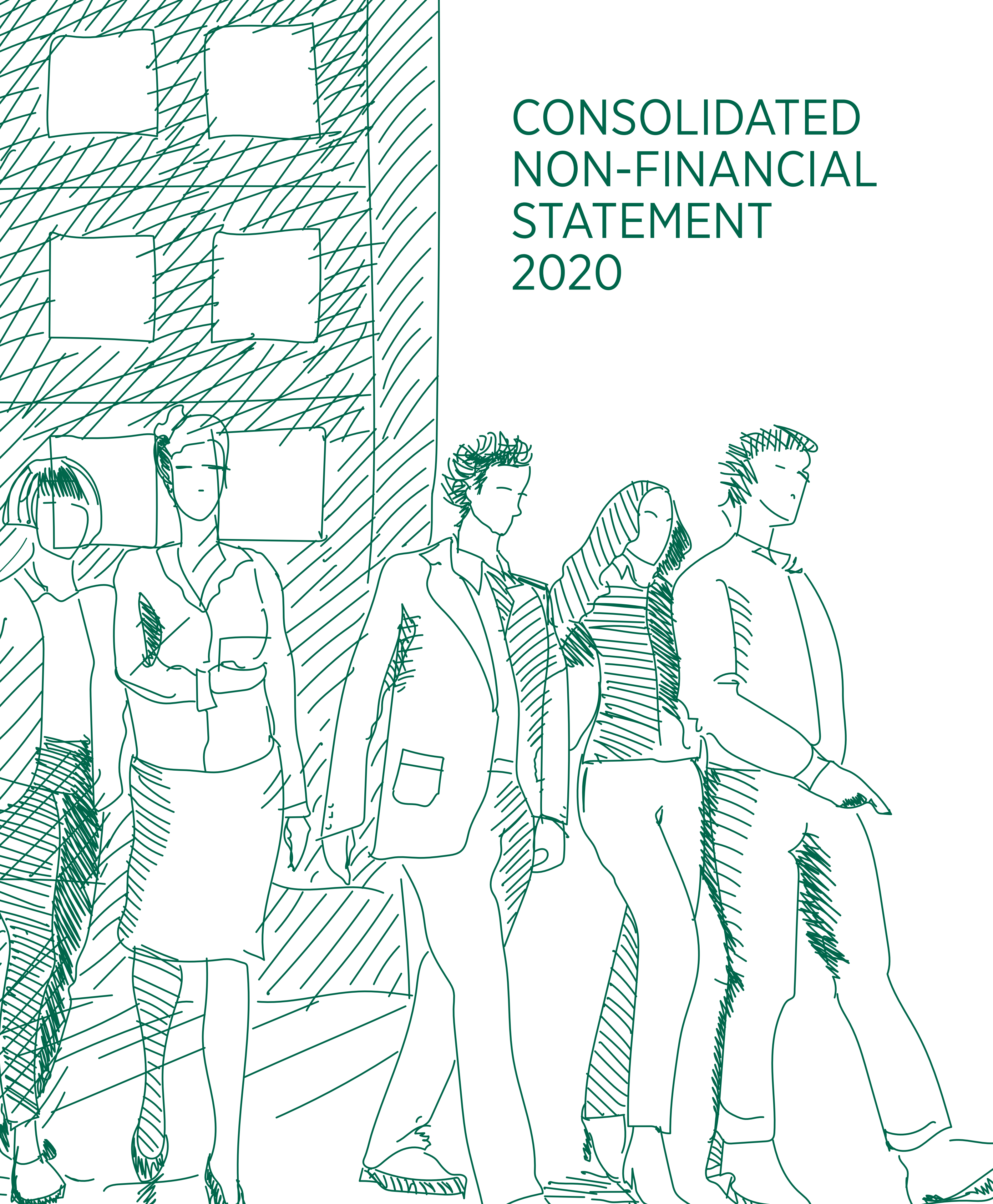
Description	Book value net of revaluations	L.11.2.62 N.74	L.19.2.73 n.823	L.2.12.75 n.576	L. 19.3.83 n.72	L.30.7.90 n.218	L.29.12.90 n.408	L.30.12.91 n.413	Merger '94	L.185/08	Deemid cost	Total cost	Accumulated depreciation as at 31.12.2020	Net book value as at 31.12.2020
SAN GIOVANNI IN MARIGNANO - PI	1,820,688	-	-	-	-	-	-	-	-	-	-	1,820,688	371,512	1,449,175
SANTARCANGELO DI ROMAGNA - PIA	4,270,819	-	-	-	-	-	-	-	-	-	-	4,270,819	503,977	3,766,843
VERUCCHIO - PIAZZA MALATESTA 1	1,004,584	-	-	-	-	-	-	-	-	-	-	1,004,584	188,213	816,371
VERUCCHIO (FRAZ. VILLA - PIAZ	1,845,965	-	-	-	-	-	-	-	-	-	-	1,845,965	313,470	1,532,495
VERUCCHIO - LOC. VILLA SS MAR	4,380,527	-	-	-	-	-	-	-	-	-	-	4,380,527	1,217,397	3,163,130
VERUCCHIO (FRAZ. VILLA) - PIAZ	1,845,965	-	-	-	-	-	-	-	-	-	-	1,845,965	294,966	1,550,999
VERUCCHIO - LOC. VILLA SS MAR	4,380,527	-	-	-	-	-	-	-	-	-	-	4,380,527	1,095,617	3,284,910
Total Generale beni con rivalutazione	446,228,918	26,275	3,178,505	2,305,033	19,422,708	73,813,972	6,481,576	34,853,893	8,451,849	4,105,224	2,349,773	601,217,727	245,039,498	356,178,229

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	Fusione '94	L.185/08	Deemid cost	Total cost	Accumulated depreciation as at 31.12.2020	Net book value as at 31.12.2020
MOBILIO E ARREDAMENTI	40,581	-	3,225	18,450	-	-	-	-	-	-	-	62,256	62,256	-
MACCHINARI	136,294	-	1,584	10,554	-	-	-	-	-	-	-	148,432	148,432	-
Total Generale beni con rivalutazione	176,875	-	4,809	29,005	-	-	-	-	-	-	-	210,688	210,688	-

EQUITY INVESTMENTS, ASSETS MEASURED AT FAIR VALUE THROUGH EQUITY AND ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	Book value net of revaluations	L, 30,7,90 n, 218	Impairment	Measurement OCINR/FVOBL	Total cost	Net book value as at 31.12.2020
CR.AGRIC. FRIULADRIA	1,027,868,453	-	- 108,158,006		919,710,447	919,710,447
FIERE DI PARMA	20,483,198	- 416,050	-		20,067,148	20,483,198
CA GROUP SOLUTIONS	35,640,000	-	-		35,640,000	35,640,000
NUOVA MADONNINA ORD	1	-	-		1	1
MONDOMUTUI CARIPARMA	2,280	-	-		2,280	2,280
CALIT SRL	146,300,000	-	- 47,133,000		99,167,000	99,167,000
SLIDERS SRL	1,350,001	-	- 1,350,000		1	1
CARIPARMA OBG SRL	6,000	-	-		6,000	6,000
SOC.AGRIC.LE CICOGNE	2,221,209	-	-		2,221,209	2,221,209
LE VILLAGE BY CA MIL	155,656	-	-		155,656	155,656
SAN GIORGIO IMMOBILI	2,491,238	-	- 2,491,237		1	1
SAN PIERO IMMOBILIAR	69,647	-	- 69,646		1	1
LE VILLAGE BY CA PR	800,000	-	-		800,000	800,000
CAREI	300,000	-	-		300,000	300,000
FIDI TOSCANA	2,549,057	-		- 678,417	2,549,057	1,870,640
CEPIM	756,711	- 44,831		861,838	711,880	1,618,549
SAPIR	23,381	23,381		110,754	46,762	134,135
SOGEAP	78,124	- 38,911		- 30,826	39,213	47,298
CA RISP VOLTERRA	7,116,003	-		- 3,357,157	7,116,003	3,758,846
CENTRO AGRO-ALIM RIM	405,002	-		6,455	405,002	411,457
MTS SPA N	86,915	-		- 30,632	86,915	56,283
RIMINI TERME SPA	18,076	-		- 527	18,076	17,549

EQUITY INVESTMENTS, ASSETS MEASURED AT FAIR VALUE THROUGH EQUITY AND ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	Book value net of revaluations	L, 30,7,90 n, 218	Impairment	Measurement OCINR/FVOBL	Total cost	Net book value as at 31.12.2020
EUTELIA	1	-		-	1	1
TERRE DELL'ETRURIA	349,902	-		- 347,452	349,902	2,450
S.I.C.I. SGR AOR 06	481,281	-		-	481,281	481,281
EDISON ORD	3,936	-		8,347	3,936	12,283
ASTALDI	525,051	-		- 80,488	525,051	444,563
ITALIAN EXHIBITION G	345,779	-		- 196,899	345,779	148,880
RETE FIDI LIGURIA	51,646	-		- 26	51,646	51,620
COOPERARE	1,187,666	-		92,345	1,187,666	1,280,011
CENTROFIDI TERZIARIO	1,194,064	-		80,569	1,194,064	1,274,633
PIACENZA EXPO	989,628	94,063		- 125,932	1,083,691	863,696
FAVENTIA SALES AOR	888,019	-		- 5,024	888,019	882,995
SPEDIA	275,445	-		14,975	275,445	290,420
ISI	67,014	-		- 62,665	67,014	4,349
ROMAGNA ENERGIA AOR	41	-		-	41	41
LUGO IMMOBILIARE AOR	1	-		-	1	1
UNIPOLSAI ORD RA	15,445,574	-		- 1,296,857	15,445,574	14,148,717
COSTA EDUTAINMENT	1	-		-	1	1
BANCA D'ITALIA	202,000,000	-		-	202,000,000	202,000,000
SIR AOR	150,000	-		- 43,046	150,000	106,954
BANCOMAT-AZ ORD	1,770	-		38,892	1,770	40,662
SWIFT	132,548	678		142,687	133,226	275,235
CARRIER 1 INTL GER	1	-		-	1	1
ASTALDI-SFP	3,704,278	-		-	3,704,278	3,704,278
CA INDOSUEZ FIDUCIAR	400,000	-		- 298,739	400,000	101,261
SCHEMA VOLONTARIO	11,645,705	-		- 11,645,704	11,645,705	1
RAETIA SGR SPA	1	-		-	1	1
TERREMERSE SCRL	1,549	-		- 1,280	1,549	269
LUGO NEXT LAB SRL	1,001	-		- 1,000	1,001	1
ESCO CRE SRL QUOTE	2,841	-		- 2,840	2,841	1
CONS AGR INTERPROV	196,232	-		- 193,882	196,232	2,350
COMP DEL SACRO CUORE	10,650	-		5,695	10,650	16,345
FOND FURIO FARABEGOL	20,001	-		- 20,000	20,001	1
KAUP THING EHF ORD	1	-		-	1	1
MIC FOND MUSEO INTER	1	-		-	1	1
COSTA 14 SRL AOR	1	-		-	1	1
GRUPPO AZ. LOC. VALL	5,000	-		-	5,000	5,000
QUOTE NEW PALARICCIO	47,740	-		-	47,740	47,740
CONSORZIO CBI SCPA	-	-		17,175	-	17,175
CONS KILOMETRO VERDE	5,000	-		-	5,000	5,000
SAIRGROUP CHF	1	-		-	1	1
TELDAFAX AG EURO	1	-		-	1	1
VISA USD	1	-		-	1	1
GLITNIR CONCORDATO	16,743	-		- 16,742	16,743	1
IMMOB.OASI NEL PARCO	2,615,007	-		- 79,693	2,615,007	2,535,315
AFFITTO FIRENZE SRL	1	-		-	1	1
CARICESE SRL	297,979	-		- 944	297,979	297,036
CONSORZIO CENTO PERC	1	-		-	1	1

EQUITY INVESTMENTS, ASSETS MEASURED AT FAIR VALUE THROUGH EQUITY AND ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	Book value net of revaluations	L, 30,7,90 n, 218	Impairment	Measurement OCINR/FVOBL	Total cost	Net book value as at 31.12.2020
NOVASIM SPA IN LIQ.	1	-		-	1	1
SUTOR MANTELLASSI HO	1	-		-	1	1
FRAER LEASING	5,211,314	-		-	5,211,314	5,211,314
C.A.P. PIACENZA	1	427		-	428	1
CAL CENTRO AGRO-ALIM	1	- 9,296		-	- 9,295	1
TERMOMECCANICA	4,114,485	-		-	4,114,485	4,114,485
BCA POP PUGLIA B ORD	214,001	-		-	214,001	214,001
SOPRIP	1	1,033		-	1,034	1
CAP PAVIA	1	-		-	1	1
GAL LA SPEZIA	1	-		-	1	1
SFP FERROLI SPA	1	-		-	1	1
CMC RAVENNA SFP 2020	1	-		-	1	1
CONSORZIO AGR.PARMA	1	487,535		-	487,536	1
GLITNIR CONCORDATO	1	-		-	1	1
MOONLIGHT CINEMA E T	1	-		-	1	1
Total	**1,501,319,866**	**98,029**	**- 159,201,890**	**- 17,137,039**	**1,342,216,006**	**1,324,980,938**



CONSOLIDATED NON-FINANCIAL STATEMENT 2020

CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

Consolidated
Non-Financial Statement

2020

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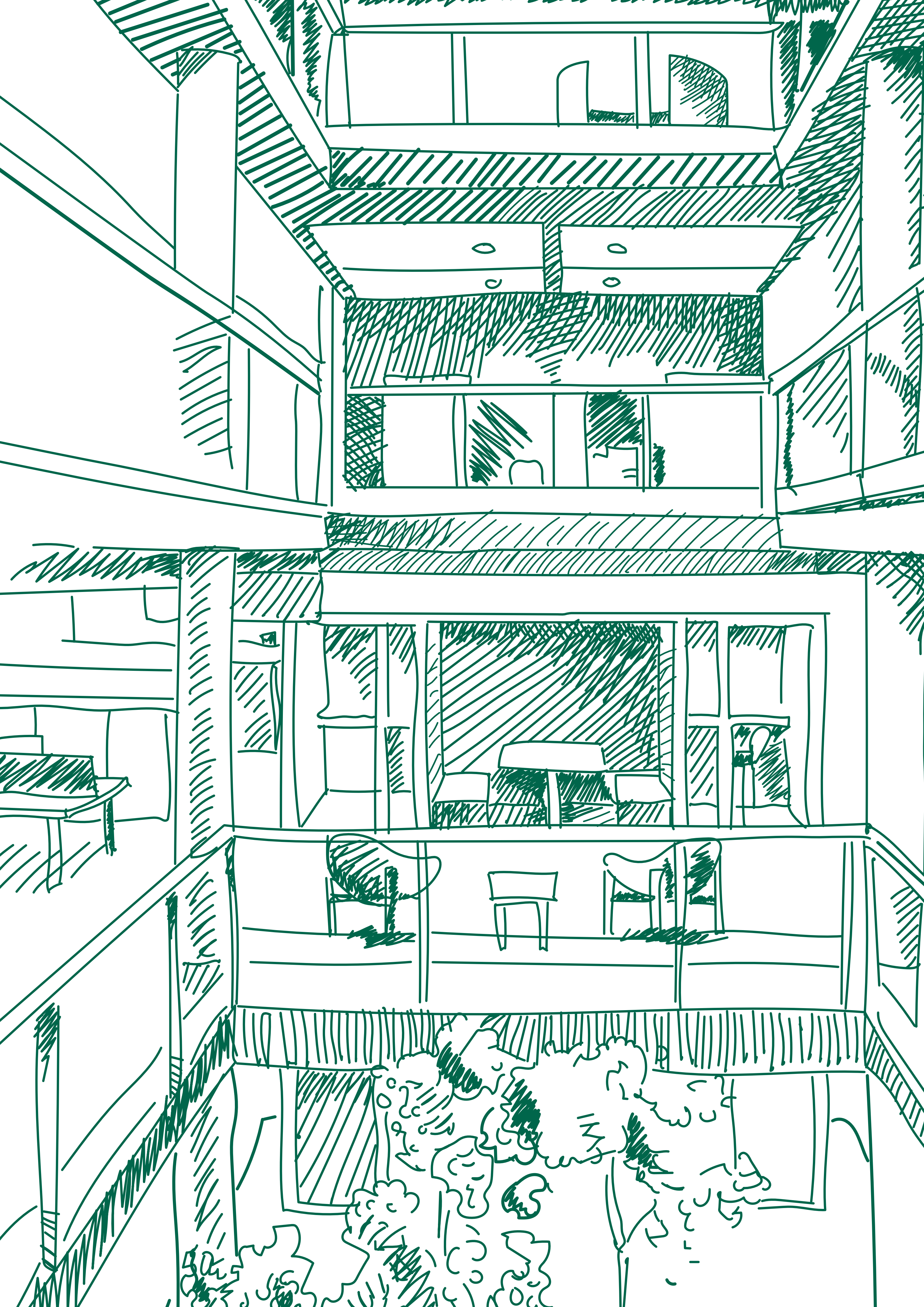

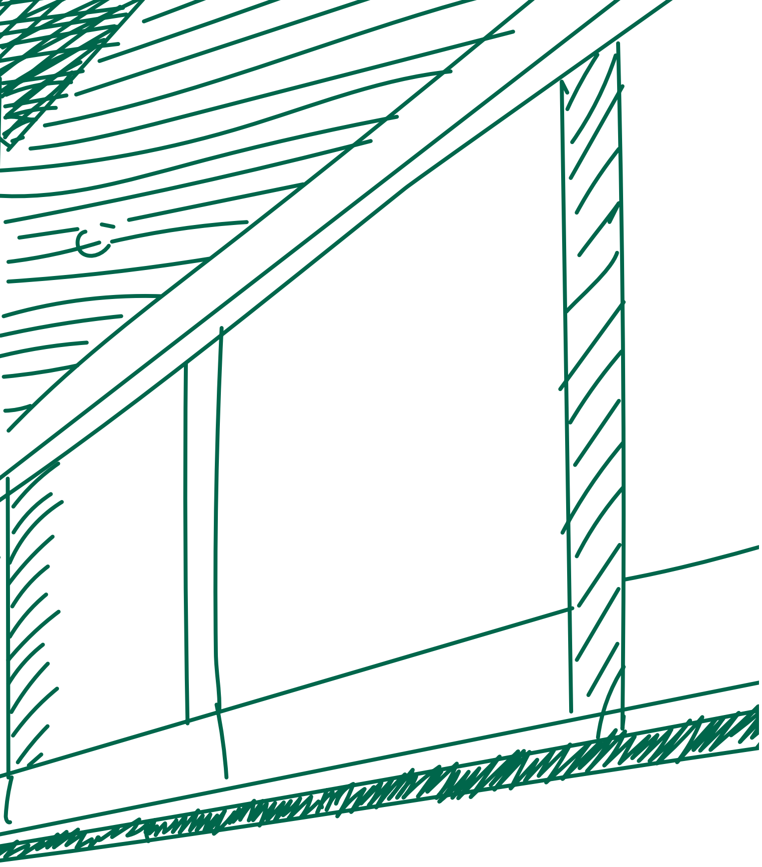

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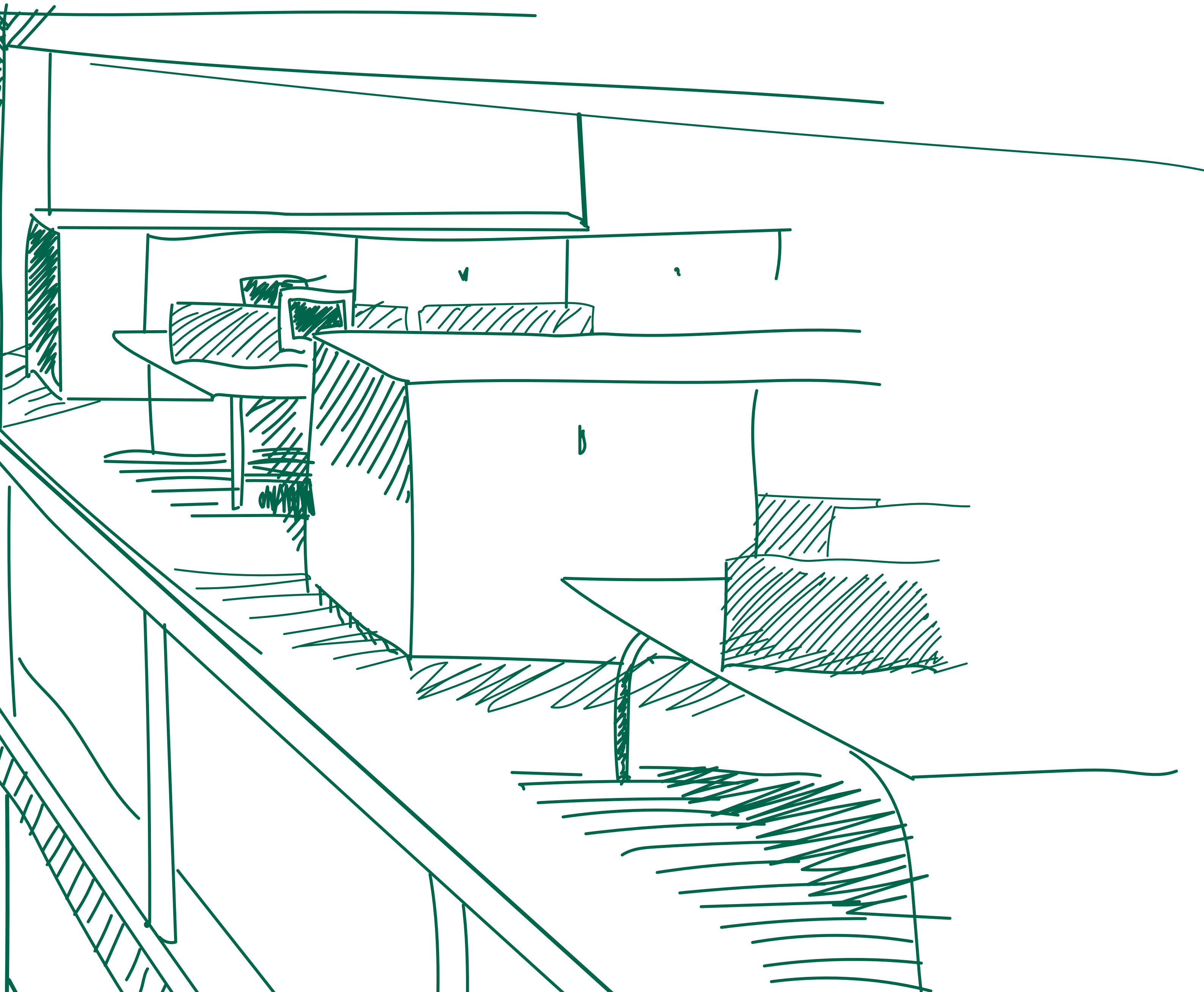
Methodological Note



Methodological Note and reading guide

Relying on its well-established tradition of sustainability reporting, the Crédit Agricole Italia Banking Group (GBCAI) chose to voluntary prepare this document in compliance with Italian Legislative Decree no. 254 of 30 December 2016 (hereinafter "D.Lgs 254/2016" or "Decree") as it did in the previous reporting periods. For the CBCAI the preparation of the Consolidated Non-Financial Statement (NFS) is voluntary as it is exempt from the obligation of presenting it under Article 6 of D.Lgs 254/2016, because its non-financial information, as defined in the Decree, is already collected and consolidated by its French Parent Company Crédit Agricole S.A. in its Non-Financial Statement.

The Consolidated Non-Financial Statement (NFS) is the tool whereby the GBCAI voluntarily reports and communicates its non-financial activities in the reporting period. This document reports the information that best represents the Group's activities in the financial year closed on 31 December 2020 concerning environmental, social and employee-related matters, respect for human rights and the fight against active and passive corruption laid down by D.Lgs 254/2016. The NFS is a stand-alone document separated from the Management Report, but it is an integral part of the Group's 2020 Annual Report and Financial Statements. The information contained in the NFS is selected and constructed in accordance with the operations and features of the Group's entities for full disclosure and reporting on them and on the resulting impacts

The materiality analysis, as provided for by the applicable legislation, identifies the topics the documents reports on and determines the materiality to be assigned to each aspect, combining the Company's internal perspective with the external one. In order to represent said external perspective, the Group embarked on a path of stakeholder engagement informed by the methodological standards of guideline AA1000, whereby the conceptual and semantic definition of the topics and their ranking in the matrix could be fine-tunes. The topics that were found material have then been connected to the contents of D.Lgs 254/2016 and each one has been reported along with the risks, policies and commitments undertaken by the Group and with the management performance achieved in the reporting year.

Aspects referred to in D.Lgs 254/2016	Specific application to the Banking Group consistently with the material topics	Minimum content requirements under D.Lgs 254/2016
Social aspects	Value creation and business continuity	Not specified by D.Lgs 254/2016
	Innovation in the banking model to provide Customers with support	
	Responsible lending for sustainable development	
	Proximity to customers and communities	
	Development of entrepreneurial fabric and agri-food sector	
Fight against active and passive corruption	Integrity in governance processes and in business management	Fight against active and passive corruption, setting forth the tools used for this purpose
Respect for Human Rights	This topic is not directly material for the Crédit Agricole Italia Banking Group but it has been dealt with as regards lending to the defence sector	Measures implemented to prevent any violation of human rights, as well as the actions undertaken to prevent any discriminatory attitudes and conducts
Human Resources Management	Safe and inclusive work environment	Social aspects regarding HR management, actions implemented to ensure gender equality
	Development of Human Resources	Social aspects and aspects regarding HR management, measures aimed at implementing international conventions and social dialogue approaches
Environmental aspects	Combating climate change and protecting the environment	The use of energy resources distinguishing between those from renewable and non-renewable sources, and the use of water resources; emissions of greenhouse gases and polluting emissions in the atmosphere; the impact on the environment and on health and safety, where possible based on realistic assumptions or scenarios, also medium-term ones, or other environmental and health risk material factors

In order to disclose sustainability information in an accurate, transparent and comparable manner, performances are reported in accordance with the **GRI Standards del Global Reporting Initiative**[1], international framework. Data are stated on a three-year basis to ensure full-range representation.

Furthermore, alongside the GRI Standards, the Group has also followed the GRI-G4 "G4-Financial Services Sector Disclosures" guidelines, i.e. the industry-specific supplement that gives specific indicators to monitor information of financial operations.. The adopted reporting approach was once again "In accordance Core", as in the previous year.

The list of the indicators used for non-financial reporting is published in the "Appendix" to this Statement. The scope of consolidation of the NFS reporting is the same one as in the Consolidated Financial Statements[2], given on page 126 of the Note to the Consolidated Financial Statements. The information and data reported in this document are the result of annual collection and consolidation performed by the relevant structures of the Bank, which extracted said data from the Group's information systems and from internal and external reporting. The data collection work was coordinated and arranged in their final structure by the Brand and Social Responsibility Service. The document also contains references[3] to the Management Report, to the Report on the Corporate Governance and Ownership Structure and to the Company's website (www.credit-agricole.it).

This document was subject to limited review by EY S.p.A.. The results of the review made pursuant to Article 3 paragraph 10 of D.Lgs 254/2016 and to CONSOB Regulation no. 20267 are set forth in the report of the Audit Firm, which is given at the end of this document. As represented in the "Independent Auditors' Report", contained herein, the review has been performed in accordance with the procedures for "limited assurance engagement" in compliance with ISAE 3000 Revised.

The Board of Directors of the Parent Company approved the Consolidated Non-Financial Statement on 24 March 2020. The NFS is published every year and can be read in its latest available version in the "Corporate Social Responsibility" section of the Group's website.

1 See Article 3 paragraph 5 The GRI Standards are the most widely used global standards for sustainability reporting.
2 See Article 4, paragraph 1
3 See Article 5, paragraph 4

02

The Crédit Agricole Italia Banking Group

The Crédit Agricole Group

1°

FIRST

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

Key figures of 2020

52 MILLION CUSTOMERS	**48** COUNTRIES	**142,000** PERSONNEL MEMBERS
6.1 BLN € UNDERLYING NET INCOME	**119.6 BLN €** EQUITY-GROUP SHARE	**17.2%**** CET1 RATIO

Rating

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

* 34.9 million retail banking customers in France, Italy and Poland

** Phased-in

The Crédit Agricole Group in Italy

TOP 3

PLAYER IN THE ITALIAN CONSUMER FINANCE MARKET*

3° THIRD

ASSET MANAGER IN ITALY**

Key figures of 2020

4.6 MILLION
CUSTOMERS

14,000
PERSONNEL MEMBERS

737 BLN €***
NET INCOME - GROUP SHARE

3,4 BLN €
NET OPERATING INCOME

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

78 BLN €
LOANS TO CUSTOMERS

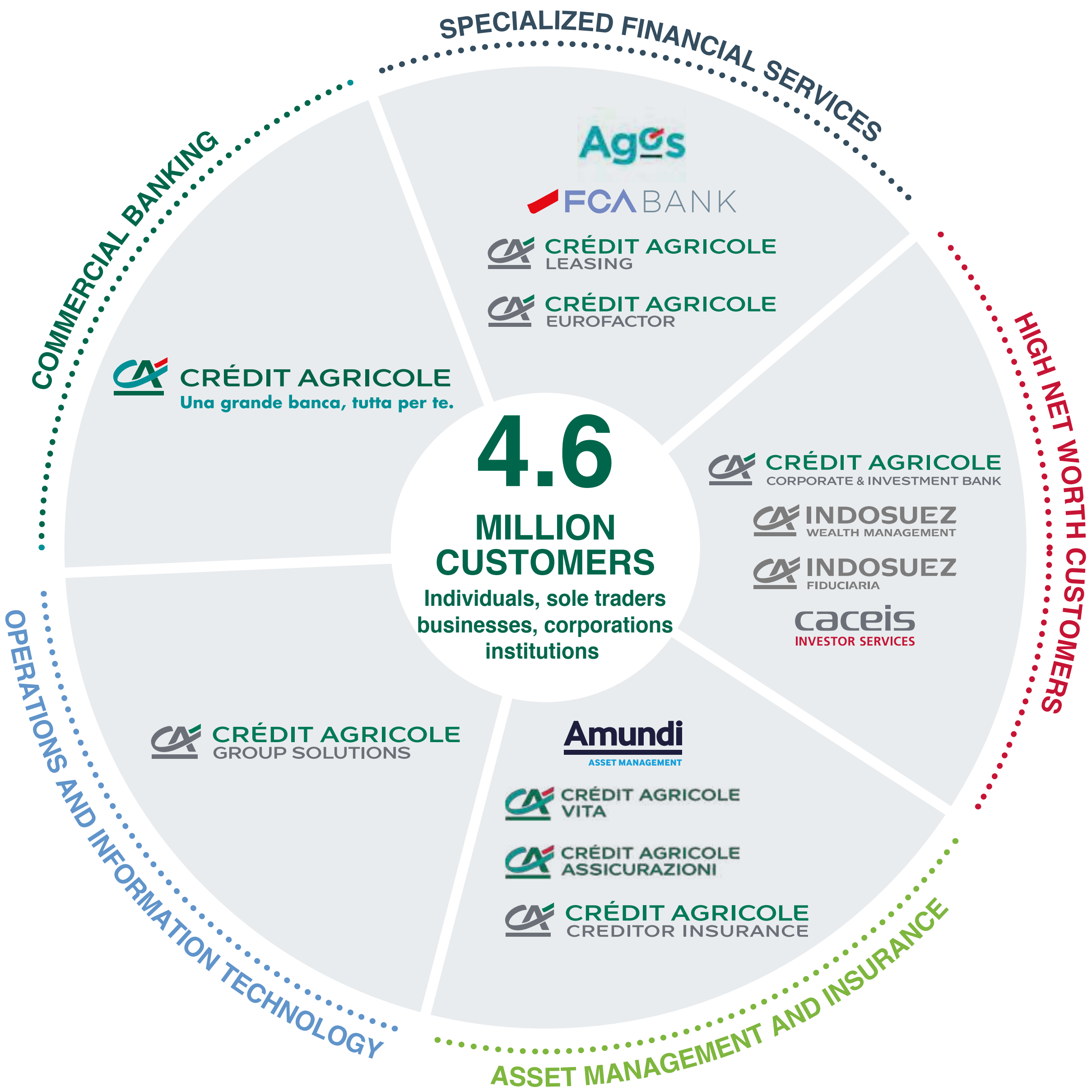
* Source: Agos and FCA Bank.

