HALF-YEARLY CONSOLIDATED REPORT

AS AT 30 JUNE 2019

CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

Half-yearly Consolidated Report as at 30 june 2019

Table of contents

Corporate Officers and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRMAN

Xavier Musca

Annalisa Sassi(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli (*)

DIRECTORS

Evelina Christillin (°)

François Edouard Drion (*)

Jacques Ducerf

Daniel Epron

Annamaria Fellegara (°)

Lamberto Frescobaldi Franceschi Marini(*)

Nicolas Langevin

Michel Mathieu

Thierry Pomaret (*)

Andrea Pontremoli (*)

Paolo Maggioli

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

General Management

DEPUTY GENERAL MANAGERS

Roberto Ghisellini

Olivier Guilhamon

Board of Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Pierre Débourdeaux

INDEPENDENT AUDITORS

EY S.p.A.

The Crédit Agricole Groupe

No. 1
BANCAASSURANCE GROUP IN EUROPE

No. 1
ASSET MANAGER IN EUROPE

No. 1
GREEN SOCIAL AND SUSTAINABILITY BOND BOOKRUNNER

KEY FIGURES IN 2018

51 MILLION
CUSTOMERS

47
COUNTRIES

141,000
STAFF

6.8 BLN €
UNDERLYNG NET INCOME

106.7 BLN €
EQUITY - GROUP SHARE

15%
FULLY LOADED CET 1 RATIO

RATING

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

The Crédit Agricole Group
in Italy

No.2
PLAYER IN THE ITALIAN CONSUMER FINANCE MARKET

No.3
ASSET MANAGER IN ITALY

KEY FIGURES IN 2018

4 MILLION
CUSTOMERS

15,000
STAFF

793 MLN €
NET INCOME GROUP SHARE

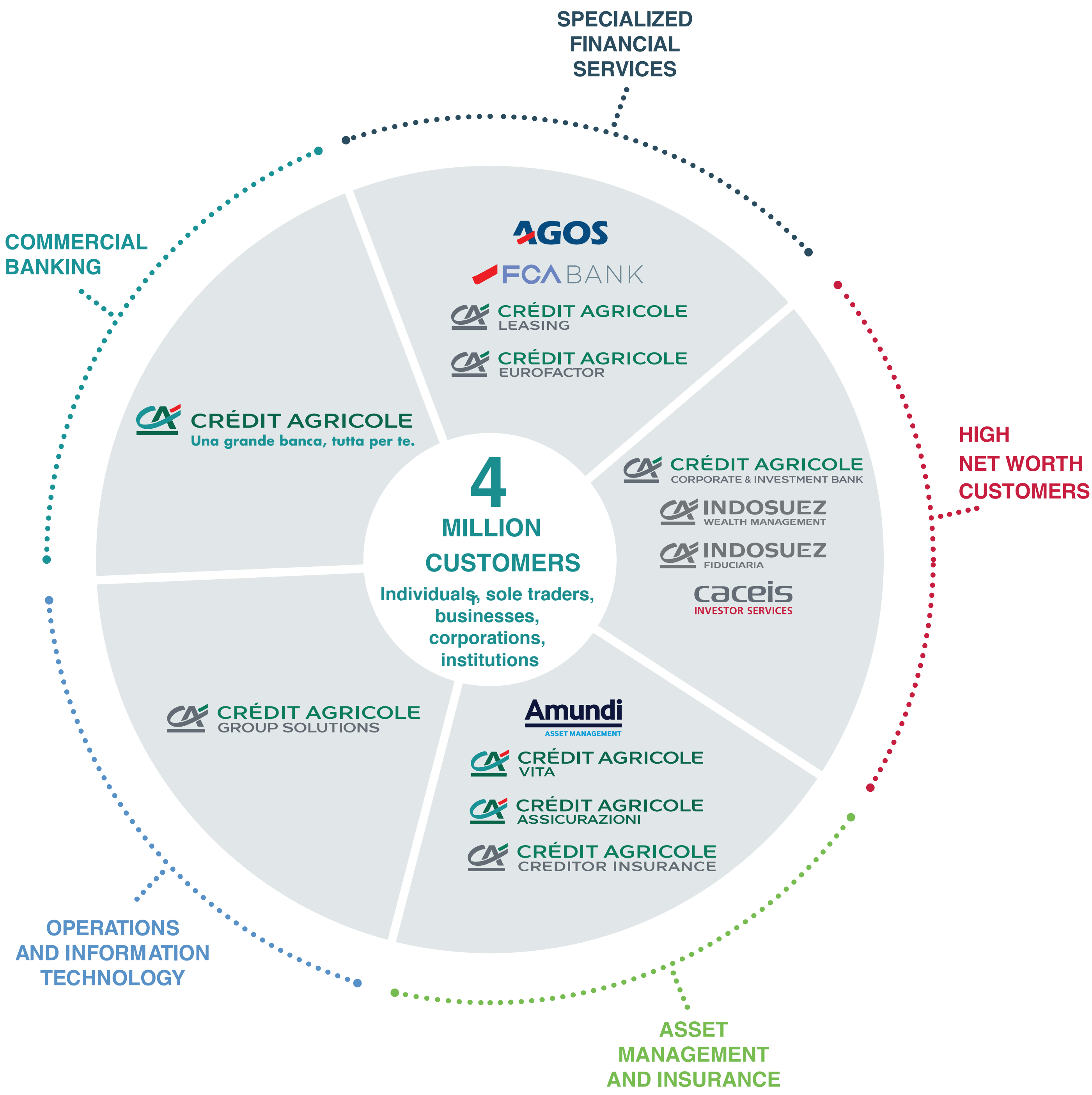
3.5 BLN €
NET OPERATING REVENUES

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

67 BLN €
LOANS TO CUSTOMERS

* Source: Assogestioni, "Mappa trimestrale del Risparmio Gestito", 3Q 2018. Data gross of duplications.
** Including "out-of-Group" Amundi AuM, CACEIS Assets under Custody.

The Group’s operations
in Italy



The Crédit Agricole Italia Banking Group

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

CRÉDIT AGRICOLE
Una grande banca, tutta per te.

RETAIL
919 BRANCHES AND 60 SMALL BUSINESS CENTERS

PRIVATE
23 MARKETS AND 18 SUB-CENTERS

CORPORATE BANKING
28 MARKETS AND 10 SUB-CENTERS, 1 LARGE CORPORATE AREA

FINANCIAL ADVISORS
11 MARKETS

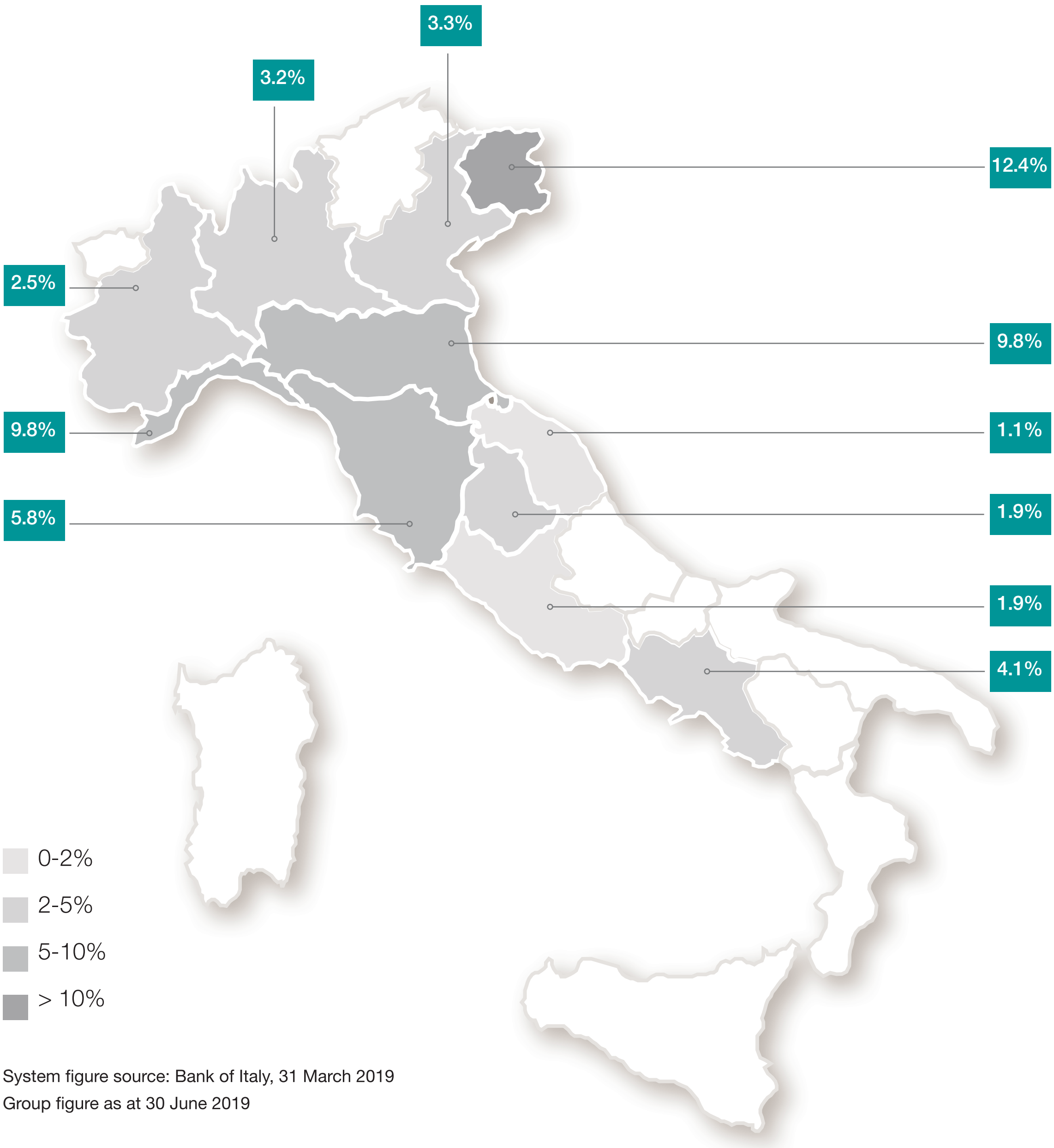
Market shares
by Region

OVER
2 MLN
DI CUSTOMERS

OVER
1.000
POINTS OF SALE

APPROX.
10,000
STAFF

OVER
46 BLN €
TOTAL LOANS



System figure source: Bank of Italy, 31 March 2019
Group figure as at 30 June 2019

CRÉDIT AGRICOLE

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

709 POINTS OF SALE

36.6 Bln € WORTH OF LOANS

95.7 Bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE FRIULADRIA

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

180 POINTS OF SALE

7.7 Bln € WORTH OF LOANS

15.8 Bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE CARISPEZIA

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

90 POINTS OF SALE

2.8 Bln € WORTH OF LOANS

7.1 Bln € WORTH OF TOTAL FUNDING

CRÉDIT AGRICOLE LEASING

Crédit Agricole Leasing Italia operates in the equipment, seacraft and aircraft, vehicle, renewable energy and real estate leasing segments.
As at 30 June 2019, the loan portfolio amounted to approximately Euro 2Bln.

CRÉDIT AGRICOLE GROUP SOLUTIONS

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

Financial highlights and performance measures

Income Statement highlights [*] (thousands of Euro)	30 June 2019	30 June 2018	Changes	
			Absolute	%
Net interest income	507,849	485,981	21,868	4.5
Net fee and commission income	448,186	445,363	2,823	0.6
Dividends	11,270	12,508	-1,238	-9.9
Profit (loss) on banking activities	1,292	24,378	-23,086	-94.7
Other operating income (expenses)	7,214	7,208	6	0.1
Net operating income	975,811	975,438	373	-
Operating expenses	-616,772	-628,399	-11,627	-1.9
Operating margin	359,039	347,039	12,000	3.5
Provisions for risks and charges	-3,246	18,968	-22,214	
Net impairments of loans	-123,700	-131,967	-8,267	-6.3
Net profit (loss)	156,310	150,063	6,247	4.2

Balance Sheet highlights[*] (thousands of Euro)	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
Loans to customers	51,590,533	51,001,282	589,251	1.2
Of which Securities measured at amortized cost	*5,002,373*	*4,985,558*	*16,815*	*0.3*
Net financial Assets/Liabilities at fair value	42,255	51,642	-9,387	-18.2
Financial assets measured at fair value through other comprehensive income	3,332,144	3,260,746	71,398	2.2
Equity investments	20,639	27,755	-7,116	-25.6
Property, plant and equipment and intangible assets	2,919,927	2,783,987	135,940	4.9
Total net assets	61,249,660	60,138,935	1,110,725	1.8
Net due to banks	2,276,741	2,492,554	-215,813	-8.7
Direct funding from Customers	49,079,269	48,159,170	920,099	1.9
Indirect funding from Customers	66,744,322	63,477,921	3,266,401	5.1
of which: asset management	*36,125,494*	*34,366,212*	*1,759,282*	*5.1*
Equity	6,249,143	6,193,214	55,929	0.9

Operating structure	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
Number of employees	9,819	9,878	-59	-0.6
Average number of employees [§]	9,248	9,452	-204	-2.2
Number of branches	919	984	-65	-6.6

[*] Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 43 and 50
[a] The cost of risk includes provisioning for risks and charges, net value adjustments of loans and impairment of securities
[§] The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time staff has been conventionally weighted at 50%

Structure ratios (*)	30 June 2019	31 Dec. 2018
Loans to customers/Total net assets	76.1%	76.5%
Direct funding from Customers/Total net assets	80.1%	80.1%
Assets under management/Total indirect funding from Customers	54.1%	54.1%
Loans to Customers/ Direct funding from Customers	94.9%	95.5%
Total assets/Equity	10.4	10.3

Profitability ratios (*)	30 June 2019	30 June 2018
Net interest income/Net operating income	52.0%	49.8%
Net fee and commission income/Net operating income	45.9%	45.7%
Cost(°)/income ratio	60.9%	62.2%
Net income/Average equity (ROE) (a)	5.1%	5.1%
Net income/Average Tangible Equity (ROTE) (a)	7.3%	7.6%
Net income/Total assets (ROA)	0.5%	0.5%
Net income/Risk-weighted assets	1.1%	1.1%

Risk ratios (*)	30 June 2019	31 Dec. 2018
Gross bad loans/Gross loans to Customers	4.1%	4.2%
Net bad loans/Net loans to Customers	1.3%	1.4%
Gross non-performing exposures/Gross loans to customers (gross NPE ratio	7.4%	7.6%
Net non-performing exposures/Net loans to customers (net NPE ratio)	3.6%	3.8%
Impairments of loans/Net loans to Customers	0.5%	0.6%
Cost of risk(b)/Operating margin	35.3%	36.3%
Net bad loans/Total Capital(c)	13.0%	13.5%
Total Impairments of non-performing loans/Gross non-performing loans	53.4%	52.5%

Productivity ratios(*) (in income terms)	30 June 2019	30 June 2018
Operating expenses/No. of Employees (average)	134.5	125.8
Operating income/No. of Employees (average)	212.8	195.2

Productivity ratios (*) (in financial terms)	30 June 2018	31 Dec. 2018
Loans to Customers/No. of employees (average)	5,038	4,868
Direct funding from Customers/No. of Employees (average)	5,307	5,095
Gross banking income(f) /No. of Employees (average)	17,562	16,680

Capital and liquidity ratios	30 June 2019	31 Dec. 2018
Common Equity Tier 1(d)/Risk-weighted assets (CET 1 ratio)	11.3%	11.2%
Tier 1(e)/Attività di rischio ponderate (Tier 1 ratio)	13.8%	13.8%
Total Capital(c)/Risk-weighted assets (Total capital ratio)	16.6%	16.8%
Risk-weighted assets (Euro thousands)	28.718.678	27,842,151
Liquidity Coverage Ratio (LCR)	158%	148%

(*) The ratios are based on the balance sheet and income statement data of the reclassified financial statements on pages 43 and 50
(°) Ratio calculated excluding the contributions given to support the banking system
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles)
(b) The cost of risk includes provisioning for risks and charges and net value adjustments of loans
(c) Total Capital: total regulatory own funds
(d) Common Equity Tier 1: Common Equity Tier 1
(e) Tier 1: Tier 1 Capital.
(f) Loans to Customers + Direct Funding + Indirect Funding

Interim Report on Operations

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

INTERNATIONAL MACROECONOMIC SCENARIO IN THE FIRST HALF OF 2019[12]

In the first half of 2019, the phase of low growth in the international economy, which started in mid-2018, continued. Specifically, the fall in commodity prices and the decrease in international investments can be ascribed to ongoing uncertainty on future international trade relations: the talks between the USA and China seem still far from any solution and those regarding the bilateral agreements with Japan and the EU are still at a preliminary stage.

Both the US economy and, to a larger extent, the European economy are showing signs of slowdown, partly due also to Brexit and to the risk of USA tariffs on European cars (postponed to November).

With these uncertainty factors, the risk of recession in the world and EMU economy is increasing and, in the last few months, adjusting their forward guidance, central banks have been trying to respond to the downward changes in expected growth with accommodative monetary policies, although with limited room for manoeuvre.

However, several positive effects may be generated by USA tariffs: China is responding to the attacks increasing its tariffs on products imported from the USA and diversifying, where possible, the countries it imports from, implementing a trade policy that is more open to other trade partners. This is to the advantage of third countries and evidence has already emerged of trade diversion, especially to Asian Countries.

Overall, despite increased fragility and the risk of faster cycle deterioration, the international economy may increase more than expected in case of decrease in trade tensions, improving businesses' and investors' confidence.

Monetary policies

In this economic situation, the main Central Banks are implementing different monetary policies:

- The **Fed**, after 4 consecutive increases in 2018, continuing with its interest rate increase policy started in 2015, decided, in June 2019, to leave interest rates unchanged, keeping the Fed Funds rates between 2.25% and 2.5%. Chairman Jerome Powell, in the light of the present slowdown and of the weakening of the US economy growth prospects, is open to **a possible cut in interest rates by the end of the year**, in the case American economy continue to slow down;
- The **European Central Bank**, in June 2019, decided to keep its policy rates unchanged in order to provide support in a scenario of very modest growth: the main refinancing operations rate is 0.00%, the marginal lending facility rate is 0.25% and the deposit facility rate is -0.40%. In March, the ECB announced a third go of targeted longer-term refinancing operations (TLTRO III). The weakness of the European economic situation and inflation is increasing expectations for at least a cut in ECB deposit facility rate before Christine Lagarde takes office as the new President of the ECB, as well as for a possible resumption of the Quantitative Easing;
- In May 2019, the **Chinese Central Bank** (PBoC), in order to respond to the negative impact of trade tariffs and stabilize markets, lowered the reserve requirement ratio for small banks that are therefore required to hold lower reserves with the PBoC (from 11% to 8%), aiming at fostering lending to businesses that are being impacted by the economic slowdown and are at risk of being more affected by the USA-China trade war;
- The **Bank of England**, at the last meeting of its Monetary Policy Committee, decided to keep its interest

12 Source: Forecast Report (July 2019)

rate unchanged at 0.75% (since 2018). For the time being, it is quite unlikely that the BoE makes any significant change to interest rates in the short term.