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

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

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

The Group's offer in Italy



The Crédit Agricole Italia Banking Group

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

OVER 2 MILLION
CUSTOMERS

APPROXIMATELY 10,000
PERSONNEL MEMBERS

206* MLN €
NET INCOME - GROUP SHARE

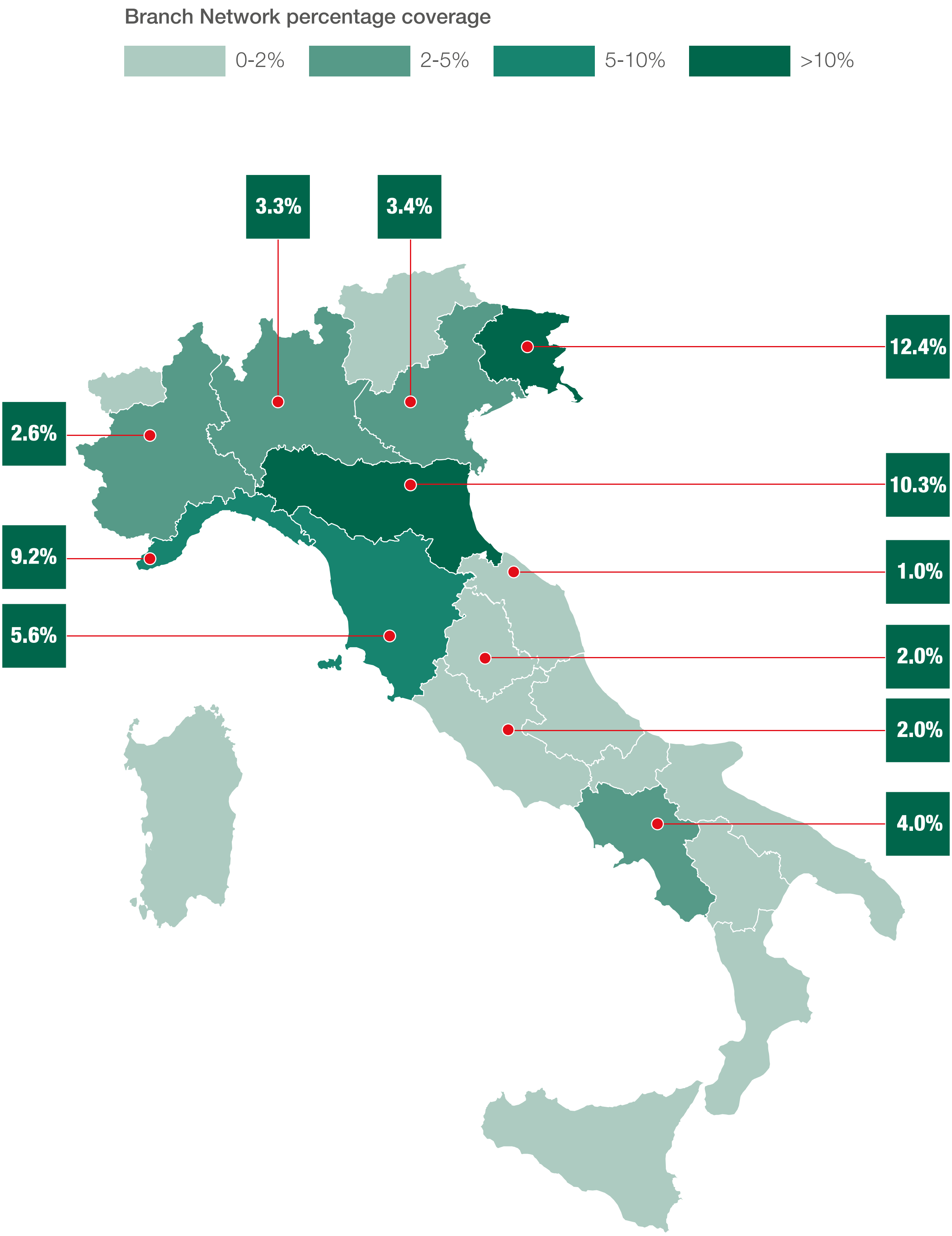
2 BLN €
NET OPERATING INCOME

OVER
1,000
POINTS OF SALE

OVER
50 BLN €
TOTAL LOANS

* Excluding impairment on goodwill

Branch Network percentage coverage
by Region



System figure - source: Bank of Italy, 31 December
2020 Group figure as at 31 December 2020

CRÉDIT AGRICOLE

Parent Company of the Crédit Agricole Italia Banking Group, it is strongly rooted in the communities it operates in and originated from local banks. In July 2019, Crédit Agricole Carispezia was merged into Crédit Agricole Italia, **expanding the area it operates in.**

829 POINTS OF SALE	**42.6 BLN €** WORTH OF LOANS	**115.2 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 **about 15,000 mutual shareholders**, giving evidence of its strong bond with the local fabric; today it is a reference point for households and businesses in Northeast Italy and is implementing an important **project to expand operations to the Veneto Region.**

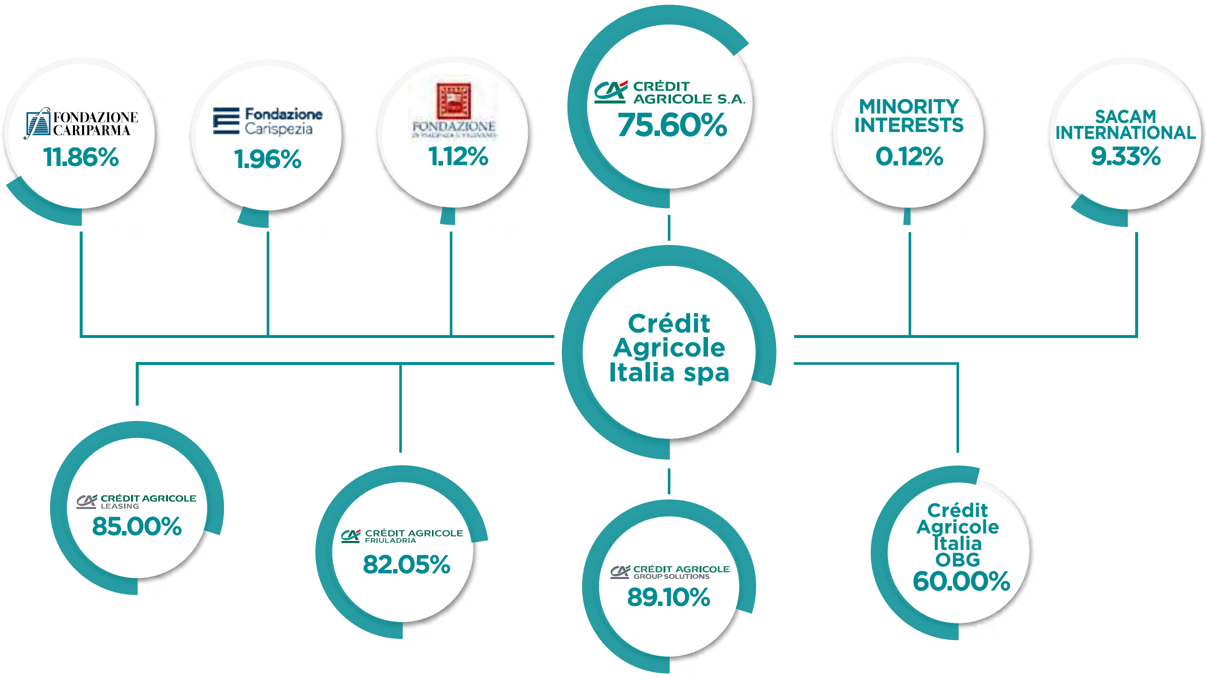
195 POINTS OF SALE	**8.0 BLN €** WORTH OF LOANS	**17.1 BLN €** WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

The Crédit Agricole Italia Banking Group's leasing entity. Crédit Agricole Leasing Italia operates in the equipment, vehicle, real estate, seacraft and aircraft and renewable energy financial leasing segments. **At the end of 2020, 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 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

Innovation and constant focus on its Customers' needs are the core features of the service provided by the Crédit Agricole Italia Banking Group. Thanks to its firmly rooted network of branches, **the Bank serves its Customers with an omnichannel model that ensures access in any place and at any time, substantiating closeness to Customers and focus on their needs.** The Group serves its Customers applying the concept of proximity, which is further strengthened by the network of Financial Advisors, who work in the communities and specialize in innovative advisory services for investments, supplemented with digital services.

The diversified range of products and services is supplied by a commercial structure comprising different channels, which are specific for each market segment. It comprises the **Retail Banking channel**, which serves individuals, households, small businesses and institutional Customers, and the **Corporate Banking channel**, which serves larger-sized enterprises. To enterprises, the Bank also proposes its **International Desk service**, designed to support international development of their business, and **Agri Agro**, a full range of products and advisory services designed specifically for enterprises in the Agri-food sector. Companies in the Large Corporate segment are provided with full and structured services.

In 2020, the Crédit Agricole Italia Banking Group strengthened its Financial Advisors commercial channel, which operates in 13 different markets, defined by geographical area, through a growth path that is based on customer satisfaction, the resources' professional development and the service model evolution.

Crédit Agricole Leasing Italia went live with the vendor lease new distribution channel, alongside its traditional distribution channel through the bank network: the vendor lease channel has brought about new cross-selling scenarios for the Group.

The Financial Advisors network is a crucial link in the relationships between the Bank and its Customers and completes the range of solutions provided by the Group synergically integrating all business units in a complete and specialist advisory service.

SUSTAINABILITY MODEL AND APPROACH

A distinctive feature of the Crédit Agricole Italia Banking Group's way of doing business is the integration of Corporate Social Responsibility in its strategic development lines.

Its strong bond with the regions and communities it operates in and proximity to its Customers go hand in hand with the concepts of

Integrity, Trust, Responsibility, Transparency, Respect for diversity, Commitment, Professionalism and Confidentiality

in defining the Group's core values.

Drawing on these concepts, over time the Bank has built a strong relationship with the communities it operates in, based on **proximity to Customers, regions and communities**, which identifies it as a partner for the development of the local enterprise fabric and a leading player in the Country's growth.

Consistently with the interests of its stakeholders, the Crédit Agricole Italia Banking Group holds Corporate Social Responsibility as a founding pillar of its corporate culture and a key driver of the Group's development. Social and environmental sustainability goals are a priority strategic direction, which informs the business model of all the Group's entities and the various business processes along the entire value chain.

This identify aspect has been formalized in the **2022 Strategic Plan**, which was prepared in cooperation with Crédit Agricole's Regional Banks and Crédit Agricole S.A. and follows in the footsteps of the "Strategic Ambition 2020" Medium Term Plan. A project for growth that rests on the Bank's relational model and expresses its *raison d'être*:

> "Working every day in the interest of our customers and society."

The growth and development prospects outlined in that document are consistent with the Group's commitments to its stakeholders as set out in the **Code of Ethics** and provide for the Bank operational framework to involve communities and regions. As a player in Italy's development, the Crédit Agricole Italia Banking Group is committed to dialoguing with its stakeholders and to giving priority attention to the interests of the communities and regions it operates in, as it is **responsible to its stakeholders** and shares their interests, both at a micro-level in its relationship with customers, employees, suppliers and communities, and at a macro-level, in supporting the Country's economic development. The Bank has the ambition of building a growth strategy that, while remaining faithful to the Group's tradition, makes shared projects and innovative and bespoke services its business approach.

Responsibility and proximity principles substantiate in a management model that enhances the **strong relationship of trust with local players**, prevents the risks associated with a constantly evolving scenario, detects and interprets the needs emerging in the communities and supports the enterprise fabric consistently with the local needs for investment and sustainable growth. An operating model able to involve the community and to assess the impacts of the Bank's business activities, in order to **create shared value** with stakeholders and to strengthen its relationship with the community even further.

The expression of the adopted sustainability model is the **FReD meta-project**, a framework initiative that sets a shared and harmonized dashboard for all the Group's entities to assess Corporate Social Responsibility projects. For several years now the project has been setting the internal guidelines to **define social responsibility policies** and to measure their developments with a synthetic index that expresses the contribution of each entity of the Group to the achievement of the Group's CSR goals, which are more and more challenging.

To monitor progress in the initiatives within the FReD meta-project, the Crédit Agricole Italia Banking Group has retained an independent Audit Firm, which performs audits and, based on the results, assigns a score whereby activities can be measured and compared.

Within the FReD meta-project, the entities of the Crédit Agricole Group undertake to carry out four projects in each one of the set sustainability areas (3 of which are crosswise and shared by all the Group's entities). Said sustainability areas are:

"Trust" comprises the projects aimed at protecting Customers' interests and at developing a range of accessible and bespoke services, consistently with ethics and transparency standards.

"Respect" comprises the initiatives regarding the Company welfare and work relationships. The topics addressed by the projects in this area include: internal dialogue and participation, wellbeing and work quality, defence of equal opportunity and promotion of a corporate culture that is favourable to and inclusive of diversity. This scope also includes the projects aimed at promoting the economic, social and cultural development of the communities and regions the Group operates in and at involving its stakeholders in Corporate Social Responsibility initiatives.

"Demetra" is the area comprising the projects aimed at protecting the environment, and natural heritage and at fighting climate change. This area includes the initiatives for reduction in the environmental impact directly generated by the Group operations and for provision of credit products and services that are functional to eco-innovation in local manufacturing activities and to the development of green economy.

Giving evidence of full integration of the **sustainability goals** in the Group's corporate culture, the achievement of the FReD improvement goals is part of the incentive system for its managers.

Corporate Social Responsibility topics are discussed by the Top Management at the meetings of the Group Steering Committee, which consists of the executives reporting directly to the CEO. The Steering Committee is responsible for the Bank's main business strategies and projects and for delivering its specific in-depth examination of the CSR approaches and development, as well as for periodic reporting on the progress of FReD meta-project initiatives.

The Brand and Corporate Social Responsibility unit is part of the Internal Communication, Brand and CSR Division and is responsible for managing the Crédit Agricole Italia Banking Group's social responsibility. Its tasks include the prevention of reputational risks, the development of initiatives addressing social and environmental impacts and the coordination of the process to manage and report the Group's non-financial performances.

In 2020, the Group rolled out a multi-year project on sustainability, which comprises the main action areas given below:

- in-depth analysis of climate and environmental risks and of climate scenarios;
- stronger integration of ESG criteria in lending processes;
- the completion of the carbon footprint measurement and the design of mitigation actions;
- stronger integration of ESG criteria in procurement processes;
- the evolution in disclosure to stakeholders;
- the corporate governance evolution in terms of Sustainability.

The **Sustainable Development Goals (SDGs)** are the main reference framework worldwide for sustainable development. The Global Agenda for Sustainable Development was approved by the United Nations on 25 September 2015 and consists of 17 Sustainable Development Goals (SDGs), which, in their turn, consist of 169 Targets addressed to businesses, the public sector, civil society, philanthropic institutions, universities, research centers and information and culture operators.

Thanks to the SDG, many businesses have become aware of the relevance of their activities in the wider scenario of sustainable development and have **integrated sustainability in their strategic development plans.** Indeed, the Goals set by the United Nations are not only guidelines to measure the impact of every business on society, but they are also strategic drivers to identify new sustainable business models and opportunities for value creation by innovating products and services.

The **Crédit Agricole Italia Banking Group chose long ago to accept this challenge**, identifying environmental, social and governance sustainability as a true competitive driver on which it has designed its business strategy and built its corporate culture, and contributing to the achievement of 11 out of 17 Goals.

The promotion of the17 Sustainable Development Goals by the United Nations goes hand in hand with the Bank’s social commitment as they have provided it with a global yardstick and metrics that the Banks can use to report on its projects, as well as with a driver **enhancing its values and the principles expressed in its Code of Ethics** and boosting its business operations to the benefit of all stakeholders.

The income and financial results for 2020 of the Crédit Agricole Italia Banking Group are summarized below in terms of the general added value that it generated and distributed, in accordance with the updates of Circular 262 of the Bank of Italy.

CONSOLIDATED STATEMENT OF ADDED VALUE (thousands of Euro) 201-1		2020	2019	2018
10.	Interest and similar income	899,083	928,260	927,732
20.	Interest and similar expense	72,967	81,425	65,550
40.	Fee and commission income	920,631	956,144	931,731
50.	fee and commission expense (net of expenses for external networks)	-40,707	-43,378	-40,184
70.	Dividends and similar income	10,449	11,368	12,614
80.	Net profit (loss) on trading activities	21,304	15,147	10,711
90.	Net profit (loss) on hedging activities	-12,129	-10,121	-10,832
100.	Profit (Loss) on disposal or repurchase of:	-9,055	-8,883	31,951
	a) financial assets measured at amortized cost	-7,834	-12,046	5,444
	b) financial assets measured at fair value through other comprehensive income	-1,270	3,314	26,428
	c) financial liabilities	49	-151	79
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-527	-29	3,176
	a) financial assets and liabilities designated at fair value	0	0	0
	b) other financial assets mandatorily measured at fair value	-527	-29	3,176
130.	Net losses/recoveries for credit risk on:	-390,015	-219,605	-252,314
	a) financial assets measured at amortized cost	-388,943	-218,491	-251,366
	b) financial assets measured at fair value through other comprehensive income	-1,072	-1,114	-948
140.	Profits/Losses on contract modifications without derecognition	-1,367	-3,357	-1,037
230.	Other operating expenses/income	286,006	283,784	294,346
250.	Profits (Losses) on equity investments (as regards the portion of profit/ losses on disposals)	9,761	12,806	8,530
280.	Profit (losses) on disposals of investments	66,080	497	118
320.	Profit (Loss) after tax from discontinued operations	0	0	0
A. TOTAL ECONOMIC VALUE GENERATED		**1,832,481**	**2,004,058**	**1,982,092**
190.	b) Other administrative expenses (net of indirect takes and charity/ donations and contributions to resolution and deposit guarantee schemes) (-)	470,487	472,984	552,176
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS		**470,487**	**472,984**	**552,176**
190.	a) Personnel expenses (including expenses for external networks – e.g. agents, financial planners) (-)	710,810	727,755	742,023
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND OTHER STAFF		**710,810**	**727,755**	**742,023**
340.	Net profit (loss) for the year attributable to minority interests	8,224	12,087	18,155
ECONOMIC VALUE DISTRIBUTED TO MINORITY INTERESTS		**8,224**	**12,087**	**18,155**
	Net profit distributed to shareholders	90,119	0	128,571
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS		**90,119**	**0**	**128,571**
190.	b) other administrative expenses: direct and indirect taxes (-)	113,547	118,215	121,199
190.	b) Other administrative expenses (net of charity/donations and contributions to resolution and deposit guarantee schemes) (-)	58,027	40,703	40,188
300.	Income taxes for the year (current taxes, changes in taxes, decrease in taxes)	18,866	68,518	72,252
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND PERIPHERAL ADMINISTRATION		**190,440**	**227,436**	**233,639**
190.	b) other administrative expenses: charity and donations (-)			
	Profit allocated to the charity fund	1,200	2,000	1,800
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND THE ENVIRONMENT		**1,200**	**2,000**	**1,800**

CONSOLIDATED STATEMENT OF ADDED VALUE (thousands of Euro) 201-1		2020	2019	2018
B. TOTAL ECONOMIC VALUE DISTRIBUTED		**1,471,280**	**1,442,262**	**1,676,364**
200.	Net provisions for risks and charges	6,699	5,633	-23,378
	a) commitments and guarantees given	-1,274	-3,244	-4,592
	b) other net provisions	7,973	8,877	-18,786
210.	Net adjustments of/recoveries on property, plant and equipment	85,463	80,163	44,266
220.	Net adjustments of/recoveries on intangible assets	97,784	90,853	84,748
250.	Profit (losses) on equity investments (writedowns/writebacks, value adjustments/recoveries, other expenses/income)	115	0	0
260.	Net profit (loss) from property, plant and equipment and intangible assets measured at fair value	0	0	0
270.	Impairment on goodwill (-)	-259,611	0	0
300.	Income taxes for the period (change, deferred tax assets and liabilities)	56,284	73,078	56,565
	Profit allocated to reserves	-144,756	312,069	143,527
C. TOTAL ECONOMIC VALUE RETAINED		**- 158,022**	**561,796**	**305,728**

Sustainability in the supply chain

Being aware of its impact on the entire system in which it operates, the Crédit Agricole Italia Banking Group deploys its approach to sustainability along the entire value chain of its business operations. It means that the Group does not simply meet its Customers' needs with a range of innovative solutions supporting people and the local enterprise fabric, but it is also engaged in **promoting value for the communities and regions it operates in through its supply chain.**

The bank has adopted a
supply chain management model
that takes into account both social and environmental variables.

The processes to select suppliers of goods and services includes the assessment also of these features and, where possible, they provide for local suppliers to be preferred pursuing the objective of **further strengthening support to the development of the local economic fabric.** The Group's forward-looking sustainability project provides also for stronger weight of ESG criteria in procurement processes,

In order to promote green policies in the supply chain and to strengthen the materiality of sustainability topics at a macro-level, the **project to increase suppliers' awareness continued, which aims at emphasizing the importance of ESG values** (Environmental, Social, Governance) and at promoting the EcoVadis certification. EcoVadis is a partner of Crédit Agricole, which, thanks to continuous benchmarking in the target industries internationally and to its specialist skills and expertise, provides suppliers with a tool for objective assessment of their CSR and opportunities for continuous improvement of their processes through advisory services. Registration on the EcoVadis platform certifies transparent communication of sustainability performances and incentivizes continuous improvement in environmental and social matters. The Group takes said certification into account in its selection and qualification processes with points added to the score of the candidate suppler that has the certification when it is entered in the Group's Register of Vendors or participates in a call for tenders.

In 2020 the **Supplier Survey** was conducted for the second year in a row to monitor supplier satisfaction and their familiarity with the Group's values. The space for Sustainability topics and CSR initiatives was extended vs. the previous survey. The feedback received from the Group's partners markedly improved. Specifically:

38%
of suppliers stated that they are EcoVadis-certified
(+12% vs 2019)

61%
of suppliers stated that they are familiar with EcoVadis
(+12% vs 2019)

25%
of suppliers stated that the ESG approach is a priority for them
(New finding vs 2019)

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

COVID 19

The health emergency that dominated 2020 made even more important giving attention to the Group's Partners, in order to ensure them continuity of the business relationship and, where possible, additional support. It was critically important to verify first-hand with the Partners whether the Group's commitment generated the hoped-for results. This is why a Survey was conducted which included also the COVID topic. The results are given below:

- 65% of Suppliers has confirmed that the interaction (in quantitative terms) with the Purchasing Division did not decrease and remained constant;
- 12% of Suppliers reported an increase in the interactions with the Purchasing Division (in quantitative terms);
- 71% of Suppliers reported that their relationship with the Group were unchanged in qualitative terms vs. the past;
- 110% of Suppliers reported that they perceived a positive impact in their relationship with the Crédit Agricole Group (in qualitative terms).

In 2020, the Purchasing Division started a new Group project linked to Sustainability, which pursues the main objective of **enhancing the weight of ESG criteria in the selection of suppliers.** In the reporting year, the initiatives promoted by the French Parent Company in this regard were analyzed in order to assess the possibility of adopting them also in Italy. To the same effect, a plan of specialist training development on sustainability has been scheduled for 2021 intended for buyers and for the structures involved in the purchasing process and pursuing larger use of the EcoVadis platform and rating in assessing the Sustainability Plan of bidders in tender procedures.

This initiatives is part of a wider project stemming from the Group's will to improve its Value Chain, while creating added value for its suppliers and involving them in its approach to sustainability.

410.7 million Euro
Goods and services purchased in 2020

of which

89%
sourced in Italy

The Crédit Agricole Italia Banking Group ensures constant and close monitoring of all suppliers on its register of vendors: they are required to submit the anti-mafia certificate and a specific statement pursuant to Italia Legislative Decree 231/01. The Bank regularly monitors the contracts it has in force and verifies every year that its suppliers are not on the lists of persons subject to international sanctions, reporting any Related Parties, that they are not based in Countries subject to embargoes or under surveillance and that the revenue from their contracts with the Group does not exceed 25% of their total revenue.

With its specific **Purchasing Policy**, the Group governs the activities with its suppliers in accordance with its Code of Ethics and with the applicable legislation.

The Bank also tries to curb its indirect impact on the environment. To do so, it carries out a **constant process aimed at increasing its suppliers' awareness**, promoting active policies that provides for the exclusion of polluting activities or products and for the request, to be made upon supplier qualification, for certifications giving evidence of the supplies' responsible conduct.

To access the Group's Purchasing Portal, every supplier must that it has read and accepts the privacy policy and the Code of Ethics of the Crédit Agricole Italia Banking Group and the Code of Ethics of Agos Ducato.

Supply value and localization (204-1)		2020	2019	2018
Total value of suppliers (204-1)	€	410,708,205	410,744,751	503,451,699
- of which foreign suppliers	€	45,800,263	43,930,804	40,192,024
	%	11.15	10.70	7.98
- of which Italian suppliers	€	364,907,942	366,813,947	463,259,675
		88.85	89.30	92.02
Lazio	€	51,527,058	55,528,666	68,367,820
Emilia-Romagna	€	103,299,137	101,328,648	98,676,197
Lombardy	€	137,751,652	139,465,659	171,484,506
Friuli-Venezia Giulia	€	8,188,236	8,031,218	11,033,390
Veneto	€	18,543,392	11,008,818	12,811,690
Tuscany	€	11,288,126	13,485,471	18,980,185
Liguria	€	14,474,503	15,608,425	16,000,927
Campania	€	4,376,284	4,413,082	8,018,229
Piedmont	€	7,972,431	10,865,248	10,971,314
Puglia	€	1,531,372	1,073,446	1,320,699
Marche	€	1,781,931	2,568,837	2,009,771
Abruzzo	€	2,855,535	2,021,116	3,051,754
Trentino-Alto Adige/Südtirol	€	233,273	120,307	730,521
Umbria	€	460,374	527,838	1,381,431
Other Regions	€	624,638	767,168	38,421,241

The supply value does not include the portion for intra-group purchases.

Selection and qualification of suppliers (414-1; 308-1)	2020	2019	2018
Suppliers on the register with at least one certified HSEQ system	**24%**	**24%**	**26%**
of which ISO 9001-certified	92%	87%	98%
of which ISO 14001-certified	29%	28%	30%
of which compliant with SA 8000	8%	10%	9%
of which OHSAS 18001-certified	22%	21%	21%
of which ECOVADIS-certified	14%	8%	4%
Suppliers entered in the register in 2020 having at least a certified HSEQ system	**2%**	**2%**	**2%**
of which ISO 9001-certified	90%	87%	98%
of which ISO 14001-certified	25%	27%	32%
of which compliant with SA 8000	11%	4%	7%
of which OHSAS 18001-certified	21%	27%	25%
of which ECOVADIS-certified	3%	17%	0%

03

Corporate model

The corporate and business management model

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

The **Crédit Agricole Italia Banking Group has a traditional governance model,** consisting of the General Meeting of Shareholders, the Board of Directors and the Board of Auditors.

The Board of Directors is responsible for the overall management of the Company and for strategic oversight in risk control. It is also responsible for adopting organizational models as well as operating and control mechanisms that are adequate and compliant with the applicable legislation and with the set corporate strategies.

On its part, the Board of Auditors is responsible for supervising proper operation of the internal controls system, ensures appropriate coordination between all structures and function holders involved and promotes corrective actions in case of any shortcomings or irregularities.

Finally, the Executive Bodies and Roles are responsible for directing operations to implement the set corporate strategies.

The governance system has been designed in compliance with the industry-specific applicable legislation and vests a single body with strategic oversight and management functions; this ensures **unified and efficient corporate direction,** both in management and in controls, supported by corporate strategies and by policies for the management and control of the risks associated with the banking business.

The organizational structure of the Company's Governance system is implemented in all the companies of the Group: it is approved by the subsidiaries' Boards of Directors. This ensures that responsibilities are assigned in accordance with the specific skills, proper separation of duties and independent assessment.

The Company's Board of Directors approves the **Risk Policies** validated by the Boards of Directors of the individual entities. In order to prevent conflicts of interest, the subsidiaries' Boards of Directors delegate responsibilities and assign scopes and roles to the relevant corporate structures.

A central structure coordinates the operations of the banks of the Group: the structures engaged in business functions and in separate control functions report directly to it and it is engaged in operational functions with centralized governance.

The internal reference document for directing operations is the **Code of Ethics**. It is regularly reviewed by the Compliance Department and expresses the **Group's values, its commitments to stakeholders, the responsibilities for business management and ethics culture.** The Code of Ethics is also an integral part also of the Organization, Management and Control Model of the Group's Companies pursuant to Italian Legislative Decree 231/2001 (OMC), which was updated to the new developments in the applicable legislation and in accordance with the organizational changes occurred.

On its part, the **Code of Conduct** of the Crédit Agricole Italia Banking Group lays down the conduct guidelines and standards of ethics, confidentiality and professionalism, consistently with the values and principles at the basis of the Code of Ethics.

COMPLIANCE, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The **Compliance Department is responsible for controlling the integrity of the corporate processes and procedures** and for managing non-compliance risk. In pursuing its objectives, the Department follows the directions given in the applicable national and international legislation, along with the guidelines given by the Parent Company.

The Compliance Department oversees:
- prevention of money-laundering and terrorist financing risks in accordance with the applicable legislation;
- compliance with the legislation on international sanctions;
- the prevention of risks of fraud, corruption, conflicts of interest, market abuse and other offences pursuant to D. Lgs 231/01;
- compliance with the applicable legislation governing banking and intermediation activities;
- personal data protection in accordance with the applicable legislation;
- informing the Bodies and Officers vested with Strategic Oversight, Management and Control of the Companies of the Group and to Crédit Agricole S.A. through specific reporting.

In case no specialist control tools are in place ensuring compliance with the applicable legislation, the Department provides **advisory services and assistance to protect the Companies of the Group,** their employees and the top management from risks of penalties, financial losses and reputational damage and to ensure centrality of Customers' interests. In the areas where formalized controls are in place, it cooperates with the relevant structures in setting risk assessment methods and the related procedures to verify the effectiveness of noncompliance risk prevention.

The Risk and Internal Control Committee governs the structures engaged in control functions, namely Internal Audit, Compliance, Risk Management and Permanent Controls, and the internal control systems, in accordance with the guidelines given by the Parent Company. The Committee is also responsible for examining and approving risk management practices and for expressing a judgement on the **Risk Policies** to be submitted to the Board of Directors for approval. Lastly, it analyzes the applicable legislation in force and decides on the proposals made by the operational teams in charge of risk management and prevention. The Risk and Internal Control Committee reports to the Internal Control Audit Committee of the Parent Company CAI.

The Internal Audit Department is responsible for constant control on the activities and processes of the organizational units of all the Group's Companies and regarding the most important outsourced Operational Functions; it also responds to any irregular behaviours or situations.. The performed activities are reported to the Top Management, to the Corporate Bodies and to the Parent Company. It verifies that the internal controls system is adequate to ensure the effectiveness and efficiency of the corporate processes as implemented, protection from losses, the value of assets, the quality of accounting and management information and compliance of operations with both the policies set by the corporate governance bodies and with all applicable internal and external regulations. The Internal Audit Department is independent from all executive and decision-making structures or roles that entail risk-taking.

The Group Interfunctional Committees, namely the New Activities and New Products Committee (NAP), the Investment Committee, the Loan Committee, the Group Non-Performing Exposures (NPE) Committee and the Loan Monitoring Committee, are provided with assistance by the structures engaged in control functions for the matters they are respectively responsible for, participate in and report to the Internal Control Audit Committee of the Parent Company.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

COVID 19

Responding to the health emergency that broke out in the first quarter of 2020, the Crédit Agricole Italia Banking Group deployed extraordinary activities in order to ensure control of any non-compliance risks associated with the contingency procedures that were activated in order to give Customers access to banking services, also remotely. In the implementation of the urgent relief measures issued by the Italian Government for the suspension of loan repayments and access to credit by sole traders and businesses, the Compliance Department also cooperated in setting the related procedures and in the Group's relations with Institutions. As the emergency situation entailed higher exposure to the risk of fraud, internal communication was also strengthened, with training, information dissemination and support using new modes and formats, as well as external communication to Customers with information given on the Group's website, on the App and specific e-mails. Controls on processes, especially credit transfers and online transactions, were also strengthened.

The approach to risk management

The responsibility for risk control and governance regarding all the Companies of the Group, except for the Compliance-specific ones mentioned above, lies with the **Risk Management and Permanent Controls Department.** Risk management and control are based on the following principles:

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

As regards the Group's approach to risk identification, every year the Risk Management and Permanent Controls Department **maps material risks,** in cooperation with the risk owners and based on qualitative/quantitative assessments; this process is performed as specified in the RACI and in the ICAAP and ILAAP documents.

In 2020, a **formalized framework for the management of Information and Communication Technology (ICT) risk** went live, while the management of operational risks (specifically personal data protection and payment security risks) was strengthened and constantly updated. Furthermore, the management of risks associated with outsourced activities was focused on, in terms of both business continuity and Customer experience quality, in an environment hard hit by the COVID-19 emergency, which entailed higher pressure and stress on the Group's information systems and on the management of the risks associated with their use and the new modes of serving Customers.

Risk Appetite Framework

The Risk Appetite Framework (RAF) sets the risk capacity, i.e. the maximum levels of risk that may be taken for each type of risk. The risk appetite depends on the strategic directions that the Group wants to pursue and on the related risk management policies. It is expressed with:

- **a selective and responsible approach to lending,** outlined in a prudent lending policy which is set out in the Risk Strategy, in the Corporate Social Responsibility policy and in the system of decision-making powers in force;
- **orientation towards a low risk profile** on all main financial risks, with specific focus on limiting the exposure to market risk;
- **strict oversight** on exposure to operational risk;
- orientation towards **integrated management of ICT risks** pursuing general resilience;
- **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;
- **careful mapping** of all material or emerging risks that may generate different impacts on the Group.

Along with the use of the RAF, in order to ensure the nest possible control on risks, the Group regularly updates **its risk measurement methods and models** through frequent monitoring and control activities that are the same for all its subsidiaries, each one of which is responsible for sharing and implementing, with their respective corporate bodies, risk management policies and procedures that are proportional to the risks taken. The Governance reference framework is closely related to the RAF: the business model and the strategic plan, the risk appetite, tolerance thresholds, risk limits, risk management policies and the related processes to define and implement them are determined in accordance with the set risk capacity.

The use of the Framework is accompanied and supported by the **Policies on the RAF and on the Most Material Transactions (*Operazioni di Maggior Rilievo* or with the Italian acronym OMR) and by the Risk Appetite Statement (RAS),** which sets out the risk management governance process and identifies the roles of the management and control structures within the Group for appropriate control of risks and proper setting of the RAF. Furthermore, for each and every qualitative and quantitative risk mapped, the related risk ratios/indicators and alert thresholds are set, which, if breached, trigger a specific Recovery Plan process.

As at 31 December 2020, the Group's primary ratios/indicators were found satisfactory and consistent with the Risk Appetite set by the Group. The internal controls system implemented by the Crédit Agricole Italia Banking Group has been structured in compliance with the applicable Supervisory provisions (Bank of Italy Circular 285/2013) and with the model of the Controlling Company Crédit Agricole S.A.; it uses a system for monitoring constant control of risks and the adequacy of control activities to the organizational structure of the Group, as well as the reliability, accuracy and promptness of the relevant reporting.

In 2020, **as usual, the Risk Strategy document was prepared** for 2021. Consistently with the commitments that the Group has undertaken in terms of sustainability and with the requests of the Parent Company Crédit Agricole, the 2021 Risk Strategy document was supplemented with several in-depth assessments of the ESG policies implemented by the Group as regards the activities started by the Group's Entities and by the various commercial channels of the Bank, including Crédit Agricole Leasing Italia.

The management of social and environmental risks

The risk analysis methods used by the Crédit Agricole Italia Banking Group are constantly updated, in order for the Group to have always **advanced and innovative solutions** that optimize customer analysis, increase the efficiency of processes and implement monitoring systems. In the first months of 2021, together with the Parent Company Crédit Agricole, an analysis of the applicable legislation started with the objective of having a clear view of the Group's position in terms of the Regulator's expectations in order to identify the main development axes to be implemented in the coming years.

The system of controls that the Crédit Agricole Italia Banking Group implements on social and environmental risks is by now fully established and deeply rooted in its organization: it has adopted a structured prevention model that aims at ensuring the Group's strength by identifying, mapping, assessing and managing risks. The importance attached to ethics in business and to corporate social responsibility, as per the analysis of the social and market scenario, results in close attention paid to reputational risk.

Broadly speaking, this 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	Material topic	Risk factors detected	Risk description	Management, control and mitigation actions deployed
Social	Innovation in the banking model to provide Customers with support	Risk of failing to protect personal data and privacy	Risk of losses caused by noncompliance with the applicable legislation on personal data protection.	• Privacy - Policy of the CA Italia Banking Group • Personal data protection consolidated act • Domain policy (IT and privacy risk analysis method) • Implementation of Privacy By Design & By Default controls • Controls • Training • Actions for awareness enhancement and internal communication • Advisory services to structures engaged in business functions • Management of personal data protection matters
		Information and Communication Technology (ICT) Risk ICT availability and continuity risk • ICT security risk • ICT change risk • ICT data integrity risk • ICT outsourcing risk	Risk of losses caused by confidentiality breaches, loss of data and system integrity, inadequacy or unavailability of systems and data or impossibility to change ICT systems in a reasonable time and at reasonable costs, in case of changes in the environment. and business requirements This includes security risks resulting from inadequate or wrong internal processes, or from external events, including cyber-attacks or inadequate physical security.	• ICT Risk Framework Policy • Policy governing the “Pilote des Risques Systèmes d’Information” function • Domain policy (IT and privacy risk analysis method) • Risk Strategy • ICT Risk control dashboard • Permanent Controls Framework • Communication and Training • Periodic review of the security settings of the IT infrastructure • Continuous search for new cybersecurity technologies to strengthen defence
		Fraud Risk	Risk resulting from an intentional action aimed at obtaining tangible or intangible advantages to the prejudice of a person or organization, perpetrated in breach of legislation, regulations, internal normative instruments and rules.	• The CA Italia Banking Group’s policy for combating fraud • Regulation for the management of the fraud combating process • Code of Ethics • Code of Conduct • Mandatory training • 24X7 Fraud Prevention Control within Internet Banking and E-money • Awareness actions for internal and external customers
		Noncompliance risks	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association, code of conduct, self-governance codes).	• Compliance Policy of the CA Italia Banking Group
	Responsabilità nel credito per lo sviluppo sostenibile	Credit risk	Credit risk in financing activities featuring social issues It results from failure to assess material social aspects for the specific sector in measuring creditworthiness.	• Risk Strategy • Lending policies • Temporary normative instruments implementing the measures for response to the economic and financial effects of the Covid-19 pandemic
	Sviluppo del tessuto imprenditoriale e del settore agroalimentare	Credit risk	Credit risk in financing activities featuringsocial issues It results from failure to assess material social aspects for the specific sector in measuring creditworthiness.	• Risk Strategy • Lending policies • Temporary normative instruments implementing the measures for response to the economic and financial effects of the Covid-19 pandemic
	Prossimità ai clienti e ai territori	Reputational risk	The present or forward-looking risk of decrease in profits or capital subsequent to any negative perception of the Bank’s image by customers, counterparties, shareholders, investors and authorities.	• Brand positioning and Corporate Social Responsibility initiatives (philanthropic activities carried out by the Group) • Code of Ethics • Code of Conduct
		Credit risk	Credit risk in financing activities featuring social issues It results from failure to assess material social aspects for the specific sector in measuring creditworthiness.	• Risk Strategy • Lending policies • Temporary normative instruments implementing the measures for response to the economic and financial effects of the Covid-19 pandemic

Scope	Material topic	Risk factors detected	Risk description	Management, control and mitigation actions deployed
Fight against active and passive corruption	**Integrity in governance processes and in business management**	**Bribery and corruption risk**	Risk associated with abusive conducts adopted within ordinary performance of a function, which aim at soliciting, offering, giving or accepting - directly or indirectly – unlawful assets or advantages or the promise of undue advantages.	• Policy on prevention of bribery and corruption risk • Whistleblowing Policy • Code of Conduct • Code of Ethics • Model 231 • Training
Human Resources Management	**Safe and inclusive work environment**	**Risk associated with occupational Health and Safety**	Risk of incurring losses subsequent to accidents and potential legal disputes for accidents at work regarding the activities performed, the workplace and work equipment.	• Code of Ethics and Code of Conduct • Mandatory training courses for all personnel • Risk Assessment Document and mitigation plan
		Noncompliance risk	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association, code of conduct, self-governance codes), e.g. for violation of welfare and equal opportunity requirements.	• Ethics Charter of the Crédit Agricole Group • Code of Ethics • Code of Conduct • Charter of Respect • Agreement with the Trade Unions on gender violence • Women in Banking Chart • Training on the Code of Ethics, the Code of Conduct and the Charter of Respect; • Training and decision-making powers system
	Development of Human Resources	**Risk of non-retention of skilled resources**	Risk of uncontrolled increase in turnover with the subsequent risk of losing skilled resources and consequent impact on productivity and competitiveness.	• Remuneration Policies and Incentive • System of the Group • Career paths • Development paths
Human Rights		**Noncompliance risk**	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association, code of conduct, self-governance codes), e.g. discriminatory remarks, attitude or behaviours.	• Code of Ethics • Code of Conduct
		Credit risk	Rischio di credito nel finanziamento di attività caratterizzate da criticità sociali. Ciò deriva dalla mancata valutazione di aspetti sociali significativi per il settore di appartenenza nella valutazione del merito creditizio.	• Politiche creditizie
		Reputational risk	Rischio attuale o prospettico di flessione degli utili o del capitale derivante da una percezione negativa dell'immagine della banca da parte dei clienti, controparti, azionisti e autorità.	• Iniziative di brand positioning e Corporate Social Responsibility (attività filantropiche realizzate dal Gruppo) • Codice Etico • Codice di Comportamento
Environmental	**Combating climate change and protecting the environment**	**Noncompliance risks**	Risk of judicial or administrative penalties, material financial losses or reputational damage resulting, from violation of mandatory requirements (laws, regulations) or self-regulation (articles of association, code of conduct, self-governance codes), e.g. noncompliance with the applicable legislation on environmental protection.	• Strategy for upgrading the oldest and most polluting plants • Energy policy

Scope	Material topic	Risk factors detected	Risk description	Management, control and mitigation actions deployed
		Climate Risk *(Physical risk and transition risk)*	Physical risk means the financial impact of climate change, including extreme weather events occurring more frequently and gradual changes in climate. This risk includes events that, for example, may cause direct damage to property or decreases in production or indirect damage afterwards, such as the interruption in production chains. Transition risk means the financial loss that may be incurred, directly or indirectly, subsequent to the adjusting process within the shifting to an economy with low carbon emission and more environmentally sustainable. That situation may be caused, for example, by the relatively sudden adoption of climate and environmental policies, by technological progress or by any change in markets' confidence and preferences.	• Model 231 • Lending policies • Code of Ethics • Strategy for upgrading the oldest and most polluting plants • Energy policy
		Rischio di reputazione	The present or forward-looking risk of decrease in profits or capital subsequent to any negative perception of the Bank's image by customers, counterparties, shareholders, investors and authorities, for example associated with possible environmental impacts.	• Energy policy • Policy for control on plants with renewable sources • Development of products and services with environmental purposes
		Credit risk	Credit risk in financing activities featuring environmental issues It results from failure to assess material environmental aspects for the specific sector in measuring creditworthiness.	• Lending policies • Risk Strategy • Code of Ethics

The Crédit Agricole Italia Banking Group has deployed tools to be used in management control of non-financial risks. Among them, worth mentioning are the **Charter of Ethics and the Code of Ethics,** which are the general reference framework, the Code of Conduct and the OMC model, which sets out the structures involved in monitoring reputational risks on the activities they are respectively responsible for.

To manage risks, including non-financial ones, the Bank relies on its **Risk Strategy.** It sets the credit, financial, market and operational risk levels that are consistent with the Group's development plan and global limits, i.e. alert thresholds, and operational limits, which are approved by the Boards of Directors of the Parent Company and of each entity, which shall implement them. The Risk Strategy is updated every year, is approved by the Risk Committee of Crédit Agricole S.A. and shared with the Parent Company.

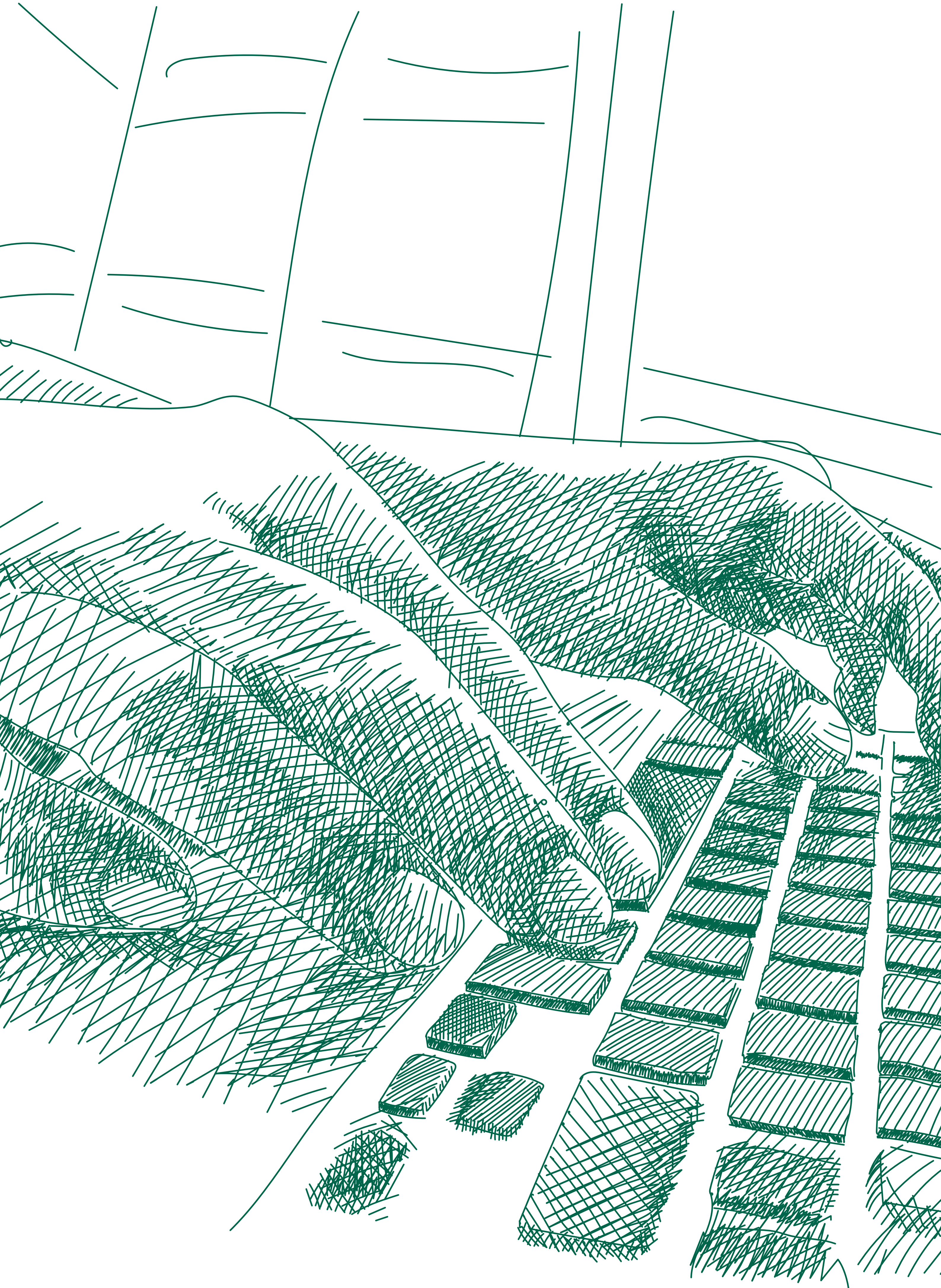
The Risk Strategy includes the **Lending Policies**, which describe the way credit risk is taken and managed by the entities of the Group through expressly identified requirements and the directions that the Commercial Network and the Bodies in charge of Lending and Loan Management adopt to define lending proposals and decisions. The Lending Policies set the direction for a development strategy leading to balanced growth in loans to the worthiest customers, while controlling and recovering exposures to the riskiest ones.

This is done thanks also to **clear and transparent definition of the sectors that are deemed strategic for the growth of the communities the Group operates in** and clear identification of the most attractive opportunities in terms of business for the Group strategy and of those that are assessed as risky in social and economic terms, on which gradual downsizing plans are to be implemented up to full divestment. Each new product or service is developed after analyzing social and environmental risks, starting from conception and design. **The New Activities and New Products Committee** shall approve all new products and services and validate the new solutions to be proposed to the market.

In accordance with the lending policies, no loan, of any type, is authorized to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs and no credit facility is authorized intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction.

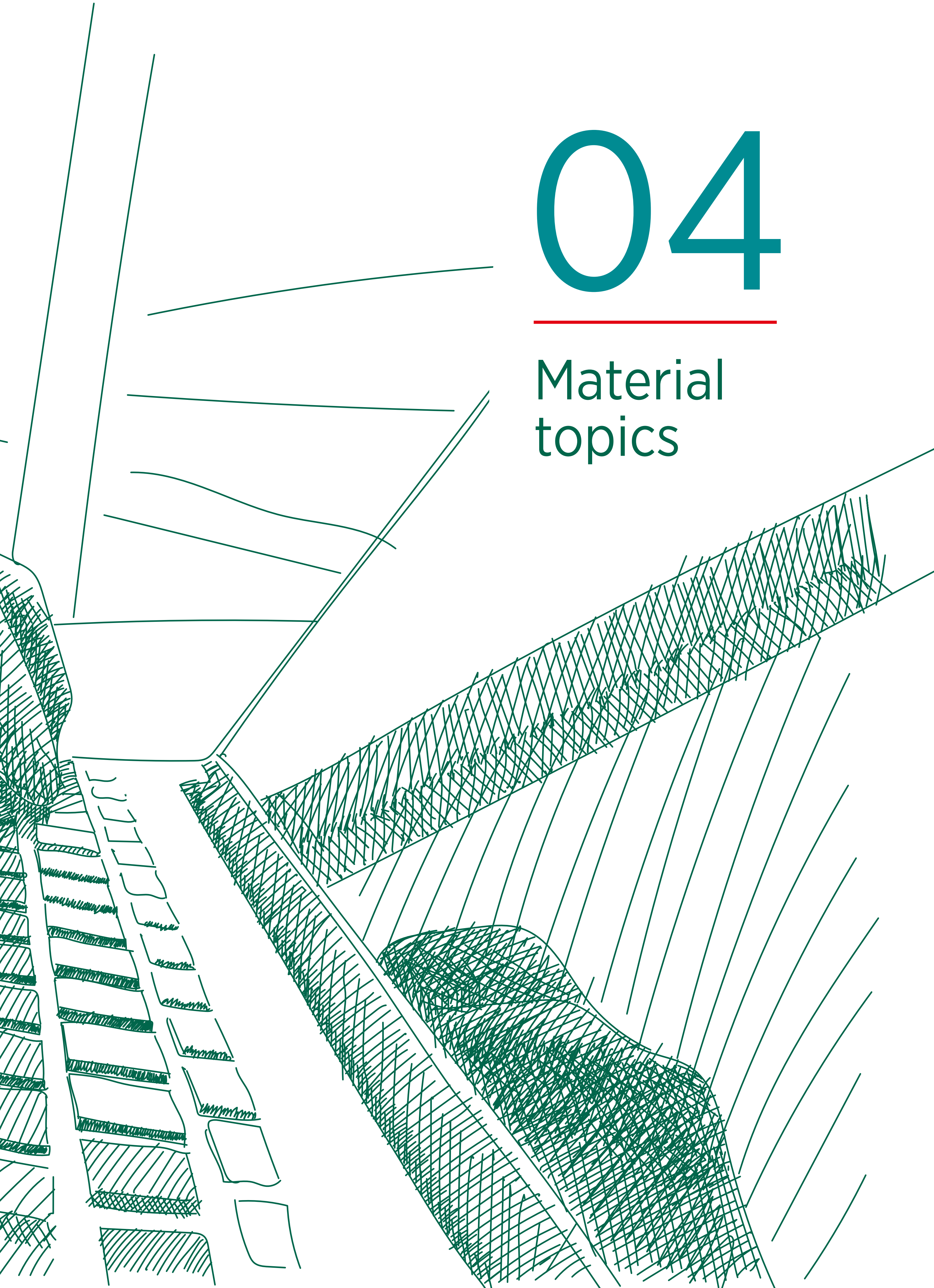
Among the **sectors under surveillance,** whose financing requires the consent to be given by the Anti-Money-Laundering Service and the assessment by central decision-making bodies, worth mentioning are casinos, gambling and betting, trade of works of art, renewable energy, trade and processing of diamonds, collection, treatment and disposal of hazardous waste and activities carried out by specific counterparties, such as non-governmental organizations.

The Parent Company has structured its programme for protection against the risk of international sanctions based on the **Enterprise Wide Risk Assessment (EWRA),** which considers all risk indicators regarding the specific activities potentially relevant for international sanctions carried out within the Group.



04

Material topics



Material topics relevant to business operations

In order to identify the sustainability aspects that must be clearly and transparently reported on in the interest of its stakeholders and to set specific direction in its business strategies, every year the Crédit Agricole Italia Banking Group updates its **materiality matrix.** Through an analysis process, the Bank defines its material topics, or the topics that are deemed material by the Group and by its stakeholders, regarding its business operations and their impact on the community and identifies the topics that are to be deemed "[…material considering, the business and the feature of the undertaking" as required by D.Lgs. 254/2016. The aspects found with the analysis are then associated with the scopes of application set out by the Decree. The materiality analysis is also **an opportunity for involvement and sharing** thoughts on the sustainability topics that concern the Bank and its stakeholders, resulting in a framework of ESG risks and opportunities, which are integrated in the business and thus complete the Group's profile.

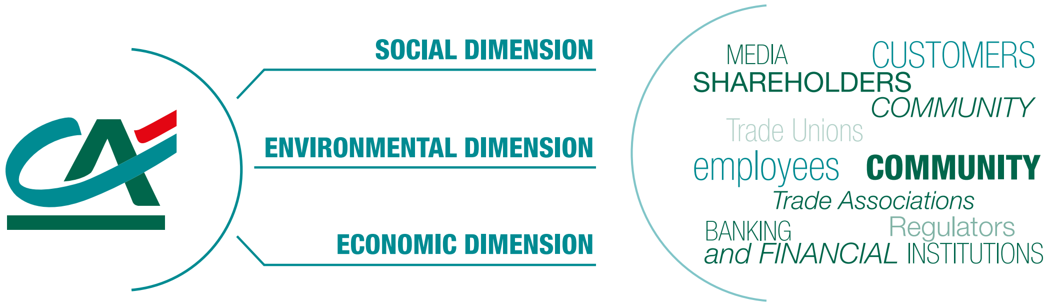
The topics that are material for the Group are identified through a structured process that challenges the instances identified in the previous exercise by comparing them against indications that are searched for both inside and outside the Group perimeter. **Therefore, material topics are the outcome of a listening process** that brings together the industry trends and the stakeholders' voice, starting from the Group's personnel all the way up to local communities.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

In a year in which the Covid-19 pandemic subverted any and all order and needs, the Group chose to give voice to its stakeholders through an engagement path that directly involved parties selected thanks to the cooperation and attention of the various corporate structures in order to be representative of every category of stakeholders. At the meetings held, different points of view emerged and, combined together, were used to obtain a picture of strengths, new needs and expectations, which are useful insight to set the Bank's role and direction going forward. Thanks to the meeting, the material topics in the matrix were also weighed and reviewed.

The 2020 analysis activity was performed examining:

- **the directions provided** by the materiality matrices and non-financial reporting documents of the Group's main peers;
- the **industry trends** described in the documents: 2020 Banking and capital markets outlook – Deloitte, Open Banking e API Economy – Deloitte, PwC's top trends Finanza Sostenibile – PwC, Il sistema finanziario a servizio del rilancio del Paese – PwC, La finanza sostenibile dopo l'emergenza COVID-19 – Forum Finanza Sostenibile, Recommendations of the Task Force on Climate-related Financial Disclosures, Final Report 2017 – Task Force on Climate-related Financial Disclosures, Trend e prospettive del settore bancario in Italia – KPMG, COVID-19 impatti attesi sul bilancio delle banche – KPMG, Banking in the new reality: six trends shaping the industry – KPMG;
- **pressure form the media** identified through web press reviews;
- **the opinions** of eleven key parties interviewed within the stakeholder engagement activity;
- **the evidence found** in the internal listening activities with Focus Groups and Smart Meetings;
- **the commitments formalized** in the Code of Ethics and in the Code of Conduct;
- **the strategic directions** set out by the Parent Company in the Crédit Agricole Climate Strategy document;
- **the outcomes** of the IER 2020 climate survey on the Group engagement.

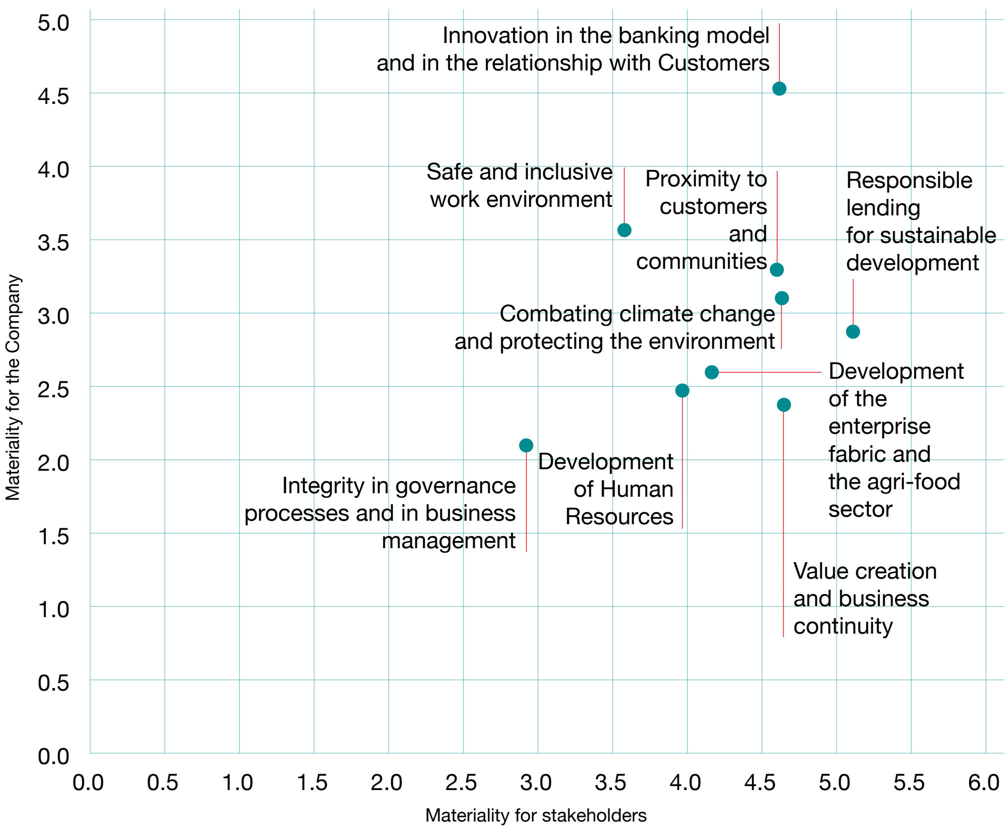


The updated analysis confirmed continuity as regards the aspects found in material topics in the previous year, albeit with different nuances brought about by the COVID-19 emergency, which obviously required conceptual and semantic review of the analysis outcomes. The material topics that, in 2020, represented the Bank's activities and their impact are:

- **integrity and transparency** in governance processes and business management;
- **innovation** in the banking model to provide Customers with support;
- **responsible lending** for sustainable development;
- **proximity** to customers and communities;
- **development** of Human Resources;
- safe and inclusive **work environment**;
- **combating climate change** and protecting the environment;
- **value creation** and business continuity.

The materiality matrix expresses the weight of each topic in terms of materiality from standpoints inside and outside the Group perimeter.

2020 Materiality matrix



05

Social aspects

Social aspects

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

In 2020 the Crédit Agricole Italia Banking Group confirmed and reasserted its commitment that has has over time defined its bank model. In time when some problems that were latent in Italy emerged, the Bank deployed the necessary measures to **give prompt and tangible response to the needs of people and of the community.**

Indeed, the Group's mission was once again confirmed as being the
promotion of local development and of the development of Italy as a whole
as an active, responsible and proximity player, able to give new inputs to the economic system and trigger processes that
lead to the creation of shared value.

This is why the Group is constantly committed to providing a **more and more innovative service** that is born of listening to people and aims at meeting the needs of all its stakeholders, thus proving to be a promoter and generator of value and relationships.