Main economies[12]

The gross world product is expected to increase by +3.1% in 2019, with a slowdown vs. 2018 (when it grew by +3.7%).
The international scenario is featuring uncertainty and the several risk factors that could contribute to weakening the present equilibrium have impacted albeit to different extents, the different geographical areas:

- The **United States**[13] is growing at a faster pace. In the first quarter of 2019, the annualized quarterly change was approximately +3.1%, increasing vs. +2.1% in the previous quarter. In June 2019, the unemployment rate came to 3.7% and the employment rate remained at 60.6%, unchanged since March 2019. The economic indicators1 of the recent months show that confidence is continuing to decrease, also in the service sector. In May the output recovered vs. the previous month, but the manufacturing sector growth remains weak;
- In the first quarter of 2019, the **Chinese** GDP increased by +6.4% in annual terms, posting values with line with those of the end of 2018. In June 2019, consumer prices increased by +2.7% YOY. The latest indicators continue to show a weak phase in the economy: in May, industrial production increased by +5% YOY, further slowing down and at all-time low levels. Gross fixed investments of urban areas have continued with historically very low growth rates (+5.6%). Retail sales have shown modest slowdown, partly resulting from seasonal factors. At present, international trade is the restraining factor, with the further tightening of USA tariffs and the uncertainty scenario that are negatively affecting businesses' expectations and investments;
- In the first quarter of 2019, the Indian economy grew by +5.8% YOY, the slowest rate since 2018 down by 8 tenths vs. the previous quarter, despite household consumption increasing by +7.4%. Domestic demand was impacted by the load of financial problems that required more restrictive credit conditions. Investments, growing by little over +3%, were impacted by political uncertainty, which went on for months;
- In the first quarter of 2019, the **Brazilian** GDP grew by approximately +0.4%, at a slower pace vs. +1.1% in the previous quarter. Household consumption slowed down subsequent to decreasing confidence. Investments went down, as the slight recovery in industrial production posted in April (up by +0.3% vs. the previous month) proved not sufficient to ease the uncertainty on the GDP growth in the second half of the year;
- In **Russia**, the date on the first half of 2019 report that the economy grew by +0.5%, vs. +2.7% in Q4 2018. Several factors contributed to this fall. The VAT increase impacted on consumption, as it caused retail sales to significantly slow down. Household confidence suggests that this weakness could continue, due to the concerns regarding financial conditions and prices. The labour market is showing positive signs, with the unemployment rate further decreasing. The EU has imposed economic sanctions on specific sectors of the Russian economy in force until 31 January 2020;
- In the first three months of 2019, the economy of the **United Kingdom**[14] grew by +0.5% vs. +0.2% in Q4 2018. Unemployment continued to decrease (3.8% in March 2019); however, entrepreneurs' confidence is worsening given the still high forward-looking uncertainty. Brexit turned also into a political crisis with the resignation of Prime Minister Theresa May, and likelihood of a no-deal Brexit is higher and higher.

EURO AREA

In the first quarter of 2019, the **GDP in the Euro Area**[2] increased by **+1.6%** annualized quarterly terms, growing at a faster pace vs. +1.0% in the previous quarter.

In the Area, **Germany** reported an annualized quarterly growth of +1.7% (+0.1% in the previous quarter), and **France** of 1.4% (+1.7% in the previous quarter).

In April 2019, industrial production slowed down, decreasing by -0.4% YOY. Retail sales increased, posting a +1.2% YOY growth in May 2019.

The unemployment rate came to 7.5% in May 2019, posting a strong decrease vs. the previous year (8.5%

1 Source: Forecast Report (July 2019)
2 Source: ABI Monthly Outlook (July 2019)
3 Source: Office for National statistics, GDP monthly estimate (May 2019).

in May 2018).

THE ITALIAN ECONOMY

In **the first quarter of 2019, the Italian GDP increased by +0.1%[4] vs. the previous quarter**, slightly recovering vs. Q4 2018 (-0.1%), thanks to the positive contributions of both net foreign demand and domestic demand. The Italian economy is experiencing the ongoing weakness in production pace, although combined with improvements in the labour market and in households' purchasing power.

Household final consumption expenditure (HFCE)[12] decreased slightly vs. Q4 2018 (+0.1% from +0.2% in Q4): purchases of durable goods decreased (-0.7%) along with a continuing decrease in expenditure for nondurable goods (-0.5%). Disposable income improved, up by +0.9%5 after the slowdown in October and December 2018 (-0.2%).

In June 2019, **consumer confidence[6]** came to 109.6 decreasing vs. 111.2 in March 2019 and vs. 116.2 in June 2018: all its components decreased, especially the economic and the future ones; confidence personal component decreased to a lesser extent, as did the current one. Business confidence also decreased, with the relevant indicator coming, in June, to 99.3 vs. 99.2 in March 2019 and vs. 105.1 in June 2018: the index decreased for the manufacturing, building and service sectors, while retail trade posted a slight increase.

In Q1 2019, the **Government[7]** net debt to GDP ratio came to 4.1% (4.2% in the same quarter of 2018) and the weight of primary balance on the GDP also increased coming to 1.3% vs. -0.9% in Q1 2018.

In Q1 2019, **investments[4]** posted the same increase as in the previous quarter (+0.6%) driven by the building sector (+2.5% for investments in homes and +2.8% in non-residential buildings and other works). Conversely, investments in plants, machinery and equipment markedly decreased (-2.2%).

In May 2019, **industrial production[8]** decreased by -0.7% YOY. Consumer goods are the only component posting growth (+0.7%); intermediate goods decreased (-1.7%), as did, to a lesser extent, capital goods (-0.8%) and energy (-0.5%).

Despite the risks associated with the USA protectionist policy and the conflicts, on various matters, in the relations between EU and non-EU Countries, in the March-May 2019 quarter **foreign trade[9]** posted a marked increase vs. the previous quarter in exports (up by +1.4%) and a more modest increase in imports (+0.4%).

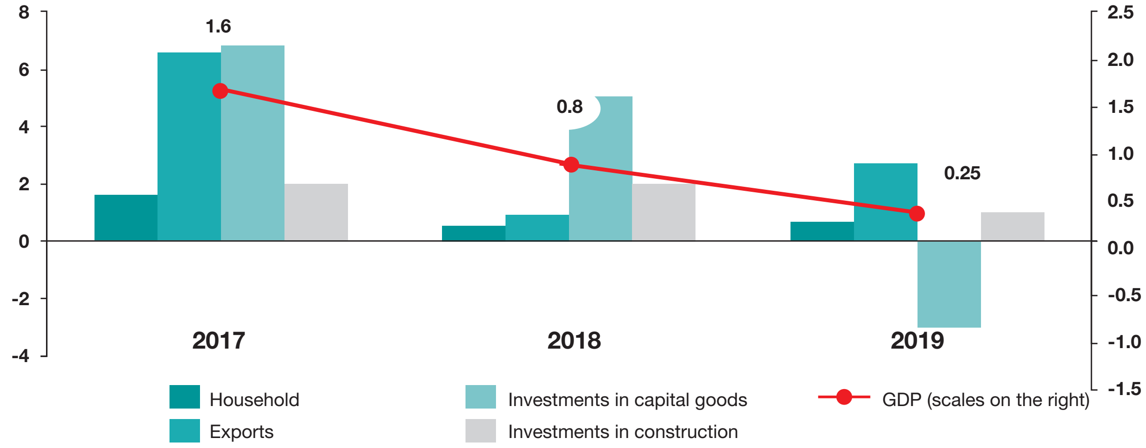
In the half year, inflation remained low: in June 2019, **consumer prices[10]** increased by +0.7% vs. June 2018. The inflation trend features, on the one hand, slower growth in prices of goods and, on the other hand, faster growth in prices of services.

The labour market continued to improve, with the **unemployment rate[11]** coming, in May 2019, to 9.9%, at its lowest since 2012 and decreasing by -0.7% vs. May 2018, with the number of job seekers progressively decreasing (down by -6.9% vs. May 2018). The employment rate increased to 59.0% in May 2019, at its highest since 1977, with an annual growth of +0.4%. This increase has taken the estimate of employed people beyond the historical highest level.

The Italian economy, which features high propensity to export and to manufacturing, is being affected, as and perhaps more than the other European Countries, by the slowdown in world trade, as well as by its high government debt. The first 2019 data have confirmed that the technical recession, which was experienced in the second half of 2018, has ended; however, some bodies have revised their expectations on the Italian economy for this year: The Bank of Italy has forecast a +0.1% growth (vs. Its previous estimate of +0.3%), the International Monetary Fund expects a +0.1% growth (vs. Its previous estimate of +0.6%) and the OECD expects a 0% growth rate (vs. Its previous estimate of -0.2%). So, the expected growth in 2019 overall continues to be modest.

5 Source: ISTAT (the Italian National Institute of Statistics) Monthly Report on the Italian economy (June 2019)
6 Source: ISTAT (the Italian National Institute of Statistics) Consumer and Business Confidence (June 2019)
7 Source: ISTAT (the Italian National Institute of Statistics) Quarterly account of public administrations (June 2019).
8 Source: ISTAT (the Italian National Institute of Statistics) Industrial Production (May 2019)
9 Source: ISTAT (the Italian National Institute of Statistics) Foreign trade and import prices (May 2019).
10 Source: ISTAT (the Italian National Institute of Statistics), Consumer Prices (June 2019)
11 Source: ISTAT (the Italian National Institute of Statistics) Employed and Unemployed (May 2019)

Italy: GDP and its components



Source: Prometeia, Forecast Report (July 2019).

THE BANKING SYSTEM

In 2018, the banking sector achieved further reduction in the riskiness of assets, thanks to a lower number of new non-performing loans, to effective management of non-performing loans and, especially, thanks to the disposal of NPLs. Capitalization has been affected by the first-time adoption of IFRS9 and by the increase in the spread on Government securities.

In early 2019, new EU regulatory provisions came into force:

- **IFRS16**, replacing IAS17, the standard that used to govern the recognition of leases, and generating impacts on rental, hiring, lease and gratuitous loan for use contracts. The new standard requires all lease contracts to be recognized by the lessee in its balance sheet as assets and liabilities. It has also implemented a different approach to recognize costs: liabilities shall be reported both through the depreciation of the right-to-use asset and as interest expenses on the amount due.
- The Single Resolution Board (SRB) published the second part of its 2018 **policy on the minimum requirement for own funds and eligible liabilities** (MREL). The SRB intends to increase the quantity and quality of MREL introducing a series of new principles as rules on eligible instruments for consolidated MREL-targets, increased binding subordination requirements and the introduction of binding MREL targets at individual level. These measures have the objective of strengthening banks' "resolvability" within the Banking Union and of preparing banks to address and comply with future regulatory requirements.

Furthermore:

- The ECB has announced that **new quarterly targeted longer-term refinancing operations (TLTRO III)** will be launched, starting in September 2019 and ending in March 2021, each with a maturity of two years. These new operations will help to preserve favourable bank lending conditions, limiting the increase in the cost of funding caused by regulatory requirements and by the extended tension on financial markets;
- The **calendar provisioning**, which started in 2018, continues, whereby the ECB expects banks to increase their provisioning up to 100% for secured non-performing loans with vintage of more than 7 years between 2024 and 2026 and for unsecured NPLs with vintage of more than 2 years between 2023 and 2025, in order to mitigate the risk of possible future non-performing loans. This mechanism will inevitably drive banks to accelerate their **sales of non-performing loans** on the market: indeed, important sales of NPLs have been announced, which have been scheduled by the end of the year and will focus mainly on UTP;
- The European Commission approved the **third extension**, to 27 May 2021, of Italy's state guarantee scheme on the senior tranches of NPL securitizations (**GACS**), which started in June 2016 and was last

extended in September 2018. Therefore, complying with the set requirements, banks may continue to apply for the state guarantee on senior securities issued by special-purpose entities engaged in the disposal of NPLs.

After the political uncertainty and the subsequent tensions on Italian Government securities, experienced in 2018, the **BTP/Bund** spread came to 242 bps at the end of June 2019 vs. 253 bps on 31 December 2018 and the main Italian bank share prices increased by +2% in the reporting half year.

The industry has again proved strong; the data of the first months of 2019 have shown profitability driven by reductions in costs and adjustments of loans and, after the high volatility experienced in 2018, asset management volumes substantiate investors' choices that continue prudent. In the bond market, issues have been started again, also in view of TLAC and MREL. Lending to households and business has slowed down its growth pace, demand has remained prudent due to the uncertainty about Italy's economic situation, in spite of market rates that continue to be at their all-time low (in June 2019, 3M Euribor at -0.33%).

The reform of the Italian cooperative banking system, aimed at ensuring higher integration of all cooperation banks operating in Italy, has led to the incorporation of two national cooperative banking groups. The Iccrea cooperative banking group has clustered 142 cooperative banks and the Cassa Centrale Banca banking group now consists of 80 banks. Furthermore, 39 Raiffesen banks joined the Institutional Protection Scheme (IPS).

In the banking system, the implemented monetary policies have continued to support the performances of money and credit supply:

- Loan quality is markedly improving, thanks to the acceleration in the process for NPL disposal. The stock of **net bad loans**, which came to Euro 32.6 billion in May 2019, markedly decreased by -36% vs. May 2018. Worth specific mentioning is the -63% decrease vs. the peak of Euro 89 billion reached at the end of November 2015 and the -57% decrease vs. May 2017. The weight of bad loans on total loans came to 1.88% in May 2019, decreasing vs. 2.93% in May 2018;
- In June 2019, loans to households and businesses posted a +1.0% YOY increase, driven by the growth in loans to households (at the end of May 2019: up by +2.6% YOY), which proved again strong, both as regards home loans (up by +2.5% YOY) and as regards consumer credit. Conversely, after the increasing trend experienced in 2018, loans to businesses have slowed down (in May 2019: -0.2% YOY) being affected by the performance of investments and by the economic cycle;
- The **interest rates applied to loans** to Customers have remained low: the **average rate on total loans** was 2.57% in June 2019 (2.60% in June 2018). The **average rate on new home loans** came to 1.78% (1.80% in June 2018) and the **average rate on new loans to businesses** came to 1.36% (1.49% in June 2018);
- In June 2019, **direct funding** (deposits from resident customers and bonds) came to Euro 1,778 billion, increasing by approximately Euro 38.5 billion vs. the previous year (up by +2.2%). The analysis of components shows the different weight of short-term sources and of medium/long-term ones: customer deposits 87% and bonds 13%, subsequent to the progressive recomposition towards deposits to the detriment of the bond component. Indeed, the bond component has shown a decreasing trend (in June 2019 it was down by -6.4% YOY) with a concomitant increase in deposits (up by +3.7% YOY) or in asset management products, which proved more profitable for customers in a phase of interest rates at their all-time low.
- The **average interest rate on funding** was 0.61% in June 2019 (0.66% in June 2018). The interest rate on deposits came to 0.38% (vs. 0.40% in June 2018) and that on bonds came to 2.37% (vs. 2.49% in June 2018);
- The spread between the average interest rate on loans to and the average interest rate on funding from households and non-financial corporations has remained at very low levels in Italy but has improved vs. 2018: in June 2019, it came to 196 basis points (187 bps in June 2018);
- In May 2019, as regards the **asset management industry**[1212], positive net funding have come to Euro 46 billion since the beginning of the year (vs. Euro 10 billion in the previous year). These data include the non-recurring operation carried out within the Poste Italiane Group in January, which led to the entry of about Euro 53 billion worth of assets under management. The monthly trend was negative. After a good opening of the year on stock exchanges, investors have mainly opted for surrenders. Total assets under management came to Euro 2,151 billion.

12 Source: Assocestioni (the Italian National Association of Asset Management Firms). Asset Management Monthly Map, May 2016

In the present scenario, with economic growth expected low and regulatory pressure expected high, in order for the banking system's profitability not to be penalized, intermediaries must continue to reduce their operating costs. Concomitantly, the deep transformations that new digital technologies and competition are requiring of banking players, as pointed out by Bank of Italy Governor Ignazio Visco addressing the Annual Meeting of the Italian Banking Association celebrating its hundredth anniversary " that banks lose no time in investing, with adequate safeguards against cyber risks, in both the latest technologies and in the formation of the human capital needed to apply them successfully".

OPERATING PERFORMANCE

In the first half of 2019, the Crédit Agricole Italia Banking Group proved once again to be able to achieve considerable business performances and to further improve its profitability.

Total intermediated assets came to over Euro 162 billion, increasing by 3% vs. the end of 2018. In terms of profitability, the Crédit Agricole Italia Banking Group made a net profit of Euro 156 billion, increasing vs. the previous year (up by +4%). This profit figure also reports the Euro 22 million contribution to the Single Resolution Fund. The profit for the period would have increased by +27% YOY net of the non-recurring elements recognized in 1H 2018, despite the lower contribution from banking activities.

BALANCE SHEET AGGREGATES

LOANS TO CUSTOMERS

In the first half of 2019, the Crédit Agricole Italia Group substantiated again its role supporting households and businesses. Indeed, as at 30 June 2019, net loans to customers came to Euro 46.6 billion, increasing by 6% YOY (up by +1% vs. 31 December 2018), thanks to the progressive development in performing loans, with concomitant reduction in non-performing loans. This trend has been driven both by the growth in medium/long-term loans, especially home loans to households (the number of disbursed home loans increased by +9%), which accounted for 55% of loans to customers, and by other forms of loans intended for financing businesses.

The action to improve asset quality continued to be effective (the default rate was 1.0% vs. 1.2% in June 2018) as did the action to improve the cost of credit: the NPL stock decreased by -21% in the last 12 months; the weight of gross non-performing loans came to 7.4% and the weight of net ones to 3.6% (3.8% as at 31 December 2018). The coverage ratios of non-performing portfolios proved once again adequate (53.4% for non-performing and 68.6% for bad loans).

FUNDING FROM CUSTOMERS

As at 30 June 2019, direct funding came to Euro 49.1 billion, down by -2% vs. June 2018, consistently with the strategy of reducing volatile and costly funding, while continuing to ensure a more than satisfying liquidity position (LCR at 158%).

In order stabilize funding on long maturities and seizing the favourable market conditions in the first months of 2019, a new issue of covered bonds was finalized for Euro 750 million (maturity 2027) and, with 4.5 billion worth of orders received, i.e. approximately 6 times the placed amount, generated the highest demand ever obtained by Credit Agricole Italia, once again giving evidence of international investors' high opinion of the Group.

As at 30 June 2019, indirect funding came to over Euro 66.7 billion, increasing vs. the end of 2018 (up by +3.3 Bln; +5%), driven by the increase both in the asset administration component (up by Euro +1.5 billion; +5%) and in the component yielding higher value to Customers (asset management, up by +5% coming to Euro 36.1 billion), thanks to the development in its determinants (Funds +6% and Bancassurance +4.4%).

EQUITY

Equity, net of the profit for the period, came to Euro 6.1 billion, increasing by Euro 174 million (+3%) vs. 31 December 2018, mainly due to the allocation to reserve of undistributed profit.