In line with its commitments, promoted activities and chosen directions, the Bank has identified the following material topics:

- **innovation** in the banking model to provide Customers with support;
- **responsible lending** for sustainable development;
- **development** of the enterprise fabric and of the agri-food sector;
- **proximity** to customers and communities;
- **value creation** and business continuity.

POLICIES ON THIS TOPIC

The process to define and update its lending policies is carried out every year and involves the Credit Department, the Risk Management and Permanent Controls Department, the Commercial Channels Departments and the Compliance Department. Specifically, the Credit Department is responsible for monitoring the yearly update and regularly reports to the Board of Directors and to the Executive Committee. After completing the process, the policies are submitted for examination and approval to the Boards of Directors of the Group's Banks.

The Group's lending policies in force for corporate customers are alternatively driven based on classes to which specific purposes are assigned or by an assessment comprising rating, sector riskiness, the product's features and any guarantees. The policies identify the sectors that are assessed as entailing high social and economic risk, for which specific caution strategies are set, and the sectors with significant development opportunities for both the Banca and the communities, to which sector-specific expansionary policies are addressed.
In the sectors that market surveys indicate as featuring "attractive" economic activity, the Group implements **specific policies supplementing** lending ones and aimed at governing business operations in given scopes and at setting directions on compliance with the applicable legislation.

These are industry-specific Lending Policies, which govern business operations in the agri-food and renewable energy sectors, in the business of mortgage loans and OTC derivatives for corporate customers, in the international trade sector and in business with the Public Administration and in controversial industries.

A distinctive feature of the Crédit Agricole Italia Banking Group has always been its **strong commitment to supporting the growth and development of agri-food businesses.** This is why, within the wider scope of lending policies in general, specific lending policies are in force on the procedures for and provision of services. The Lending Policies for the Agri-food Sector govern financeable operations in the sector, in accordance with the "Agriculture Project", which sets out the duration, intended uses and financeability of investment and the main types of loans.

Sector-specific policies also include the Lending Policy for the **export/international business,** which promotes internationalization of enterprises featuring strong focused on exports and a significant portion of their revenues from international business, as a sign of better ability to compete on the market.

Yet another section of Lending Policies governs **"sectors under surveillance"** , i.e. the sectors in which the Group operations are subject to specific assessment of the social impacts caused and managed in accordance with specific guidelines.
The **Lending Policies** set out also "risky" sectors, featuring high consumption of landscape and not regulated. They include the real estate, hotel and construction sectors.
The lending policies applied by the Crédit Agricole Italia Banking Group to these sectors are very restrictive and must comply with the limits that are set every year by the **Risk Strategy.** New operations are assessed and 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 landscape consumption, are limited in size and work for urban regeneration.
Loan for the purchase or renovation of homes are also regulated in compliance with environmental sustainability criteria, as laid down in the specific policy for the origination of mortgage loans to Individuals. The **Risk Strategy** also sets out specific directions regarding the origination of mortgage loans 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.

The origination of loans to Individuals is regulated by the **Lending Policies for Individuals:** Natural persons and Joint Accounts. The **Regulation on Performing Loans and Non-Performing Loans** sets out the general rules for authorization and management of loans by the Banks of the Crédit Agricole Italia Group. In order to ensure that all social and environmental requirements laid down in the commercial contracts are complied with, the Bank performs thorough controls on customers, especially in the application preliminary analysis and finalization stages, which are part of loan authorization. The processes for developing and changing products, both already being sold and new ones, follow an authorization procedure set out in the **Policy for approval of new activities and new products,** which complies with the IDD, MiFID II and with the Bank of Italy Provisions on Transparency.
The changes to be made to products already being distributed result from assessments based on the target Customers, the go-live of new channels, the distribution methods and "new risk profiles". The Policy ensures that all banking, insurance and financial products offered are consistent with the objectives of the provided service and with the characteristics of the target Customers.

In 2020, the Group's **Lending Policies** were revised upgrading the directions for loan authorization to the new sector risk perimeters and implementing the new developments resulting from the revision of the Company organizational structure. Following said revision, the Lending Policies are compliant with the EBA Guidelines on loan origination and monitoring, which require institutions to implement policies ensuring that loans are sustainable also in environmental terms. Therefore, the **Lending Policies for 2020** contain an **ESG- specific section,** aimed at rewarding counterparties that have already started on their path to sustainability, from simple certifications to sustainability reporting, and at supporting enterprises that intend to do so. Specifically, the process to assess creditworthiness is supplemented with ESG information on the counterparties that operate in certain sectors and with a specific assessment through a qualitative questionnaire.

To support young innovative enterprises, featuring high potential and technological content, the **2020 Lending Policies** provide also for specific solutions designed to support startups and to accompany them in their path to growth.

The Crédit Agricole Italia Banking Group maintains a proximity relationship with the communities it operates in. Proximity to its regions and communities is overseen based on the **Organization and Management of Sponsorship Initiatives** guidelines, which steer the processes and operational activities for the promotion and organization of cultural, sports or entertainment initiatives able to generate a return in terms of image of the Group's brand. Said guidelines are the reference for this type of processes of all the entities of the Group, while ensuring respect for the principle of regions' independence.

For the Group, proximity to Customers means also the attention and transparency it ensures in complaint management processes. Complaint management is centrally governed and uses processes that are designed to mitigate risks. In compliance with the applicable legislation, the **Complaint management policy** defines "complaint" as any instance in which a clearly identifiable Customer expresses grievance in writing to the intermediary about any irregular behaviour or omission, or expresses dissatisfaction with banking, financial or insurance products and services.

ACTIVITIES AND PERFORMANCE OF OPERATIONS

Innovation in the banking model to provide Customers with support

8 DECENT WORK AND ECONOMIC GROWTH

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour intensive sectors.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

If technological and digital innovation is a strategic axis of the Group's Business Plan, the COVID-19 pandemic accelerated the pace on the transformation path because of the business process reorganization that was required in order to ensure continuity of daily operations and to meet Customers' needs, while complying with the restrictions to physical movement and interaction. Therefore, digital innovation was a core feature of the evolution in the business model of all the Group lines, enhancing the technological innovation achieved in previous years and strengthening the approach to continuous upgrading of business processes and interaction with Customers.

From this perspective, measures were deployed to digitalize and streamline processes for service provision. This scope includes the go-live of the digital signature process and the **innovation in the *web collaboration* service**, which enables account managers in all commercial channels to continue to provide advisory services remotely, thus remaining at their Customers' side. Furthermore, a highly efficient and completely **paperless** digital process went live for the Off-premises distribution mode of the Private Banking and Financial Advisors channels; the **restyling of the CRM Nowdesk platform** was competed, making it available to account managers for the planning of their commercial activities. Following targeted training provided to all Private Bankers and Financial Advisors, a new process also went live for promoting and placing financial products and services with Customers; internal communication was intensified with digital workshops and seminars held in cooperation with Advisory Private and the leading international Asset Managers, as was external communication with the DEM (Direct E-mail Marketing) relational campaigns and with monthly newsletters having financial contents to Customers. The Private Banking channel was also involved in the Aliante Project, which started in 2020 in cooperation with Indosuez Wealth Management and aimed at optimizing the synergies within the Crédit Agricole Group, in order to improve its positioning in the Italian wealth management market, strengthening the commercial interaction between the two entities and extending the range of investment products and services that can be proposed to Customers.

In the reporting year, **Cyber Security** processes and governance were strengthened with the implementation of new technological solutions regarding communication and training, control of strategic systems, boosting production defences, incident detection and the protection of personal data.

In 2020, the Group digital channel firmly established its key role in the acquisition of new Customers and their development. Indeed, the digital channel proved one of the main entry-points in the Group's acquisition strategy and gave a considerable contribution to growth, accounting for 24% of onboarded Customers. The present acquisition strategy ensured the right balance between the numerousness of new accounts and the quality of onboarded Customers, thanks to **strong enhancement of the Crédit Agricole brand and a specific cross-selling plan.** The activities concentrated on three products: the Online Account, Base Mortgage Loan and Crédit Agricole Mortgage Loan. Thanks to the media campaign, to the partnership, co-marketing initiatives and constant optimization of processes, the Crédit Agricole Account generated 21% of the Group new accounts, which increased by 36% YoY. **User experience was improved,** with a new form to open current accounts online the range of products was extended with the addition of the application for advanced debit cards in the account opening flow. The partnerships with the leading players in the digital market and the combination of brand awareness campaigns with online acquisition ones also supported growth in Crédit Agricole Mortgage Loans, which generated a 21% contribution to the Group new mortgage loans, along with a a 41% YoY growth in Crédit Agricole Mortgage Loans that were engaged online.

+24%

New Customers onboarded

+21%

Crédit Agricole Mortgage Loans signed

+36%

New Crédit Agricole Accounts opened

+41%

Crédit Agricole Mortgage Loans engaged online

In 2020, the Group continued to focus on the **development of digital products and services** for Customers. Implementations concerned both the Mobile App and Home Banking digital channels. In August the **new Crédit Agricole Italia Mobile App** was released, with completely redesigned interface graphics and with very innovative features: possibility to open accounts in pre-login mode, current account evolution charts, availability of documents sent online, card viewing and management, customization of information on the home page and a new market area, with world market indices and information that is continuously updated. The App also gives Customers the possibility to make appointments with their account manager and to accept investment proposals remotely, with a user-friendly and fast process.

As regards the **Home Banking** service, which can be used from PC s, tablets and smartphones in a responsive mode, the platform completely restyled in order to give Customers immediate and smooth access to the various service categories. Furthermore, in order to enable Customers to self-manage their transactions, while ensuring security, during the health crisis, the Group continued with its activities aimed at making **online processes fully self-manageable** and to limit the need for interactions with the Bank's personnel. The implemented features include the one for self-recovery of access credentials and the one to confirm the opening of services, such as security deposits, and products, such as advanced debit cards, directly from Customers' reserved areas on the HomeBanking service.

In 2020, the Group also stood out for the fast, innovative and far-sighted way in which it implemented the measures laid down in the **Relaunch Decree** and seized the related opportunities in terms of Ecobonus and 110% Superbonus. In order to streamline as much as possible the process for collection, verification and, where the case, certification of the documents as necessary to transfer the tax credit accrued to the Bank, a specific digital platform was developed and made available to Customers. Besides the platform, the Group also ensured **continuous training** of approximately 50 specialists working throughout Italy and responsible for guiding Customers n all business segments to the realization of their projects and in the preparation of specific offers for Customers needing liquidity to complete the works.

Again in terms of **service innovation**, the AgriAdvisor tablet App 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.

Innovation was achieved also in the **Lease range**, with new IT implementations within the wider Crédit Agricole 100% industrialization and digitalization project.

The change in Customers' purchasing habits and their increasing digitalization also required the upgrading of the way in which insurance products and services are offered.
The result is the **omnichannel service model**, the new model used by CA Assicurazioni to sell its Non-life products, which is centred around the Customer with a single and streamlined sale process for all products and which, thanks to the connection between all available sale channels, enables Customers to choose the way they prefer to interact with the Bank.

The omnichannel model, the only one in the market, enabled **new customer journeys** based on the Customers' characteristics, with the contribution given by new features available for the Customer Service and the Home Banking service. Thanks to this tool, it was found that the strategy deployed in the digital scope was highly appreciated by Customers, as substantiated by a considerable increase in the Customer Recommendation Index (CRI) vs. 2019.

The Group also organized an **interfunctional work group** with the objective of defining and starting the project activities, preparing an implementation plan organized by priority and scheduling the actions for upgrading to the new IDD requirements for the distribution of insurance products. The activities will continue in 2021 in order to ensure full compliance with the applicable legislation within the set terms.

In the reporting year, the Private Banking also **accelerated the adoption and use of digital tools** enabling Customers to interact with the Bank in an omnichannel mode. In 2020, there were several new developments thanks to two strategic drivers: the **improvement in Customer Journey and User Experience**, with streamlined and user-friendly activities for contacting account managers, and the **enhancement of efficiency in account managers' activities**, in order to free time for advisory services and business development.

The **Wealth Management** segment also obtained an important contribution from digitalization and technological innovation. The new GP Robo Advisor CA Smart Advisory App went live, which provides an innovative portfolio management service with a user-friendly solution for investing liquidity, which combines the strength of the best technologies of the Crédit Agricole Group with Amundi's asset management skills It is an inclusive service because it enables to sign a wealth management product starting from an amount of Euro 5,000, with the combined option for a Dollar-cost averaging plan Thanks to the digital component, after the sale, the Customer can make transactions independently and at any time from his or her HomeBanking App. Along with technological innovation, it also has a sustainability aspect. As all the CA Smart Advisory wealth management lines have a **strong component in ESG/SRI products** aimed at financing virtuous issuers that implement an investment policy informed by environmental and social responsibility and corporate governance principles.

The Group also focused on ensuring fuller and fuller **respect for the right to personal data protection**, which is a personal fundamental right of under the Charter of Fundamental Rights of the European Union (Article 8), and now also governed by Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. Having specific regard to children, the aforementioned EU Regulation requires enhanced protection of their personal data. In this scope, the Group prepared information material intended for children and their parents and scheduled training sessions on children's data.

In 2020, the project for the update of the Record of Data Processing Activities started and the progressive strengthening of the Data Protection framework continued. Specifically, in the year important training and awareness-increasing initiatives were organized on this topic, while also fine-tuning the internal methods for the projects aimed at full implementation of **"Privacy by Design"**. The certification of the Group's new App was completed obtaining the "Privacy OK" certification from the German certification body TUV with the endorsement of Federprivacy: the sector experts certified that the App respects the Customers' privacy. Crédit Agricole is the first Bank that obtained this certification.

In order to develop high-quality relationships with Customers, the Group attaches **fundamental importance to complaint management.** The Group manages complaints centrally and has defined processes for effective mitigation of the associated risks. Customers can lodge complaints by mail, e-mail, both regular e-mail certified e-mail, and using the form on the Group's website or by hand delivery to one of the agencies in charge of promptly forwarding it to the Complaints Service. After receiving the complaint, the Complaints Service puts the complaints on file in a specific database, which is designed to ensure proper management and monitoring, and, at the same time, it informs the Customer that his or her complaint has been taken charge of, with a preliminary letter setting forth the time to feedback.

Then, the Complaints Service processes the complaint in cooperation with the various corporate strictures involved, in order to give the Customer full feedback. In case the complaint is accepted, the Complaints Service informs the Customer also of the actions deployed on the matter.

The set time to response to complaints is15 days of receipt, for complaints regarding payment services in the internal market (Directive (EU) 2015/2366, the so-called PSD2); 60 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.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

In the very complex scenario caused by the Covid-19 pandemic, with the changes made by the Regulator extending response time from 30 days to 60 days for banking complaints, the Complaints Service kept a positive track record: 1,100 complaints were closed in less than 5 days, while 767 were closed in less than 10 days. The average response time was **14.55** days, of which *12.26* days for banking complaints, *26.42* days for financial complaints, *7.11* days for PSD2 complaints and *21.6* for insurance complaints.

If the Group gives no reply or if the reply is deemed not exhaustive, Customers may file a petition with the Banking and Financial Ombudsman (Italian acronym: ABF) or with the Financial Ombudsman Service (ACF) in case of disputes regarding investment services. Furthermore, Customers may lodge a complaint with the competent Supervisory Authority (Bank of Italy, CONSOB or IVASS) to report any conduct of the intermediary deemed not compliant. The Complaints Service is also responsible for managing those petitions or further complaints.

Over the years, the Complaints Service has constantly fine-tuned its recording and monitoring methods in order to **make the complaint management process more and more efficient and reliable**. Furthermore, the Service carried on with a project for sharing an information flow with the relevant Central Departments of the Group, containing any and all anomalies and problems found during the processing of complaints and grievances. In this way, in order to maximize Customer satisfaction, a considerable contribution was given to the improvement of products, services and processes.

In 2020, the **most material macro-categories** consisted of complaints lodged by shareholders of the Fellini banks, Successions, branch operations, small business centers and corporate banking centers. Versus the previous year, with a lower number of complaints lodged by the Shareholders of the Fellini Banks (-18% YoY), complaints about successions increased +41%, as did those about operating units (+9%), besides the Covid-19-related problems, which of course were not present in the previous year.

Since February 2020, **complaint management** has been strongly focused on, also in terms of possible complaint withdrawal by Customers thanks to immediate contact and commercial solutions. Strong importance has always been attached to response time, shortening processing time. In this regard, faster response and improved Customer experience led to an increase in the number of withdrawn complaints.

Complaints (*) (417-2)		2020	2019	2018
By type				
Credit/debit cards	Number	47	173	167
	%	1	4	6
Securities	Number	165	1,091	226
	%	4	28	8
Loans	Number	166	141	126
	%	4	4	5
Mortgage loans	Number	226	238	254
	%	6	6	9
Current accounts/Deposits	Number	202	750	1,169
	%	5	19	43
Insured products	Number	181	124	67
	%	5	3	2
Salaries/Pensions	Number	7	1	1
	%	0	0	0
Privacy (GRI 418-1)	Number	14	36	4
	%	0	1	0
of which filed by third parties	Number	14	36	4
of which regulators	Number	0	0	0
Other	Number	2,772	1,359	701
	%	79	35	26
Total complaints	Number	3,780	3,913	2,715
By reason				
Processing of transactions	Number	1,344	1,280	1,368
	%	36	33	50
Communications and information to Customers	Number	913	1,333	193
	%	24	34	7
Terms and conditions applied	Number	82	453	294
	%	2	12	11
Frauds and misplacement	Number	160	152	183
	%	4	4	7
Other	Number	1,281	695	677
	%	34	18	25
Total	Number	3,780	3,913	2,715
Complaints that resulted in a fine or monetary penalty	Number	0	0	0
Complaints that resulted in an admonition	Number	0	0	0
Complaints for non-compliance with voluntary codes	Number	0	0	0
Total substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 418-1)	Number	3	1	n.a.

(*) The number of complaints does not include disputes started by customers and by bankruptcy procedure bodies managed by the Bad Loans Service as they are not indicative of the quality of the service provided. The 2818 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)		2020	2019	2018
Total incidents	**Number**	**65**	**311**	**162**
Of which negotiation	Number	3	19	0
Of which mediation	Number	62	182	15
of which arbitration	Number	0	110	147

Litigation with Customers (419-1)		2020	2019	2018
Litigation with Customers	Number	1,291	1,394	1,373
Monetary value of litigation with Customers	€	227,687,183	235,636,436	309,172,338
Bankruptcy litigation	Number	32	29	35
Monetary value of bankruptcy litigation	€	24,601,452	30,795,000	32,005,359

Customer satisfaction

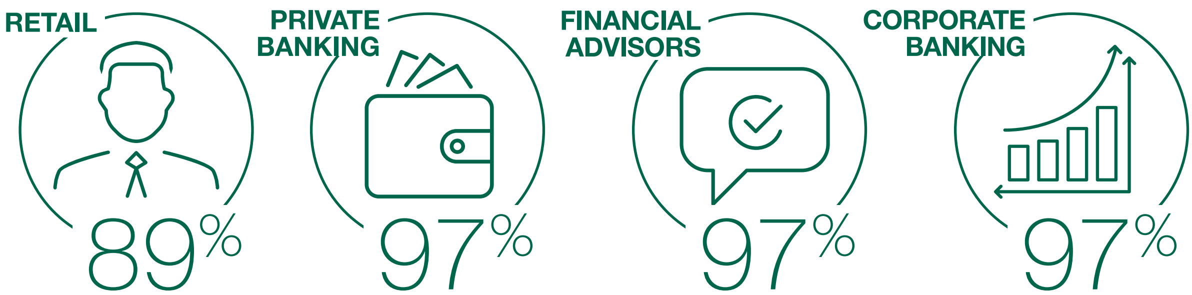
THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

The health emergency has materially changed also Customers' experiences and expectations and, consequently, their interaction with the Bank. The Crédit Agricole Italia Banking Group accepted the challenge of adjusting in a fast and effective manner to the changed scenario, taking action on its processes and advisory service provision methods, adopting the multichannel approach that is one of its distinctive features. Despite the uncertainty, **the 2020 performances in terms of Customer Satisfaction** of the Crédit Agricole Italia Banking Group posted **overall positive results**, continuing in their growing trend started in Q4 2019.

The Crédit Agricole Italia Banking Group has the satisfaction of its Customers measured by Doxa, a company specializing in market surveys, which periodically analyzes the level of customer satisfaction with surveys involving Customers in the Retail Banking, Corporate Banking, Private Banking and Financial Advisors channels. In order thoroughly analyze customer satisfaction levels, the surveys investigate different aspects of the Customer-Bank relationship and thus deliver an overall assessment of the GBCAI's interaction model. Indeed, the questionnaires are different for the various Channels and the assessments are made on a scale from 0, which means "not satisfied at all", to 10, which means "extremely satisfied". The analysis of the answers gives synthetic indicators whereby the Group can adjust its products and services and innovate its processes consistently with its Customers' needs.

In 2020 the interviews were carried out by phone for the Private Banking and Financial Advisors channels (800 interviews each) and for the Corporate Banking channel (724 interviews); for the Retail Banking channel, the interviews were carried out both by phone and by e-mail (for a total of 49,651 interviews).

SATISFIED CUSTOMERS



CUSTOMER SATISFACTION Indicator	Unit of measurement	2020	2019	2018 (*)
Service Satisfaction Index (102-43)				
Retail Banking Customers	%	89	87	87
Private Banking Customers	%	97	94	91
Customers of Financial Advisors	%	97	97	97
Corporate Banking Customers	%	97	93	89

(*) To be compared with the 2019 and 2020 figures, the 2018 figures have been calculated proforma on the customer base composition with the after-merger inclusion of the Customers of the acquired banks (former San Miniato, Cesena and Rimini Savings banks.

The Group's Customers showed their appreciation for the support provided and the closeness proved by the Bank in this difficult time. This is also confirmed by the high level of **trust** in the Bank, which is expressed in the interviews, and by a significant increase in **perceived innovation**, especially in terms of the bank's ability to provide appropriate support also remotely.

In 2020, a benchmark survey was carried out in order to identify the Group's positioning, vs. its competitors, in terms of Customer recommendation, which confirmed the positive results obtained in the year.

In 2020 the Crédit Agricole Italia Banking Group

Went up by one position in the ranking of Italian traditional players, to number 2.

These positive results were generated also by a series of **targeted initiatives that have been deployed in order to strengthen Customer satisfaction** since the Customer Satisfaction Business Unit was set up in October 2019, with the later integration of the Complaints Service in February 2020. In the reporting year, the activities provided for in the Strategic Plan were carried on, along with **extraordinary activities** that were deployed **handle the Covid-19 emergency**, in order to provide the best possible support to Customers, thus generating **strong appreciation for the closeness proved by the Group in this difficult time**.

As regards **operational excellence**, the Group continued its relentless work to **mitigate irritants**, i.e. problems with high impact on Customer satisfaction, focusing especially on ATM availability and reduction of missed calls at Branches, as well as on matters emerged from the analysis of complaints.

Starting from a handbook with the **10 concrete commitments** that the Group undertakes towards its Customers, in the year a specific training programme went live intended for employees. The programme has the objective of sharing, with the entire commercial network, the importance of an approach to Customers based on the understanding of the relationship value, in all its aspects, and on the best behaviours to deploy.

As regards **relational excellence**, in 2020 the **"IO LOVVO IL MIO CLIENTE"** project was rolled out, an initiative addressed to all the Group's employees, from Retail Banking to Central Departments, with a common objective: Customer satisfaction and the dissemination of the guidelines for relational excellence.

In order to enhance the efforts made by the personnel and support the satisfaction levels reached, the **awarding of the branches** that stood out in the year for Customer appreciation.

10 concrete commitments substantiating our focus on Customers

WELCOME
The steps to welcome Customers remotely and at Branches: introduce yourself by first name and last name, uttered clearly and politely, ask the Customer's name and repeat it clearly during the conversation, express your readiness to help without being inquisitive (e.g. "How can I help you?"), give a welcoming smile (in positive o neutral situations), always act based on the idea and strong belief that Customers are the purpose of our work.

TAKING CHARGE
Promptly dealing with all requests made by Customers, keeping them informed of progress, up to the activity completion.

PROACTIVITY
Contacting periodically every Customer and several times a year to discuss his or her priorities and inform his or her of the new services and products that Crédit Agricole can offer. When physical contact is limited, effectively maintaining the relationship in other ways: via e-mail, Skype or by phone.

CUSTOMERS' INTEREST
Always offering the Customer solutions that are fit to meet his or her needs. To do that, crucial factors are proactive listening, understanding his or her needs and interests, searching for and designing a bespoke solution and monitoring progress in the request or application processing.

SECURITY
Protecting Customers' personal data and information. To assess security, usually threats, vulnerabilities and risks associated with IT assets must be identified, in order to protect them from possible attacks (internal or external) that may cause damage.

DIGITAL INNOVATION
Using and promoting the digital tools and the innovative solutions developed, both for Customers and for colleagues.

SYNERGIES IN SERVING CUSTOMERS
I work, together with all my colleagues of the Crédit Agricole Group towards one and the same objective: providing our Customers with the best possible service developing combined and collaborative actions to achieve a goal, generating higher yield than the one obtained by individuals working separately.

TRANSVERSALITY
I provide the best possible service to my Customers drawing upon all skills To provide Customers with appropriate and prompt responses, it is crucial to know one's team and business skills, as well as to extend one's relational network in order to develop a collaborative approach.

CONTINUOUS IMPROVEMENT
Contributing to the Company's continuous improvement by identifying and solving any poor service instances. Mapping problems and acting responsibly to understand and improve Customer experience.

GLOBAL BANK
«Every Customer of the Crédit Agricole Group is my Customer». Responding to his or her requests wherever the Customer may be.

Responsible lending for sustainable development

Believing that banks play a fundamental role in promoting sustainable development, the Crédit Agricole Banking Group has, over time, designed a model able to incentivize sustainability also downstream its value chain. This is why, in the wider scope of its forward-looking sustainability plan, the Bank has confirmed its will to further integrate ESG criteria in its lending processes.

By 2030,ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services including microfinance.

The Group's social commitment is also substantiated by the agreement signed with Fondazione Piacenza e Vigevano, the Municipality of Piacenza and the Piacenza–Bobbio Diocese for setting up a **social welfare fund of Euro 1.7 million**, managed by Caritas Piacenza, and structured over three axes: non-assistance social support to vulnerable individuals and families, microcredit and support for business startup, for which Le Village di Parma will be the operational arm.

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Also in 2020, **Crédit Agricole Leasing Italia** succeeded in fully exploiting the opportunities resulting from the Italian Government measure on capital equipment (the so-called "Nuova Sabatini" Law) providing subsidies to enterprises by the Italian Ministry of Economic Development. The measure provides 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.

Thank to these subsidies, in 2020, Crédit Agricole Leasing Italia signed new contracts for a total amount of Euro 193.5 Mln (up by +67% YOY), of which about Euro 140.4 Mln for Industry 4.0 loans, for a total of 1,273 contracts (up by +63% YoY).

+200%

Loans to industry 4.0.

+63%

Contracts

In 2020, the Wealth Management business line increased **sustainable and ESG investments** in its range of proposals. Indeed, the Group believes that capital growth and sustainability can be combined: to do that, effective investment strategies must be designed which are also socially responsible, and the business-financial analysis must be combined with the social, ethics and environmental one, in order to **create a range of ESG investment solutions** able to create value for investors and for society as a whole. To do that, the Group relies on the expertise of Amundi, the Asset Manager of the Crédit Agricole Group, which has placed ESG criteria alongside traditional financial parameters since its very incorporation and was a founding member and signatory of the United Nations Principles for Responsible Investment (PRI) in 2006. Thanks to its partnership with Amundi the Group offers its Customers the **possibility to invest in ESG funds and thematic funds** focused on sustainability in its various themes and forms. Indeed, Amundi has developed an ESG analysis process, which has been accredited and tested over time and which combines different analysis approaches and factors to determine ESG ratings. Furthermore, through CPR Asset Management, the Group's specialist hub in thematic equity management, a sustainable financial response can be given to the challenges of this century, developing targeted thematic approaches to address the challenges of sustainable development, such as the management of water resources, access to education and the fight against global warming.

Crédit Agricole Leasing Italia also participated in the Group's initiatives and deployed several measures, including the suspension of lease payments under moratoria. As at 31 December 2020, Crédit Agricole Leasing Italia had received requests for moratoria from approximately 2,900 Customers for over 5,600 contracts.

In 2020, the value of Retail products designed to deliver a specific social benefit over the total value of Retail products had a 24.1% weight, while the value of products designed to deliver a specific social benefit(intended for corporate customers had a weight of 27.8% on total products of the Corporate Banking segment (13.6% in 2019).

Customers by channel (*) (G4 - FS6)		2020	2019	2018
Large-corp	Loans (mln €)	3,707	5,404	3,736
	Funding (mln €)	4,087	4,089	3,815
	Indirect funding (mln €)	1,620	1,727	1,218
SMEs:	Loans (mln €)	15,937	13,687	15,223
	Funding (mln €)	11,577	9,358	9,150
	Indirect funding (mln €)	1,619	1,578	1,694
Individuals	Loans (mln €)	22,113	21,005	19,951
	Funding (mln €)	28,528	27,583	27,618
	Indirect funding (mln €)	47,724	44,241	41,015
Big Dossier (**)	Loans (mln €)	7,824	5,882	6,292
	Funding (mln €)	813	767	1,071
	Indirect funding (mln €)	24,463	22,482	18,911
Total	Loans (mln €)	49,582	45,978	45,203
	Funding (mln €)	45,004	41,797	41,653
	Indirect funding (mln €)	75,425	70,027	62,838

(*) The volume figures regarding direct and indirect funding are not consistent with the same figures in the Financial Statements for the year of the Crédit Agricole Italia Banking Group because of the different classification methods used by the Group for management and accounting purposes respectively.

(**) The Big Dossier channel represents the volumes of counterparties that cannot be included in ordinary customers; specifically it reports counterparties such as come Agos, Crédit Agricole Leasing Italia, Amundi, Cavita, Leasys.

Institutions portfolio		2020	2019	2018
Municipalities	Number	219	215	215
Regions and Provinces	Number	2	2	3
NHS agencies	Number	3	3	3
Schools	Number	599	555	516
Universities	Number	3	3	2
Consortia	Number	44	53	53
Association of mountain communities	Number	5	6	6
A.S.P. / IPAB	Number	43	46	45
Various public bodies	Number	120	123	129
Total	**Number**	**1,038**	**1,006**	**972**

Customers in the Individuals segment (G4 - FS6)		2020	2019	2018
By segment				
Households	Number	1,365,367	1,414,433	1,420,002
	Loans (mln €)	19,541	18,744	17,913
	Funding (mln €)	9,535	10,307	10,410
	Indirect funding (mln €)	2,486	3,081	3,377
Affluent	Number	434,765	419,666	404,844
	Loans (mln €)	2,069	1,822	1,642
	Funding (mln €)	15,610	13,870	13,815
	Indirect funding (mln €)	30,539	27,622	25,452
Private Banking	Number	30,527	31,096	29,840
	Loans (mln €)	503	439	396
	Funding (mln €)	3,383	3,406	3,393
	Indirect funding (mln €)	14,700	13,538	12,186
Total	Number	1,830,659	1,865,195	1,854,686
	Loans (mln €)	22,113	21,005	19,951
	Funding (mln €)	28,528	27,583	27,618
	Indirect funding (mln €)	47,724	44,241	41,015

Corporate Customers (SMEs+ Corporate channel) (G4 - FS6)		2020	2019	2018
By segment				
Large Corporate	Number	1,747	3,114	1,558
	Loans (mln €)	3,707	5,404	3,736
	Funding (mln €)	4,087	4,089	3,815
	Indirect funding (mln €)	1,620	1,727	1,218
SMEs and Mid Corporate	Number	14,479	12,129	13,607
	Loans (mln €)	8,885	6,872	7,954
	Funding (mln €)	4,684	2,970	2,809
	Indirect funding (mln €)	584	585	587
Small Business	Number	223,597	216,423	220,501
	Loans (mln €)	7,052	6,815	7,270
	Funding (mln €)	6,893	6,388	6,340
	Indirect funding (mln €)	1,034	993	1,108
Total	Number	239,823	231,666	235,666
	Loans (mln €)	19,644	19,091	18,960
	Funding (mln €)	15,663	13,447	12,965
	Indirect funding (mln €)	3,238	3,304	2,912

Individuals by geographical area (G4 - FS6)		2020	2019	2018
Emilia-Romagna	No of Customers	528,469	546,302	551,975
	Loans (mln €)	3,989	3,852	3,674
	Funding (mln €)	8,712	8,707	8,847
	Indirect funding (mln €)	14,738	14,713	13,616
Lombardy	No of Customers	333,595	350,388	343,896
	Loans (mln €)	5,452	5,102	4,893
	Funding (mln €)	5,955	5,524	5,623
	Indirect funding (mln €)	12,435	9,884	9,103
Veneto	No of Customers	152,904	155,381	147,823
	Loans (mln €)	2,346	2,241	2,082
	Funding (mln €)	1,932	2,081	1,906
	Indirect funding (mln €)	2,918	3,034	2,734
Campania	No of Customers	130,858	133,388	133,511
	Loans (mln €)	1,445	1,374	1,313
	Funding (mln €)	2,196	2,024	1,963
	Indirect funding (mln €)	2,263	2,088	1,994
Friuli-Venezia Giulia	No of Customers	156,778	158,377	158,090
	Loans (mln €)	1,298	1,213	1,158
	Funding (mln €)	2,486	2,153	2,155
	Indirect funding (mln €)	4,329	3,648	3,516
Lazio	No of Customers	71,525	71,574	71,694
	Loans (mln €)	1,515	1,470	1,402
	Funding (mln €)	1,358	1,251	1,221
	Indirect funding (mln €)	1,294	1,363	1,290
Liguria	No of Customers	141,132	138,188	139,884
	Loans (mln €)	1,374	1,325	1,265
	Funding (mln €)	1,825	1,767	1,772
	Indirect funding (mln €)	3,300	3,028	2,796
Piedmont	No of Customers	116,922	118,525	115,485
	Loans (mln €)	2,339	2,187	2,026
	Funding (mln €)	1,526	1,500	1,521
	Indirect funding (mln €)	3,065	3,049	2,830
Tuscany	No of Customers	178,114	173,275	172,020
	Loans (mln €)	2,125	2,034	1,956
	Funding (mln €)	2,303	2,342	2,375
	Indirect funding (mln €)	3,168	3,172	2,893
Umbria	No of Customers	11,037	11,019	11,202
	Loans (mln €)	129	127	119
	Funding (mln €)	148	129	132
	Indirect funding (mln €)	147	149	140
Total	No of Customers	1,830,659	1,865,195	1,854,686
	Loans (mln €)	22,113	21,005	19,951
	Funding (mln €)	28,528	27,583	27,618
	Indirect funding (mln €)	47,724	44,241	41,015

Individuals (Households, Affluent, Private banking) (G4 - FS6)		2020	2019	2018
By age group				
0-20 years	Number	74,022	75,432	84,269
21-30 years	Number	146,618	147,154	151,258
31-40 years	Number	231,015	229,598	235,568
41-55 years	Number	500,989	509,186	521,677
56-65 years	Number	316,956	312,077	295,809
> 65 years	Number	507,108	513,316	487,780
Customers in the Individuals segment who are not natural persons	Number	40,092	31,156	32,647
Total	**Number**	**1,816,800**	**1,817,918**	**1,809,008**
By relationship duration				
< 1 year	Number	85,195	97,237	100,032
1-3 years	Number	263,922	267,697	183,600
4-5 years	Number	148,773	143,126	152,793
6-10 years	Number	270,101	266,391	281,137
11-20 years	Number	355,033	363,181	377,569
> 20 years	Number	693,776	680,286	698,658
N.a.	Number	-	-	15,219
Total	**Number**	**1,816,800**	**1,817,918**	**1,809,008**

Customers in the Corporate segment by geographical area (G4 - FS6)		2020	2019	2018
Emilia-Romagna	No of Customers	72,529	68,569	71,609
	Loans (mln €)	5,859	5,923	5,863
	Funding (mln €)	3,406	3,196	2,961
	Indirect funding (mln €)	571	1,409	1,112
Lombardy	No of Customers	37,734	38,116	38,047
	Loans (mln €)	5,850	4,408	4,323
	Funding (mln €)	5,525	3,263	3,109
	Indirect funding (mln €)	1,703	371	313
Veneto	No of Customers	18,357	18,098	18,335
	Loans (mln €)	1,772	2,343	2,321
	Funding (mln €)	982	1,156	1,186
	Indirect funding (mln €)	124	188	180
Campania	No of Customers	21,994	19,697	19,216
	Loans (mln €)	739	569	520
	Funding (mln €)	776	698	699
	Indirect funding (mln €)	44	37	34
Friuli-Venezia Giulia	No of Customers	17,865	17,100	17,643
	Loans (mln €)	2,044	1,347	1,430
	Funding (mln €)	1,984	1,289	1,299
	Indirect funding (mln €)	411	327	353
Lazio	No of Customers	9,635	10,205	10,296
	Loans (mln €)	493	978	908
	Funding (mln €)	901	1,291	1,133
	Indirect funding (mln €)	32	34	40
Liguria	No of Customers	13,102	11,472	11,619
	Loans (mln €)	751	733	867
	Funding (mln €)	550	465	566
	Indirect funding (mln €)	125	123	119
Piedmont	No of Customers	14,656	13,936	13,717
	Loans (mln €)	768	944	869
	Funding (mln €)	445	1,124	1,022
	Indirect funding (mln €)	116	158	226
Tuscany	No of Customers	29,721	29,072	29,454
	Loans (mln €)	1,214	1,593	1,613
	Funding (mln €)	955	827	856
	Indirect funding (mln €)	103	637	515
Umbria	No of Customers	2,551	2,697	2,854
	Loans (mln €)	77	144	142
	Funding (mln €)	79	76	69
	Indirect funding (mln €)	7	14	14
Total	No of Customers	240,886	231,666	235,666
	Loans (mln €)	19,644	19,091	18,960
	Funding (mln €)	15,663	13,447	12,965
	Indirect funding (mln €)	3,238	3,304	2,912

Leases (G4 - FS6)		2020	2019	2018
Equipment leases				
Portfolio	K€	900,599	781,948	676,471
Amount financed	K€	423,384	395,216	363,644
Operating lease				
Portfolio	K€	467	113	-
Amount financed	K€	347	176	-
Motor-vehicle leases				
Portfolio	K€	164,735	158,780	153,548
Amount financed	K€	62,633	80,108	77,799
Real estate leases				
Portfolio	K€	780,735	810,007	846,074
Amount financed	K€	136,958	128,118	115,232
Boat leases				
Portfolio	K€	63,104	55,898	57,870
Amount financed	K€	40,238	28,690	39,437

Energy leases (G4 - FS8)		2020	2019	2018
Portfolio				
Wind farms	K€	31,960	34,365	36,149
Biomass plants	K€	7,524	9,747	9,439
Cogeneration plants	K€	4,330	5,687	4,549
Photovoltaic plants	K€	86,891	113,554	128,800
Hydroelectric power plants	K€	55,116	64,780	68,818
% over total loans				
Wind farms	%	1.53	1.69	1.82
Biomass plants	%	0.36	0.48	0.48
Cogeneration plants	%	0.21	0.28	0.23
Photovoltaic plants	%	4.15	5.58	6.50
Hydroelectric power plants	%	2.63	3.18	3.47
Amount financed				
Wind farms	K€	207	70	3,004
Biomass plants	K€	7,898	1,100	23,455
Cogeneration plants	K€	1,470	1,470	3,106
Photovoltaic plants	K€	443	3,174	160
Hydroelectric power plants	K€	2,200	228	11,488
Number of projects financed				
Wind farms	Number	1	-	11
Biomass plants	Number	5	2	3
Cogeneration plants	Number	1	1	1
Photovoltaic plants	Number	3	4	2
Hydroelectric power plants	Number	1	1	3

Lease customers by geographical area (G4 - FS6)		2020	2019	2018
Portfolio				
Lombardy	K€	607,073	566,221	534,229
Piedmont	K€	167,252	162,018	155,398
Valle D'Aosta	K€	8,399	10,754	13,182
Liguria	K€	66,088	76,693	81,107
Total Northwest Italy	K€	848,811	815,686	783,916
Veneto	K€	249,440	224,015	221,026
Trentino Alto Adige	K€	31,678	33,278	37,056
Friuli Venezia Giulia	K€	100,115	96,857	106,000
Emilia-Romagna Region	K€	449,110	456,049	444,576
Total Northeast Italy	K€	830,343	810,199	808,657
Tuscany	K€	121,388	117,599	115,257
Umbria	K€	13,307	10,994	11,447
Marche	K€	15,536	13,187	25,480
Abruzzo	K€	8,279	6,883	5,591
Lazio	K€	111,348	120,322	115,591
Total Central Italy	K€	269,858	268,984	273,366
Molise	K€	4,949	4,758	5,786
Campania	K€	105,705	102,410	82,523
Calabria	K€	208	186	213
Basilicata	K€	4,874	4,241	5,009
Puglia	K€	4,525	3,418	3,338
Sicily	K€	5,114	4,451	4,665
Sardinia	K€	12,058	11,202	11,431
Total South and insular Italy	K€	137,433	130,666	112,965
Italy Total	K€	2,086,445	2,025,536	1,978,904
Abroad	K€	9,017	9,343	2,815
Total portfolio	K€	2,095,462	2,034,879	1,981,718
Amount financed				
Lombardy	K€	178,778	162,186	154,880
Piedmont	K€	42,303	37,635	67,965
Valle D'Aosta	K€	-	2,820	1,498
Liguria	K€	12,029	17,338	20,124
Total Northwest Italy	K€	233,110	219,978	244,466
Veneto	K€	88,921	96,350	83,721
Trentino Alto Adige	K€	9,182	908	5,192
Friuli Venezia Giulia	K€	29,645	25,194	40,099
Emilia-Romagna Region	K€	158,903	175,445	120,436
Total Northeast Italy	K€	286,650	297,897	249,447
Tuscany	K€	46,111	36,986	32,094
Umbria	K€	7,186	2,921	5,864
Marche	K€	15,162	6,567	1,944
Abruzzo	K€	4,826	3,206	657
Lazio	K€	37,521	29,016	29,750
Total Central Italy	K€	110,804	78,695	70,307

Lease customers by geographical area (G4 - FS6)		2020	2019	2018
Molise	K€	4,191	17	144
Campania	K€	26,385	34,635	38,886
Calabria	K€	122	-	160
Basilicata	K€	2,192	885	2,791
Puglia	K€	1,872	334	774
Sicily	K€	996	67	1,250
Sardinia	K€	1,434	1,646	148
Total South and insular Italy	K€	37,192	37,584	44,153
Italy Total	K€	667,757	634,153	608,374
Abroad	K€	8,021	4,196	28,950
Total amount financed	K€	675,778	638,350	637,324
Number of Customers (Portfolio)				
Lombardy	Number	2,195	2,148	2,100
Piedmont	Number	909	847	848
Valle D'Aosta	Number	4	5	4
Liguria	Number	462	478	507
Total Northwest Italy	Number	3,570	3,478	3,459
Veneto	Number	1,076	1,003	958
Trentino Alto Adige	Number	58	58	66
Friuli Venezia Giulia	Number	834	849	853
Emilia-Romagna Region	Number	2,130	2,029	1,871
Total Northeast Italy	Number	4,098	3,939	3,748
Tuscany	Number	852	766	676
Umbria	Number	116	82	74
Marche	Number	96	68	40
Abruzzo	Number	35	30	29
Lazio	Number	473	419	414
Total Central Italy	Number	1,572	1,365	1,233
Molise	Number	12	9	11
Campania	Number	653	639	632
Calabria	Number	11	8	9
Basilicata	Number	12	9	8
Puglia	Number	39	21	20
Sicily	Number	21	13	16
Sardinia	Number	19	16	14
Total South and insular Italy	Number	767	715	710
Italy Total	**Number**	**10,007**	**9,497**	**9,150**
Abroad	**Number**	**10**	**7**	**4**
Total number of Customers	**Number**	**10,017**	**9,504**	**9,154**

Development of the enterprise fabric and the agri-food sector

The Crédit Agricole Italia Banking Group,
by continuously seeking qualitative excellent and innovation,
has always been right by the side of businesses,
with a distinctive and tailor-made range of products and services.

The Bank contributes to the development of the Italian enterprise fabric, enhancing enterprises that are virtuous in sustainability terms.
Based on this logic, in 2020 initiatives were started in cooperation with some local and national partners, in order to respond to the requests made by communities and businesses.

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services.

The Crédit Agricole Italia Banking Group **supported the Italian enterprise fabric** with loans under the Liquidity Decree, guaranteed by the Central Guarantee Fund and under the “Garanzia Italia” agreement with SACE, ensuring origination of low-risk loans.
Originating loans backed by public guarantees under the Liquidity Decree Law, the Bank originated close to 40,000 loans to enterprises under the Liquidity Decree for a total amount of approximately Euro 2.3 billion. In this scope, enterprises used the benefits provided by law mostly in order to make investments, also environmental ones.

Furthermore, the Bank agreed with the European Investment Bank (EIB) on **earmarked funds of Euro 200 million in loans to SMEs and Corporate Customers**, as lending to support projects for the production of tangible and intangible assets or to finance the working capital of SMEs and mid-caps. The **agreement with the European Investment Fund (EIF)** was renewed, which provides for earmarked funds of Euro 50 million intended to increase and facilitate access to credit by innovative enterprises. Lastly, the **Capital Assets earmarked funds scheme** was activated, which aims at increasing the competitiveness of the production system fostering new investments facilitating access to credit and helping enterprises in obtaining the subsidies for the purchase of capital assets from the Italian Ministry of the Economy, while earmarked funds scheme intended to combine sustainability objectives with business development became fully operational, specifically earmarked funds of **Euro 100 million in loans to enterprises that care for the environment and its future.**
Furthermore, thanks to the **Preauthorized loans** initiative intended for Small MID Caps to accelerate the time to lending, in 2020 the Bank originated loans to approximately 1,000 enterprises for over Euro 1 million.

The Group carried out several initiatives aimed at promoting the supply chain approach, fostering the use of Supply Chain digital tools and providing bespoke solutions to strengthen the supply chain. In order to support the Supply Chains that cluster thousands of SMEs in Italy, which play a key role as the foundations of the Italian economy, the first sustainable **Supply Chain Finance integrated platform** went live to facilitate integrated management of the entire value chain and to enable final buyers that are customers of the Bank to pay the invoices of their supplier in advance. The progressive digitalization of the supply chain through the platform will facilitate the management of working capital and access to credit within the supply chain, thus improving its operation.

With specific initiatives in the communities, including **“Coffee with enterprises”**, internationalization workshops and workshops on Supply Chain Finance, Customers were involved, for their retention and exchange on key topics, such as the management of financial risks, internationalization, leases, liquidity management solutions and generational turnover;. Furthermore, thanks to specialist advisory services provided by the International Desk, support continued to be given to export, to the internationalization of Italian enterprises and for assisting foreign companies in operating in Italy.

A key role in promoting the development of innovative enterprises is played by the partnership with **Le Village, the innovation Hub of the Crédit Agricole Italia Banking Group**, which, in 2020, opened its second centre in Parma and works to drive the growth of startups and of the network of local enterprises with strong focus on innovation.

The Group’s commitment to the **growth of the local enterprise fabric** relies also on strategic partnerships designed to extend the range of services provided to Customers. Thanks to its partnership with Altios, a highly qualified player in the internationalization of enterprises, the Group’s Customers were offered the possibility to strengthen their growth strategy and to obtain bespoke solutions to enhance their business directly accessing global markets.

Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all.

In 2020, the Group signed several agreements at a national level, first of all with Ance (the Italian national association of builders and contractors and continued its cooperation with firms, trade association and the main national and local Confidi (Italian mutual loan-guarantee consortia), in order to support the development of local enterprises, facilitating access to credit and performing activities in preparation for the signing of important agreements that will be finalized in 2021. Consorzio del Tarvisiano, Confartigianato Pordenone, Confindustria Verona e Coldiretti Veneto are some of the Trade Associations that were supported in 2020.

Loans to/Funding from Corporate Customers by sector (G4 - FS6)		2020	2019	2018
Agriculture, forestry and fishery	Loans (mln €)	2,570	2,395	2,293
	Funding (mln €)	755	619	619
	Indirect funding (mln €)	83	64	82
Trade	Loans (mln €)	2,589	2,367	2,518
	Funding (mln €)	2,116	1,389	1,666
	Indirect funding (mln €)	411	454	504
Construction and real estate	Loans (mln €)	2,049	2,077	2,298
	Funding (mln €)	1,204	1,317	1,119
	Indirect funding (mln €)	197	269	218
Manufacturing	Loans (mln €)	6,305	5,509	5,308
	Funding (mln €)	4,014	2,607	2,414
	Indirect funding (mln €)	690	692	787
Services	Loans (mln €)	4,705	5,095	5,078
	Funding (mln €)	4,442	3,665	3,592
	Indirect funding (mln €)	698	788	612
Other sectors	Loans (mln €)	1,427	1,650	1,466
	Funding (mln €)	3,132	3,850	3,555
	Indirect funding (mln €)	1,160	1,037	709
Total	Loans (mln €)	19,644	19,091	18,960
	Funding (mln €)	15,663	13,447	12,965
	Indirect funding (mln €)	3,238	3,304	2,912

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

To provide concrete help to the Italian areas hit by natural disasters in 2020, Crédit Agricole Leasing Italia contributed, along with the Group, to **several actions in favour of affected enterprises.** With a statement of the self-assessed damage suffered, lessees with finance lease contracts and business owners were given the possibility to suspend lease payments, either of the full instalment or of the lease principal portion only.

These actions, announced with specific notices to Customers on CALIT's website, concerned adverse weather events, especially in Venice, with the extension of the emergency status, in the Provinces of Biella, Cuneo, Novara, Verbano-Cusio-Ossola andi Vercelli in the Piedmont Region and the Province of Imperia in the Liguria Region, Genoa and the Provinces of Savona and La Spezia, but also Covid-19-related events, **with initiatives in favour of households and businesses.**

In order to further convey its mission as a customer-focused universal bank and as a proximity banking player enraged in social matters, the Group completed the **Etica Project.** Involving most of the central structures of the Crédit Agricole Italia Group, the Project has defined specific guidelines to favour and facilitate loan applications submitted by Customers in the voluntary sector, as well as an innovative range of banking products, at better conditions than those applied by the main competitors, which are tailor-made for voluntary organizations and for their employees, members and volunteers. For volunteers easy terms have been set in case of financial support to their association, thus strengthening the contribution to voluntary sector initiatives, with the voluntary sector meaning the set of no-profit private entities pursuing civic, solidarity, or common good purpose, which promote or carry out activities in the public interest through volunteer work and free of charge, with mutualistic schemes or in the production and exchange of goods and services.

Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources in accordance with national laws.

Through the *"Scelgo Io Imprenditoria Femminile"* (Women entrepreneurship - I choose) loans, the Group intends to provide bespoke solutions for self-employed women and SMEs in which women's participation is high.

Retail Small Business products designed to a deliver a specific social benefit (G4 - FS7)		2020
Current accounts for Associations	Number	2,464
	Average total funding €	104,288,586
	Average total loans €	31,475,064
Accounts for Nonprofit Associations	Number	2,089
	Average total funding €	126,476,178
	Average total loans €	6,631,092
Reconstruction after the 2012 earthquake	Number	138
	Average total funding €	7,174,904
		60,154,610
Escrow accounts for Natural Disasters	Number	1,783
	Average total funding €	13,376,811
	Average total loans €	35,420,364
Earmarked funds for catastrophe events	Number	43
	€	1,508,094
Amount allocated for earthquake in Central Italy	Number	4
	€	201,866
Emilia Romagna Region Multipurpose - Starter Fund	Number	30
	€	1,924,708
"Scelgo Io Imprenditoria Femminile" loans	Number	1
	€	15,000
"Resto al Sud" loans	Number	26
	€	1,354,193
Liquidity Decree loans	Number	38,383
	€	1,199,965,758
EIF	Number	3
		910,000
Monetary value of the listed products over the total value of Retail Banking Small Business products	%	73.8

Corporate banking products designed to deliver a specific social benefit (G4 - FS7)		2020
Earmarked funds for catastrophe events	Number	3
	€	1,117,350
Emilia Romagna Region Multipurpose - Starter Fund	Number	12
	€	1,533,705
SACE new markets	Number	7
	€	33,250,000
SACE Corporate	Number	4
	€	65,336,774
SACE Garanzia Italia	Number	65
	€	291,200,000
Liquidity Decree loans	Number	1,404
	€	1,216,910,850
EIF	Number	16
	€	35,603,460
Monetary value of the listed products over the total value of Corporate Banking products	%	27.8

By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and nonfarm employment.

Between the end of 2019 and the beginning of 2020, the Crédit Agricole Italia Banking Group signed a new agreement with the EIB, which provides for **earmarked funds of Euro 50 million** in loans to SMEs and Mid-Caps, with special focus on the needs of enterprises in the agri-food sector and young farmers.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

For the Agri Agro Service, 2020 was a year of strong focus on the agricultural sector. As a matter of fact, under the Liquidity Decree, the Bank could provide support to farms in the present difficulties caused by the Covid-19 pandemic. The Service gave its contribution to supporting the sector by processing applications for ISMEA (Institute for Services to the Agri-food Market), which the Service managed and processed, based on the applications received by the network, both below Euro 30,000 and 100% secured by ISMEA, and those for higher amounts. In this way, these loans came to Euro 100 million, for over 3,200 applications processed between March and December only.

In 2020, having regard to **digital innovation**, the AgriAdvisor tablet App was developed and, in **commercial terms**, solutions were designed in order to target Customers that are strategic for the agri-food system as a whole. Specifically:

- **conquista Vino**, designed for the wine sector and its players;
- **conquista Agriturismo**, intended for holiday farms and their customers;
- **cperazione Territorio**: focusing on the single Regions where the Crédit Agricole Italia Banking Group operates, with bespoke initiatives and conditions.

In 2020 Crédit Agricole Leasing Italia signed 1,011 contracts in the Agri-food sector, for a total amount of over Euro 140 million. The contracts signed in the year increased, both in number, +59.5% YoY, and in volumes +57.3% YoY.

Agri-Food Focus		2020	2019	2018
Agri-Food Customers	Number	35,563	35,342	34,698
	Loans (mln €)	4,588	4,293	4,126
	Funding (mln €)	1,871	1,347	1,242
	Indirect funding (mln €)	83	122	412
New Agri-Food Customers	Number	2,396	2,690	2,868
	Loans (mln €)	382	405	496
	Funding (mln €)	365	348	258

Proximity to customers and communities

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

COVID 19

The model of the Crédit Agricole Italia Banking Group continues to evolve around the proximity relationships established over the years with its Customers and Regions. Being a proximity bank enables the Group to promote the creation of shared value in local communities and to be constantly up to date on its Customers' needs, in order to adjust its range of products and services every year. Proximity, which, by definition, was affected by the difficulties caused by the social distancing measures imposed in 2020. Thanks to technological and digital evolution, the Bank succeeded in maintaining the relationship with its Customers and Regions, in order to ensure the necessary support and safety in the period of severe economic difficulties. At the same time, complying with strict rules on access and on the behaviours to be adopted indoors, the Group succeeded in ensuring access to its branches.

The number of municipalities with GBCAI branches as at 31 Dec. 2020 was 538.

Local presence (G4-FS13) – Branches by Region	2020	2019	2018
PIEDMONT	50	51	58
LOMBARDY	154	154	164
VENETO REGION	80	82	88
FRIULI-VENEZIA GIULIA	80	83	87
LIGURIA	59	65	69
EMILIA-ROMAGNA	243	250	279
TUSCANY	100	102	119
UMBRIA	8	8	10
MARCHE	8	8	9
LAZIO	40	40	44
CAMPANIA	49	52	57
Italy	871	895	984

Local presence (G4-FS13)		2020	2019	2018
Number of points of access	Number	871	895	984
Number of Small Business Centers	Number	61	59	61
Number of Financial Advisors Markets	Number	13	11	11
Number of Private Banking Markets	Number	23	22	25
Private Banking Sub-centers	Number	18	18	12
Number of Corporate Banking Markets	Number	28	28	25
Corporate Banking sub-centers	Number	9	9	14
Number of Large-Corp Banking Areas	Number	1	1	1
Number of municipalities with<5000 inhabitants served	Number	123	125	135
Number of branches in municipalities with <5000 inhabitants	Number	128	130	142
	%	15	15	14
Number of closed branches in municipalities with <5000 inhabitants	Number	2	11	0
Number of open branches in municipalities with <5000 inhabitants	Number	0	0	0

The health crisis had severe fallouts on the real economy, caused by the restrictive measures deployed in order to curb the spread of the virus. The constant commitment of the Crédit Agricole Italia Banking Group focused on providing support to its Customers, quickly implementing the moratoria laid down by the Government with the "Cure Italy" Decree Law and supplementing them with private initiatives for the categories of Customers that did not have access to public measures.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

COVID 19

Well before the industry associations, the Group deployed the measures for suspension of loan repayment, for both households and businesses. Afterwards, the Group was one of the first signatories of the main measures promoted by the Italian Banking Association (ABI) and by the trade associations. In 2020 the Group timely extended both the public measures laid down in the August Decree and those promoted by the ABI, in order to support its Customers in facing the difficult period. Signing the ABI agreement on the advance payment of wage integration allowances (Wage Integration Fund), aimed at providing relief to workers whose employers had to use social shock absorbers, the Group paid the allowances in advance as provided for by the "Cure Italy" Decree. With the same attention, the Group constantly met the request for liquidity made by its Customers, originating loans backed by public guarantees under the Liquidity Decree Law and ensuring streamlined procedures in order to meet its Customers' needs in the shortest possible time.

In order to contribute to the recovery, in 2020 the Group also implemented the **measures to support employment and the economy** under the Budgetary Decree Law of 8 August 2020, paying the benefits resulting from the possibility to transfer the tax credits for building reclamation and energy efficiency enhancement works. To this end an IT platform was launched in order to facilitate the submittal of the documents necessary to pay the assessed tax credit within a short time. Besides this measure, other specific financing products were provided, intended for individuals and contractors performing the works to finance the expense for the subsidized works as early as at the beginning of the works.

Giving evidence of the Group's attention to health, in the year **Protezione Persona&Salute** was developed, a complete and customizable insurance solution that covers both health and wellbeing. A whole range of benefits that each Customer can choose, based on his or her needs and those of his or her family: from prevention to surgery, from specialist consultation to diagnostic tests and dental care, as well as assistance services and access to a network of partner practices. Furthermore, to meet specific needs, the Customer may enrich his or her policy with benefits intended for regaining psychophysical and psychological wellbeing, thanks to the possibility to underwrite the "mum& dad", "wellbeing" and "senior assistance packages". The insurance policy thus follows the various phases in the life of Customers, adjusting to needs changing over time.

Retail Individuals products designed to a deliver a specific social benefit (G4 - FS7)		2020
Earmarked funds for catastrophe events	Number	92
	€	1,724,081
Amount allocated for earthquake in Central Italy	Number	5
	€	134,374
Monetary value of the listed products over the total value of Retail Banking Individuals products	%	0.1

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

In 2020, **CrowdForLife, the crowdfunding platform of the Crédit Agricole Italia Banking Group**, celebrated its first year in operation; through it the public can give tangible support to projects of non-profit organizations. CrowdForLife is a **virtual place**, designed to be the place where organizations that need to raise funds for their project can meet people that want to support them. The platform enables to raise funds in a Keep-It-All mode, i.e. donations are paid to the fund raiser irrespective on whether the target amount is reached or not.

Since it went live, CrowdForLife has been a tool to interact with charities and institutions, also local ones. In its first year in operation, the platform faced a complex period, which triggered exponential growth in the importance of giving tangible help to those experiencing difficulties through fundraising and the enhancement of small and big projects. Among those projects worth mentioning is **Uniamo le forze per la Croce Rossa Italiana**, (Let's join forces for the Italian Red Cross), which raised funds for a total of Euro 1.5million, thanks to the contributions of roughly one thousand donors and to the commitment of all the companies of Crédit Agricole in Italy. The objective was achieved also thanks to Payroll Giving, i.e. the direct contributions given by the managers and employees of Crédit Agricole Italia, of Agos and of Amundi Italia, together with the donations made by customers and vendors. The fundraising went along with a series of initiatives promoted by local Organizations and Institutions based in the regions the Group has always operated in, from Emilia Romagna, to Liguria, and Northeast Italy.

CrowdForLife closed 2020 having raised funds for approximately Euro 1.7 million. On the portal, Crédit Agricole for Future was also launched, a social-scope call by the Crédit Agricole Group in Italy as a whole to support projects sharing common themes: education, inclusion and reduction of inequalities.

Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

In a very difficult year for the entire Country, the Crédit Agricole Italia Banking Group chose to substantiate its commitment with initiatives aimed at handling the health emergency, giving tangible help to several communities.

In 2020, the budget that the Crédit Agricole Italia Banking Group allocated to sponsorships was reallocated, albeit many commitments were kept, in order to use as many resources as possible for important charity initiatives in various regions, in the health emergency caused by the Covid-19 pandemic.

Nonetheless, the Group proved once again its interest in culture, supporting several cultural initiatives:

"Edoardo Kihlgren" Prize

The *Premio Letterario Edoardo Kihlgren Opera Prima – Città di Milano*, is organized by Associazione Amici di Edoardo under the patronage of the Municipality of Milan. The objective of this initiative is to foster passion for reading among young people, who are actively involved in the selection of the winner work. Some members of Barrio's, a famous youth aggregation center in Milan, sat on the jury.

Magnani Rocca Foundation – "L'ultimo romantico"

In 2020, the Magnani Rocca Foundation could organize but one art show, albeit with a rich exhibition celebrating its founder.

Festival della Mente Sarzana

Crédit Agricole Italia ha voluto dare un segnale di attenzione e continuità, sostenendo il Festival promosso e organizzato da 16 anni da Fondazione Carispezia e dal Comune di Sarzana. Si tratta del primo Festival europeo di approfondimento culturale, declinato alla creatività.

Arturo Toscanini Foundation

Within the Parma Capital of Culture project, Crédit Agricole Italia gave its contribution to the 45th concert season of the Arturo Toscanini Foundation (November 2020 – June 2021). The concerts scheduled in the period of no in-person gathering, were streamed live (art bonus).