Capital strength proved once again adequate with the Common Equity Tier 1 ratio as at 30 June 2019 above 11% and the Total Capital ratio at 16.6% and a capital buffer by far higher than the minimum level required by the ECB for 2019.

PROFIT AND LOSS RESULTS

Net operating income came to Euro 976 million, in line with last year, with a higher contribution given by interest income that offset the lack of any capital gains on securities, which were conversely recognized in 2018, and came to approximately Euro 22 million.

Despite the negative scenario in the first months of 2019, which caused Italy to go into technical recession until April, and despite interest rates that are expected to continue negative, the Group achieved net interest income of Euro 508 million (up by +4% YOY). This performance resulted from the increase in loans, from the improved spreads of new loans, from effective control of the cost of funding and from the progressive reduction in excess liquidity.

In the first six months of 2019, net fee and commission income came to Euro 448 million, increasing vs. the same period of 2018 (+1%). In spite of markets that kept fluctuating in the first months of this year, the contribution given by management, intermediation and advisory services increased, benefiting from the synergies with the companies of the Crédit Agricole Group in Italy; specifically, fee and commission income both from distribution of insurance products and from intermediation and placement of securities increased (+8.2% and +2.2% respectively). Fee and commission income from the traditional banking business increased (+1%) subsequent to the higher number of customers and wider range of products.

Net income from banking activities came to Euro 1.3 million vs. Euro 24.4 million in June 2018, decreasing by Euro -22.6 million. This decrease resulted from the fact that, in the reporting period, no sales of government securities were made comparable to those made in the first six months of last year and no comparable capital gains were recognized (which, in H1 2018, amounted to Euro 22.7 million).

The other net operating income item came to Euro +7.1 million (Euro 6.5 million in H1 2018), and was affected by the higher contribution (adjustment price) linked to the transfer of the equity investment in CA Vita made in previous years.

Operating expenses came to Euro 617 million, decreasing by -2% YOY, thanks to actions to enhance operational efficiency, rationalization and transformation of physical structures. Personnel expenses decreased (down by Euro -4 million, -1%) benefiting from voluntary terminations with incentives finalized in the last 12 months.

In relation to the performance of administrative expenses and depreciation and amortization, it is pointed out that, on 1 January 2019, the new IFRS 16 entered into force, which requires a different approach to recognize lease payments. The new standard requires different allocation of cost components, specifically under other administrative expenses (which no longer report lease payments) and value adjustments of property, plant and equipment (which now shall recognize the depreciation of the “Right Of Use”). As the Bank opted not to restate the comparative data in the IFRS 16 first-time adoption reporting period, the figures for 2018 are not fully comparable. For more exhaustive reporting on the new developments introduced by IFRS16, please refer to paragraph 1.2 Transition to IFRS16 “Leases” in the Notes to the Financial Statements.

The aggregate comprising administrative expenses and depreciation/amortization came to Euro 252 million, decreasing by Euro 8 million vs. H1 of 2018, despite the higher investments made to support the business. This decrease mainly resulted from the savings achieved through expense control action, from the synergies obtained with the merger of the three Fellini Banks, especially on the IT and real estate/logistic components, as well as from the fact that the costs for the integration of the Fellini Banks recognized in H1 2018, lo longer applied to this reporting period.

Net of non-operating expenses, the cost/income ratio came to 60.9%.

Net provisioning for risks and charges for the period came to Euro -3 million, down by Euro -22 million vs. the previous half year, subsequent to releases for the redefinition of some supply contracts and business agreements with suppliers and product companies that used to work with the three Fellini Banks amounting to approximately Euro 22 million, an amount that was recognized in 2018; had these released not applied, the provisioning for risks and charges would have come in line with 1H 2018.

The continuous decrease in the cost of credit was one of the key factors for the Group’s positive performance in 2019: indeed, net impairments of loans came to Euro 124 million, down by 6% vs. H1 2018. In percentage terms, the ratio that expresses the cost of credit risk (the ratio of the relevant adjustments through profit or loss to net loans to Customers) decreased to 54 bps vs. 60 bps in H1 2018, while achieving higher coverage ratios of non-performing loans vs. the end of 2018.

The profit for the period, coming to Euro 156 million, increased vs. the previous year (up by Euro +6 million,

i.e. +4%). The profit for the period would have increased by +27% YOY net of the non-recurring elements recognized in 1H 2018 (capital gains and integration expenses).

Comprehensive income consists of the profit for the period and of the changes in value of the assets directly allocated to equity reserves (mostly attributable to fair value changes in the securities portfolio), which gave a positive contribution of Euro 20 million in 1H 2019 vs. Euro -128 million in H1 2018. Therefore, comprehensive income for the reporting period came to Euro 176 million vs. Euro 29 million in H1 2018.

OTHER INFORMATION

Risks and uncertainties

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

A detailed report on the Group risks and uncertainties is provided in the Notes to the financial statement. Moreover it is to be noted the constant focus that the Group and its management have kept on the monitoring of risks and uncertainties, also to comply with the countless recommendations that the national and international Authorities have been issuing on this topic. The Bank's governance bodies are fully aware that sustainable development and growth absolutely require also an effective analysis of the risks which the Bank is exposed to and of the relating uncertainties, in terms of impacts that these risks could have on the Group's financial position, cash flows and performance. Another crucial factor for sustainable growth is effective management and mitigation of these risks to acceptably low levels, also in order to protect savings (and, with them, Customers' confidence) on the one hand, and loans (healthy and drivers of growth) on the other.

Management believes that the present overall performance of the domestic and international economies (financial and real) is such as to require, in addition to monetary and real policy measures to be adopted by supranational and national bodies (with the purpose of boosting the present weak recovery), also appropriate policies for constant enhancement of the monitoring of risks and uncertainties, such as the ones implemented by the Bank. The Bank is indeed fully aware that financial players must constantly implement growth and development policies that, at the same time, focus on the safeguarding and protection of the interests of all Stakeholders, without shirking, because of this very reason, the institutional role that the Bank as such plays both in terms of support to the economic and social fabric of its Customer Enterprises, and in terms of enhancement of that key factor for development and success which consists in effective and prudential management of savings.

The Group's Project & MTP 2022

On 6 June 2019, the Crédit Agricole Group presented its new Project & Medium Term Plan 2022. The Group has formally set out its *Raison d'être* – "Working every day in the interest of our customers and society"- and has thus reasserted its customer-focused universal banking model, based on a single relational model structured on three pillars:

- **Excellence in customer relations**: to be at the top in customer satisfaction, becoming the favourite bank of individuals, businesses and institutional investors;
- **Empowered teams for customers**: to accompany digitalization by offering customers human, responsible and accessible skills;
- **Commitment to society**: to amply out mutualism commitment in order to reinforce its position as the European leader in responsible investment.

EVENTS OCCURRED AFTER THE REPORTING DATE AND OUTLOOK

From 30 June 2019 to the date of approval of the Half-yearly Report and Condensed Consolidated Financial Statements, no events occurred which could materially change the structure of the Crédit Agricole Italia Banking Group, except for the following event: on 21 July 2019, the merger by absorption into Crédit Agricole Italia of its fully held subsidiary Crédit Agricole Carispezia, a company that had been consolidated since 2011, was finalized.

DIVIDENDS DISTRIBUTED BY THE PARENT COMPANY IN THE HALF-YEAR

The Parent Company's net profit for 2018 amounted to Euro 252,124,086. In the first half of 2019, in line with the resolution approved by the General Meeting of Shareholders held on 30 April 2019, the Parent Company Crédit Agricole Italia S.p.A. allocated this amount as follows:

5% to the legal reserve	12,606,204
To the charity fund	1,300,000
To the Shareholders	128,573,228
To extraordinary reserve	109,644,654

The dividend was paid on 9 May 2019, at Euro 0.1313 for each one of the 979,232,540 ordinary shares.

Crédit Agricole Italia Banking Group

Interim Condensed Consolidated Financial Statements

2019

Financial Statements

CONSOLIDATED BALANCE SHEET

Asset items	30 June 2019	31 Dec. 2018
10. Cash and cash equivalents	248,491	295,958
20. Financial assets measured at fair value through profit or loss	136,895	125,156
a) financial assets held for trading;	109,389	97,425
b) financial assets designated at fair value;	-	-
c) other financial assets mandatorily measured at fair value	27,506	27,731
30. Financial assets measured at fair value through other comprehensive income	3,332,144	3,260,746
40. Financial assets measured at amortized cost	55,482,664	54,538,381
a) due from banks	3,892,131	3,537,099
b) loans to customers	51,590,533	51,001,282
50. Hedging derivatives	935,675	575,331
60. Fair value change of financial assets in macro-hedge portfolios (+/-)	62,668	40,153
70. Equity investments	20,639	27,755
80. Reinsurers' share of technical provisions	-	-
90. Property, Plant and Equipment	1,015,092	847,790
100. Intangible assets	1,904,835	1,936,197
- of which goodwill	1,575,536	1,575,536
110. Tax assets	1,552,094	1,639,049
a) current	290,750	313,111
b) deferred	1,261,344	1,325,938
120. Non-current assets held for sale and discontinued operations	-	-
130. Other assets	545,234	463,033
TOTAL ASSETS	**65,236,431**	**63,749,549**

Liabilities and equity items	30 June 2019	31 Dec. 2018
10. Financial liabilities measured at amortized cost	55,248,141	54,188,823
a) Due to banks	6,168,872	6,029,653
b) Due to Customers	40,149,085	39,698,913
c) Debt securities issued	8,930,184	8,460,257
20. Financial liabilities held for trading	94,640	73,515
30. Financial liabilities designated at fair value	-	-
40. Hedging derivatives	576,962	564,549
50. Fair value change of financial liabilities in macro-hedge portfolios (-)	535,591	361,962
60. Tax liabilities	180,865	264,790
a) current	79,290	155,808
b) deferred	101,575	108,982
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,723,979	1,392,866
90. Employee severance benefits	130,715	135,722
100. Provisions for risks and charges	359,669	388,612
a) commitments and guarantees given	33,987	37,254
b) post-employment and similar obligations	37,685	38,273
c) other provisions for risks and charges	287,997	313,085
110. Technical reserves	-	-
120. Valuation reserves	-124,468	-142,181
130. Redeemable shares	-	-
140. Equity instruments	715,000	715,000
150. Reserves	1,405,233	1,266,117
160. Share premium reserve	3,117,835	3,117,708
170. Capital	979,233	962,672
180. Treasury shares (-)	-	-
190. Minority interests (+/-)	136,726	185,496
200. Profit (Loss) for the period	156,310	273,898
TOTAL LIABILITIES AND EQUITY	**65,236,431**	**63,749,549**

CONSOLIDATED INCOME STATEMENT

Items	30 June 2019	30 June 2018
10. Interest and similar income	472,356	468,716
of which: interest income calculated with the effective interest method	470,342	452,403
20. Interest and similar expense	35,700	19,751
30. Net interest income	**508,056**	**488,467**
40. Fee and commission income	464,870	463,533
50. Fee and commission expense	(20,531)	(19,782)
60. Net fee and commission income	**444,339**	**443,751**
70. Dividends and similar income	11,270	12,508
80. Net profit (loss) on trading activities	4,844	5,093
90. Net profit (loss) on hedging activities	(4,318)	(6,182)
100. Profit (losses) on disposal or repurchase of:	(4,362)	23,101
a) financial assets measured at amortized cost	(4,273)	2,923
b) financial assets measured at fair value through other comprehensive income	-	20,485
c) financial liabilities	(89)	(307)
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(134)	2.204
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	(134)	2,204
120. Net interest and other banking income	**959,695**	**968,942**
130. Net losses/recoveries for credit risk on:	(116,499)	(137,618)
a) financial assets measured at amortized cost	(116,589)	(137,191)
b) financial assets measured at fair value through other comprehensive income	90	(427)
140. Profits/Losses on contract modifications without derecognition	(581)	-
140. Net income from banking activities	**842,615**	**831,324**
150. Net premium income	-	-
160. Other net insurance income/expenses	-	-
170. Net income from banking activities and insurance activities	**842,615**	**831,324**
180. Administrative expenses:	(682,643)	(716,889)
a) personnel expenses	(364,995)	(368,770)
b) other administrative expenses	(317,648)	(348,119)
190. Net provisions for risks and charges	(144)	27,826
a) commitments and guarantees given	3,101	8,858
b) other net provisions	(3,245)	18,968
200. Net adjustments of/recoveries on property, plant and equipment	(38,486)	(20,688)
210. Net adjustments of/recoveries on intangible assets	(40,570)	(37,952)
220. Other operating expenses/income	138,829	140,892
230. Operating costs	**(623,014)**	**(606,811)**
240. Profit (losses) on equity investments	12,522	8,814
250. Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
260. Impairment on goodwill	**-**	**-**
270. Profit (losses) on disposals of investments	351	72
280. Profit (Loss) before tax from continuing operations	**232,474**	**233,399**
290. Taxes on income from continuing operations	(69,795)	(73,497)
300. Profit (Loss) after tax from continuing operations	**162,679**	**159,902**
310. Profit (Loss) after tax from discontinued operations	-	-
320. Profit (Loss) for the period	**162,679**	**159,902**
330. Profit (Loss) for the period attributable to minority interests	(6,369)	(9,839)
340. Profit (Loss) for the period attributable to the Parent Company	**156,310**	**150,063**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items	30 June 2019	30 June 2018
10. Profit (Loss) for the period	**162,679**	**159,902**
20. Other comprehensive income net of tax not reclassified to profit or loss		
Equity securities designated at fair value through other comprehensive income	(2,352)	(535)
40. Hedging of equity securities designated at fair value through other comprehensive income		-
50. Property, Plant and Equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	(1,676)	(5,799)
80. Non-current assets held for sale and discontinued operations	-	-
90. Share of valuation reserves of equity investments measured using the equity method		131
Other comprehensive income after tax reclassified to profit or loss		
100. Hedges of investments in foreign operations	**-**	**-**
110. Exchange rate differences	-	-
120. Cash flow hedges	-	-
130. Hedging instruments (non-designated elements)		-
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	24,096	(122,270)
150. Non-current assets held for sale and discontinued operations		-
160. Share of valuation reserves of equity investments measured using the equity method		-
170. Total other comprehensive income after taxes	**20,068**	**(128,473)**
180. Comprehensive income (Item 10+170)	**182,747**	**31,429**
190. Comprehensive income attributable to Minority Interests	6,647	2,456
200. CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT COMPANY	**176,101**	**28,972**

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. The change was mainly due to the market performance regarding the Government Security portfolio.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2019

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Profit (Loss) for the period	Equity
			Retained Other earnings	other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2018	**962,672**	**3,117,708**	**1,280,626**	**-14,509**	**-142,181**	**715,000**	**0**	**273,898**	**6,193,214**
Minority Interests 31 Dec. 2018	64,976	98,636	6,595	2,939	-5,805	0	0	18,155	185,496
CHANGE TO OPENING BALANCES									**-**
GROUP SHAREHOLDERS' EQUITY AS AT 1 JAN. 2019	962,672	3,117,708	1,280,626	-14,509	-142,181	715,000	0	273,898	6,193,214
Minority Interests 1 Jan. 2019	64,976	98,636	6,595	2,939	-5,805	-	0	18,155	185,496
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves (B)			151,683					-151,683	-
Dividends and other allocations (A)								-140,370	-140,370
CHANGES FOR THE PERIOD									-
Changes in reserves			48						48
Transactions on equity									-
Issue of new shares	16,561	127							16,688
Purchase of treasury shares									-
Change in equity instruments			-26,057						-26,057
Charity			500						500
Consolidation adjustments									
Shares and rights on shares of the Parent Company assigned to employees and directors									**-**
Changes in equity interests	-24,238	-10,449	8,264		26				-26,397
Comprehensive income					20,068			162,679	182,747
GROUP SHAREHOLDERS' EQUITY AS AT 30 JUNE 2019	**979,233**	**3,117,835**	**1,419,742**	**-14,509**	**-124,468**	**715,000**	**-**	**156,310**	**6,249,143**
Minority Interests 30 June 2019	**40,738**	**88,187**	**1,917**	**2,939**	**-3,424**	**-**	**-**	**6,369**	**136,726**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2018

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Treasury shares	Profit (Loss) for the period	Equity
			Retained earnings	Other					
GROUP SHAREHOLDERS' EQUITY AS AT 31 DEC. 2017	**934,838**	**2,997,386**	**1,164,710**	**-14,534**	**-18,941**	**365,000**	**-4,065**	**690,240**	**6,114,634**
MINORITY INTEREST AS AT 31 DEC. 2017	**100,356**	**135,025**	**9,787**	**2,939**	**695**		**-963**	**11,640**	**259,479**
CHANGE TO OPENING BALANCES	**0**	**0**	**-446,222**	**0**	**911**	**0**	**0**	**0**	**-**
GROUP SHAREHOLDERS' EQUITY AS AT 1 JAN. 2018	934,838	2,997,386	718,488	-14,534	-18,030	365,000	-4,065	690,240	5,669,323
MINORITY INTERESTS AS AT 1 JANUARY 2018	100,356	135,025	-14,790	2,939	695	-	-963	11,640	234,902
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR									
Reserves			575,482					-575,482	-
Dividends and other allocations								-126,398	-169,165
CHANGES FOR THE PERIOD									-
Changes in reserves									-
Transactions on equity	32								32
Issue of new shares	27,234	120,321							147,555
Purchase of treasury shares									-
Change in equity instruments			-11,804						-11,804
Charity			1,472						1,472
Consolidation adjustments			22,540						63,035
Shares and rights on shares of the Parent Company assigned to employees and directors									-
Changes in equity interests	-16,271	-11,511	-8,390		-1,115		26		-36,520
Comprehensive income					-128,473			159,902	32,960
GROUP SHAREHOLDERS' EQUITY AS AT 30 JUNE 2018	**962,073**	**3,117,707**	**1,290,438**	**-14,534**	**-140,343**	**365,000**	**-4,065**	**150,063**	**5,726,339**
MINORITY INTEREST AS AT 30 JUNE 2018	**84,116**	**123,514**	**-7,440**	**2,939**	**-6,580**	**-**	**-937**	**9,839**	**205,451**

CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2019	30 June 2018
A. OPERATING ACTIVITIES		
1. Cash Flow from Operations	**568,566**	**508,010**
- profit (loss) for the period (+/-)	156,310	150,063
- gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)	7,504	-1,263
- gains/losses on hedging activities (-/+)	66,748	25,706
- net losses/recoveries for credit risk (+/-)	90,127	122,490
- net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	79,056	58,640
- net provisions for risks and charges and other costs/revenues (+/-)	144	-27,826
- Taxes, duties and tax credits yet to be settled (+)	69,795	73,497
- net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
- Other adjustments (+/-)	98,882	106,703
2. Cash flow generated/absorbed by financial assets	**-1,181,966**	**-168,365**
- Financial assets held for trading	-19,704	9,368
- Financial assets designated at fair value	-	-
- Financial assets mandatorily measured at fair value	461	1,088
- Financial assets measured at fair value through other comprehensive income	-41,922	-294,686
- Financial assets measured at amortized cost	-1,091,891	303,400
- Other assets	-28,910	-187,535
3. Cash flow generated/absorbed by financial liabilities	**701,614**	**-707,766**
- Financial liabilities measured at amortized cost	553,550	-1,095,706
- Financial liabilities held for trading	21,125	1,792
- Financial liabilities designated at fair value	-	-
- Other liabilities	126,939	386,148
Net cash flow generated/absorbed by operating activities	**88,214**	**-368,121**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**24,712**	**16,701**
- sales of equity investments	12,522	4,168
- dividend received on equity investments	11,270	12,508
- sales of property, plant and equipment	920	25
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flow absorbed by:	**-10,654**	**-28,634**
- purchases of equity investments	-	-
- purchases of property, plant and equipment	-1,446	-12,389
- purchases of intangible assets	-9,208	-16,245
- purchases of business units	-	-
Net cash flows generated/absorbed by investing activities	**14,058**	**-11,933**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	16,688	146,999
- issues/purchases of equity instruments	-26,057	-11,804
- distribution of dividends and other	-140,370	-169,165
Net cash flows generated/absorbed by funding activities	**-149,739**	**-33,970**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**-47,467**	**-414,024**

RECONCILIATION

Financial Statement items	30 June 2019	30 June 2018
Opening cash and cash equivalents	295,958	1,990,365
Total net increase/decrease in cash and cash equivalents for the period	-47,467	-414,024
Cash and cash equivalents: foreign exchange effect	**-**	**-**
Closing cash and cash equivalents	**248,491**	**1,576,341**

Notes to the Interim Condensed Consolidated Financial Statements

ACCOUNTING POLICIES

1. ACCOUNTING STANDARDS AND POLICIES APPLYING TO THE GROUP, BASES OF MEASUREMENT AND ESTIMATES USED

1.1 Applicable standards and comparability

The Interim Condensed Consolidated Financial Statements of the Crédit Agricole Italia Banking Group as at 30 June 2019 were prepared and presented in compliance with IAS 34 “Interim financial reporting”, which prescribes the minimum content of an interim financial report and the principles for recognition and measurement in financial statements presented for an interim period.