Teatro Regio di Parma

For many years now, the Bank has been supporting also Festival Verdi, organized by Teatro Regio di Parma, benefiting from the tax advantages provided for by the Italian legislation (65% tax credit on the donation").

Nuovi Mecenati Foundation

Crédit Agricole Italia supports Fondazione Nuovi Mecenati, a French-Italian institution under the patronage of the French Embassy in Italy, which organizes important initiatives in favour of young French artists that work in Italy. For six years now the Bank has sat on the Foundation's Board of Trustees, represented by its Chairman Ariberto Fassati.

Altar of the San Damiano church in Assisi

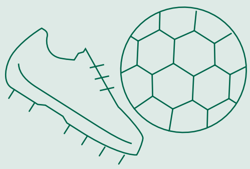
In 2017, after the earthquake in Central Italy Italia, the Charity Committee approved a contribution of Euro 100,000 to support the structural restoration of the “Canticle of the Sun” room. In 2020, the restoration had been completed and, to sign off the project, which was totally sponsored by Crédit Agricole Italia and First Social Life, the Bank contributed to the purchase of a new altar by sculptor Fiorenzo Bacci.

San Francesco del Prato church in Parma

For the third year in a row Crédit Agricole Italia supported the restoration of the San Francesco del Prato church, which was built in 1200 as the first Franciscan seat in Parma, which has now become one of the most important churches in the city after being used as a prison until 1993. The conservation work and reopening the church to the public after more than 200 year is the most important cultural project within the Parma Italian capital of culture event (art bonus).

The Group maintained its interest in sports, supporting some local sports associations, such as the Sarzana Hockey Team, Lerici Sport, Cestistica Spezzina and the Genova Tennis Club. For the third year in a row, the Group sponsored the paralympic athlete Giulia Ghiretti. Crédit Agricole FriulAdria supported some important sport associations of its area, such as Kioene Pallavolo Padova, Canottieri Padova and Treviso Basket.

SUPPORT TO THE ITALIAN SPORTS WORLD



Also in 2020, Crédit Agricole reasserted its support to the Italian sports and sociality world, continuing in its partnership with **F.C. Internazionale Milano**, despite the fact that the suspension of matches and the closure of stadiums to the public limited the enhancement of the partnership to exclusively digital contents. Between the end of 2019 and the beginning of 2020, the Playfair online gamification portal was developed, which is intended to promote the engagement of sports fans thanks to values shared with the partner: team work, focus on young people, talent enhancement, sustainability. The Group continued and further developed its activity within Inter’s **“Membership”** programme, a digital platform for its fans, who, by choosing Crédit Agricole offer, can make a donation to the San Gerardo Children Hospital coordinated by the Monza e Brianza Mother and Child Foundation.

Besides sports, the Bank continued to support business activities, such as the **Macfrut Trade Fair**, which was held digitally thanks also to the contribution given by the Group and some Trade Associations, especially local ones, partnering with them in their activities.

Since 2019, the Bank has supported the **Plastic Odyssey** mission, an important project of which CA.SA is a founding partner and which, due to the health emergency, could not start as scheduled. With an amount allocated over a five-year time horizon, the Bank supports the sea mission that will transform plastic waste unto fuel thus preventing it from polluting the oceans. This project will use a boat housing a recycling lab that will convert plastic waste into fuel, thus preventing ocean pollution.

The Bank continued, also in 2020, its partnership with Pordenonelegge, Premio Luchetta ed Euganea Film Festival, the main cultural events that it supports in Friuli-Venezia Giulia and Veneto, thus ensuring that they could be held in full safety. **Crédit Agricole FriulAdria reached out to new generations**, thanks also to the support it gave to events such as TEDxPadova e Marketers, which was held online. In 2020, a partnership was established also with the Unismart Foundation, an entity associated with the University of Padua promoting technology transfer and post-graduate education.

The Charity Committees of Crédit Agricole Italia and the Foundations in the Fellini scope also continued their support activities in Romagna and in Tuscany, with total funds of Euro 1,217,000 for 2020, which were used for social and cultural initiatives, including:

Cesena Foundation

Thanks to higher earmarked funds, important contributions were given, in equal parts to cultural and social initiatives, focusing especially on scholarships and projects for the University of Bologna's centre in Cesena and on the purchase of machinery for the Romagna NHS Local Agency.

Lugo Foundation

Its projects have always been social ones, with small contributions to schools. Worth mentioning is an amount earmarked for children's summer camps, which allowed them to be held.

Faenza Foundation

The contributions were given to schools for digitalization projects.

Rimini Foundation

The most important contributions were given to the Municipality.

San Miniato Foundation

The most important project in 2020 was the support provided, together with the local Municipalities, to the leather industry, to the recovery/restoration of premises in order for schools to reopen, co-financing the upgrading of school buildings, purchasing the necessary chattels for the start of the school year and closely related services.

To handle the health emergency, the Crédit Agricole Italia Banking Group chose to actively fight the Coronavirus and to support its customers and communities that were hit by it.

Close cooperation of all the Companies of the Crédit Agricole Group in Italy, the shareholder Foundations and the other Foundations in the "Fellini" scope, the involvement of Trade Unions and vendors, the action taken by the Network - which procured medical equipment and supplies from customer firms - the direct cooperation with the Italian Red Cross and with several Hospitals in its regions, cooperation with several social players, such as Caritas of the Dioceses of Lodi and Parma, along with the availability of the Group's fundraising portal, enabled to provide, from the very beginning, tangible and immediate help. Specifically, a total amount of Euro 3 million was donated to charity, of which Euro 725,000 by Crédit Agricole Italia, to support the following initiatives:

- **purchase of 55 ventilators** for Intensive Care Units: 20 in Parma, 15 in Piacenza, 9 in La Spezia, 11 in Reggio Emilia;
- **purchase of 25,000 masks** that were donated to the La Spezia Hospital, Assistenza pubblica Parma, Comitato Ambulanza Parma, Unitalsi and University of Brescia;
- **participation in "Insieme Piacenza" social welfare fund** providing support to households and startups
- **preparation of 3,000 meals** for a soup kitchen in Parma;
- **funds in favour of people in need** through the Dioceses of Lodi and Parma;
- **2 projects with the Italian Red Cross:** the purchase of biocontainment equipment and the project called «*Il tempo della gentilezza*» (time for kindness) for a total amount of Euro 1.5 million.

The Group operated also in the Committees of the Fellini Foundations with a total amount allocated to the health emergency of Euro 645,000 and given to entities in their respective regions:

- **the purchase of 5 ventilators** for the Fucecchio Hospital and of 300 tablets for care homes in San Miniato, as well as the upgrading of 6 schools in order for the student to go back to class safely;
- **the purchase of 2 ventilators** and 5 monitors for the Cesena Hospital;
- **the purchase of 14 monitors** and a power unit for the Cesena Hospital;
- **accommodations for the medical staff** of the Faenza Hospital;
- **the purchase of material for ambulances** of first responders and for Caritas of Lugo.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

Crédit Agricole FriulAdria funded the purchase of personal protection equipment for the Italian Red Cross sections of Veneto and Friuli-Venezia Giulia, supported the Advar and Via di Natale NGOs, which were experiencing difficulties as they could not organize fundraising events with physical presence and went live with a crowdfunding initiative for the Voluntary Association Center of Treviso. Furthermore, the Bank supported several social inclusion and employment projects, such as an inclusive Boutique Hotel managed by the Down DADI Cooperative of Padua and the support to the GOAP domestic abuse center of Trieste.

Besides the initiatives to fight the health emergency, the Charity Committee also operated in favour of other social and cultural initiatives. Through the *Payroll giving* Group initiative, 9,225 employees, i.e. 95% of the Group's personnel, donated a small part of their salaries and the Bank rounded up the amounts to 1 Euro; the money was donated to several beneficiaries operating in the social scope. In 2020 the beneficiaries were:

- ***the Maria Letizia Verga Committee***, which was given Euro 50,000 and works within the San Gerardo Hospital in Monza. The contribution was used to buy reagents for tailor-made precision therapy for children with acute lymphoblastic leukemia, the most frequent form of child cancer, with roughly 400 new cases in Italy every year;
- ***the Italian Red Cross*** with a contribution of Euro 100,000 supporting the *"Il tempo della gentilezza"* project, along with the funds raised on Crowd-for-Life.

Other initiatives deployed by the Group to provide social support in healthcare were:

- ***APRO Onlus***, a volunteering association set up by citizens and doctors of the Santa Maria Nuova Hospital of Reggio Emilia to organize fundraising campaigns for research and care of digestive system diseases In 2018, the association started a new fundraising campaign for a project for the prevention, early diagnosis and treatment of pancreatic cancer, which Crédit Agricole Italia supported for the third year in a row;
- ***FCC - Cystic Fibrosis Foundation***, the promoter of a project that Crédit Agricole Italia and Crédit Agricole FriulAdria have supported and have become partners of, for the la campagna di Natale, fundraising campaign with roughly 60,000 donors.

Furthermore, alongside the Group initiatives, every Regional Department manages its own budget for micro-charity purposes with donations to organizations operating in their respective regions mainly in the social scope.

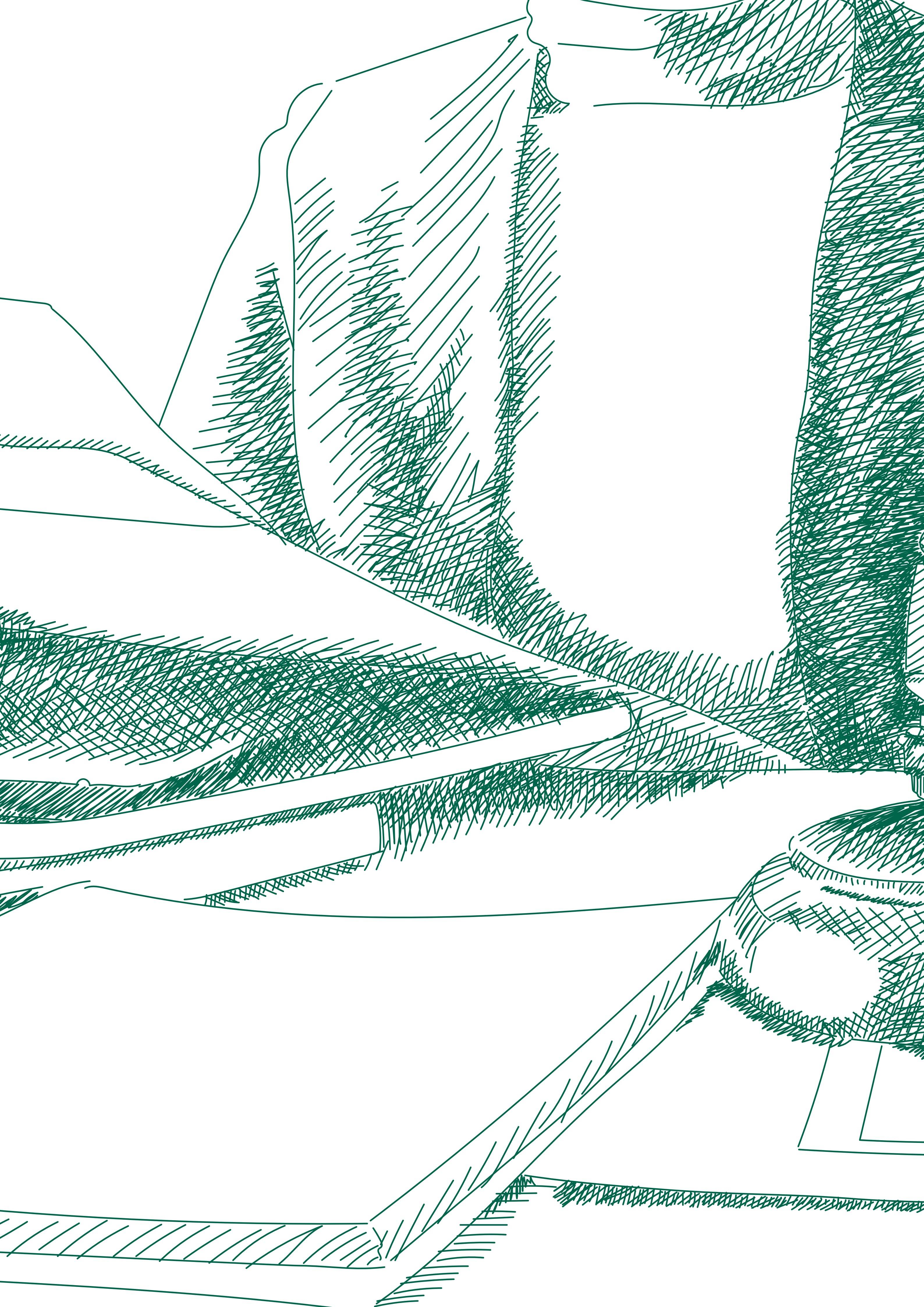
The Group's social commitment continued also with its participation in the ABI – CDP Agreement on "Funds allocated for Natural Disasters" and with Crédit Agricole Italia contributing to the "Funds allocated for the Earthquake in Central Italy".

In 2020, contributions for over Euro 3.6 mln€ were given to support households and businesses hit by adverse events, in order to help them with their financial commitments already underway and allow them to face difficulties with more serenity.

Investments in the community (201-1)		2020	2019	2018
Sponsorships	%	50.1	51.4	61.5
	€	2,169,587	2,116,189	2,533,729
Donations from the charity fund	%	49.9	48.6	38.5
		2,161,847	1,999,236	1,588,678
Scopes of action (Sponsorships)				
Culture	%	5.7	6.9	4.9
	€	122,830	144,960	124,554
Other	%	1.4	2.2	6.9
	€	30,000	45,980	173,810
Sports	%	78.7	62	61.2
	€	1,706,777	1,304,642	1,549,514
Economic	%	14.3	29.3	27.1
		309,980	620,607	685,852
Scopes of action (Donations from the charity fund)				
Culture	%	29.1	57.2	65.6
	€	629,750	1,144,500	1,042,400
Social	%	68.9	40.5	32.0
	€	1,489,097	810,636	508,444
Sports	%	0.0	0.0	1.9
	€	0.0	0.0	30.000
Other	%	2.0	2.2	0.5
		43,000	44,100	7,834

The Bank operates being fully aware that, in order to achieve large-scale objectives, it must coordinate commitment with local players, promoting and establishing a granular partnership network.

Since 2014, the Group has been implementing the Global Compact principles and, since 2018, Credit Agricole Italia has been a founding member of the UN Glocal Compact Network Italia. The Group is also a member of CSR Network and of ABI.



06

Fight against corruption

Fight against active and passive corruption

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The Crédit Agricole Italia Banking Group uses a governance model based on ethical principles and on the commitment to a fair and transparent way of doing business. Such commitment, which is represented by the material topic ***Integrity and transparency in governance processes and business management***, includes prevention and control of all risks of corruption. The Compliance Department monitors and assesses appropriate application of all applicable anti-corruption legislation on the Bank's procedures and processes. It is responsible for designing prevention and control policies, as well as for controlling the effectiveness of operational practices in order to mitigate non-compliance risk. The Compliance Department is always on top of all developments in the applicable legislation, regulations, laws, codes, self-regulation instruments and professional and ethical standards, both at a domestic level and those regarding the Crédit Agricole Group, in order to ensure constant upgrading of the internal normative instruments; it also validates *ex ante* the Group regulatory system and operational processes. All the activities for the design and sale of products, both inside and outside the Group, are performed with full fairness and transparency in order for all stakeholders to make their own aware choices.

POLICIES ON THIS TOPIC

The Crédit Agricole Italia Banking Group has implemented a model for governance, prevention, mitigation and management of fraud risks, including active and passive corruption.

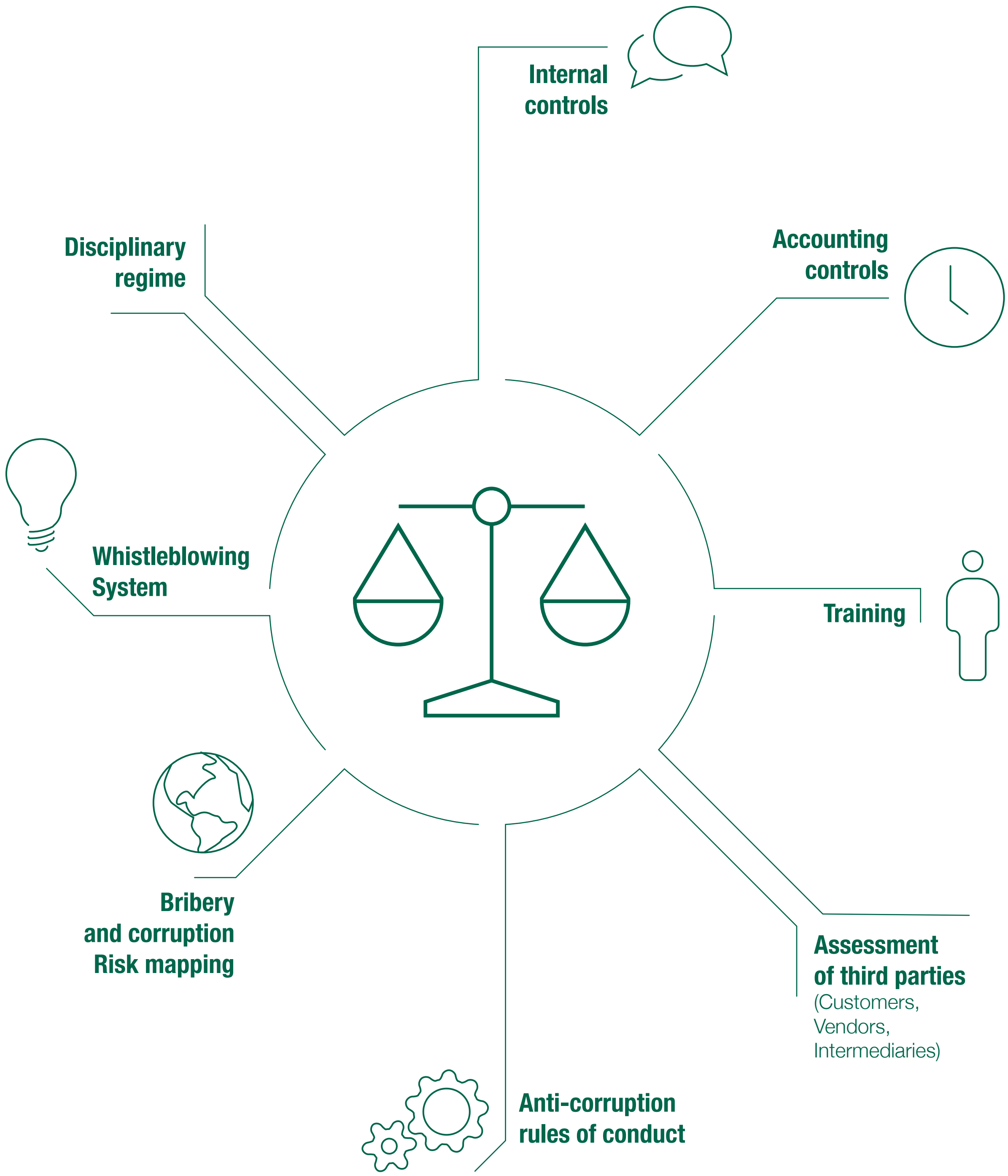
The **Policy for combating fraud** and the **Regulation for the management of the fraud combating process** set out the procedures for appropriate internal management of this matter, for the mitigation of the associated risks and for the development of a strong corporate culture.

Specifically, in terms of corruption prevention, in accordance with the guidelines issued by the Parent Company Crédit Agricole S.A. implementing the French Act "Loi Sapin II", the Crédit Agricole Italia Banking Group strengthened its systems for the prevention and management of corruption risks adopting a specific Anti-Bribery and Anti-Corruption Programme that pursues the objective of spreading more and more effectively a culture of prevention and control of bribery and corruption risks and to convey and deploy a "zero tolerance" policy against any unethical behaviour in general and any bribery and corruption offence in particular. The **Policy on prevention of bribery and corruption risk**, in force since 2019, sets out the guidelines, roles and responsibilities involved in the Anti-Bribery and Anti-Corruption Programme governance and in the organization of the arrangement for prevention of bribery and corruption risks.

The Anti-Bribery and Anti-Corruption Programme provides for:

> **the design of a specific governance arrangement** with the new role of the Anti-Bribery and Anti-Corruption Owner responsible for ensuring the development of the Anti-Bribery and Anti-Corruption Programme. Specifically, the Owner is responsible for coordinating the implementation of the Programme and its regular updating, for providing all personnel with information on the anti-bribery and anti-corruption arrangement implemented through internal regulations, mandatory training and specific rules of conducts for anti-bribery and anti-corruption purposes;

> **the implementation of 8 specific pillars** that are the architecture of the arrangement for preventing and controlling bribery and corruption risks: bribery and corruption risk mapping, whistleblowing system, disciplinary regime, internal controls, accounting controls, training, assessment of third parties, anti-corruption rules of conduct.



In 2020 project activities continued with **the completion of the works for mapping bribery and corruption risks and for the whistleblowing system**. The bribery and corruption risk map as approved by the Board of Directors at the beginning of the year was reviewed and updated in H2 in order for it to take into account the main and most important corporate processes classified as sensitive to that risk. The whistleblowing system was further strengthened in 2020 implementing a Group's specific whistleblowing tool, which can be accessed from one external link for the Crédit Agricole Group as a whole, replacing the previous arrangement based on specific e-mail boxes.

Progress in the Anti-bribery and Anti-corruption Programme was periodically reported to the **Risk and Internal Control Committee**, in its capacity as the body engaged in oversight and monitoring, as well as to the Parent Company Crédit Agricole S.A.

Having regard to control on the supply chain, in order to harmonize the internal normative instruments to the French act Loi Sapin II, the structure in change of the Register of Vendors cooperated with the Compliance Department in **defining the Bribery and Corruption Risk Map**, giving a complete picture of the activities performed by the structure in order to mitigate said risk. Furthermore, the schedule for the release of guidelines by CA.SA. in 2021 was revised; the guidelines will set out the project activities for defining the Know Your Supplier framework, aimed at enhancing Due Diligence for anti-money-laundering purposes.

To ensure constant monitoring of this risk and to trigger a preventive block of reported vendors, the cross-checking with the **international lists published by OFAC** (Office of Foreign Assets Control) was automated with a specific implementation in the Group's operating systems.

Lastly, as regards withholdings and netting within contracts and sub-contract arrangements, in 2020 the Group implemented an internal process held as a priority, to ensure compliance with the applicable legislation procurement contracts (Italian Legislative Decree 241/1997).

Having regard to the whistleblowing system, the Group has a **Whistleblowing Policy** in force aimed at ensuring an internal system for reporting any deeds or facts that may be in violation of any legislation or regulation applicable to the banking industry or that may amount to abuse of power, ensuring the confidentiality of the person reporting such deeds or facts.

In 2020 the **Whistleblowing Policy** was updated in order to implement the supervisory provisions on internal whistleblowing systems issued by the Bank of Italy on 5 December 2019 – Regulation implementing Articles 4-undecies and 6, paragraph 1, letters b) and c-bis), of the Italian Consolidated Law on Finance, as well as to implement the new whistleblowing mechanism as per the project within the Anti-bribery and Anti-corruption Programme scope.

This policy lays down the procedures to receive, analyze and manage any reporting of suspected offences, malpractices or violations (whistleblowing) committed by employees, corporate officers or third parties.

The **Lending Policies** provide for the responsibility of the Central Decision-Making Bodies, in accordance with their specific decision-making powers, for the decisions on the each single loan application and drawn amount by politically exposed persons, Countries subject to embargo or surveillance measures and activities in the "sectors under surveillance", with the prior favourable opinion of the Anti-Money-Laundering/International Sanctions structure.

The Anti-Money-Laundering Service shall give its prior opinion on the participation in public tendering procedures or on the receipt of public funding. The **Anti-money-laundering Policy** sets out the practices to prevent any involvement, also unaware, in money-laundering and terrorist financing instances. In 2020, the revision of the **Anti-money-laundering Policy** started with the objective of ensuring full compliance with the Bank of Italy Measure on organization, procedures and internal controls aimed at preventing the use of intermediaries for money-laundering and terrorist financing purposes.

ACTIVITIES AND OPERATING PERFORMANCE

Substantially reduce corruption and bribery in all their forms.

As regards Anti-Bribery and Anti-Corruption, the Group obtained the certification of its Anti-Bribery and Anti-Corruption Management System with the issue of the **ISO 37001 international standard certificate**, after an assessment performed in 2019 by an external certifier Firm on anti-bribery and anti-corruption.

Implementing the instructions and guidelines of Crédit Agricole S.A. on the prevention of bribery and corruption in accordance with the French act *Loi Sapin II*, in 2020 the Crédit Agricole Italia Banking Group strengthened its Anti-Bribery and Anti-Corruption Programme in order to further strengthen its prevention and control system already in force by adopting a specific governance arrangement structured on eight pillars. This is how the Group involves its corporate bodies and officers in a collective effort to effectively disseminate a **culture of prevention and control of bribery and corruption risks** and to convey a “zero tolerance” policy against any unethical behaviour. To this end, training is considered an important and essential step: training deals with the applicable legislation and regulatory contents, the associated risks and the arrangement in place to protect the customers, the employees and the Companies of the Group.

Furthermore, in accordance with tits procedure, the Group continued to ensure that **training be provided to all members of the Boards of Directors of all its entities** on the main regulatory pillars relevant for compliance (compliance, financial security, international sanctions, fraud prevention, personal data protection, responsibility and liability associated with the role of Directors on supervision, confidentiality, prevention of conflicts of interest and of market abuse. Specifically, in 2020, three new members of the Boards of Directors received training on this matter.

For the Crédit Agricole Italia Banking Group, the in-person training on these is directly entrusted to the **Compliance Officer**. The training topics focus specifically on the prevention of bribery and corruption, as the same prevention measures aim also at managing and mitigating, among others, reputational risk and the risk of penalties.

In terms of anti-money-laundering, the Group started specific projects completing the **IV Anti-money-laundering Directive Project** in order to ensure full compliance with the expectations and instructions set out by the Supervisory Authority on this matter and with the implementing provisions issued in 2019, thus ensuring full compliance with the amendments concerning data storage.

Moreover, the rigorous approach adopted by the Group on bribery and corruption is communicated to everyone through **the Code of Ethics and the Code of Conduct**. Fight to bribery and corruption is intended also as an element making the Bank stand out from among its competitors and as a transparency message to its Customers. In 2020, no bribery and corruption cases occurred.

Actions taken to respond to corruption incidents (205-3)		2020	2019	2018
Disciplinary measures for corruption incidents taken against employees	Number	-	-	-
Dismissal for corruption	Number	-	-	-
Total number of confirmed incidents of corruption	Number	-	-	-
Total number of confirmed incidents of corruption in which contracts with business partners were terminated or not renewed due to violations related to corruption	Number	-	-	-
Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases	Number	-	-	-

Training on anti-bribery and anti-corruption policies and procedures (205-2)		2020	2019	2018
Scope				
MiFID training	Hours	166,565	129,120	131,380
Anti-money-laundering (AML)	Hours	2,757	22,334	3,610
Training on 231	Hours	12,259	22,240	478
Professional category				
Senior managers	Number of attended sessions	114	233	33
Junior Managers	Number of attended sessions	6,902	14,827	4,256
Professional area (job level)	Number of attended sessions	7,472	15,282	3,493
Senior managers	Number	74	79	24
	%	69	69	23
Junior Managers	Number	3,444	4,090	3,072
	%	79	95	70
Professional area (job level)	Number	3,576	4,809	2,393
	%	70	93	46
By geographical area by total employees				
Northwest Italy	n.	3,565	4,613	2,625
Northeast Italy	n.	1,967	2,547	1,091
Central Italy	n.	1,101	1,317	1,372
Southern Italy and Islands	n.	461	501	401

The 2018 data do not include the information on the Fellini Banks for the period before their IT migration.

Anti-competitive behavior, including anti-trust and monopoly practices (206-1)		2020	2019	2018
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	-	-	-

Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations (419-1)		2020	2019
Of which for bank transparency	€	-	1,700,000
	n.	-	1
Of which for administrative delay	€	11,707	4,963
	n.	5*	3
of which tax penalties (**)	€	87,896	15,568
	n.	46	n.a.

(*) of which 1 penalty imposed on CA Italia by the Italian Ministry of the Economy and Finance (MEF) for violating Article 27 of Italian Law 185/1990 for late notification to the MEF of a financial transaction, of an amount of Euro 5,020.00, and 4 penalties imposed on CA Italia by the MEF for late sending of reports on suspected counterfeit banknotes, of a total amount of Euro 6,686.64.

(**) in 2020 the perimeter of tax penalties was extended to include also tax penalties regarding personnel management.

Operations assessed for risks related to corruption (205-1)		2020	2019
Operations assessed	Number	-	-
% on total risks	%	-	n.a.

07

Human Resources management

Human Resources management

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

People are a fundamental asset of the Crédit Agricole Banking Group. They are at the core of the human relationship that is typical of the Group's way of doing banking business, with priority focus on Customers' needs and on proximity to communities and regions. Its personnel's professional skills, readiness to help, closeness and ability to generate trust are the basis the Group relies on to establish strong relationships with its regions and aim at development and innovation of the services it provides. S people are the driver of growth and evolution, the Group has the strategic priority of ensuring their wellbeing and promoting their professional growth. The topics that, in the materiality analysis, represent the Group's people are ***Development of Human Resources and Safe and inclusive work environment.***

POLICIES ON THIS TOPIC

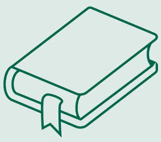
In the Group, **every person is given incentive and support in his or her individual path to growth** with training programmes designed to enhance individual skills and crosswise paths and career plans ensuring professional growth also internationally. In this regard, the intra-group synergies, thanks to the possibility of working in Italy and abroad, are a key development factor for the Bank and an important opportunity to promote cultural diversity and culture dissemination and cross-fertilization between the Crédit Agricole entities worldwide.

Training ranges from Change Management, to Digital Culture, to relational approaches with Customers, to Business Methods. Besides training, the Group protects the high quality of its human capital selecting the best talents on the market with growth prospects proportional to the Group development.

The 2020 Alisei guidelines govern the management of people with a structured procedure that comprises listening, development and assessment and that ensures that a professional growth path can be built in a shared and transparent way, allowing people to play the leading role in their professional development.

In compliance with the requirements laid down by Directive 2014/65/EU (MiFID II), with the Guidelines issued by the European Securities and Markets Authority (ESMA/2015/1886) and with the Resolution on Intermediaries adopted by CONSOB with resolution no. 20307 of 15 February 2018, the Group has adopted its **Policy on fit requirements in terms of knowledge and expertise of its Personnel engaged in investment services**, which provides for verification, through specific formal processes, the knowledge and expertise of the personnel members engaged in advisory services, provision of information on financial instruments, investment services or ancillary services and that operates within corporate processes concerning investment services or provision of information.