The standards and interpretations used to prepare the Interim Condensed Consolidated Financial Statements, as regards classification, recognition, measurement and writing off of financial assets and liabilities, as well as the methods to recognize the related revenues and costs, have partially changed vs. those used by the Crédit Agricole Italia Banking Group to prepare its consolidated financial statements as at 31 December 2018. The changes specifically regarded the application of IFRS 16 “Leases”, which shall be mandatorily applied to reporting periods starting on or after 1 January 2019 and which is the main one of the new accounting standards to be applied as of 1 January 2019 (as given in the table below).

As regards standards and principles that have not changed vs. the ones used for the financial statements as at 31 December 2018, please refer to that information.

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

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 16 Leases Replacement of IAS 17 for recognition of leases	09 November 2018 (UE n° 1986/2017)	1 January 2019
Amendment to IFRS 9 – Financial instruments Prepayment Features with Negative Compensation	26 March 2018 (UE n° 498/2018)	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments Interpretation of IAS 12 on measurement and recognition of tax assets or liabilities in when there is uncertainty in the tax legislation application	24 October 2018 (UE 2018/1595)	1 January 2019
Amendments to IAS 28 Long-term interests in Associates and Joint Ventures The amendments are intended to clarify that the impairment provisions set out in IFRS 9 Financial Instruments shall apply to long-term interests in an associates and joint ventures.	11 February 2019 (UE 2019/237)	1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period.	14 March 2019 (UE 2019/402)	1 January 2019
Annual Improvements to IFRS 2015-2017 Cycle Amendments to IAS 12 Income taxes, to IAS 23 Borrowing costs, to IFRS 3 Business combinations and to IFRS 11 Joint arrangements.	15 March 2019 (UE 2019/402)	1 January 2019

The adoption of the new standards and amendments that apply to reporting periods starting on or after 1 January 2019 has not generated any significant impacts on the Group’s Condensed Consolidated Financial Statements as at 30 June 2019, except for the information reported below regarding the IFRS 16 first-time adoption.

1.2 The transition to IFRS 16 "Leases"

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

The new standard requires an entity to assess whether a contract is (or contains) a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a set period of time; therefore, rental, hiring, lease and gratuitous loan for use contracts also fall in the scope of application of the new standard.

1.2.1 Leases in which the Group is the lessee

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

For all leases in which it is a lessee, the Group recognizes all the following items in the balance sheet:

- Future lease payments, to be recognized under financial liabilities as a Lease Liability, which reports the obligation to make future payments and is discounted at the marginal rate of discount (the liability decreases in accordance with payments made and increases by the accrued interest expenses);
- The right of use, as set out in contracts,, recognized reporting the underlying asset value as lease asset in a separate line-item, under property, plant and equipment (RoU Asset) calculated as the sum of the lease debt, the initial direct costs, the payments made on or before the contract effective date (net of any lease incentives received) and any decommissioning and/or restoration costs.

Operating lease payments are no longer recognized under administrative expenses as required by IAS 17; conversely, the following elements are recognized:

- Expenses for the depreciation of the right-of-use assets 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 income from banking activities).

The minimum reporting requirements for the lessee include:

- The division between the various "clusters" of underlying assets;
- An analysis by maturity of liabilities related to lease contracts;
- The information that may be useful to better understand the reporting entity's business operations as regards lease contracts (for example early repayment or extension options).

Furthermore, it is pointed out that, based on the IFRS 16 requirements and on the IFRIC clarifications (the "Cloud Computing Arrangements" document of September 2018), software is excluded from the IFRS 16 scope of application; therefore, software is recognized in accordance with IAS 38 and the related requirements.

1.2.2 Leases in which the Group is the lessor

Except for some additional disclosure requirements, the methods to recognize leases by lessors have not changed to any significant extent and the distinction between operating and finance leases has remained in force. Leases are considered finance leases if they transfer all risks and rewards of ownership; otherwise, leases are classified as operating leases.

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

1.2.3 The transition to IFRS 16

Upon its first-time adoption, consistently with Parent Company CASA instructions, the Crédit Agricole Italia Banking Group applied the modified retrospective approach (option b) pursuant to paragraph C.5 b) of IFRS 16 for the contracts previously classified as operating leases without restating the comparative figures.

Based on this approach, as at 1 January 2019, the Group recognized a lease obligation the balance of which was determined discounting the remaining future lease payments to the first-adoption date and the right-of-use asset under property, plant and equipment having the same amount of the lease liability, where the case adjusted by the amount paid in advance or to be paid as recognized in the balance sheet immediately before the fist-adoption date. In accordance with paragraph C.10b of IFRS16, the Group has adjusted the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in accordance with IAS 37 in the statement of financial position immediately before the date of initial application. The IFRS16 application has not generated any impacts on equity.

Upon first application, the Group also opted for the practical expedient provided for in paragraph C.10c to exclude leases for which the lease term ends within 12 months of the date of initial application.

The discount rate used to calculate the right of use and the lease liability is the incremental borrowing rate at the date of IFRS 16 initial adoption, applied based on the remainder of the lease term starting from 1 January 2019. The incremental borrowing rate is determined as reported in the next section “1.2.4 Perimeter of leases in which the Group is the lessee”.

For leases previously classified as finance leases, the Group has restated the carrying amount of the right-of-use asset and of the lease liability at the date of first application, as per the presentation method provided for by the new IFRS 16.

1.2.4 Perimeter of leases in which the Group is the lessee

For lease contracts started before the transition date, the Group has applied the IFRS 16 to the contract identified as leases pursuant to IAS 17 and IFRIC 4, as allowed by paragraph C3 of IFRS16.

For the Crédit Agricole Italia Banking Group, the perimeter of application consists of real estate lease contracts and car hire contracts.

Real estate leases are the most significant impact area with over 99% of the total right-of-use value recognized at the date of the standard first application; these leases regard real estate properties used as branches, officers and guest houses.

Although many, the car hire contracts are not significant in terms of the right-of-use amounts recognized upon FTA.

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

- exclusion of short-term leases (i.e. with a lease term of 12 months or less);
- excluding leases with low-value underlying assets (leases with underlying assets worth less than Euro 5 thousand).

The payments for these leases are recognized under administrative expenses in the income statement and the right-of-use is not recognized.

As regards the lease term, both upon first-time adoption and in compliance with the applicable legislation, the Group has decided to consider the following items:

- for leases of operating properties and contracts not yet renewed, only a six-year renewal is considered in addition to the remaining period of the current term; for leases that have been renewed at least once, only the remaining period of the renewal term underway is considered. The above shall apply unless there are other contract clauses prohibiting it, or facts or circumstances that make it advisable to consider additional renewals or to terminate the lease contract;
- for leases of guest houses, no renewals shall be made;
- for vehicle lease, only the remaining period after the end of the four-year term;
- exclusion of short-term leases, i.e. with remaining lease term at the date of first-time adoption of 12 months or less.

As regards the discount rate, when the interest rate implicit in the lease cannot be readily determined, the

Group has decided to use, as its incremental borrowing rate, a single interest rate curve calculated based on a risk-free rate (i.e. market interest rate) and the liquidity spread ("liquidity grid") representing the cost of funding of the Crédit Agricole Italia Banking Group. It is an unsecured and bullet interest rate curve, which is applied considering the different lease terms in compliance with the standard.

1.2.5 Impacts of the first-time adoption of IFRS 16

The transition to IFRS16 has generated no impacts on consolidated equity, because, subsequent to the application of the modified retrospective approach (option b), the value of the recognized assets and liabilities is equal, net of the leases previously classified as finance leases in accordance with IAS 17.

The table below reports the financial statement items that were impacted by the change to opening balances:

(Data in thousands of Euro)	31 Dec. 2018	IFRS 16 FTA effect	1 Jan. 2019 IFRS 16
Assets			
90. Property, Plant and Equipment	847,790	201,939	1,049,729
130. Other assets	463,333	-240	463,093
TOTAL IMPACT		201,699	

Liabilities and Equity			
10. Financial liabilities measured at amortized cost	54,188,823	205,213	54,394,036
80. Other liabilities [*]	1,392,866	-3,514	1,389,352
TOTAL IMPACT		201,699	

[*] In accordance with paragraph C.10b of IFRS16, the Group has adjusted the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in accordance with IAS 37 under "other liabilities" in the statement of financial position immediately before the date of initial application.

The weighted average of the lessee's incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of first-time adoption is 2.06%.

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

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

GENERAL PRINCIPLES

The Half-yearly Report and Condensed Consolidated Financial Statements consist of:

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

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

Bank of Italy - Circular no. 262 “Banks’ financial statements: layout and preparation” - 6th update

On 30 October 2018, the 6th update of Bank of Italy Circular no. 262 of 22 December 2005 to implement the new requirements introduced by IFRS 16 “Leases”, which was endorsed with Commission Regulation (EU) 2017/1986 of 31 October 2017. It also implemented the subsequent amendments to other international accounting standards, including IAS 40 on investment property, aimed at ensuring overall consistency of the accounting framework.

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

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

As the Annual Report as at 31 December 2018, the Half-yearly Report and Condensed Consolidated Financial Statements as at 30 June 2019 were prepared on a going-concern basis.

The preparation of the Half-yearly Report and Condensed Consolidated Financial Statements entails the use of estimates and assumptions to determine some expense and revenue components, as well as to measure assets and liabilities. For these, reference is also made to the 2018 Annual Report.

Moreover, it is pointed out that, generally, some measurement processes, in particular the most complex ones, such as the assessment of asset impairment, are thoroughly carried out upon preparation of the annual report, when all the necessary information is available, with the exception of those cases where significant impairment indicators require immediate measurement of any impairment.

SCOPE AND METHODS OF CONSOLIDATION

SCOPE OF CONSOLIDATION

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

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

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

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

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

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

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

Associates, i.e. subject to significant influence, are companies in which Crédit Agricole Italia S.p.A. 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, significant influence on the investee, despite holding an equity investment of at least 20%, may not be exercised under legal ties or shareholders' agreements or other relevant elements affecting the entity governance.

The methods used to consolidate the data of subsidiaries (line-by-line aggregation) are the same ones used to prepare the Annual Report and Consolidated Financial Statements as at 31 December 2018.

Equity investments in subsidiaries

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

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

Company name	Headquarters	Type of control [1]	Equity investment		Actual % of votes available
			Investor	% held	
A. Companies					
Parent Company					
Crédit Agricole Italia S.p.A.	Parma, Italy				
A1. Companies consolidated on a line-item basis					
1. Crédit Agricole FriulAdria S.p.A.	Pordenone, Italy	1	Crédit Agricole Italia S.p.A.	81.19%	81.56% [2]
2. Crédit Agricole Carispezia S.p.A.(3)	La Spezia, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
3. Crédit Agricole Leasing Italia S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	85.00%	85.00%
4. Sliders S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
5. Mondo Mutui Cariparma S.r.l.	Milan, Italy	4	Crédit Agricole Italia S.p.A.	19.00%	19.00%
6. Crédit Agricole Italia OBG S.r.l.	Milan, Italy	1	Crédit Agricole Italia S.p.A.	60.00%	60.00%
7. Credit Agricole Group Solutions S.c.p.a.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	86.60%	86.60%
			Crédit Agricole FriulAdria S.p.A.	8.75%	8.75%
			Crédit Agricole Carispezia S.p.A.	2.50%	2.50%
			Crédit Agricole Leasing Italia S.r.l.	1.19%	1.19%
8. Italstock S.r.l. in liquidation	Milan, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
9. Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
10. Unibanca Immobiliare S.r.l.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
11. Carice Immobiliare S.p.A.	Cesena, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%
12. Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Crédit Agricole Italia S.p.A.	50.01%	50.01%
13. San Piero Immobiliare S.p.A.	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.00%	100.00%
14. San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.00%	100.00%
15. San Genesio Immobiliare S.p.A.	San Miniato, Italy	1	Crédit Agricole Italia S.p.A.	100.00%	100.00%

3.3 Joints ventures and investees subject to significant influence

Company name	Headquarters	Type of control [1]	Equity investment		Actual % of votes
			Investor	% held	
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
[2] The percentage has been calculated taking account of the treasury shares held by the Bank as at the reporting date
[3] Company merged into Crédit Agricole Italia on 21 July 2019

OTHER ASPECTS

OPTION FOR THE ITALIAN NATIONAL TAX CONSOLIDATION

In March 2016, the formal notice was sent to the Agenzia delle Entrate (the Italian Inland Revenue Agency) whereby, effective from 2015, the option was exercised for the national tax consolidation of the Crédit Agricole SA Group in Italy, pursuant to Article 6 of Italian Legislative Decree No. 147 of 14 September 2015. In accordance with this regime, also the Italian "sister" companies, whose controlling Company is resident in a EU Member State, may exercise the option for consolidated taxation as regards the Italian corporate income tax (IRES). At present 23 Companies of the Group have opted to join the tax consolidation scheme and, having been designated by Crédit Agricole S.A., Crédit Agricole Italia S.p.A. has undertaken the role of Consolidating Entity.

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 S.p.A. having, at the same time, financial, economic and organisational links in force between them, as provided for by Italian Ministerial Decree of 6 April 2018 and by Circular no. 19/2018.

The VAT Group consists of 14 CA entities and Crédit Agricole Italia is the VAT Group Representative Member.

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

OTHER INFORMATION

TAX-RELATED DISPUTES

In past years, disputes were initiated on registration taxes with the Agenzia delle Entrate, the Italian Inland Revenue Agency. The Agenzia delle Entrate has reclassified the transfers of branches from Intesa Sanpaolo to Crédit Agricole Italia and Crédit Agricole FriulAdria carried out in 2007 and the subsequent transfer of the received equity investments to the institutional Shareholders of the two Banks as sales of business units. Based on this reclassification, the total amount jointly due by the parties involved on various grounds in the specific transactions would be approximately Euro 40 million, plus interest. On these disputes, favourable decisions were issued by the competent Courts of second instance, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation.

Also in the light of the opinions, obtained at the beginning of these disputes, from leading Law Firms, as well as in the light of the favourable Court decisions issued, no provisions have ever been allocated for these disputes.

In 2014, a dispute initiated, again on registration taxes and based on the same grounds, regarding a similar transaction carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes, on the three transfers made, for approximately Euro 1.5 million, Euro 2.2 million and Euro 9.9 million, plus interest, respectively. In the first half of 2017, having regard to the two disputes concerning the transfer of Carifirenze (Euro 1.5 million) and the transfer of FriulAdria (Euro 2.2 million), favourable judgements were issued by the competent courts of second instance, against which the Agenzia delle Entrate filed appeal with the Italian Court of Cassation; on the third dispute concerning the transfer of ISP (Euro 9.9 million), in 2018 a favourable judgement was issued by the competent court of second instance, for which the terms to file appeal have not yet ended.

Again in regard to such transactions, in March 2016 other verification notices were served concerning the recalculation of the business unit value for a total of Euro 2.1 million, which were appealed against. The Banks have promptly appealed against the aforementioned measures and no provisions have been allocated in this regard.

Although the firm believes its conduct to be correct, the CASA Group has assessed, for risk mitigation purposes only, whether to exercise the option provided for by Italian Decree Law 119/2018, so-called tax amnesty measures including the possibility to settle some tax disputes by paying lower taxes and no penalties and interest.

Finally, based on agreements with all the parties involved, in May 2019 consensus was reached on the expediency to exercise the aforementioned option for the disputes listed above, except for the dispute on the ISP 2011 transfer, submitting the specific petition for the settlement procedure and paying the related amounts. The cost for the settlement regarding the transfers to FriulAdria, amounting to approximately Euro 0.2 million, was paid for by Crédit Agricole Italia, whereas the costs for the 2007 ISP transfers to Crédit Agricole Italia and 2011 Carifirenze transfers to Crédit Agricole Italia were paid for by Crédit Agricole S.A. With the submitted petitions, unless they are rejected, which seems now very unlikely, these disputes can be considered finally closed.

The disputes on the ISP 2011 transfers are the only ones still pending, with taxes due amounting to Euro 11.7 million. As the long-overdue refund has not yet been received and given the conditions required by the applicable legislation, exercising the option for the tax amnesty measures on these disputes would have determined a blatantly excessive settlement cost compared with the assessed risk.

A dispute started in 2014 subsequent to non-payment to Crédit Agricole Italia of part of the specific tax account receivable provided for by Italian Decree-Law 185/2008 for the amounts credited by it to Customers relating to the State contribution on floating-rate mortgage loans that were taken out by 31 October 2008.

With the above Law, the Italian State provided a contribution to tax payers that took out floating-rate mortgage loans for the purchase of their home amounting to the interest paid by the same tax payers in 2009 at a rate of over 4%. This amount was to be credited directly by the lending banks that would recover it through a tax account receivable.

The Italian Inland Revenue Service has refused to acknowledge the portion of this tax account receivable relating to amounts actually credited to Customers in 2010 and issued the relevant tax payment form. Consequently, Crédit Agricole Italia had to pay an amount of Euro 1.3 million and started a specific dispute.

However, the first-instance judgement has confirmed the claim of the *Agenzia delle Entrate* as to the tax amount, while it overruled the penalty claim. Continuing such dispute was deemed appropriate, based on the valid arguments put forward, and, in July 2016, an appeal was filed with the competent Court of second instance, against which the *Agenzia delle Entrate* submitted its counter-arguments. To date, the hearing before the Court of second instance has not yet been scheduled.

Subsequent to the merger of the Banks acquired at the end of 2017, Crédit Agricole Italia took over all the legal rights and obligations of the merged entities and, therefore, also those regarding tax disputes.

In December 2018, Crédit Agricole Italia was served 3 verification notices regarding the 2013- 2014 and 2015 fiscal years concerning the merged bank Cassa di Risparmio di San Miniato Spa, whereby the Agenzia delle Entrate, following a tax audit, has claimed that certain fee and commission income components were not duly taxed, as regards the Italian Regional Tax on Productive Activities (IRAP), due to their misclassification in the financial statements. The total amount claimed is Euro 0.585 mln. In May 2019, Crédit Agricole Italia agreed to settle the verification notices served before 24 October 2018 exercising the option for the tax amnesty measures and, thus, paying the claimed taxes only, with no penalties and no interest, for a total of Euro 0.292 million and filing the additional tax returns for the three fiscal years. The cost was fully covered with a specific provision.

In December 2018, Crédit Agricole Carispezia was served a verification notice on a taxable base component for the Italian Regional Tax on Productive Activities (IRAP), claiming taxes, penalties and interest for a total of Euro 0.177 million. As it believes to have solid defence grounds, the related dispute was started without any specific provision recognized.

In the first half of 2018, Crédit Agricole Leasing was subject to a general tax audit, which ended with the service of a Report of Verification (PVC) whereby the Agenzia delle Entrate challenged VAT application on certain boat leases, for the 2013 and 2014 fiscal years. In October, as regards the 2013 fiscal year, a verification notice was served claiming a total amount of approximately Euro 350 thousand, reasserting the arguments set forth in the report of verification; specifically, the Agency denied the non-applicability of VAT to leases of boats (for boats intended to be used on the high-seas) due to the alleged lack of documentation giving evidence that the requirement of navigation on the high seas was met.

First-instance appeal has been filed against the aforementioned verification.

Also in the light of specific opinions given by leading law firms, no provision was allocated for this dispute.

In mid-June 2019, the “Agenzia delle Entrate” also served a verification notice regarding the 2014 tax year claiming a total amount of about Euro 669 thousand, based on the same alleged infringements as argued in the Report of Verification. Given that these claims are essentially similar to those regarding 2013, for the time being, also in this case, it has been decided not to allocate any provision.

Balance sheet aggregates

Reclassified Consolidated Balance Sheet

Assets	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
Net financial Assets/Liabilities at fair value	42,255	51,641	-9,386	-18,2
Financial assets measured at fair value through other comprehensive income (IFRS 7, para. 8 letter h))	3,332,144	3,260,746	71,398	2,2
Net due from banks	51,590,533	51,001,282	589,251	1,2
Loans to Customers	20,639	27,755	-7,116	-25,6
Equity investments	20,639	27,755	-7,116	-25,6
Property, plant and equipment and intangible assets	2,919,927	2,783,987	135,940	4,9
Non-current assets held for sale and discontinued operations	-	-	-	
Tax assets	1,552,094	1,639,049	-86,955	-5,3
Other assets	1,792,068	1,374,475	417,593	30,4
TOTAL ASSETS	**61,249,660**	**60,138,935**	**1,110,725**	**1,8**

Liabilities	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
Net due to banks	2,276,741	2,492,554	-215,813	-8,7
Funding from Customers	49,079,269	48,159,170	920,099	1,9
Net financial liabilities/assets at fair value	-	-	-	100,0
Tax liabilities	180,865	264,790	-83,925	-31,7
Other liabilities	2,836,532	2,319,377	517,155	22,3
Specific-purpose provisions	490,384	524,334	-33,950	-6,5
Capital	979,233	962,672	16,561	1,7
Equity instruments	715,000	715,000	-	-
Reserves (net of treasury shares)	4,523,068	4,383,825	139,243	3,2
Valuation reserves	-124,468	-142,181	-17,713	-12,5
Minority interests	136,726	185,496	-48,770	-26,3
Profit (Loss) for the period	156,310	273,898	-117,588	-42,9
TOTAL EQUITY AND NET LIABILITIES	**61,249,660**	**60,138,935**	**1,110,725**	**1,8**

Reconciliation of the official and reclassified balance sheets

Assets	30 June 2019	31 Dec. 2018
Net financial Assets/Liabilities at fair value	**42,255**	**51,641**
20 a. Financial assets held for trading	109,389	97,425
20 b. Financial assets designated at fair value	-	-
20 c. Financial assets mandatorily measured at fair value	27,506	27,731
20. Financial liabilities held for trading	-94,640	-73,515
30. Financial liabilities designated at fair value	-	-
Financial assets measured at fair value through other comprehensive income	**3,332,144**	**3,260,746**
30. Financial assets measured at fair value through other comprehensive income	3,332,144	3,260,746
Loans to Customers	**51,590,533**	**51,001,282**
40 b. Loans to Customers	51,590,533	51,001,282
Equity investments	**20,639**	**27,755**
70. Equity investments	20,639	27,755
Property, plant and equipment and intangible assets	2,919,927	2,783,987
90. Property, Plant and Equipment	1,015,092	847,790
100. Intangible assets	1,904,835	1,936,197
Tax assets	**1,552,094**	**1,639,049**
110. Tax assets	1,552,094	1,639,049
Non-current assets held for sale and discontinued operations	**-**	**-**
120. Non-current assets held for sale and discontinued operations	-	-
Other assets	**1,792,068**	**1,374,475**
10. Cash and cash equivalents	248,491	295,958
130. Other assets	545,234	463,033
50. Hedging derivatives (Assets)	935,675	575,331
60. Fair value change of financial assets in macro-hedge portfolios	62,668	40,153
TOTAL ASSETS	**61,249,660**	**60,138,935**

Liabilities	30 June 2019	31 Dec. 2018
Net due to banks	**2,276,741**	**2,492,554**
40 a. Due from banks	-3,892,131	-3,537,099
10 a. Due to banks	6,168,872	6,029,653
Funding from Customers	**49,079,269**	**48,159,170**
10 b) Due to Customers	40,149,085	39,698,913
10 c) Debt securities issued	8,930,184	8,460,257
Tax liabilities	**180,865**	**264,790**
60. Tax liabilities	180,865	264,790
Liabilities associated with non-current assets held for sale and discontinued operations	-	-
Other liabilities	2,836,532	2,319,377
40. Hedging derivatives (Liabilities)	576,962	564,549
50. Fair value change of financial liabilities in macro-hedge portfolios	535,591	361,962
80. Other liabilities	1,723,979	1,392,866
Specific-purpose provisions	**490,384**	**524,334**
90. Employee severance benefits	130,715	135,722
100. Provisions for risks and charges	359,669	388,612
Capital	**979,233**	**962,672**
170. Capital	979,233	962,672
Equity instruments	**715,000**	**715,000**
140. Equity instruments	715,000	715,000
Reserves (net of treasury shares)	**4,523,068**	**4,383,825**
150. Reserves	1,405,233	1,266,117
160. Share premium reserve	3,117,835	3,117,708
180. Treasury shares (+/-)	-	-
Valuation reserves	**-124,468**	**-142,181**
120. Valuation reserves	-124,468	-142,181
Minority interests	**136,726**	**185,496**
190. Minority interests	136,726	185,496
Profit (Loss) for the period	**156,310**	**273,898**
200. Profit (loss) for the period	156,310	273,898
TOTAL LIABILITIES AND EQUITY	**61,249,660**	**60,138,935**

Loans to Customers

Items	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
- Current accounts	2,544,587	2,739,740	-195,153	-7.1
- Mortgage loans	28,386,721	28,110,213	276,508	1.0
- Advances and credit facilities	13,978,676	13,415,567	563,109	4.2
- Repurchase agreements	-	-	-	
- Non-performing loans	1,678,176	1,750,204	-72,028	-4.1
Loans to Customers	**46,588,160**	**46,015,724**	**572,436**	**1.2**
Securities measured at amortized cost	5,002,373	4,985,558	16,815	0.3
TOTAL LOANS TO CUSTOMERS	**51,590,533**	**51,001,282**	**589,251**	**1.2**

Loans to customers: credit quality

Items	30 June 2019			31 Dec. 2018		
	Gros exposure	Total adjustments	Net exposure	Gros exposure	Total adjustments	Net exposure
- Bad loans	1,975,988	1,354,883	621,105	2,003,316	1,370,074	633,242
- Unlikely to Pay	1,596,635	564,691	1,031,944	1,635,482	556,568	1,078,914
- Past-due/overlimit loans	28,740	3,612	25,128	42,616	4,568	38,048
Non-performing loans	**3,601,363**	**1,923,186**	**1,678,176**	**3,681,414**	**1,931,210**	**1,750,204**
Performing loans - stage 2	2,963,362	187,914	2,775,447	3,034,482	195,683	2,838,799
Performing loans - stage 1	42,201,247	66,711	42,134,536	41,506,229	79,509	41,426,720
Performing loans	**45,164,609**	**254,625**	**44,909,984**	**44,540,711**	**275,192**	**44,265,519**
Loans to Customers	**48,765,971**	**2,177,811**	**46,588,160**	**48,222,125**	**2,206,402**	**46,015,723**
Securities measured at amortized cost	5,007,282	4,909	5,002,373	4,990,406	4,847	4,985,559
TOTAL	**53,773,253**	**2,182,720**	**51,590,533**	**53,212,531**	**2,211,249**	**51,001,282**

Funding from Customers

Items	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
- Deposits	2,178,989	2,238,444	-59,455	-2.7
- Current and other accounts	37,540,407	37,224,843	315,564	0.8
- Other items	429,689	234,493	195,196	83.2
- Repurchase agreements	-	1,135	-1,135	
Due to Customers	40,149,085	39,698,915	450,170	1.1
Debt securities issued	**8,930,184**	**8,460,255**	**469,929**	**5.6**
Financial Liabilities measured at fair value (debt instruments)		-	-	
Total direct funding	**49,079,269**	**48,159,170**	**920,099**	**1.9**
Indirect funding	**66,744,322**	**64,477,921**	**2,266,401**	**3.5**
Total funding	**115,823,591**	**111,637,091**	**4,186,500**	**3.8**

Indirect funding

Items	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
- Asset management products	16,527,035	15,587,669	939,366	6.0
- Insurance products	19,598,459	18,778,543	819,916	4.4
Total assets under management	**36,125,494**	**34,366,212**	**1,759,282**	**5.1**
Assets under administration	**30,618,828**	**29,111,709**	**1,507,119**	**5.2**
Indirect funding	**66,744,322**	**63,477,921**	**3,266,401**	**5.1**

Securities

Items	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
Financial assets and liabilities measured at fair value through profit or loss				
- Debt securities	93	89	4;	4.5
- Equity securities and units of collective investment undertakings	52,102	52,948	-846	-1.6
- Loans	-	6,439	-6,439	
- Derivative financial instruments with positive FV	84,700	65,680	19,020	29.0
Total assets	**136,895**	**125,156**	**11,739**	**9.4**
- Derivative financial instruments with negative FV	94,640	73,515	21,125	28.7
Total liabilities	**94,640**	**73,515**	**21,125**	**28.7**
NET TOTAL	**42,255**	**51,641**	**-9,386**	**-18.2**
FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
- Debt securities	3,080,967	3,013,043	67,924	2.3
- Equity securities	247,670	244,674	2,996	1.2
- Loans	-	-		
TOTAL	**3,328,637**	**3,257,717**	**70,920**	**2.2**

Government securities held

Item	30 June 2019		
	Nominal value	Book value	Valuation
Financial assets held for trading			
Italian Government securities	11	14	X
Argentinian Government securities	47	-	X
Brazilian Government securities:	-	-	X
Financial assets through other comprehensive income			
Italian Government securities	2,790,000	3,080,968	-62,075
Financial assets carried at amortized cost			
Italian Government securities	4,453,000	4,825,158	X
TOTAL	**7,243,057**	**7,906,140**	**-62,075**

Specific-purpose provisions

Items	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
Employee severance benefits	130,715	135,722	-5,007	-3.7
Provisions for risks and charges	359,669	388,612	-28,943	-7.4
a) commitments and guarantees given	33,987	37,254	-2.367	-8.8
b) post-employment and similar obligations	37,685	38,273	-588	-1.5
c) other provisions for risks and charges (*)	287,997	313,085	-25,088	-8.0
Total specific-purpose provisions	**490,384**	**524,334**	**-33,950**	**-16.2**

(*) they cover personnel expenses, operational risks and legal disputes, misselling and other risks associated with business with customers

Equity

Items	30 June 2019	31 Dec. 2018	Changes	
			Absolute	%
Share capital	979,233	962,672	16,561(*)	1.7
Share premium reserve	3,117,835	3,117,708	127	0.0
Reserves	1,405,233	1,266,117	139,116	11.0
Equity instruments	715,000	715,000	-	-
Reserve for valuation of financial assets through other comprehensive income	-74.975	-94.806	-19.831	-20,9
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-49.492	-47.375	2.117	4,5
Treasury shares	-	-	-	-
Net profit for the period	156,310	273,898	-117,588	-42,9
Total (book) equity	**6,249,143**	**6,193,214**	**55,929**	**0,9**

(*) this change reports the share capital increase of Euro 16.540 million intended for the Cassa di Risparmio Carispezia Foundation within the merger by absorption of Crédit Agricole Carispezia and, as to the remaining portion, the effect of the exercise of warrants on shares of the former ex Cassa di Risparmio di Cesena

Own Funds

Items	30 June 2019	31 Dec. 2018
Common Equity Tier 1 (CET1)	**3,240,259**	**3,116,124**
Additional Tier 1 (AT1)	726,698	732,220
Tier 1 (T1)	**3,966,957**	**3,848,344**
Tier 2 (T2)	811,044	831,137
Total Capital (Own Funds)	4,778,001	4,679,481
Risk-weighted assets	**28,718,678**	**27,842,151**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	25,535,943	24,657,313
CAPITAL RATIOS		
Common Equity Tier 1 ratio	**11.3%**	**11.2%**
Tier 1 ratio	**13.8%**	**13.8%**
Total Capital ratio	**16.6%**	**16.8%**

Following the results of the supervisory review evaluation process (SREP), with a letter dated 14 February 2019, the European Central Bank communicated its decision on the minimum capital ratios that the Crédit Agricole Banking Italia Group shall comply with, on a consolidated basis and continuously for 2019: In compliance with Article 16 (2) (a) of Regulation (EU) no. 1024/2013, which vests the ECB with the power to require the supervised institutions to hold own funds in excess of the capital requirements laid down in applicable legislation, a 1.75% additional requirement was introduced, which has already been included in the requirements set forth below.

In accordance with the requirements set out in the aforementioned letter, the Crédit Agricole Italia Banking Group shall comply, at a consolidated level, with the capital ratios given below:

- CET1 ratio: 8.75% (including the capital conservation buffer (CCoB));
- Total Capital ratio: 12.25% (including the capital conservation buffer (CCoB)).

The Common Equity Tier 1 ratio as at 30 June 2019 stood at 11.3%, a slight increase compared to the previous year (11.2% as at 31.12.2018). The trend includes, in addition to the evolution of the related accounting equity items, on the one hand, lower deductions related to other intangible assets and DTAs due to their progressive absorption and, on the other hand, a reduction in minority interests included in CET1, following the acquisition of 100% of Credit Agricole Carispezia, and an increase in the shortfall (excess of expected losses compared to value adjustments).

The consolidated Common Equity tier 1 capital as at 30 June 2019 comprises:

- the share capital increase of a nominal value of Euro 16,539,731.00, exclusively intended for the subscription of the Cassa di Risparmio della Spezia Foundation, finalized at the end of February 2019 within the wider plan for the merger by absorption of Crédit Agricole Carispezia into the controlling company Crédit Agricole Italia S.p.A. The merger has become legally effective at the end of July 2019;
- as per the prior authorization given by the Competent Authority (Article 26(2) of Regulation (EU) No. 575/2013, Decision (EU) 2015/656 of the ECB), the share of the profit for the period eligible to be includ-

ed, net of foreseeable charges and dividends; as regards the latter, the higher percentage of distribution was chosen between the one in the last FY and the average of the last three.

The Tier 1 ratio is 13.8% unchanged compared to the end of 2018.

The Total Capital ratio is 16.6%, down compared to the value recorded at the end of 2018 (16.8%) due, inter alia, to the amortization of some Tier 2 instruments.

Risk-weighted assets (RWA) amounted to Euro 28,719 billion, up compared to 31/12/2018, with a trend that reflects the evolution of commercial activity, the AIRB treatment of retail non-performing loans and the effects of introduction of the IFRS16 accounting standard.

In summary, in the first half of 2019 the maintenance of a consolidated Common Equity Tier 1 ratio exceeding the requirements of the SREP of 8.75% (CET1 required) confirms the recognized quality and capital strength of the Crédit Agricole Italia Banking Group.

PROFIT ANS LOSS RESULTS

In the following statements, the Income Statement figures as at 30 June 2019 are given and compared to the figures referring to the same period last year. The relevant comments are included in the "Interim Report on Operations", where the Company's performance is dealt with.

The June 2019 figures refer to the Banking Group perimeter consisting of Crédit Agricole Italia S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Crédit Agricole Leasing Italia S.r.l., Crédit Agricole Group Solutions S.c.p.a., Unibanca Immobiliare srl, Carice Immobiliare S.p.A., Agricola Le Cicogne S.r.l., San Piero Immobiliare S.r.l., San Giorgio Immobiliare S.r.l., San Genesio Immobiliare S.p.A., Crédit Agricole Real Estate Italia S.r.l. and the special-purpose entities Mondo Mutui Cariparma S.r.l., Crédit Agricole Italia OBG S.r.l., Sliders S.r.l. and Italstock S.r.l., all consolidated on a line-item basis.