CODE OF ETHICS AND CODE OF CONDUCT



Furthermore, the Code of Ethics and the Code of Conduct govern the aspects regarding **welfare, inclusion and enhancement of diversity** with specific directions for the management of people and their professional growth and for the assessment of wellbeing in the work environment. Lastly, the **Charter of Respect** sets out the Group's principles of ethics on the protection of gender diversity and respect for individuals; it also promotes a work environment based on human relationships, sharing, exchange of views and cooperation.

The Group has chosen to fully pursue its strategies for female talent enhancement and equal opportunity signing also the ABI-promoted **Charter of women in banking**, which promotes inclusion and gender diversity values at all stages and levels of the work relationship.

ACTIVITIES AND OPERATING PERFORMANCE

People represent the Group in all the regions it operates in
and voice its distinctive values, mission and culture.

This is why the Crédit Agricole Italia Banking Group is committed and dedicates resources to professional training, to crosswise paths, career plans and to the initiatives for its employees' wellbeing, in order to create a welcoming and comfortable work environment able to fruitfully stimulate everyone's potential.

Breakdown of Staff		2020	2019	2018
Employees as at 1 Jan.	Number	9,751	9,878	8,146
New recruits	Number	311	396	228
New recruits subsequent to the "Fellini Combination"	Number	-	-	1,905
New recruits for intra-group acquisition	Number	9	711	9
Dismissals	Number	325	532	401
Terminations (intra-group)	Number	6	702	9
Employees as at 31 Dec.	Number	9,740	9,751	9,878
Breakdown of personnel (102-8)				
By gender				
Men	Number	4,850	4,867	4,984
Women	Number	4,890	4,884	4,894
By geographical area				
Italy	Number	9,736	9,748	9,873
NORTHERN ITALY	Number	7,823	7,849	7,945
Veneto	Number	604	607	601
Friuli Venezia Giulia	Number	865	885	926
Emilia-Romagna Region	Number	3,823	3,830	3,856
Lombardy	Number	1,524	1,497	1,502
Liguria	Number	576	596	626
Piedmont	Number	431	434	434
CENTRAL ITALY	Number	1,382	1,367	1,387
Tuscany	Number	881	882	901
Lazio	Number	384	371	378
Umbria	Number	58	60	60
Marche	Number	59	54	48
SOUTHERN ITALY	Number	531	532	541
Campania	Number	531	532	541
Abroad	Number	4	3	5
Total	Number	9,740	9,751	9,878
Employee by qualification				
Graduate and post-graduate	Number	4,307	4,071	3,892
High school diploma	Number	5,117	5,365	5,650
Other	Number	316	315	336

Employees by position, age group and gender (405-1)		2020	2019	2018
Senior managers	Number	114	119	112
<30 years	Number	-	-	-
of which women	%	-	-	-
30 - 50 years	Number	34	35	26
of which women	%	35.0	34.3	30.8
> 50 years	Number	80	84	86
of which women	%	11.3	11.9	10.5
Junior Managers	Number	4,385	4,333	4,407
<30 years	Number	-	1	5
of which women	%	-	-	20,0
30 - 50 years	Number	1,976	2,029	2,101
of which women	%	39.6	40.3	40.4
> 50 years	Number	2,409	2,303	2,301
of which women	%	39.4	38.1	37
Professional area (job level)	Number	5,241	5,299	5,359
<30 years	Number	459	417	353
of which women	%	52.9	53.7	55.2
30 - 50 years	Number	2,917	3,022	3,136
of which women	%	64.4	64.9	64.4
> 50 years	Number	1,865	1,860	1,870
of which women	%	54.5	52.9	51.3
Protected categories (in the annual statement)	Number	595	614	617

Diversity of governance bodies and employees (405-1)		2020	2019	2018
Senior managers	Number	21	22	17
Junior Managers	Number	1,732	1,695	1,703
Professional area (job level)	Number	3,137	3,167	3,174
Total	Number	4,890	4,884	4,894
Seniority				
<5 years	Number	1,255	1,198	1,043
6 - 20 years	Number	4,331	4,348	4,432
21 - 30 years	Number	1,652	1,846	1,986
>	30 years	2,502	2,359	2,417
Employees by Contract type (102-8)				
Permanent contract	Number	9,566	9,547	9,726
- of which women	Number	4,800	4,782	4,807
Fixed term contract	Number	174	204	152
- of which women	Number	90	102	87

Training-work (102-8)		2020	2019	2018
Apprentices (of which permanent contracts)	Number	1	1	3
Atypical contracts	Number	17	1	-
Internship	Number	25	45	34
Apprentices (of which permanent contracts)	Number	1	1	4
Total	Number	44	48	41
Part-time (102-8)				
Employees with part-time contracts	Number	1,269	1,250	1,262
- of which women	Number	1,216	1,204	1,213
Average age (years, months)	Number	47.04	47.08	47.00

Composition of governance (management and control) bodies of the companies of the Group (405-1)		2020	2019	2018
By age group and gender				
<30 years of age	Number	-	-	-
of which women	%	-	-	-
30 - 50 years	Number	9	10	9
of which women	%	44	50	56
>50 years	Number	49	46	62
of which women	%	10	11	8

Members of internal governance bodies by geographical origin		2020	2019	2018
Italy	Number	41	40	52
	%	71	71	73
France	Number	17	16	19
	%	29	29	27
Other Countries	Number	-	-	-
		-	-	-

Return to work and job retention rate after parental leave (401-3)		2020	2019	2018
Number of employees that are entitled to parental leave	Number	3,327	3,082	n.a..
of which women	Number	1,785	1,655	n.a..
Number of employees that applied for parental leave	Number	492	611	526
of which women	Number	375	505	466
Total number of employees that have returned to work in the reporting period after parental leave	Number	479	583	512
of which women	Number	366	481	454
Number of employees that have returned to work after parental leave and are still employed 12 months after returning to work	Number	606	522	505
of which women	Number	501	463	483
Rate of return to work of employees after parental leave	%	100.00	100.00	100.00
of which women	%	100.00	100.00	100.00
Retention rate of employees that were on parental leave	%	99.18	99.24	99.21
of which women	%	99.21	99.36	99.18

The 2018 data do not include the information on the Fellini Banks for the period before their IT migration.

Average hours of overtime per capita (professional areas)		2020	2019	2018
Professional area (job level) personnel	Number	5.241	5.299	5.359
Hours of overtime (for CAGS including those accrued at CRP/BPFA)	Hours	238,917	343,613	320,391
Average hours of overtime per capita (professional area)	Number	45.59	64.84	59.79

Absence by type (403-9)		2020	2019	2018
Disease	dd	74,317	67,429	62,165
Accidents	dd	2,426	3,296	2,791
Trade union leaves (excluding special scheme leaves)	dd	10,160	11,818	9,611
Law 104	dd	23,925	17,754	15,763
Strike	dd	1	4	6
Other (paid and unpaid leaves)	dd	717	673	416
Total	dd	111,545	100,975	90,752

The data report the information on the personnel of the Fellini Banks as of the date of IT migration.

Collective bargaining agreement and trade unions representation (102-41)		2020	2019	2018
Employees under national collective bargaining agreements	Number	9,740	9,751	9,878
	%	100	100	100
Employees that are members of a trade union	Number	8,416	8,457	8,579

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)		2020	2019	2018
Hire rate	%	3.19	11.35	21.68
Hire rate from the market	%	3.19	4.06	2.31
By age				
<30 years	Number	180	314	195
30 - 50 years	Number	135	472	1,248
> 50 years	Number	5	321	699
By gender				
Women	Number	137	568	1,093
Men	Number	183	539	1,049
By position				
Senior managers	Number	2	7	21
Junior Managers	Number	80	402	594
Professional area (job level)	Number	238	698	1,527
By geographical area (place of work)				
Campania	Number	9	11	13
Emilia-Romagna Region	Number	136	180	1,341
Friuli Venezia Giulia	Number	6	11	6
Lazio	Number	19	11	51
Liguria	Number	12	627	13
Lombardy	Number	95	97	52
Marche	Number	1	2	50
Piedmont	Number	12	30	20
Tuscany	Number	8	108	548
Umbria	Number	0	1	30
Veneto	Number	22	29	18
Terminations (401-1)				
Termination rate	%	3.40	12.66	4.15
Termination rate with no intra-group transfers	%	3.34	5.46	4.06
By reason				
Resignation	Number	76	124	81
Resignation for intra-group/ extra-group move *	Number	6	702	9
Solidarity Fund	Number	2	127	171
Expiry of fixed-term contracts	Number	30	84	51

Terminations (401-1)				
Retirement	Number	187	170	77
Other	Number	30	27	21
By age				
<30 years	Number	43	139	56
30 - 50 years	Number	68	451	81
> 50 years	Number	220	644	273
By gender				
Women	Number	131	578	153
Men	Number	200	656	257
By occupational category				
Senior Managers	Number	8	11	10
Junior Managers	Number	134	587	191
Professional area (job level)	Number	189	636	209
By geographical area				
Campania	Number	17	29	31
Emilia-Romagna Region	Number	122	211	154
Friuli Venezia Giulia	Number	28	45	26
Lazio	Number	6	13	6
Liguria	Number	35	653	23
Lombardy	Number	65	98	79
Marche	Number	0	1	0
Piedmont	Number	20	35	34
Tuscany	Number	14	116	32
Veneto	Number	23	30	23
Umbria	Number	0	2	2
Other	Number	1	1	0

The data report the information on the personnel of the Fellini Banks as of the date of IT migration.

People and skills

4 QUALITY EDUCATION

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

In 2020, training continued on its path to digitalization, at a faster pace because of the health emergency, and employees were able to continue their learning despite the lockdown and social distancing measures, thanks to **Digital Academy**, thus fostering digital readiness also in training. The training offered on the platform was materially enriched, as regards both soft skills and technical knowledge. On Digital Academy, a special focus was on excellence in relationships with Customers; to this end a dedicated area was created with over 90 contents and designed to fine-tune sensitivity to "moments of truth" in the relationship with Customers.

Thanks to the digital mode, **training of the Retail channel could also be strengthened** through courses delivered upon entry in a new role. The enhancement of this channel went also through a full schedule of webinars, intended for specific targets, and aimed at further fine-tuning the role's technical skills.

In terms of relationship with Customers, e-learning and webinars were at the core of a **structured training path**, designed to facilitate the transition from a physical relationship to a remote one or to other forms of relationship (i.e. Off-premises distribution). The transition from physical to virtual was the topic also of a webinar for 200 managers, who were asked to discuss the value of attention to people, with specific focus on remote management. Lastly, the activity for the certification of anti-money-laundering and transparency skills was completed with specific assessments and classes on real cases.

A **new survey of the skills** of all the Group's personnel was carried out using a set of hard skills, which was agreed on with the relevant structures, for both the Commercial Network and Central Departments. The survey included self-assessment and assessment by the structure Head. The results for designing training plans were reviewed based on strong points and areas for improvement and in order to build career paths that are consistent with the views expressed by colleagues upon self-assessment. Lastly, unlike the last campaign, the new survey was supplemented with a more qualitative part in order to draw on individual personal experience: the colleagues were asked what skills had been more exercised during the lockdown and, on a voluntary basis, to share some thoughts on how they were experiencing the momentous emergency and the impact they had on their worklife.

In order to foster further development of the managerial skills of the Crédit Agricole Italia Banking Group's Managers, also in 2020 an **important coaching programme** was organized, which, in cooperation with some external companies, involved over 60 Managers in individual and group experiences. This scheme allows one's potential to be maximized and the expression of a leadership that is more and more consistent with the Company's values. Despite the pandemic, this activity could be continued remotely (before it had almost exclusively been carried in person) and, also with the new mode, proved again effective in achieving the objectives listed above.

Work continued on a **professional assessment model** for the Group's personnel, relying on a harmonized set of behavioural values. The addresses of the **MbO process** are subject to assessment based on the same behavioural values used for the other personnel members, and the process provides for a proposal to be made by the Manager and for the organization of an "extended" discussion group, coordinated by HR, to discuss and certify the final result before the feedback meeting. The managerial assessment outcome is a non-economic indicator that is taken into account in the MbO process on the relevant sheet and contributes to the determination of the remuneration variable component for the accrual year. Furthermore, also for 2020, on a voluntary basis and anonymized, a 180 degree feedback or bottom-up assessment system was applied to the same behavioural values for a small but relevant target sample of the Group's managers. Concomitantly, on a trial basis and again voluntarily and anonymized a 360 degree feedback assessment was introduced for a very small perimeter of managers.

Other important activities in the reporting year concerned **recruiting**, which was intensified in H2 2020 in order to reinforce the main strategic marketplace, and the provision of **technical-specialist training and training on the applicable legislation** to the entire Private Banking commercial network, up to the best market standards.

Training (404-1) (*)		2020	2019	2018
Hours of training provided	Hours	555,823	543,585	447,053
of which to women	Hours	285,655	270,713	220,394
Average hours of training per employee	Hours	57.1	55.8	45.3
By position				
Senior managers	Hours	2,022	4,985	2,210
Junior Managers	Hours	265,589	288,664	246,782
Professional area (job level)	Hours	288,212	249,937	198,061
Average hours of training by position				
Senior managers	Hours	17.7	42.2	20.1
Junior Managers	Hours	60.6	66.8	56.1
Professional area (job level)	Hours	55.0	47.2	37.0
Average hours of training by gender				
Men	Hours	55.7	56.1	45.5
Women	Hours	58.4	55.5	45.1
By training method				
Classroom	Hours	21,916	198,282	168,600
Online	Hours	102,182	99,032	77,167
Virtual classroom	Hours	28,151	2,730	2,887
Remote training	Hours	403,575	242,884	198,339
Mentorship/Internship	Hours	-	658	60
By type				
Mandatory training	Hours	499,413	425,919	320,421
Funded training	Hours	12,761	54,704	12,465
Training to apprentices	Hours	-	-	-

Training costs		2020	2019	2018
Amount of financed training	€	755,000	980,000	337,582
Training abroad (Crédit Agricole training projects)				
Senior managers	ore	0	0	0
Junior Managers	ore	0	0	0
Professional area (job level)	ore	0	0	0
Breakdown of training by topic area				
Commercial	ore	28,353	91,265	72,703
Insurance	ore	233,973	145,465	112,272
Credit	ore	9,323	9,342	6,273
Abroad	ore	-	14	132
Finance	ore	7,967	13,567	3,585
Legislation	ore	256,294	253,512	208,149
Operational	ore	8,163	11,105	23,439
IT /Foreign languages	ore	7,746	7,230	2,251
Managerial	ore	4,004	12,086	18,249

(*) The Group's employees that have been posted to foreign entities are not included in the reporting scope. The 2018 data do not include the information on the Fellini Banks for the period before their IT migration.

Promotions by position		2020	2019	2018
Senior managers	Number	-	11	7
- of which women	Number	-	6	3
Junior Managers	Number	205	244	169
- of which women	Number	80	94	72
Professional area (job level)	Number	415	557	323
- of which women	Number	263	327	192

PERFORMANCE MEASUREMENT

Performance measurement (404-3)		Personnel assessed through performance measurement in 2020	Personnel assessed through MbO in 2020	Assessable personnel In the year 2020
Senior managers	Number	-	105	105
Senior Managers – Women	Number	-	20	20
Senior Managers – Men	Number	-	85	85
Junior Managers	Number	4,155	67	4,289
Junior Managers – Women	Number	1,655	12	1,699
Junior Managers - Men	Number	2,500	55	2,590
Professional area (job level)	Number	4,708	-	4,812
Professional area (job level) - Women	Number	2,828	-	2,882
Professional area (job level) – Men	Number	1,880	-	1,930
Grand total	Number	8,863	172	9,206

PERFORMANCE MEASUREMENT

Performance measurement (404-3)		Percentage of personnel assessed in 2020 (*)	Percentage of personnel assessed in 2019	Percentage of personnel assessed in 2018
Senior managers	%	100	100	100
Senior Managers – Women	%	100	100	100
Senior Managers – Men	%	100	100	100
Junior Managers	%	98.4	98.7	97.8
Junior Managers – Women	%	98.1	98.6	97.5
Junior Managers - Men	%	98.6	98.8	97.8
Professional area (job level)	%	97.8	98.5	98.3
Professional area (job level) - Women	%	98.1	98.9	98.3
Professional area (job level) – Men	%	97.4	98.0	98.1
Grand total	%	98.1	98.6	98.1

(*) The figures do not include apprentices that are assessed with a specific measurement process. The percentages are calculated based on total people that can be assessed.

People at the center

Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment.

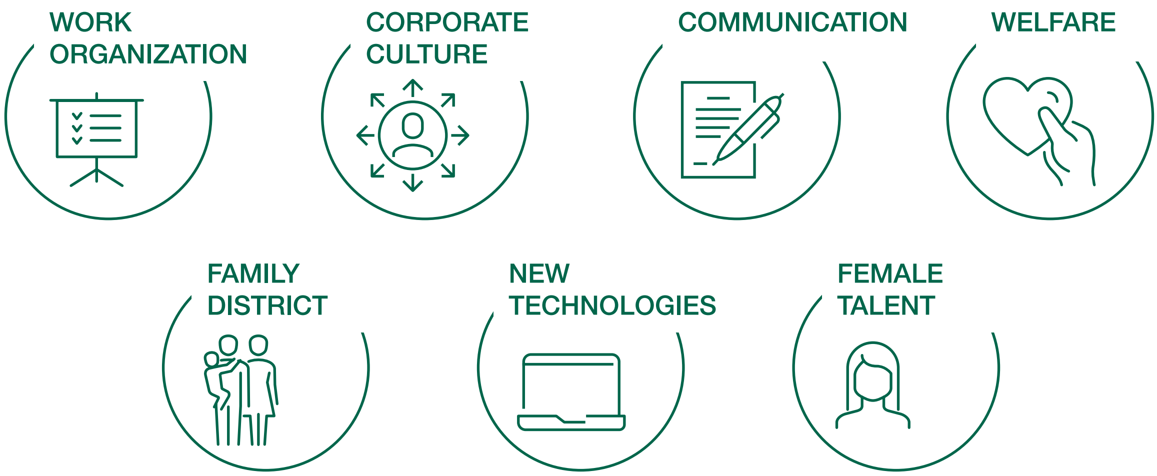
THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

COVID 19

To handle the reorganization of processes made necessary by the health emergency, the Crédit Agricole Italia Banking Group could rely on management tools that were used also before the pandemic and proved true assets in ensuring continuity of operations. This is the case of the working from home arrangement, which was extended *in compliance with the measures deployed by the State in order to curb the spread and manage the epidemiological emergency*. As regards welfare and work -life balance, 'easy learning, the e-learning tool, was also structurally defined in order to enhance remote training. In the year, through the Corporate Benefit portal, where offers and vendor agreements can be found, the offers for online grocery shopping, with home delivery or pick-up point and for home delivery of OTC medicines were extended. Communication was intensified about the Wellbeing Toll-free number, a free-of-charge listening and psychological support by phone available to all the employees of the Group and their families, which can be called 24/7. The service is provided fully anonymously by a firm with a staff of trained and experienced psychologists, who are ready to address both personal and work-related matters. This initiative is a tangible way to express the value of listening and closeness to all the people of the Group. The toll-free number can be called to receive support, to get an opinion or a different point of view, or advice, which, in such a difficult period as the one brought about by the pandemic, can prove useful and solve the problem.

In 2020 the International Volunteer Day was once more celebrated, fully online, in cooperation with the Employees' cultural and recreational club on line, with an initiative called "Doniamo il meglio di noi" (Let's donate the best in us), which involved over 20 organizations in which employees of the Group are volunteers.

In terms of work-life balance, the Group obtained **the Family Audit Executive Certification**, which acknowledged the commitment to adopting measures aimed at fostering **family-work balance** of the employees. The Family Audit Executive brand was issued by the Province of Trento at the end of a **path of three and a half years**, along which a **Balance activity plan** was implemented in order to keep up the climate at work and promote the personnel's wellbeing deploying measures fit to meet the personnel's needs for balance. The Plan relied on the 7 pillars given below:



In 2020, 89 meetings were held with the trade unions, which led to the signing Agreement valid for the Banking Group as a whole. The most important ones concerned:

- **the agreement on the 2020 bonus**, with the enhancement of welfare solutions by introducing a supplementary "Welfare credit" to be given to all eligible employees, besides the now well-established opportunity to choose whether to have the bonus in money or to use it to purchase welfare products and services. Welfare Services include supplementary pension schemes, the refund of tuition fees, or the purchase of services for leisure time and wellbeing;
- **the agreement on meal vouchers**, shifting from paper meal vouches to electronic ones with progressive Increase in the voucher value.

Agreements were also signed in order to manage the Covid-19 health emergency. Specifically through:

- **the agreement on the Ordinary benefits from the Banking Industry Solidarity Fund**, whereby the Group's employees could receive the ordinary benefits form the Solidarity Fund in accordance with agreement between the Italian Banking Association (ABI) and the national Trade Unions;
- **the agreement on the «Liquidity Decree Law» Task Force**, whereby the Group and the Trade Unions agreed on the treatment to be given to the employees assigned to the Task Force that was set up following the so-called. "Liquidity Decree" (Italian Decree Law no. 23 of 8 April 2020);
- **the agreements on Smart Working and Easy Learning**, aimed at extending the use of the two tools during the emergency peak.

The Joint Committee on Corporate Social Responsibility confirmed the payroll giving (fundraising project that was resolved by the Committee), whereby employees are given the possibility to donate the cents on their net pay, to which the Bank adds the cents needed to make 1 Euro. In 2020 the donations came to a total of Euro 150 thousand, which was used to support:

- ***the purchase of reagents for bespoke therapies for children suffering from leukaemia for the San Gerardo Hospital in Monza;***
- activities and purchase of material in favour of the Italian Red Cross.

In 2020, another Internal Customer Satisfaction survey was carried out, within a process that has been implemented in the Company for over 10 years, in order to assess the satisfaction of Central Departments – as Internal Customers - with the service provided by the corporate structures they work mostly with. In the reporting year, the process provided for the participation of Managers and Employees as assessors.

In 2020 a process started for the involvement of young newly recruited employees called **«My 1st steps in CA»**, which aims, albeit remotely, at speeding up their integration in the Crédit Agricole Group. The programme includes coaching – remotely - of each newly recruited employee by a senior colleague ("Buddy") who provides orientation in the Company in order to make the new colleague feel immediately part of its organizational culture; **"Continuous Feedback"**, i.e. the newly-recruited employee is given constant feedback on how he or she performs the assigned duties, which is useful to give suggestions for improvement and detect strong points; the participation in the **"Welcome Day"** even, held virtually and specific training in order to foster sense of belonging and to promote the Group's values.

Furthermore, the Crédit Agricole Italia Banking Group participated in the **Index of Engagement and Recommendation (IER)** climate survey, which involves all the entities of the Crédit Agricole Group, started in 2016 and was adopted in Italy in 2017. The 2020 survey, in which 86% of the Crédit Agricole Italia Banking Group's personnel took part, reported an overall increase in the personnel's engagement. Very significant are the results about how much the personnel shares the strategy and the Medium Term Plan, the knowledge of the Group's Code of Ethics and the values of focus on, responsibility to and solidarity with Customers, as well as the assessment of the managers the respondents report directly to. Furthermore, the perception of the importance of respect for diversity increased.

Average annual gross variable pay (FTE) (405-2)		2020	2019	2018
Senior managers				
- men	€	204.519	203.234	203.552,89
- women	€	140.893	133.015	137.280,31
Women/men pay ratio	%	68,89	65,45	67,44
Junior Managers				
- men	€	67.019	65.087	64.793,66
- women	€	59.239	57.755	57.915,89
Women/men pay ratio	%	88,39	88,74	89,39
Professional area (job level)				
- men	€	41.367	40.410	40.645,76
- women	€	41.133	39.970	39.874,09
Women/men pay ratio	%	99,43	98,91	98,10

Average annual gross base pay (FTE) (405-2)		2020
Senior managers		
- men	€	155,422
- women	€	109,648
Women/men pay ratio	%	70.55
Junior Managers		
- men	€	60,352
- women	€	54,617
Women/men pay ratio	%	90.50
Professional area (job level)		
- men	€	39,491
- women	€	39,223
Women/men pay ratio	%	99.32

"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.

5 GENDER EQUALITY

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision- making in political, economic and public life.

In 2020, the Group decided to considerably boost its focus on inclusion. This is why, in 2020 the Diversity Week,, which had been organized in 2019, was replaced with the ***Inclusion Month*** going from a week of events on gender diversity to a full month of events and analyses made available to all employees to provide food for thought on diversity and inclusion, across the full range of related dimensions. The kick-off week was dedicated to the importance of inclusion for the Company, and was then followed by a week dedicated to each one of the three themes of invisible disability, ageless talents (regarding the fruitful presence of different generations) and gender diversity and leadership. The used tools were institutional videos, web talks, webinars and editorials to tell about both internal best practices and external experiences.

To ensure equal opportunities to women, several initiatives were deployed. The Crédit Agricole Italia Banking Group was the first of all banking groups to join the **"Women in banking"** initiative to enhance diversity as key driver of sustainable growth and development; together with the Trade Unions, it signed the "Agreement to fight gender violence" and adopted the "Charter of Respect".

To give a tangible token of its closeness to abused women, on 25 November 2020, on the International Day for the Elimination of Violence against Women, the Group signed the ABI protocol laid down measures in favour of women that are victims of violence.

Giving evidence of the work done, the Bank was selected by the German Institute of Quality and Finance as one of
"Italy's Best Employers for Women".

In 2020, for each organizational scope, HR nurseries of female potential were created for diversified management development paths, creating also "springboard"", initiatives to increase women's visibility and gender diversity throughout the Group, as well as mentoring and coaching programmes, both one-to-one and in groups.

Lastly, the cooperation with Valore D, an association that promotes gender balance and an inclusive culture in organizations, continued. Valore D supports the Crédit Agricole Italia Banking Group in creating new inclusive organizational models through training sessions held on a yearly basis and for all organizational levels, cross-company mentorship programmes and D&I events.

08

Human Rights

Respect for human rights

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The protection of **Human Rights** ensured by the Italian Law makes this aspect relevant but not material based on the Group materiality matrix. Nevertheless, the weight of this topic at global level has prompted the Bank to commit to promoting recognition and respect of Human Rights in any form and instance within its operations.

The Crédit Agricole Italia Banking Group
respects the fundamental rights of the people that work on its behalf, enhancing and protecting their moral integrity and ensuring equal opportunities.

The material topic ***Safe and inclusive work environment*** expressed the Bank's commitment to ensuring that every person can enjoy a place where diversity is enhanced and the management of human capital is driven by the principles of equal opportunity and sense of belonging to the Group.

The Crédit Agricole Italia Banking Group considers lending to the defence sector as an area within the macro-topic of Human Rights and is constantly committed to controlling this topic. Especially through the Compliance Department, every single lending transaction is assessed examining its object, 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. Since 2014, the Group has been embracing the Global Compact principles, which are referred to and implemented in its Code of Ethics.

Having regard to loans, investments and provision of services in favour of customers belonging to the arms industry or to the defence sector, the Group has a specific policy in force setting out the guidelines for the Bank's operations and describing the processes for identification, and fulfilment of any requirements, as well as the responsibilities of the single function holders. Specifically, **the Crédit Agricole Group's Policy on lending, investments and provision of services to customers belonging to the arms industry and to the defence sector** governs the management of any ministerial authorizations ensuring that said transactions are compliant with the foreign policy and with the defence policy of the Italian State and respect the Constitutional principles. The Policy rules out any and all loans, of any type, to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs, as well as any and all credit facilities intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction. Furthermore, the Crédit Agricole Italia Banking Group implements the applicable legislation, both international and domestic, and it is compliant with the stated social and environmental responsibility principles.

The Policy also describes the processes for the identification and fulfilment of any requirements, as well as the responsibilities of the single function holders. The Compliance Department assesses every single lending transaction, analyzing the object of the transaction, the counterparty and the political risk of the country of destination of the loan. The **Lending Policies for Corporate Customers** identify the countries and territories under embargo and the countries under surveillance. The document also defines the so-called “Sectors under Surveillance”, which require specific attention in lending and thorough assessment, also in terms of their social impact, as they are considered potentially in conflict with respect for Human Rights.

The central decision making bodies, after obtaining the consent of the Anti-money laundering legislation Service, are 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 is responsible for overseeing and controlling compliance under the **Policy on International Sanctions**. Specifically, the Service performs control on counterparties that operate in the identified sectors and in Countries under embargo or surveillance measures and monitors the associated potential risk of “International Sanctions” (International Sanctions being measures adopted by the UNO, EU and OFAC) in terms of Governance, Information Systems , Staffing, Training and Permanent Controls. In 2020, a new version of the **Policy on International Sanctions**, was approved by the Boards of Directors of Crédit Agricole Italia, Crédit Agricole FriulAdria, Crédit Agricole Leasing Italia and Crédit Agricole Group Solutions and adopted within the wider OFAC international project started by the Crédit Agricole, Group and aimed at organizational, regulatory and operational upgrading for full compliance with International Sanctions. Specifically, the main regulatory implementations concern:

- **general reference** to the Italian legislation on anti-money-laundering;
- formalization of the adoption of the **“Country-specific Questionnaire”**, as a tool aimed at Implementing thorough assessment and analysis to identify exposure to indirect sanction risk for corporate Customers that are engaged in international operations;
- implementation of the parts regarding the Crédit Agricole Italia Banking Group in the scope of application of the **Policy of the Crédit Agricole Group;**
- enhancing control on the delivery of **training on International Sanctions**.

ACTIVITIES AND OPERATING PERFORMANCE

The commitment of the Crédit Agricole Italia Banking Group to enhancing its people is substantiated by protection of all rights and in the creation of a work environment that promotes wellbeing.

The principles of equality, equal opportunity and respect for individual diversity are at the core of human capital management and an important driver of value creation.

To disseminate these principles and to keep people informed on the policies and procedures on respect for Human Rights, the Bank provides structured and constant training. Specifically, in the reporting year, a training refresher programme was carried out on the Code of Ethics and on the Code of Conduct.

Training provided to employees on the policies and procedures regarding all aspects of human rights Code of (Ethics) (412-2)		2020	2019	2018
Trained employees	Number	6,408	937	369
Hours of training provided	Hours	6,570	1,903	738

Total number of incidents of discrimination and corrective actions taken (406-1)		2020	2019	2018
Number of discrimination-related complains/disputes	Number	-	-	-
Number of employees involved	Number	-	-	-
Incidents of discrimination (406-1)				
Incidents of gender-related discrimination involving employees	Number	-	-	-
Incidents of age-related discrimination involving employees	Number	-	-	-
Employees involved in incidents of gender-related discrimination	Number	-	-	-
Employees involved in incidents of age-related discrimination	Number	-	-	-
Labour disputes				
Reporting entity as defendant	Number	22	25	28
Reporting entity as plaintiff	Number	9	4	7
Number of employees involved	Number	31	29	35
Disciplinary measures				
Reprimands	Number	48	63	69
Dismissals	Number	7	5	5
Information and awareness increase	Number	33	65	36

The Group's employees that have been posted to foreign entities are not included in the reporting scope.

Lending to the defence sector

By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.

The Crédit Agricole Italia Banking Group rules out the authorization and disbursing of any type of loan to counterparties that are involved in the manufacturing, storage or sale of anti-personnel mines and cluster bombs, as it rules out any credit facility intended for the financing of international trade of nuclear, biological or chemical weapons or other weapons of mass destruction.

Number of applications (GRI 102-2)		2020	2019	2018
Favourable	Number	368	373	263
Not favourable	Number	7	4	1
Out-of-scope	Number	0	-	1
Value of favourable transactions	€ mln	81.5	416.5	612.1
Area (favourable only)	**Number**			
Europe	Number	66%	57%	56%
Asia and Oceania	Number	19%	24%	24%
Africa	Number	3%	4%	5%
North America	Number	12%	15%	15%
South America	Number	0%	0%	0%

The decrease vs. the previous year in the total value of approved loans resulted from a general contraction in the arms market, within the wider changes in 2020, and from more selective criteria applied to counterparties, as well as to the goods and services traded with the transactions.
To determine transaction values, the opinions on payments and collection or guarantees were taken into account, in full compliance with the criteria for reporting to the competent Ministry.

09

Environmental aspects

Environmental aspects

MATERIALITY FOR THE BUSINESS OPERATIONS OF THE CRÉDIT AGRICOLE ITALIA BANKING GROUP

The Responsibility of the Crédit Agricole Banking Group for environmental aspects is directly expressed by the material topic ***Combating climate change and protecting the environment***. Although its operations do not have any strong impact on the environment, the Group is constantly committed to reducing the footprint of its activities through continuous monitoring of performances and upgrading the energy efficiency of its buildings. Nonetheless, the biggest contribution given by the Group to combating climate change depends on its ability to involve people and businesses in disseminating a green economy. This is why the Group proposes products and services with the objective of promoting the reduction in greenhouse gas emission and the adoption of energy saving solutions.

In accordance with Italian Legislative Decree 254/2016, along with environmental performances, information on health and safety at work of the Group's people and the mitigation of "robbery" and "break-in" risks is also reported.

POLICIES ON THIS TOPIC

The criteria for distribution of "environmental" products and service functional to the decarbonization of the economy are set out in the **Lending Policies for Businesses**, which provide for the ESG variables to be taken into account in lending decisions.

Specifically, the document sets out the **parameter for lending** to the renewable energy production chain based on the type of energy source used, including photovoltaic, biogas and solid biomass, small hydro and small wind, dams and hydropower plants. Conversely, as regards loans to the sector of energy production from non-renewable sources, the document sets out the **room for improvement in the environmental performances** that the investment must generate in order for lending power plants be assessed. These policies implement the recommendations of the Observatoire de la Responsabilité Sociétale des Entreprises (ORSE) regarding the IFC environmental performance standards and the World Bank rules on environment protection, health, safety and energy efficiency for the construction and revamping of Power Plants fed by both fossil sources and renewable sources, especially relevant for leasing operations.

A specific assessment of environmental footprint is also performed on **waste collection, processing and disposal**, which is one of the "sector under surveillance, as well as on the mining and extraction sector, lending to which is subject to very strict assessments, aimed at taking the risks and the resulting carbon footprint into account. The mining, ore and oil industry is subject to careful analysis of the measures in place to prevent and reduce pollution and of those protecting biodiversity.

The update of the lending policies in the reporting year provided for the creditworthiness assessment process to be supplemented with ESG information for counterparties operating in specific sectors with just as specific an assessment.

In 2020, the Crédit Agricole Banking Group continued to abide by its **Energy Policy** with a no-waste approach and pursuing reduction in polluting emissions, responsible consumption of paper, water and energy and waste management aimed at recovery disposed materials.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

Despite the Covid-19 health emergency, the Bank, in accordance with its Policy, gave all the Group's employees behavioural indications and rules for optimal management of the buildings, in terms of temperature control and air treatment, hot water production, indoor and outdoor lighting, management of Self Areas and management of office machines.

In general, 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 protection of the health and physical integrity**, as well as the wellbeing of workers by providing high-quality workspace, 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.

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

In 2020 the Risk Assessment Documents of CAI, CAFA, CAGS and CALIT were supplemented with a specific Supplementary Report regarding the Covid-19 epidemiological emergency and the measures deployed at a national and regional level to curb its spreading. The Credit Agricole Italia Group reports the environmental impacts of the buildings on which it has operational control, in accordance with the "GHG Protocol Corporate Standard", section "Setting Organizational Boundaries".

ACTIVITIES AND PERFORMANCE OF OPERATIONS

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

With its range of home loans, the Crédit Agricole Italia Banking Group proved once again its support to energy transition and sustainability, in broad terms, renewing, in 2020, its **"Mutuo Crédit Agricole"** range, which has advantageous conditions for Customers that buy properties in high energy classes, such as, A or B, or renovate their properties with energy upgrading: specifically, the renovation purposes was revised ensuring a discount on the spread not only to borrowers that, with the renovation, upgrade their properties to class A/B (as in the previous years), but rather to all Customers that upgrade the energy performance of their properties by 2 classes or by at least 30%. The new range of mortgage loans is more inclusive than the previous one and has been redesigned consistently with the definition of *"energy efficient mortgage"*, as developed within the Energy efficient Mortgages Action Plan (EeMAP), which the Crédit Agricole Italia Banking Group joined as a pilot bank in 2018. EeMAP is an initiative designed by the European Union to accelerate the renovation of buildings in Europe, in order to achieve the set efficiency-enhancement goals by 2030.

Furthermore, in order to stimulate recovery after the lockdown caused by the Covid-19 pandemic, in May 2020, a new flexibility option was given, namely *"IniziaConCalma"* (take your time), whereby Customers may decide to start repayment of their mortgage loan up to 12 months after signing (the interest amount accrued during the suspension period is spread over the amortization instalments).
Mutuo Crédit Agricole (Crédit Agricole Mortgage Loan) has retained its modularity and customization features, with all the rate types available (fixed rate, floating rate and floating rate with maximum rate) and the other flexibility options at the Customers' choice (Skip an Instalment and an options to be chosen among Suspend Instalment, Suspend Portion or Settle Loan).

By 2030, double the global rate of improvement in energy efficiency.

The mapping of climate and environmental risks and the integration of environmental criteria in lending processes are tow of the main action scopes in the Group's forward-looking project, which started in 2020.

In H1 2020, the Group launched its **Green Certificates**, to contribute to the achievement of a more environmentally-friendly economy, and its Double Green Booster Notes, to finance green initiatives selected by Crédit Agricole CIB in its Green Notes Issue Program. Again in 2020, a project was started for the issue of **Green Covered Bonds**, the funding from which will be used to finance or refinance the origination of residential mortgage loans for properties in high energy efficiency classes.

In the first months of 2021, Crédit Agricole Italia substantiated its commitment to the environment with the first Italian issue of **green Covered Bonds (CB)**. The issue is consistent with the Group's Green Finance goals, is intended to finance or refinance a pool of residential mortgage loans selected based on sustainability criteria and originated for the purchase of properties with high energy efficiency. Applying eligibility requirements compliant with the best practices on Environmental Sustainability, mortgage loans for the purchase of residential properties energy-certified in classes A, B and C or, in case of no certification, recently built properties in accordance with the principles of the best 15% of the most efficient buildings in Italy in terms of energy performances were included in the pool.

The bond issue was certified as compliant with the four main components of the Green Bond Principles 2018 (GBP) by Vigeo Eris, as the independent expert.

The Group once again proved its **tangible closeness to its Customers** offering to pay for the energy efficiency improvement works promoted with the **Ecobonus**, the seismic upgrading of properties with the **Sismabonus** and the building regeneration under the **Relaunch Decree** with tax reliefs of up to 110%, so-called **Superbonus**, of the cost of said works, giving the possibility to individuals and condos to choose whether to have an immediate rebate on the invoice or to transfer their tax credits to the contractors that performed the works or to banks. As regards the relief measures under the Relaunch Decree, the Group also made a specific platform available to its Customers, which was designed to streamline processes, along with a team of 50 specialists and a specific range of products for Customers that needed liquidity to complete the works.

The **"Energicamente Gran Prestito"** loan continued to be offered, which is a loan financing energy efficiency works up to €50,000 and the installation of systems for energy production from renewable sources at a very good rate for the Customers and the possibility for the Bank to purchase the tax credits under the aforementioned Decree. Yet further evidence of the Group's attention to Customers, combined with the green soul that is a distinctive feature of the Group in the Italian banking arena.

Retail Small Business products designed to a deliver a specific environmental benefit (G4 - FS8)		2020
Renovation Loan	Number	9
	€	241,000
Crédit Agricole Mortgage Loan	Number	479
	€	71,498.219
Monetary value of the listed products over the total value of Retail Banking Individuals products	%	2.1

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

COVID 19

In 2020, despite the Covid-19 health emergency, the Group continued with its actions aimed at achieving energy saving and reduction in waste and emissions. Specifically, the activities for the upgrading of the old plants and systems continued, giving priority to the most energy consuming ones and to the oldest ones. With the support provided by the Energy Manager, the assessments continued both to replace the aforementioned systems with more efficient ones and to implement a remote control device on said plants and systems

In the reporting year, some premises were identified as having outdated and very energy-consuming lighting technologies. At said premises the light fixtures were replaced with led light fixtures with consequent energy savings.

A plan for the optimization of the network of branches was also carried out, achieving reduction in consumption and emissions. Specifically, some branches were closed and CAI and CAGS resources were transferred from the building on Via Imperia in Milan to the new hub on Viale Fulvio Testi in Milan, which housed also Agos. Consistently with its focus on sustainability, the Group has chosen a building that was fully renovated in accordance with state-of-the-art eco-compatibility and energy efficiency standards.

Lastly, due to the Covid-19 pandemic, the Smart Working telecommuting scheme was intensified, reducing employees' mobility and generating savings for the Company on the consumption for work at the office (e.g. electricity and water consumption, production of waste).

By 2030, increase substantially the share of renewable energy in the global energy mix.

Consistently with the pillars of the Group's Medium Term Plan to 2022, Crédit Agricole Leasing Italia started the **CA GREENLEASE** green project An ambitious and challenging plan, aimed at providing a concrete service to Customers, while providing also higher value through sustainability. The Group works every day in the interest of its Customers and Society. This is why Crédit Agricole Leasing Italia rolled out several initiatives, from green mobility to clean energy, to stand by its Customers on a virtuous and sustainable path to growth.

Substantiating that commitment, as at 31 December 2020, Crédit Agricole Leasing Italia ranked no. 1 by financed amount for energy systems from renewable sources.

A performance that gives evidence of its closeness to Customers and to the environment, with green products and solutions fostering energy transition and supporting the real economy.

Crédit Agricole Italia and Crédit Agricole Leasing Italia financed a lease project for the reuse of two eco-sustainable plants owned by the Celtex Spa, Group, a leading manufacturer of top-quality "made-in-Italy" products, used in the production of tissue, non-woven fabric and dispensers for the professional market. Consistently with the policy for energy independence and sustainability, the two plants, Cartiera di Pratolungo srl and Cartiera di San Lorenzo srl, integrated cogenerated thermal and electrical energy production on-site, thanks to two cogeneration gas turbine plants with 1750 kWe capacity. The plant, made by E.I.L. Srl, was designed to increase the site's environmental and energy sustainability, with concomitant reduction in production costs and improved competitiveness of the Group, inspired by natural ecosystems.

The project objective is to increase the energy performances of the plants, to optimize the use of fossil fuels, to reduce operating costs and the plant impacts on the environment,: the estimated reduction in polluting emissions vs. a traditional plant is 85%.

Supporting the evolution towards sustainable mobility, in partnership con FCA Bank and Leasys, Crédit Agricole Italia launched an innovative project offering its Customers the possibility to lease out green cars, at the Bank branches equipped with recharging stations. The project, called **Leasys Mobility Store**, went live with the opening of two hubs in Parma and in Rome, will continue in 2021 with another hub to be opened in Milan and will then move to the Northeast and other Italian regions.

To incentivize and reward sustainable choices made by Customers, the Group also launched competitions and co-marketing initiatives:

- **the "Riparti green su due ruote" prize competition,** offering Customers a discount voucher to buy a bicycle, Electrical segways and scooters;
- **the "Riparti e vinci Green!" competition,** with electrical bicycles and segways s the prizes awarded to Customers by drawing.

As regards energy procurement, also in 2020 and as in the previous years, the Crédit Agricole Italia Banking Group procured 100% Green Energy for all utilities, as proved by a Guarantee of Origin given by the Supplier.

Energy leases (G4 - FS8)		2020	2019	2018
Portfolio				
Wind farms	K€	31,960	34,365	36,149
Biomass plants	K€	7,524	9,747	9,439
Cogeneration plants	K€	4,330	5,687	4,549
Photovoltaic plants	K€	86,891	113,554	128,800
Hydroelectric power plants	K€	55,116	64,780	68,818
% over total loans				
Wind farms	%	1.53	1.69	1.82
Biomass plants	%	0.36	0.48	0.48
Cogeneration plants	%	0.21	0.28	0.23
Photovoltaic plants	%	4.15	5.58	6.50
Hydroelectric power plants	%	2.63	3.18	3.47
Amount financed				
Wind farms	K€	207	70	3,004
Biomass plants	K€	7,898	1,100	23,455
Cogeneration plants	K€	1,470	1,470	3,106
Photovoltaic plants	K€	443	3,174	160
Hydroelectric power plants	K€	2,200	228	11,488
Number of projects financed				
Wind farms	Number	1	-	11
Biomass plants	Number	5	2	3
Cogeneration plants	Number	1	1	1
Photovoltaic plants	Number	3	4	2
Hydroelectric power plants	Number	1	1	3

Total Retail products designed to deliver a specific environmental benefit came to 1.4% of total Retail products (1,3% in 2019).

By 2030, double the global rate of improvement in energy efficiency.

The Group focuses on environmental aspects protecting and promoting a **Green Economy** with green products and services. At the same time it ensures strong control on its direct impacts, deploying initiatives aimed at reducing its environmental footprint generated by energy consumption, emissions in the atmosphere and use of resources. The wider sustainability project started in the reporting year includes the completion of the carbon footprint measurement and the design of the related mitigation actions. In 2020 energy saving was again a priority, 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**.

In 2020, the benefits generated by **Green Life**, the Group Headquarters in Parma built in 2018 and consisting of buildings surrounded by large turf areas and trees, which has been designed to reduce CO_2 emissions in the atmosphere, thanks to the extensive vegetation present. In synergy with Leasys, a company of the CA Group, a rental point for hybrid vehicles was set up at Green Life for employees; other recharge stations for electric cars were installed for employees and customers a contract for the supply of green energy was signed, to be used for the Company's fleet and for personal electrical or hybrid cards of employees and customers.

Due to the Covid-19 health emergency, the shuttle bus service for employees from the Parma Railway Station, to downtown Parma to Green Life, widely used in the previous years, was suspended.

Energy consumption in the organization broken down by primary energy source (*) (302-1)		2020	2019	2018
Electrical energy (**)	GJ	170,561.7	194,032.7	210,960
Of which from certified renewable sources	GJ	170,561.7	194,032.7	87,120
Natural gas	GJ	74,696.7	80,743.5	96,562.30
Self-produced electric power (photovoltaic power station, at Cavagnari day care, car park, other)	GJ	2,329.4	1,774.1	555,48
Diesel fuel for heating	GJ	2,475.9	2,845.5	2,003.20
Diesel fuel for motor vehicles (***)	GJ	16,013.0	31,010.6	28,720.90
Petrol (***)	GJ	432.5	266.8	260.6
LPG	GJ	-	19.0	-
Home electric power	GJ	3.9	-	-
Of which from renewable sources	GJ	3.9	-	-
District heating and district cooling	GJ	3,576.3	26.4	507.6
Total (****)	**GJ**	**270,085.5**	**310,718.6**	**339,570.1**

(*) This figure excludes consumption regarding the Group's apartment buildings and, therefore, reports only 40% of its property. Home electric power.
(**) Includes automotive's electricity.
(***) 2018 data on fuel consumption of the Fellini Banks do not include the before-migration period.
(****) Conversions into GJ have been made using the factors given in ABI 2018 guidelines for 2018 and 2019 and ABI 2020 guidelines for 2020 data.

GHG emissions (Location based) (305-1; 305-2)		2020	2019	2018
Direct GHG emissions	**tCO_2eq**	**19,754.7**	**24,982.6**	**26,647**
of which from electric energy (305-2)	tCO_2eq	14,116.1	17,301.2	18,812
of which from natural gas	tCO_2eq	3,760.4	4,530.7	5,571,.8
of which diesel fuel for heating	tCO_2eq	184.0	210.5	147.4
of which from diesel fuel for motor vehicles	tCO_2eq	1,191.1	2,284.2	2,115.5
Of which from petrol	tCO_2eq	32.0	9.4	19
Of which LPG	tCO_2eq	-	1.3	-
of which from GHG fluids, R410a gas	tCO_2eq	305	161.8	7
of which from GHG fluids, R407c gas	tCO_2eq	103	187.3	immaterial
of which from GHG fluids, other gas	tCO_2eq	63	296.2	-

GHG emissions (Market based) (305-1; 305-2)		2020	2019
Direct GHG emissions	**tCO_2eq**	**5,638.7**	**7,681.3**
of which from electric energy (305-2)	tCO_2eq	-	-
of which from natural gas	tCO_2eq	3,760.4	4,530.7
of which diesel fuel for heating	tCO_2eq	184.0	210.5
of which from diesel fuel for motor vehicles	tCO_2eq	1,191.1	2,284.3
Of which from petrol	tCO_2eq	32.0	9.4
Of which LPG	tCO_2eq	-	1,3
of which from electricity for motor vehicles	tCO_2eq	-	-
of which from GHG fluids, R410a gas	tCO_2eq	305	161.8
of which from GHG fluids, R407c gas	tCO_2eq	103	187.3
of which from GHG fluids, other gas	tCO_2eq	63	296.2

Emissions by primary source were calculated using the CO2 emission factors set forth in ABI guidelines updated to 2020.

Materials used by weight or volume (301-1; 301-2)		2020	2019	2018
Recyclable materials	**Kg**	**874,072.72**	**1,014,051.71**	**1,034,827.4**
Paper	Kg	851,625.83	988,045.96	1,005,626.2
- of which recycled	Kg	776,137.50	860,477.50	895,337.5
- of which forms	Kg	71,232.68	117,297.94	110,288.7
Other (paper/cardboard stationery, plastic containers)	Kg	22,446.89	26,005.75	29,201.1
Non-recyclable material	Kg	70,181.82	92,810.67	97,872.4
Stationery	Kg	44,823.73	58,524.91	63,878.7
Computer materials (mainly toners)	Kg	25,358.09	34,285.76	33,993.6
Other (specify)	Kg	-	-	-
Total	Kg	944,254.54	1,106,862.38	1,132,699.7
GHG fluids, R410a gas	Kg	135.38	77.48	-
GHG fluids, R407c gas	Kg	53.70	105.60	-
GHG fluids, other gas	Kg	22.27	111	-
Medical material	Kg	85,363.76	903.79	772.13
First -aid box replenishment	Kg	1,901.31	903.79	772.13
Covid-10 PPE	Kg	63,675.55	-	-
Plexiglass	Kg	19,786.90	-	-

Total weight of waste by type (306-2 2016) (*)		2020	2019	2018
Non-hazardous waste	t	692.0	973.9	881.0
Hazardous waste	t	119.0	107.6	-

(*) Waste regarding the Fellini Banks in 2018 has not been included. As regards disposal methods, the Group does not directly handle waste management, but uses the town waste collection service (office waste) and authorized transport companies (special waste) that, based on the waste type, dispose or recycle the waste.

Water withdrawal (303-3)		2020	2019	2018
Water mains	Thousands of m3	248.6	238.6	275

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Within the **CA GREENLEASE** green project, Crédit Agricole Leasing Italia once again proved its commitment to promoting sustainable initiatives supporting NextChem, the company of the Maire Tecnimont Group for energy transition, as regards the operations of its subsidiary MyReplast Industries, a company the specializes in the upcycling of plastic waste and belongs to the **"Circular Economy"** cluster in the roadmap to the company's energy transition. The lease plan financed by Crédit Agricole Leasing Italia is intended for the purchase of innovative machinery and equipment to further increase the production performance of the upcycling process as a whole. MyReplast Industries operates in the recycling of plastic waste using the MyReplastTM technology, owned by NextChem, which is able to sort, in a technologically sophisticated way, the various polymers found in the waste and to obtain, through a compounding phase (chemical transformation) high-quality recycled material in granules that can replace plastic in many application sectors. Within the "Circular Economy" cluster, NextChem has also developed a technological platform for waste-to-chemicals, i.e. chemical conversion of non-recyclable plastic waste to obtain syngas, chemicals and "circular" fuels with low carbon impact.

In 2020, the **partnership with the Quid Cooperative (Verona)** continued; the cooperative promotes the circular economy concept using surplus textiles from the fashion industry and fosters social inclusion employing vulnerable people. In the reporting year, CA FriulAdria supported the project for the reconversion of the laboratory in the Penitentiary of Montorio (VR) for the manufacturing of Ce-marked face masks.

In the year, the **"Volontari di Valore"** (Worthy Volunteers) initiative was held again; it is the company volunteer work project that was conceived and organized by the Crédit Agricole Italia Banking Group, in cooperation with Legambiente. Due to the social distancing measures in force, the initiative was held fully remotely, with 2 webinars in 2 two different time bands and involved 255 participants. Webinars were a valuable opportunity to increase awareness about circular economy topics and individual responsibility in environmental protection and also stimulated the participants' creativity, inviting them to make works of art using recycled materials.

Occupational Health and Safety

THE BANK'S RESILIENCE TO THE COVID-19 PANDEMIC

The pandemic caused the redefinition of the concepts of health and safety at work. The arrangements of rooms and the use of tools i order to ensure that the activities could be carried out in full safety were priorities in 2020i, in order to protect the health of the people of the Group and of those that went to its premises. Considering fast development in the applicable legislation and in the situation, which required prompt action in adopting of specific and material measures, both technical and organizational, aimed at controlling the virus spreading, a Task Force was set up and vested with the task to direct the management of the emergency, in compliance with the applicable legislation and with the internal normative instruments on business continuity, along with the directives issued by the competent Authorities and for coordinating the measures to be deployed throughout the Group and by the single Companies, as well as communication to workers and to third parties

In order to ensure higher protection to the people exposed to “robbery” and “break-in” risks, in 2020 CAI adopted a new set of precautionary security measures, which can be summarized with the main interventions listed below:

- the **installation of physical protections** against the removal of ATM a at risk;
- **extension of anti-explosion protection** to other ATMs of the Group assessed as high risk;
- **completion of the plan for the upgrading** of the anti-intrusion security systems at the branches in the Fellini perimeter;
- **installation of anti-robbery and anti-break-in security systems** at the Group’s branches that were transformed into cashless.

Accidents at work (403-9)		2020	2019	2018
Accidents to employees				
Hours worked	Number	13,940,196	14,777,204	13,470,558
Accidents to employees	Number	80	133	118
Frequency rate of accidents to employees (by million of hours worked)		5.74	9.00	8.76
Deadly accidents to employees	Number	-	-	-
Frequency rate of deadly accidents to employees (by million of hours worked)		-	-	-
Accidents with serious consequences (> 6 months, excluding deadly accidents) for employees	Number	3	-	-
Frequency rate of deadly accidents to employees (by million of hours worked)		0.22	-	-
Days lost for accidents	Number	1,267	914	627
Absenteeism rate		10.91	6.88	15.53
Accidents to suppliers				
Hours worked	Number	n.a.	n.a.	n.a.
Accidents to suppliers	Number	-	n.a.	n.a.
Frequency rate of accidents to suppliers (by million of hours worked)		-	n.a.	n.a.
Deadly accidents to suppliers	Number	-	n.a.	n.a.
Frequency rate of deadly accidents to suppliers (by million of hours worked)		-	n.a.	n.a.
Accidents with serious consequences (> 6 months, excluding deadly accidents)for suppliers	Number	-	n.a.	n.a.
Frequency rate of accidents to employees with serious consequences (by million of hours worked)		-	n.a.	n.a.
Days lost for accidents	Number	-	n.a.	n.a.
Absenteeism rate		-	n.a.	n.a.

The 2018 figure does not include 22 injuries incurred by the personnel of the Fellini Banks in the period before their migration into the Group.

Thefts and robberies		2020	2019	2018
Robberies	Number	5	7	16
Thefts	Number	9	12	9
Attempted thefts	Number	17	19	7
Total	**Number**	**31**	**38**	**32**

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GRI Content Index

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References to the 2030 Agenda

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Goal	Target		Page
1 - End poverty in all its forms everywhere	1.4	By 2030,ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services including microfinance	50
2 - End hunger and achieve food security and improved nutrition and promote sustainable agriculture	2.3	By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and nonfarm employment.	64
4 - Ensure inclusive and equitable quality education, and promote lifelong learning opportunities for all	4.4	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	89
5 - Achieve gender equality and empower all women and girls	5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision- making in political, economic and public life.	95
	5.a	Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources in accordance with national laws.	63
7 - Ensure access to affordable, reliable, sustainable and modern energy for all	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix.	108
	7.3	By 2030, double the global rate of improvement in energy efficiency.	106, 109
8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour intensive sectors.	42
	8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services.	60
	8.8	Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment.	92
	8.10	Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all.	61
11 - Make cities and human settlements inclusive, safe, resilient and sustainable	11.1	By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.	51, 105
	11.4	Strengthen efforts to protect and safeguard the world's cultural and natural heritage.	68
12 - Ensure sustainable consumption and production patterns	12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	112
13 - Take urgent action to combat climate change and its impacts	13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	62
16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.4	By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.	100
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Independent Auditors' Report

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The Independent Auditors' Report on the Consolidated Non-Financial Statement pursuant to Article 3, paragraph 10 of Italian Legislative Decree 254/2016 and Article 5 of CONSOB Regulation adopted with Resolution no. 20267 18 January 2018

To the Board of Directors of Crédit Agricole Italia S.p.A.

Pursuant to Article 3, paragraph 10, of Italian Legislative Decree no. 254 of 30 December 2016, (hereinafter "Decree") and Article 5 of CONSOB Regulation no. 20267/2018, we were assigned the task of limited review (" limited assurance engagement") of the consolidated Non-Financial Statement of Crédit Agricole Italia S.p.A. and its subsidiaries (hereinafter the "Group") .
for the reporting year closed as at 31 December 2019, which was prepared pursuant to Article 4 of the Decree and approved by the Board of Directors on 06 April 2020 (hereinafter "NFS")

Responsibility of the members of the Board of Directors and of the Board of Auditors for the NFS

The Company's Directors are responsible for the preparation of the NFS in compliance with Articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative (hereinafter "GRI Standards"), which were selected as the reporting standards.

The Company's Directors are also responsible, as provided for by the law, for the portion of internal control that they deem necessary in order to prepare the NFS with no material misstatements, caused by frauds or unintentional actions or events.

The Directors are responsible also for the identification of the NFS contents, within the topics of which in Article 3, paragraph 1, of the Decree, considering the features and operations of the Group and to the extent required to ensure the understanding of the Group's operations, performance, results and of the impacts it generates.

Finally, the Directors are responsible for defining the corporate model for the management and organization of the Group's activities, as well as, regarding the topics identified and reported in the NFS, for the policies implemented by the Group and for the identification and management of the risks it generates or incurs.

The Board of Auditors is responsible for supervision, in accordance with the applicable law, on compliance with the Decree.

Independence of the audit firm and quality control

We are independent in compliance with the principles of ethics and independence laid down in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on the key principles of integrity, objectivity, professional skills and diligence, confidentiality and professional conduct. Our audit firm implements the International Standard on Quality Control (ISQC Italia 1) and, therefore, has a quality control system in place, which includes fully documented directives and procedures on compliance with principles of ethics, professional standards and with all applicable legislation and regulations.

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Responsibility of the Independent Auditors

Our responsibility is to express, based on the procedures carried out, a conclusion on the compliance of the NFS with the Decree and the GRI Standards. Our work has been performed in accordance with the "International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires planning and carrying out procedures in order to acquire limited certainty that the NFS does not contain any material misstatements. Therefore, our review had a lesser work extent than that required for complete review in accordance with ISAE 3000 Revised ("reasonable assurance engagement") and, consequently, does not allow us the certainty to have become aware of all significant facts and circumstances that could have been identified with such review.

The procedures we carried out on the NFS were based on our professional opinion and included meetings mainly with the staff of the company in charge of preparing the information presented in the NFS, as well as analyses of documents, recalculations and other procedures aimed at acquiring all evidence deemed useful.

Specifically, we carried out the procedures given below:

1. Analysis of the material topics in accordance with the Group's features and operations as reported in the NFS, in order to assess the reasonableness of the selection process used in the light of Article 3 of the Decree and the reporting standard used;
2. Analysis and assessment of the criteria to identify the scope of consolidation, in order to verify its compliance with the Decree;
3. Comparison between the income and financial data and information presented in the NFS and the data and information presented in the Consolidated Financial Statements of the Group;
4. Understanding of the following aspects:
   - The corporate model for the management and organization of the activities of the Group, as regards the management of the topics set forth in Article. 3 of the Decree;
   - The policies implemented by the reporting entity as regards the topics set forth in Article 3 of the Decree, performances achieved and the related key performance indicators;
   - The main risks, generated or incurred, associated with the topics set forth in Article 3 of the Decree.

   These aspects were cross-checked with the information presented in the NFS and the verifications described in point 5, letter a) below were made.
5. Understanding of the processes for the generation, collection and management of the significant qualitative and quantitative data presented in the NFS.
   Specifically, we held interviews and discussions with the Senior Management of Crédit Agricole Italia S.p.A. and with the personnel of Crédit Agricole Leasing Italia S.r.l. and Crédit Agricole Group Solutions S.C.p.A.; we also performed limited documentary reviews, in order to obtain information on the processes and procedures supporting the collection, aggregation, processing and transmission of non-financial data and information to the structure responsible for the NFS preparation.

Building a better working world

Moreover, for significant information, considering the Group's features and operations:

- At the Group level
  a) As regards the qualitative data contained in the NFS and, specifically on the corporate model, the implemented policies and the main risks, we held interviews and acquired supporting documents to verify their consistency with the available evidence:
  b) As regards quantitative data, we carried out both analysis procedures and limited verifications, on a sample basis, to assess correct data aggregation.
- For the companies Crédit Agricole Italia S.p.A. and Crédit Agricole Leasing Italia S.r.l, which we selected based on their operations and their contribution to the consolidated performance indicators, we held interviews and discussions with the Managers in charge and we obtained documentary evidence on proper application of the procedures and methods used to calculate the indicators.

Conclusions

Based on our work, we have not detected any elements that may lead to believe that the NFS of the Crédit Agricole Italia Banking Group for the reporting year closed as at 31 December 2020 was not prepared, as to all its significant aspects, in compliance with Articles 3 and 4 of the Decree and with the GRI Standards.

Milan, 1 April 2021

EY

Massimiliano Bonfiglio

Statutory Auditor

Creative and graphic design and images
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Entry number in the Business Register of Parma, Italy,
Taxpayer Identification Number and VAT Identification Number 02113530345.
Italian Banking Association (ABI) Code 6230.7. Entered in the Italian Register
of Banks at No. 5435. Member of the Italian Interbank Deposit Protection Fund
and of the Italian National Compensation Fund.
Parent Company of the Crédit Agricole Italia Banking Group entered in the Italian
Register of Banking Groups at No. 6230.7
The Company is subject to the management and coordination of Crédit Agricole S.A.

CRÉDIT AGRICOLE