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

Reclassified Consolidated Income Statement

Attività	30 June 2019	30 June 2018	Variazioni	
			Assolute	%
Net interest income	507,849	485,981	21,868	4,5
Net fee and commission income	448,186	445,363	2,823	0,6
Dividends	11,270	12,508	-1,238	-9,9
Profit (loss) on banking activities	1,292	24,378	-23,086	-94,7
Other operating income (expenses)	7,214	7,208	6	0,1
Net operating income	**975,811**	**975,438**	**373**	**-**
Personnel expenses	-364,995	-368,770	-3,775	-1,0
Administrative expenses	-172,721	-200,989	-28,268	-14,1
Depreciation of property, plant and equipment and amortization of intangible assets	-79,056	-58,640	20,416	34,8
Operating expenses	**-616,772**	**-628,399**	**-11,627**	**-1,9**
Operating margin	**359,039**	**347,039**	**12,000**	**3,5**
Goodwill impairment	-	-	-	-
Net provisioning for risks and charges	-3,246	18,968	-22,214	
Net impairments of loans	-123,700	-131,967	-8,267	-6,3
Impairment of securities	29	-698	727	
Profit (losses) on investments held to maturity and other investments	351	57	294	
Profit (loss) before taxes from continuing operations	**232,473**	**233,399**	**-926**	**-0,4**
Taxes on income from continuing operations	-69,794	-73,497	-3,703	-5,0
Profit (loss) on discontinuing operations after taxes	-	-	-	
Profit (Loss) for the period	**162,679**	**159,902**	**2,777**	**1,7**
Profit (Loss) for the period attributable to minority interest	-6,369	-9,839	-3,470	-35,3
Profit (Loss) for the period	**156,310**	**150,063**	**6,247**	**4,2**

Reconciliation between the Official and Reclassified Income Statements

Assets	30 June 2019	30 June 2018
Net interest income	**507,849**	**485,981**
30. Net interest income	508,056	488,467
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	(989)	(3,085)
190: Calit IAS profit	782	599
Net fee and commission income	**448,186**	**445,363**
60. Net fee and commission income	444,339	443,751
220. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	3,847	1,612
Dividends and similar income = item 70	**11,270**	**12,508**
Profit (loss) on banking activities	**1,292**	**24,378**
80. Net profit (loss) on trading activities	4,844	5,093
90. Net profit (loss) on hedging activities	(4,318)	(6,182)
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	989	3,085
100. Profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-	-
100. Profit (loss) on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income	-	20,485
100. Profit (loss) on disposal or repurchase of: d) financial liabilities	(89)	(307)
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(134)	2,204
Other operating income (expenses)	**7,214**	**7,208**
220. Other operating expenses/income	138,829	140,892
250. Gains (losses) on equity investments of which Price Adjustment for disposal of equity investments	12,522	8,829
To deduct: expenses recovered	(136,981)	(137,274)
To deduct: recovered expenses for the management of non-performing loans	(2,527)	(3,028)
To deduct: Commission income from Fast Loan Application Processing	(3,847)	(1,612)
To deduct: Calit IAS profit	(782)	(599)
Net operating income	**975,811**	**975,438**
Personnel expenses = item 180 a)	**(364,995)**	**(368,770)**
Administrative expenses	**(172,721)**	**(200,989)**
180. Administrative expenses: b) other administrative expenses	(317,648)	(348,119)
220. Other operating expenses/income: of which expenses recovered	136,981	137,274
180. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	7,946	9,856
Depreciation of property, plant and equipment and amortization of intangible assets	(79,056)	(58,640)
200. Net adjustments of/recoveries on property, plant and equipment	(38,486)	(20,688)
210. Net adjustments of/recoveries on intangible assets	(40,570)	(37,952)
Operating expenses	**(616,772)**	**(628,399)**
Operating margin	**359,039**	**347,039**
Goodwill impairment = item 260	**-**	**-**
Net provisioning for risks and charges = Item 190 b) other net provisioning	(3,246)	18,968
Net impairments of loans	(123,700)	(131,967)
100. Profit (loss) on disposal or repurchase of: a) financial assets measured at amortized cost	(4,273)	2,923
To deduct profit (loss) on disposal or repurchase of: a) securities classified as financial assets measured at amortized cost	-	-
130. Net adjustments for credit risk of: a) financial assets measured at amortized cost	(116,589)	(137,191)
To deduct: net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	61	271
140. Profits/Losses on contract modifications without derecognition	(581)	-
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	(7,946)	(9,856)
To deduct: recovered expenses for the management of non-performing loans	2,527	3,028
220. Net provisioning for risks and charges: a) commitments and guarantees given	3,101	8,858
Impairment of securities	29	(698)
130. Net adjustments for credit risk of: a) securities classified as financial assets measured at amortized cost	(61)	(271)
130. Net adjustments for credit risk of:: b) financial assets measured at fair value through other comprehensive income	90	(427)
Profit (loss) on other investments	351	57
240. Profit (losses) on equity investments	**12,522**	**8,814**
to deduct Profits (Losses) on equity investments: of which Price Adjustment on disposal of equity investments	(12,522)	(8,829)
250. Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
270. Profit (losses) on disposals of investments	351	72
Profit (loss) on continuing operations before taxes	**232,473**	**233,399**
Taxes on income from continuing operations = item 260	(69,794)	(73,497)
Profit (Loss) for the period	**162,679**	**159,902**
Profit (Loss) for the period	(6,369)	(9,839)
Profit (Loss) for the period	**156,310**	**150,063**

Net interest income

Items	30 June 2019	30 June 2018	Changes	
			Absolute	%
Business with Customers	416,404	404,646	11,758	3
Business with banks	1,362	(5,973)	7,335	
Debt securities issued	(43,928)	(57,526)	(13,598)	-24
Spreads on hedging derivatives	83,453	87,902	(4,449)	-5
Financial assets held for trading	81	99	(18)	-18
Assets measured at fair value	-	-	-	
Securities measured at amortized cost	32,649	29,092	3,557	12
SECURITIES THROUGH OTHER COMPREHENSIVE INCOME	**19,708**	**28,146**	**(8,438)**	**-30**
OTHER NET INTEREST INCOME	**(1,881)**	**(405)**	**1,476**	
NET INTEREST INCOME	**507,849**	**485,981**	**21,868**	**4,5**

Net fee and commission income

Items	30 June 2019	30 June 2018	Changes	
			Absolute	%
- guarantees given	2,790	3,905	-1,115	-28,5
- collection and payment services	28,461	29,261	-800	-2,7
- current accounts	111,047	103,102	7,945	7,7
- debit and credit card services	14,209	18,617	-4,408	-23,7
Commercial banking business	156,507	154,885	1,622	1,0
- securities intermediation and placement	102,193	100,037	2,156	2,2
- intermediation in foreign currencies	2,305	2,344	-39	-1,7
- asset management	4,029	5,112	-1,083	-21,2
- distribution of insurance products	135,706	125,372	10,335	8,2
- other intermediation/management fee and commission income	21,918	24,805	-2,887	-11,6
Management, intermediation and advisory services	266,151	257,669	8,482	3,3
Other net fee and commission income	25,527	32,809	-7,282	-22,2
TOTAL NET FEE AND COMMISSION INCOME	**448,186**	**445,363**	**2,822**	**0,6**

Net income from banking activities

Items	30 June 2019	30 June 2018	Changes	
			Absolute	%
Interest rates	1,506	3,270	(1,764)	-53,9
Stocks	20	(2,061)	2,081	
Foreign exchange	3,209	3,538	(329)	-9,3
Commodities	20	19	1	5,3
Credit derivatives for trading			-	
Total profit (losses) on financial assets held for trading	4,755	4,766	(11)	-0,2
Total profit (losses) on assets held for hedging	(3,330)	(3,097)	233	7,5
Net profit (loss) on financial assets and liabilities measured at fair value	8	1,978	(1,970)	-99,6
Total profit (losses) on securities measured at amortized cost	(141)	246	(387)	
Total profit (losses) on securities through other comprehensive income		20,485	(20,485)	
Profit (loss) on banking activities	**1,292**	**24,378**	**(23,086)**	**-94,7**

Operating expenses

Items	30 June 2019	30 June 2018	Changes	
			Absolute	%
- wages and salaries	(262,017)	(267,087)	-5,070	-1,9
- social security contributions	(69,300)	(69,870)	-570	-0,8
- other personnel expenses	(33,678)	(31,811)	1,867	5,9
Personnel expenses	**(364,995)**	**(368,769)**	**-3,774**	**-1,0**
- general operating expenses	(54,958)	(55,670)	-712	-1,3
- IT services	(44,212)	(47,824)	-3,612	-7,6
- direct and indirect taxes	(56,854)	(61,115)	-4,261	-7,0
- real estate property management (*)	(9,418)	(29,986)	-20,568	-68,6
- legal and other professional services	(10,331)	(13,212)	-2,881	-21,8
- advertising and promotion expenses	(8,907)	(9,941)	-1,034	-10,4
- indirect personnel expenses	(5,095)	(5,786)	-691	-12,0
- contributions to the banking system	(22,240)	(21,856)	384	1,8
- other expenses	(97,604)	(92,876)	4,728	5,1
- expenses and charges recovered	136,898	137,350	-452	-0,3
Administrative expenses	**(172,721)**	**(200,917)**	**-28,196**	**-14,0**
- intangible assets	(40,570)	(37,952)	2,617	6,9
- property, plant and equipment (*)	(38,486)	(20,761)	17,725	85,4
Depreciation and amortization	**(79,056)**	**(58,714)**	**20,342**	**34,6**
Operating expenses	**(616,772)**	**(628,399)**	**-11,627**	**-1,9**

(*) the changes vs. 30 June 2018 resulted also from the new rules to recognize leases introduced by IFRS16, which shall apply to reporting periods starting on or after 1 January 2019, as dealt with in the section on accounting policies

Net impairments of loans

Items	30 June 2019	30 June 2018	Changes	
			Absolute	%
- Bad loans	(46,899)	(49,388)	-2,489	-5,0
- Unlikely to Pay	(72,032)	(69,814)	2,218	3,2
- Past-due loans	(1,730)	(2,677)	-947	-35,4
Non-performing loans	**(120,661)**	**(121,879)**	**-1,218**	**-1,0**
- Performing loans - stage 2	(1,932)	(11,466)	-9,534	-83,2
- Performing loans - stage 1	1,792	(466)	2,258	
Performing loans	**(140)**	**(12,172)**	**-12,032**	**-98,8**
Net losses on impairment of loans	**(120,801)**	**(134,051)**	**-13,250**	**-9,9**
Profits/Losses on contract modifications without derecognition	(581)	-		
Expenses/recovered expenses for loan management	(5,419)	(6,828)	-1,409	-20,6
Net losses on impairments of guarantees and commitments	3,102	8,912	-5,810	-65,2
Net impairments of loans	**(123,700)**	**(131,967)**	**-8,268**	**-8.268**

Comprehensive income

Voci	30 June 2019	30 June 2018
10. Profit (Loss) for the period	**162,679**	**159,902**
Other comprehensive income net of tax not reclassified to profit or loss		
20. Equity securities designated at fair value through other comprehensive income	(2,352)	(535)
30. Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		-
40. Hedging of equity securities designated at fair value through other comprehensive income		-
50. Property, Plant and Equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	(1,676)	(5,799)
80. Non-current assets held for sale and discontinued operations	-	-
90. Share of valuation reserves on equity investments measured using the equity method		131
Other comprehensive income after tax reclassified to profit or loss		
100. Hedges of investments in foreign operations	-	-
110. Exchange rate differences	-	-
120. Cash flow hedges	-	-
130. Hedging instruments (non-designated elements)		-
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income) (*)	24,096	(122,270)
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	20,068	(128,473)
180. Comprehensive income (Item 10+170)	**182,747**	**31,429**
190. Comprehensive income attributable to Minority Interests	6,647	2,456
200. COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT COMPANY (ITEM 10+170)	**176,101**	**28,972**

(*) 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. The change was mainly due to the market performance regarding the Government Security portfolio.

FAIR VALUE REPORTING - CLASSIFICATION OF FINANCIAL INSTRUMENTS AND 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 (irrespective of whether they are so measured on a recurring or non-recurring basis).

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

- **Level 1**: *Fair value* equal to quoted prices (with no adjustments) in active markets. Level 1 includes financial instruments that are quoted in active markets. Specifically, these financial instruments are stocks and bonds quoted in active markets, investment schemes quoted in active markets (ETF) 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 universally acknowledged measurement models based on observable or indirectly observable market inputs (for example, determining the interest rate curve based on the interest rates that can be observed directly on the market at a given reference date or current events or transactions reflecting the assumptions that market counterparties would use to measure the asset).

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

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

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

FAIR VALUE REPORTING - FAIR VALUE LEVELS 2 AND 3: MEASUREMENT TECHNIQUES AND INPUTS USED

Level 2: this level includes all financial instruments for which there is no active market, but whose measurement is based on observable market inputs. Therefore, universally acknowledged measurement models have been set, which refer to observable market inputs.

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

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

As provided for by IFRS 13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA), whereby the CVA and DVA can be calculated by netting set or by counterparty, after assessing the netting effect potentially resulting from such Agreements, rather than calculating it by single derivative.

As at 30 June 2019, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method used for the previous Annual Report and Financial Statements, was Euro 11.6 million. Similarly, as at 30 June 2019, the DVA value was Euro 0.9 million.

As regards the narrative description of the sensitivity of the fair value measurement of L3-classified instruments required by IFRS 13, it is pointed out that such instruments mainly consist of equity securities, unquoted investment funds and OTC derivatives. For these investments no quantitative sensitivity analysis of the fair value based on the change in unobservable inputs was carried out, since either the fair value was obtained from third-party sources without any adjustments or resulted from a model whose inputs are specific for the entity being measured (for example the company equity values) and for which alternative values cannot be reasonably assumed.

FAIR VALUE REPORTING - FAIR VALUE HIERARCHY

For assets and liabilities recognized, the Finance Division of Crédit Agricole Italia S.p.A. 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 moves financial instruments to Level 3 only in case of financial instruments that are no quoted in a regulated market and that cannot be measured using the Group's internal standard pricing models

Attività/Passività misurate al fair value	30 June 2019			30 June 2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	93	84,027	52,775	89	65,111	59,956
a) financial assets held for trading	93	84,027	25,269	89	65,111	32,225
b) financial assets designated at fair value	-	-	-			
c) other financial assets mandatorily measured at fair value	-	-	27,506			27,731
2. Financial assets measured at fair value through other comprehensive income	3,095,603	202,000	34,541	3,025,930	201,999	32,817
3. Hedging derivatives	-	935,667	8		575,296	35
4. Property, plant and equipment	-	-	-			
5. Intangible assets	-	-	-			
TOTAL	**3,095,696**	**1,221,694**	**87,324**	**3,026,019**	**842,406**	**92,808**
1. Financial liabilities held for trading	-	94,535	105		73,515	
2. Financial liabilities designated at fair value	-	-	-			
3. Hedging derivatives	-	214,442	362,520		216,347	348,202
TOTAL	**-**	**308,977**	**362,625**	**-**	**289,862**	**348,202**

Key: L1= Level 1 L2= Level 2 L3= Level 3

FAIR VALUE REPORTING - TRANSFERS BETWEEN PORTFOLIOS

In the first half of 2019 no transfers between portfolios were made.

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

ANNUAL CHANGES 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 TOCI	Hedging derivatives	Prop. plant and equipment	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**59,956**	**32,225**	**-**	**27,731**	**32,817**	**35**	**-**	**-**
2. Increases	**435**	**415**	**-**	**20**	**7,874**	**-**	**-**	**-**
2.1 Purchases	134	134	-	-	7,615	-	-	-
2.2 Profits recognized in:	-	-	-	-	-	-	-	-
2.2.1 Income Statement	219	199	-	20	-	-	-	-
- of which: capital gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	X	X	X	259	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	82	82	-	-	-	-	-	-
3. Decreases	**7,616**	**7,371**	**-**	**245**	**6,150**	**27**	**-**	**-**
3.1 Sales	799	708	-	91	235	-	-	-
3.2 Repayments	6,520	6,520	-	-	-	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-	-	-
3.3.1 Income Statement	293	139	-	154	-	27	-	-
- of which: capital losses	293	139	-	154	-	27	-	-
3.3.2 Equity	-	X	X	X	5,915	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	4	4	-	-	-	-	-	-
4. Closing Balance	**52,775**	**25,269**	**-**	**27,506**	**34,541**	**8**	**-**	**-**

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

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance			**348,202**
2. Increases	**105**	**-**	**16,405**
2.1 Issues	105	-	
2.2 Losses recognized in:	-	-	-
2.2.1 Income Statement	-	-	16,405
- of which: capital losses	-	-	16,405
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**2,087**
3.1 Repayments	-	-	
3.2 Repurchases	-	-	-
3.3 Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	2,087
- of which: capital gains	-	-	2,087
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**105**	**-**	**362,520**

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

Attività/Passività non misurate al fair value o misurate al fair value su base non ricorrente	30.06.2019				31.12.2018			
	VB	L1	L2	L3	VB	L1	L2	L3
Financial assets measured at amortized cost	55,482,664	4,894,978	10,200,171		54,538,381	4,852,629	4,914,642	42,450,312,00
Investment property	86,398	-	-	119,749	81,273			113,398
Non-current assets held for sale and discontinued operations		-	-	31,310				
TOTAL	**55,568,453**	**4,894,978**	**10,200,171**	**39,628,556**	**54,619,654**	**4,852,629**	**4,914,642**	**42,563,710**
Financial liabilities measured at amortized cost	55,248,141	-	53,087,314	725,750	54,188,823		53,200,179	763,487
Liabilities associated with non-current assets held for sale and discontinued operations		-	-	-				
TOTAL	**55,248,141**	**-**	**53,087,314**	**725,750**	**54,188,823**	**-**	**53,200,179**	**763,487**

Operations and income by business segment

The data relating to operations and profitability by business area are shown in compliance with IFRS8 Operating segments with the adoption of the “management reporting approach”.

The segment reporting, in compliance with the Bank of Italy provisions, was carried out using the multiple TIT method (internal transfer rate), which also integrates the liquidity cost.

The Crédit Agricole Italia Banking Group operates through an organizational structure divided into: **Retail** and **Private** channels that serve private customers and families and small business companies; Banca d’Impresa channel that serves larger companies. Therefore, given the nature of the Group, the Other channel has a residual nature and includes the activities pertaining to the central functions, in particular those related to the exercise of governance.

In order to make the results comparable by channel, the values referring to the previous period are represented to take into account the re-branching of customers, which in particular involved the perimeter of the 3 Banks acquired and which were fully integrated into the Group’s IT procedures during the second half of 2018.

The **Retail and Private** channels achieved operating revenues of Euro 804 million (+5% y/y), driven by the net interest component; net operating costs, adjustments and provisions totaling Euro 494 million, pre-tax profit amounted to Euro 309 million and net income to Euro 216 million.

The **Corporate Banking** channel reported operating revenues of Euro 149 million (-11% y/y): the decline was affected both by the decline in net interest income (in relation to the increase in the cost of liquidity) and by the presence in 2018 of non-repeatable revenues. Operating costs, adjustments and settlements amount to a total of Euro 115 million; consequently, the income before taxes amounted to Euro 240 million and the net profit to Euro 32 million.

The activities by segment (punctual volumes) consist mainly of accounts receivables and tangible and intangible fixed assets that can be directly allocated to the operating segments. At 30 June 2019, the Retail and Private channels amounted to Euro 29,9 billion (+2% at 31/12) while those of corporate banks amounted to Euro 19,9 billion (+2% at 31/12).

The liabilities by segment (specific volumes) consist of direct deposits from customers that can be directly allocated to the operating segments. Within this aggregate, the Retail and Private channels collected amounted to € 31,1 billion (+ 1% at 31/12) while that of the corporate bank showed a balance of € 7,4 billion (-6% at 31/12).

It should be noted that within unallocated assets and liabilities are recorded the total amount of interbank transactions, the issue of the covered bond, as well as other balance sheet assets such as: unallocated tangible/intangible assets, tax assets/liabilities and special purpose funds are recorded within unallocated assets and liabilities.

SEGMENT REPORTING AS AT 30 JUNE 2019

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	416,359	90,103	1,594	508,056
Net fee and commission income	385,826	54,763	3,750	444,339
Profit (loss) on trading activities	1,379	2,446	885	4,710
Dividends	0	0	11,270	11,270
Other net operating income (item 90,100,190)	124	1,367	-15,363	-13,872
Total operating income	**803,688**	**148,679**	**2,136**	**954,503**
Losses on impairment of loans	-38,689	-78,428	-53	-117,170
Losses on impairment of AFS assets and other financial transactions	0	0	90	90
Personnel and administrative expenses and depreciation and amortization	-453,445	-34,728	-129,505	-617,678
Provisioning for risks	-1,614	-1,726	3,196	-144
Total costs	**-493,748**	**-114,882**	**-126,272**	**-734,902**
Gains (losses) on equity investments	-	-	12,522	12,522
Impairment on goodwill	-	-	-	-
Profit on disposal of investments	-	-	351	351
Profit (loss) by segment	**309,940**	**33,797**	**-111,263**	**232,474**
Unallocated operating expenses				
Operating margin				
Share of profit of associates attributable to the Group				
Profit before taxes	**309,940**	**33,797**	**-111,263**	**232,474**
Taxes	-94,005	-10,738	34,948	-69,795
Profit for the year	**215,935**	**23,059**	**-76,315**	**162,679**
Assets and liabilities				
Assets by segment	29,898,046	19,941,821	213,454	50,053,321
Equity investments in associates	0	0	20,639	20,639
Unallocated assets	0	0	15,162,471	15,162,471
Total assets	**29,898,046**	**19,941,821**	**15,396,564**	**65,236,431**
Liabilities by segment	34,066,122	7,407,357	339,409	41,812,888
Unallocated liabilities	-	-	17,037,674	17,037,674
TOTAL LIABILITIES	**34,066,122**	**7,407,357**	**17,377,083**	**58,850,562**

SEGMENT REPORTING AS AT 30 JUNE 2018

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	384,266	98,623	5,577	488,467
Net fee and commission income	379,497	63,033	1,220	443,751
Profit (loss) on trading activities	1,818	3,542	1,937	7,297
Dividends	0	0	12,508	12,508
Other net operating income (item 90,100,190)	882	1,632	17,317	19,831
Total operating income	**766,464**	**166,831**	**38,560**	**971,854**
Losses on impairment of loans	-67,894	-69,377	80	-137,191
Losses on impairment of AFS assets and other financial transactions	0	0	-427	-427
Personnel and administrative expenses and depreciation and amortization	-456,212	-34,901	-146,436	-637,549
Provisioning for risks	-2,424	-4,040	34,290	27,826
Total costs	**-526,531**	**-108,318**	**-112,492**	**-747,341**
Gains (losses) on equity investments	0	0	8,814	8,814
Impairment on goodwill	0	0	0	
Profit on disposal of investments	0	0	72	72
Profit (loss) by segment	**239,933**	**58,512**	**-65,046**	**233,399**
Unallocated operating expenses	0	0	0	
Operating margin	0	0	0	
Share of profit of associates attributable to the Group	0	0	0	
Profit before taxes	**239,933**	**58,512**	**-65,046**	**233,399**
Taxes	-81,568	-19,548	27,619	-73,497
Profit for the year	**158,365**	**38,965**	**-37,427**	**159,902**
Assets and liabilities				
Assets by segment	29,445,736	19,620,486	196,521	49,262,743
Equity investments in associates	0	0	27,755	27,755
Unallocated assets	0	0	14,459,051	14,459,051
Total assets	**29,445,736**	**19,620,486**	**14,683,326**	**63,749,548**
Liabilities by segment	33,835,333	7,851,879	214,574	41,901,785
Unallocated liabilities	0	0	15,469,053	15,469,053
TOTAL LIABILITIES	**33,835,333**	**7,851,879**	**15,683,627**	**57,370,838**

RISK MANAGEMENT

This section provides an update on risks and the relative hedging policies, as at 30 June 2019, to complete the reporting given in Part E of the Annual Report as at 31 December 2018.

The Crédit Agricole Italia Banking Group attaches great importance to the measurement, management and control of risks, as an essential factor to achieve sustainable growth in an economic situation, such as the present one.

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

In designing its risk management system, Crédit Agricole Italia S.p.A. complies with both the Italian legislation (with specific reference to Bank of Italy Circular No. 285/2013, as updated), as well as with the guidelines issued by the Parent Company Crédit Agricole S.A., whose general model is the reference one for the Crédit Agricole Italia Banking Group.

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

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) REPORT

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

As at 31 December 2018, the quantitative analyses that found capital absorption for the Crédit Agricole Italia Banking Group concerned, in addition to First Pillar risks, concentration risk, interest rate risk on the banking book and, in compliance with the guidelines given by the Parent Company Crédit Agricole SA, sovereign risk, issuer risk, foreign exchange risk and strategic risk (the so-called Second Pillar Risks). The analyses showed that Own Funds are adequate to meet all the risks to which the Crédit Agricole Italia Banking Group is exposed based on its operations and target markets.

On the other hand, qualitative measurements, control or mitigation measures were used for the following risks: liquidity, residual and reputational risks. The other risks to be measured within the ICAAP in accordance with Bank of Italy Circular no. 285 (Country Risk, Risk of excessive leverage, Transfer Risk and Base Risk) have also been taken into account.

At the end of April 2019, the Crédit Agricole Italia Banking Group sent the following:

- As regards the ICAAP for the ECB, a set of documents for the assessment of the system for internal capital management, which included quantitative evidence and an "ICAAP Statement" containing the opinion of the governance body on the adequacy of the Group's Own Funds, as well as internal reports on ICAAP intended to provide an overview of the Group's ICAAP framework. Along with the ICAAP documentation, at the end of April 2019, the Group sent its ILAAP (Internal Liquidity Adequacy Assessment Process) documentation to the EU Regulator;
- As regards the ICAAP for the national Supervisory Authority, a Report containing the results of the capital adequacy assessment concerning the situation as at 31 December 2018 to the Bank of Italy. Unlike the set of documents sent to the ECB, the Report to the Bank of Italy consists of a single document covering ICAAP, ILAAP, quantitative elements and qualitative assessments. The Report also contains the strategic guidelines and the forecasting horizon considered; the description of the corporate governance, the organisational structure and the ICAAP-related control systems; risk exposure, risk measurement and aggregation methods, as well as stress testing; components, estimates and allocation methods of internal capital; reconciliation between internal capital, regulatory requirements and regulatory capital and, finally, the ICAAP self-assessment, highlighting areas where the methodological model needs to be further developed.

The internal process to assess capital adequacy (ICAAP), along with that to assess the adequacy of the liquidity risk governance and management system (ILAAP), is the first phase in the prudential supervision process. The second phase consists of the Supervisory Review and Evaluation Process – SREP and it falls within the Supervisory Authority's competence, which shall review the ICAAP and ILAAP and issue an overall opinion on the Group.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS (ILAAP) REPORT

Along with the ICAAP Report, at the end of April 2019, the Crédit Agricole Italia Banking Group sent its ILAAP (Internal Liquidity Adequacy Assessment Process) Report to the EU Regulator. This report is intended to provide the results of a self-assessment on the processes for the identification, measurement, management and monitoring of internal liquidity and describes: the liquidity framework, the Group's refinancing structure, the composition of its liquidity reserves, the mechanism for the allocation of refinancing costs, resilience testing, the contingency funding plan and areas where the methodological model needs to be further developed.

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

INTERNAL CONTROL SYSTEM

The internal controls system is the complex of the organizational, procedural and regulatory arrangements aimed at controlling all types of activities and risks to ensure proper execution and security of operations.
The scope of the Crédit Agricole Italia Banking Group's internal control system includes all its structures, both central and of the Distribution Network, Information Technology departments, outsourced essential services (FOIE, the Italian acronym for Important Operating Functions Outsourced) and the related main providers.
In compliance with the standards of the Controlling Company, Crédit Agricole S.A., internal control is carried out with two different modalities: permanent control and periodic control.
In the Crédit Agricole Italia Banking Group, the Risk Management and Permanent Controls Department and the Compliance Department are in charge of permanent control activities, while the Internal Audit Department is in charge of periodic control activities.
In accordance with the regulations in force, roles and departments engaged in control functions provide the corporate bodies having strategic responsibilities with periodic information on the single risks, through both dedicated reporting and participation in specific Committees, set up at Group level, especially the Risk and Internal Control Committee that receives the evidence resulting from the activities of the 3 departments engaged in control functions (Internal Audit, Compliance and Risk Management).

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 analyses aimed at developing and drive business with the most creditworthy Customers, as well as to anticipate and curb insolvency risks.

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

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

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

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

In the first half of 2019, several actions were carried out implementing the guidelines set out in the Business Plan, as well as consistently with the developments in the economic, regulatory and market scenarios. Among the main actions, the following are worth specific mentioning:

- The start of the activities aimed at full compliance with the new regulatory developments, with specific regard to the requirements issued 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 has defined and implemented the appropriate action drivers, in order to anticipate the logics underlying the new regulation in the behaviours of the structures engaged in lending and commercial functions;
- Revision of the lending policies in order to strengthen the arrangements for the assessment of transactions that are not fully consistent with the set risk appetite targets, higher differentiation of approaches in accordance with the specificities of the single sectors of economic activity, customer segments and the different types of transactions, as well as, in cooperation with the Risk Management and Permanent Controls Department, in order to fine-tune the metrics for determining the attractiveness of the various sectors of economic activity;
- Changes to the organizational structure and to the system of decision-making powers based on specialization principles and on further strengthening of the separation principle, including:
  - o The setting up of network units with exclusive responsibility for riskier customer targets and with skills and targets in line with the assigned mission;
  - o The transfer to the Credit Department of the decision-making structures previously part of the commercial Departments;
- Continuation of the activities to develop credit software, aimed at:
  - o Overall improvement in the service quality, with a positive impact in terms of Customer Satisfaction;
  - o Enhancement of the efficiency of the loan authorization process through guided directions, improving decision-making procedures and reducing recycles;
- Integration of the perimeter of the three Fellini Banks, which was pursued with different tools, such as dedicated training sessions, focus groups on specific topics, internships and other initiatives;
- Full implementation of the actions for upgrading to the developments in the regulatory framework, with specific regard to the ECB “Guidance to banks on Non-Performing Loans”, which have made it necessary to adopt a new approach for the management and governance of the non-performing portfolio, through the definition of the medium-term NPL Strategy; this is consistent with the Group’s objective and aims at reducing the stock of non-performing loans (in a defined time horizon);
- Systematization, in accordance with the regulatory framework on NPEs, which has led to revise and organize the internal rules to identify, classify, manage, assess and recognize non-performing exposures in the accounts, within essential continuity in the management and measurement criteria.

CREDIT QUALITY

ITEMS	GROSS EXPOSURES - WEIGHT ON TOTAL				Change	
	June 2019		December 2018		Absolute	%
- Bad loans	1,975,988	4.1%	2,003,316	4.2%	-27,328	-1.4%
- Unlikely to Pay	1,596,635	3.3%	1,635,482	3.4%	-38,847	-2.4%
- Past-due loans	28,740	0.1%	42,616	0.1%	-13,876	-32.6%
Non-performing loans	**3,601,363**	**7.4%**	**3,681,414**	**7.6%**	**-80,051**	**-2.2%**
- Performing loans - stage 2	2,963,362	6.1%	3,034,482	6.3%	-71,120	-2.3%
- Performing loans - stage 1	42,201,247	86.5%	41,506,229	86.1%	695,018	1.7%
Performing loans	**45,164,609**	**92.6%**	**44,540,711**	**92.4%**	**623,898**	**1.4%**
Total gross loans to customers	**48,765,971**	**100.0%**	**48,222,125**	**100.0%**	**543,846**	**1.1%**

ITEMS	WITH NET EXPOSURES - COVERAGE RATIO				Change	
	June 2019		December 2018		Absolute	%
- Bad loans	621,105	68.6%	633,242	68.4%	-12,137	-1.9%
- Unlikely to Pay	1,031,944	35.4%	1,078,914	34.0%	-46,970	-4.4%
- Past-due loans	25,128	12.6%	38,048	10.7%	-12,920	-34.0%
Non-performing loans	**1,678,176**	**53.4%**	**1,750,204**	**52.5%**	**-72,028**	**-4.1%**
- Performing loans - stage 2	2,775,447	6.3%	2,838,799	6.4%	-63,352	-2.2%
- Performing loans - stage 1	42,134,536	0.2%	41,426,720	0.2%	707,816	1.7%
Performing loans	**44,909,984**	**0.6%**	**44,265,519**	**0.6%**	**644,465**	**1.5%**
Total net loans to customers	**46,588,160**	**4.5%**	**46,015,723**	**4.6%**	**572,437**	**1.2%**

The tables summarizing credit quality show that the stock of non-performing loans as at 30 June 2019 amounted to €3.6 Bln, decreasing by 2.2% vs. the same figure as at 31 December 2018, consistently with the NPL strategy of the Group.

In the first half of 2019, this decrease resulted in a weight of non-performing exposures on total loans to customers of 7.4%, improving vs. 7.6% as at 31 December 2018.

As at 30 June 2019, the coverage ratios of non-performing loans came to 53.4%, increasing vs. 52.5% as at 31 December 2018; specifically, the coverage ratio of UTP increased to 35.4% (from 34% of December 2018) and the coverage ratio of bad loans remained stable at 68.6%.

It is pointed out that, within the Fellini Project (the acquisition by Crédit Agricole Italia, now CA Italia, of CR San Miniato, CR Cesena and CR Rimini), at the time of their acquisition the three Banks had non-performing loans for a net amount of approximately Euro 280 million.

MARKET RISK

TRADING BOOK

The Crédit Agricole Italia Banking Group does not engage in significant proprietary trading on financial and capital markets. Moreover, in its capacity as sub-consolidating member of the Crédit Agricole S.A. Group, the CAIBG is subject to the Volcker Rule and to the “Loi française de séparation et de régulation des activités bancaires” (LBF), which prohibit any banking entity from engaging in proprietary speculative trading.

Trading is essentially instrumental, since the Group entities take only residual financial risk positions on behalf of Customers, based on the principle of intermediation.

The control of market risk implemented on the trading book ensures that a risk level consistent with the Group’s objectives is continuously maintained.

Given the exposure immateriality, Pillar One capital absorption is calculated in accordance with the standardized approach.

BANKING BOOK

Asset & Liability Management activities refer to all exposures on the Banking Book; therefore, this perimeter does not include exposures on the Trading Book. Fluctuations in interest rates that would impact on the profits of the Crédit Agricole Italia Banking Group, through changes in net interest income, and that would also have an effect on the value of its capital, since they would cause a change in the net present value of future cash flows, are mitigated with hedges that are calibrated also through specific modeling of financial statement items.

The process for the management of interest rate risk and price risk regarding the Banking Book of the Entities belonging to the Crédit Agricole Italia Banking Group is regulated within the relevant risk policies.

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

The Governance model vests:

- the ALM Committee with the task of setting the strategic and direction lines for the management, of validating proper application of the standards and methods for measuring the exposure to interest rate risk, of examining the reporting produced by the Finance Department, as well as to resolve on any measures to be implemented;
- the Risk 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.

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

Consistently with the guidelines issued by the CAsa Group, the limit system consists of global limits, operational limits and alert thresholds (that are then adapted to each single entity of the Group).

As regards limits on interest rate risk, the Risk Strategy has confirmed:

- Global limit in terms of Net Present Value (NPV);
- Gap global limits subdivided into different time ranges;
- A global limit in Van Index terms;
- A Gap Index operational limit broken down by indexation and time range.

Furthermore, an alert threshold has been set on the "Gamma Effect" component, which represents the volatility of the possible exercise of a Cap/Floor option on specific loan products.

As regards price risk for the Banking Book, global limits have been set, based on the type of instruments that can be held (mainly Italian Government securities), which are expressed with reference to the maximum nominal value, and further global limits and alert thresholds have been identified for the Banking Book stresstesting.

FAIR VALUE HEDGING

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

The main financial instruments for the management of interest rate risk hedges are Interest Rate Swaps, interest rate options and inflation-linked options, which, for their very nature, are contracts referring to "pure" interest rate risk.

Specifically, fixed-rate debenture loans have been hedged (micro-hedging), as have the mortgage loans with cap to Customers (macro-hedging), government securities in reserves (asset-swap hedging) and modelled current accounts, which have been subject to macro-hedging.

In compliance with the accounting and financial reporting standards, the Finance Department verifies the effectiveness of the hedges, carrying out the related tests on a monthly basis, and keeps on file the formal documentation for each hedge relationship.

LIQUIDITY RISK

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

The limit system is based on stress scenarios, with the purpose of ensuring a liquidity surplus on different time horizons and in increasingly serious scenarios. The stress assumptions used cover idiosyncratic crises, systemic crises and global crises. Furthermore, the arrangement provides for a limit to short-term refinancing with market counterparties (LCT – Limit Court Terme) and for an indicator aimed at ensuring financial balance between stable resources and long-term loans in order to properly steer medium/long-term refinancing (PRS – Position Resources Stables or Stable Resources Position).

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

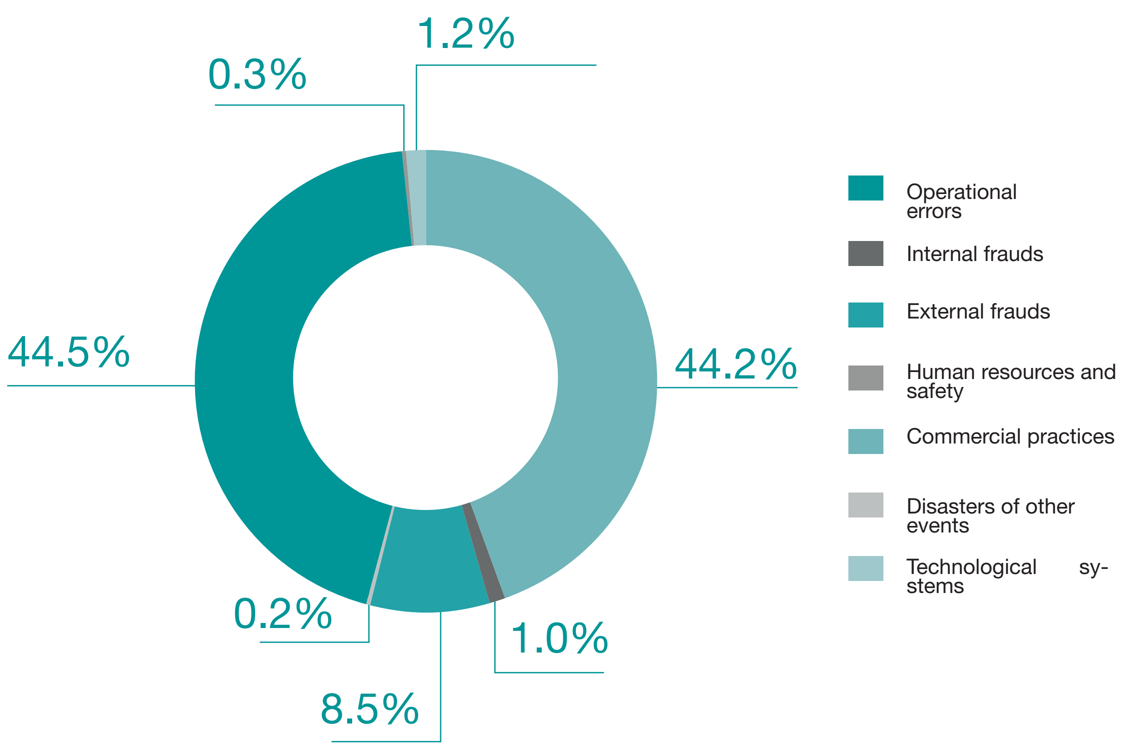
As at 30 June 2019, the Liquidity Coverage Ratio (LCR) of the Crédit Agricole Italia Banking Group was 158%, firmly above the set compliance requirements.

OPERATIONAL RISKS

BREAKDOWN OF LOSSES

Operational losses recognized in the first half of 2019 came to approximately Euro 3.7 million.

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



BUSINESS COMBINATIONS

BUSINESS COMBINATIONS MADE IN THE REPORTING PERIOD

In the first half of 2019, the Crédit Agricole Italia Banking Group did not carry out any business combinations.

TRANSACTIONS WITH RELATED PARTIES

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

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

The regulation issued by the Bank of Italy on 12 December 2011, on risk activities and conflicts of interest with associated persons falls within the scope of the framework regulation concerning related parties (Article 53 of the Italian Consolidated Law on Banking -TUB) and has been designed to "control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders". This regulation came into force on 31 December 2012 and, consequently, the first supervisory reporting was made on 31 March 2013, as required by the Supervisory Authority.

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, on 11 December 2012, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Cariparma (now Crédit Agricole Italia) approved the Document "Regulation for Risk Activities and Conflicts of Interests with Parties associated to the Crédit Agricole Italia Banking Group", in order to give the Group a specific internal regulation on this matter and to harmonize the various regulations in force.

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 Regulation on Transactions with Associated Persons lays down - in a single normative instrument - the procedures that the Banks and the Companies of the Crédit Agricole Italia Banking Group shall apply in case of any transactions with Associated Persons, in compliance with the regulations in force issued by CONSOB and by the Bank of Italy; this instrument provides for the most stringent and conservative obligations, procedures and definitions among those specifically set out by the aforementioned regulations.

In addition to identifying the related parties and the associated persons of the Crédit Agricole Italia Banking Group, this document lays down prudential limits for risk activities with associated persons, sets the procedures to process and approve transactions with related parties, defines specific rules with regard to transactions with related parties made by the companies belonging to the Group and lays down procedures and timeframes for the provision of reporting and appropriate documentation on the transactions (i) to independent directors/Related Party Committee, as well as, where necessary, (ii) to the control bodies.

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

RELATED PARTIES

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

a) Corporate Officer;
b) Shareholder/Investor;[112]
c) The person or entity that, directly or indirectly, also through subsidiaries, trusts or third parties:
    1) Controls the bank or the supervised intermediary, is controlled by any of them or is jointly controlled by any of them;
    2) Holds an equity investment in the bank or in the supervised intermediary allowing the exercise of Significant Influence;
    3) Exercises control on the bank or on the supervised intermediary jointly with other persons/entities;
d) The person, other than a shareholder/investor, that can appoint, on his/her/its own, one or more members of the Board of Directors, also based on any agreements in whatsoever form or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;
e) A company or an enterprise, also set up in a legal form other than that of a company, on which a bank or an entity of the Group can exercise control or significant influence;
f) An associated company of the bank or supervised intermediary;
g) A joint venture in which the bank or the supervised intermediary is a joint venturer;
h) The Managers having strategic responsibilities of the bank and of the supervised intermediary or of the controlling companies;
i) Any supplementary pension fund, collective or individual, Italian or foreign, set up to the benefit of the employees of the bank, of the supervised intermediary or of any other entity that is a related party.

CONNECTED PERSONS

Persons connected to a related party are defined as follows:

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

ASSOCIATED PERSONS

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

12 "Shareholder/Investor": the person or entity required to apply for the authorizations pursuant to Article 19 et seq. of the Italian Consolidated Law on Banking (T.U.B.)

Information on transactions with relates parties

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

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

In the first half of 2019 intra-group transactions and/or transactions with related parties/associated persons, Italian and foreign, were carried out within routine operations and the related financial activities, and were generally finalized at terms and conditions similar to those applied in transactions carried out with unrelated third parties.

The intra-group transactions were carried out based on reciprocal economic advantages and the terms and conditions to be applied were set in compliance with substantial fairness, with the shared objective of creating value for the Crédit Agricole Italia Group as a whole.

The same principle was applied also to intra-group service provision, along with that of remunerating such service provision at a minimum level for the recovery of the related production costs.

Type of related parties	Financial assets held for trading	Financial assets through other	Financial assets measured at amortized cost: loans to Customers	Financial assets measured at amortized cost: 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				518,096		859,478	6,103
Entities exercising significant influence on the Company					44,812		
Associates			12,094		4,256		1,035
Directors and Managers with strategic responsibility			3,006		5,691		
Other related parties	2	400	5,582,682	533,604	862,315	569,430	256,214
TOTAL	**2**	**400**	**5,597,783**	**1,051,699**	**917,075**	**1,428,908**	**263,353**

MAIN INCOME TRANSACTIONS WITH RELATED PARTIES

Amounts in thousands of Euro	Net interest income	Net fee and commission income	Personnel expenses
Controlling Company	-5,293	-449	-136
Entities exercising significant influence on the Company	-19	109	-
Associates	131	52	-
Directors and Managers with strategic responsibilities	15	94	-6,739
Other related parties	35,206	207,592	-104
TOTAL	**30,041**	**207,399**	**-6,979**

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

CRÉDIT AGRICOLE

1. The undersigned Giampiero Maioli, Chief Executive Officer, and Pierre Débourdeaux, Manager responsible for preparing of the Company's financial reports of Crédit Agricole Italia S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, do hereby certify:

   - the adeguacy in relation to the Company's features and

   - the actual application of the administrative and accounting procedures employed for drawing up the condensed consolidated half-yearly financial statements, in the first half of 2019.

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

3. The undersigned also certify that:

   3.1 The condensed consolidated half-yearly financial statements:

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

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

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

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

Parma, 23 luglio 2019

Giampiero Maioli

Chief Executive Officer

Pierre Débourdeaux

Manager responsible for preparing the Company's financial reports

Independent Auditors' Review Report

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Building a better working world

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

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related explanatory notes of Crédit Agricole Italia S.p.A. and its subsidiaries (the "Crédit Agricole Italia Banking Group") as of June 30, 2019. The Directors of Crédit Agricole Italia S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Crédit Agricole Italia Banking Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, July 26, 2019

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

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

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Annexes

Financial Statements of the Parent Company

BALANCE SHEET

Asset items	30 June 2019	31 Dec. 2018
10. Cash and cash equivalents	183,820,991	224,047,364
20. Financial assets measured at fair value through profit or loss	96,127,875	91,608,363
a) financial assets held for trading;	90,642,918	86,038,934
b) financial assets designated at fair value;	-	-
c) other financial assets mandatorily measured at fair value	5,484,957	5,569,429
30. Financial assets measured at fair value through other comprehensive income	2,726,442,779	2,672,299,598
40. Financial assets measured at amortized cost	48,485,038,099	47,593,188,577
a) due from banks	7,965,264,178	7,587,016,412
b) loans to customers	40,519,773,921	40,006,172,165
50. Hedging derivatives	760,290,304	435,674,665
60. Fair value change of financial assets in macro-hedge portfolios (+/-)	44,080,604	27,731,183
70. Equity investments	1,390,674,282	1,371,395,122
80. Property, Plant and Equipment	729,649,050	592,566,085
90. Intangible assets	1,066,902,069	1,078,250,171
- of which goodwill	922,339,723	922,339,723
100. Tax assets	1,325,456,683	1,384,327,005
a) current	241,539,705	246,951,367
b) deferred	1,083,916,978	1,137,375,638
110. Non-current assets held for sale and discontinued operations	-	-
120. Other assets	413,736,027	355,742,465
TOTAL ASSETS	**57,222,218,763**	**55,826,830,598**

Liabilities and equity items	30 June 2019	31 Dec. 2018
10. Financial liabilities measured at amortized cost	48,244,515,365	47,280,388,951
a) Due to banks	7,953,122,113	7,988,793,638
b) Due to Customers	31,581,255,696	31,121,033,253
c) Debt securities issued	8,710,137,556	8,170,562,060
20. Financial liabilities held for trading	74,577,318	61,377,962
30. Financial liabilities designated at fair value	-	-
40. Hedging derivatives	421,526,559	426,993,410
50. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	397,093,776	259,634,105
60. Tax liabilities	125,031,916	184,908,944
a) current	53,793,269	109,970,868
b) deferred	71,238,647	74,938,076
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,350,426,824	1,007,452,794
90. Employee severance benefits	91,168,574	94,809,024
100. Provisions for risks and charges	326,916,789	351,156,526
a) commitments and guarantees given	26,054,289	30,006,941
b) post-employment and similar obligations	34,836,918	35,621,262
c) other provisions for risks and charges	266,025,582	285,528,323
110. Valuation reserves	-88,915,336	-106,426,600
120. Redeemable shares	-	-
130. Equity instruments	715,000,000	715,000,000
140. Reserves	1,314,731,866	1,218,489,888
150. Share premium reserve	3,118,376,245	3,118,249,355
160. Capital	979,232,540	962,672,153
170. Treasury shares (+/-)	-	-
180. Profit (Loss) for the year	152,536,327	252,124,086
TOTAL LIABILITIES AND EQUITY	**57,222,218,763**	**55,826,830,598**

INCOME STATEMENT

Items	30 June 2019	30 June 2018
10. Interest and similar income	362,032,507	307,371,560
of which: interest income calculated with the effective interest method	360,432,631	305,421,678
20. Interest and similar expenses	7,559,524	7,528,032
30. Net interest income	**369,592,031**	**314,899,592**
40. Fee and commission income	353,142,365	310,852,132
50. Fee and commission expense	(17,452,861)	(15,121,244)
60. Net fee and commission income	335,689,504	295,730,888
70. Dividends and similar income	55,018,541	64,985,418
80. Net profit (loss) on trading activities	3,571,931	3,963,104
90. Net profit (loss) on hedging activities	(3,331,694)	(3,771,171)
100. Profit (losses) on disposal or repurchase of:	(3,823,209)	(543,124)
a) financial assets measured at amortized cost	(3,743,155)	(10,607,485)
b) financial assets measured at fair value through other comprehensive income	-	10,280,893
c) financial liabilities	(80,054)	(216,532)
110.Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	7,766	-
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	7,766	-
120. Net interest and other banking income	**756,724,870**	**675,264,707**
130. Net losses/recoveries for credit risk on:	(94,567,408)	(88,252,691)
a) financial assets measured at amortized cost	(94,644,692)	(87,816,006)
b) financial assets measured at fair value through other comprehensive income	77,284	(436,685)
140. Profits/Losses on contract modifications without derecognition	(551,235)	-
150. Net income from banking activities	**661,606,227**	**587,012,016**
160. Administrative expenses:	(551,963,827)	(499,939,635)
a) personnel expenses	(259,385,212)	(224,616,303)
b) other administrative expenses	(292,578,615)	(275,323,332)
170. Net provisioning for risks and charges	313,428	7,195,767
a) commitments and guarantees given	3,790,926	474,003
b) other net provisions	(3,477,498)	6,721,764
180. Net adjustments of/recoveries on property, plant and equipment	(24,643,975)	(8,304,997)
190. Net adjustments of/recoveries on intangible assets	(11,348,102)	(9,182,901)
200. Other operating expenses/income	110,810,628	106,356,890
210. Operating costs	(476,831,848)	(403,874,876)
220. Gains (losses) on equity investments	12,491,796	8,813,951
230. Profit (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
240. Impairment on goodwill	-	-
250. Profit (losses) on disposals of investments	205,329	22,687
260. Profit (Loss) before tax from continuing operations	**197,471,504**	**191,973,778**
270. Taxes on income from continuing operations	(44,935,177)	(44,947,798)
280. Profit (Loss) after tax from continuing operations	**152,536,327**	**147,025,980**
290. Profit (Loss) after tax from discontinued operations	-	-
300. Profit (Loss) for the period	**152,536,327**	**147,025,980**

STATEMENT OF COMPREHENSIVE INCOME

Items	30 June 2019	30 June 2018
10. Profit (Loss) for the period	**152,536**	**147,026**
Other comprehensive income net of tax not reclassified to profit or loss	**-2,641**	**-5,483**
20. Equity securities designated at fair value through other comprehensive income	-1,409	89
30. Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		
40. Hedging of equity securities designated at fair value through other comprehensive income		
50. Property, Plant and Equipment		
60. Intangible assets		
70. Defined-benefit plans	-1,232	-5,572
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	**20,153**	**-77,167**
100. Hedging of investments in foreign operations:		
110. Exchange rate differences		
120. Cash flow hedges		
130. Hedging instruments (non-designated elements)		
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	20,153	-77,167
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	17,512	-82,650
140. Comprehensive income (Item 10+170)	**170,048**	**64,376**

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2019

	Share capital: ordinary shares	Share premium reserve	Reserves		Valuation reserves	Capital instruments	Profit (Loss) for the period	Equity
			Retained earnings	Other				
EQUITY AS AT 31 DEC. 2018	**962,672,153**	**3,118,249,355**	**1,215,675,477**	**2,814,411**	**-106,426,600**	**715,000,000**	**252,124,086**	**6,160,108,882**
CHANGE TO OPENING BALANCES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1 JAN. 2019	**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								
Change in reserves	-	-	47,978	-	-	-	-	47,978
Transactions on equity								
Issues of new shares	16,560,387	126,890	-	-	-	-	-	16,687,277
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-26,056,853	-	-	-	-	-26,056,853
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	- -
Comprehensive income	-	-	-	-	17,511,264	-	152,536,327	170,047,591
EQUITY AS AT 30 JUNE 2019	**979,232,540**	**3,118,376,245**	**1,311,917,455**	**2,814,411**	**-88,915,336**	**715,000,000**	**152,536,327**	**6,190,961,642**

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2018

	Share capital: ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Capital instruments	Profit (Loss) for the period	Net Equity
			Retained earnings	Other				
EQUITY AS AT 31 DEC. 2017	**934,837,845**	**2,997,927,458**	**1,004,251,201**	**2,789,346**	**-4,622,875**	**365,000,000**	**211,712,287**	**5,511,895,262**
CHANGE TO OPENING BALANCES	**-**	**-**	**-347,953,095**	**-**	**1,318,583**	**-**	**-**	**-346,634,512**
AMOUNTS AS AT 1 JAN. 2018	**934,837,845**	**2,997,927,458**	**656,298,106**	**2,789,346**	**-3,304,292**	**365,000,000**	**211,712,287**	**5,165,260,750**
ALLOCATION OF NET PROFIT FOR THE PREVIOUS YEAR								-
Reserves	-	-	99,447,035	-	-	-	-99,447,035	-
Dividends and other allocations	-	-	-	-	-	-	-112,265,252	-112,265,252
CHANGES FOR THE YEAR								
Change in reserves	-	-	105,699,494	-	-	-	-	105,699,494
Transactions on equity								
Issues of new shares	27,234,796	120,321,234	-	-	-	-	-	147,556,030
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-11,804,014	-	-	-	-	-11,804,014
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	- -
Comprehensive income	-	-	-	-	-80,796,763	-	147,025,980	66,229,217
EQUITY AS AT 30 JUNE 2018	**962,072,641**	**3,118,248,692**	**849,640,621**	**2,789,346**	**-84,101,055**	**365,000,000**	**147,025,980**	**5,360,676,225**

STATEMENT OF CASH FLOWS

	30 June 2019	30 June 2018
A. OPERATING ACTIVITIES		
1. Cash Flow from Operations	**441,818,791**	**330,318,207**
- profit (loss) for the period (+/-)	152,536,327	147,025,980
- "Gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair through profit or loss(-/+)"	1,208,987	-1,266,583
- Gains/losses on hedging activities (-/+)	78,082,924	26,030,222
- net losses/recoveries for credit risk (+/-)	69,938,994	73,124,295
- net adjustments of/recoveries on property, plant and equipment and intangible assets (+/-)	35,992,077	17,487,898
- Net provisions for risks and charges and other costs/revenues (+/-)	-313,428	-7,195,767
- Taxes, duties and tax credits yet to be settled (+)	44,935,177	44,947,798
- net adjustments /recoveries on discontinued operations net of tax effect (-/+)	-	-
- Other adjustments (+/-)	59,437,733	30,164,364
2. Cash flow generated/absorbed by financial assets	**-1,104,852,560**	**-166,147,335**
- Financial assets held for trading	-5,812,971	181,268,762
- Financial assets designated at fair value	-	-
- Financial assets mandatorily measured at fair value	84,472	-
- Financial assets measured at fair value through other comprehensive income	-42,390,471	-449,818,863
- Financial assets measured at amortized cost	-1,019,766,135	224,124,434
- Other assets	-36,967,455	-121,721,668
3. Cash flow generated/absorbed by financial liabilities	**719,225,062**	**-806,836,306**
- Financial liabilities measured at amortized cost	523,829,397	-1,094,789,616
- Financial liabilities held for trading	13,199,356	-806,672
- Financial liabilities designated at fair value	-	-
- Other liabilities	182,196,309	288,759,982
Net cash flow generated/absorbed by operating activities	**56,191,293**	**-642,665,434**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**68,215,417**	**66,111,355**
- sales of equity investments	12,521,796	1,101,437
- dividend received on equity investments	55,018,541	64,985,418
- sales of property, plant and equipment	675,080	24,500
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flow absorbed by:	**-25,390,274**	**701,367,565**
- purchases of equity investments	-24,714,953	-6,226,725
- purchases of property, plant and equipment	-675,321	-3,282,582
- purchases of intangible assets	-	-12,627
- purchases of business units	-	710,889,499
Net cash flows generated/absorbed by investing activities	**42,825,143**	**767,478,920**
C. FUNDING		
- issues/purchases of treasury shares	16,687,277	-29,031,657
- issues/purchases of equity instruments	-26,056,853	-11,804,014
- distribution of dividends and other	-129,873,233	-112,265,252
Net cash flows generated/absorbed by funding activities	**-139,242,809**	**-153,100,923**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**-40,226,373**	**-28,287,437**

RECONCILIATION

Financial Statement items	30 June 2019	30 June 2018
Opening cash and cash equivalents	224,047,364	155,369,633
Total net increase/decrease in cash and cash equivalents for the year	-40,226,373	-28,287,437
Cash and cash equivalents: foreign exchange effect	-	-
Closing cash and cash equivalents	183,820,991	127,082,196

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

Statement of reconciliation between the Parent Company's equity and profit (loss) for the period and consolidated equity and profit (loss) for the period

	30 June 2019	
	Equity	of which: Net profit for the period
Parent Company's balances	**6,190,962**	**152,536**
Effect of consolidation of subsidiaries	58,181	47,834
Effect of the equity method accounting of significant equity investments	-	-
Dividends received in the period	-	-44,060
Other changes	-	-
Consolidated balances	**6,249,143**	**156,310**