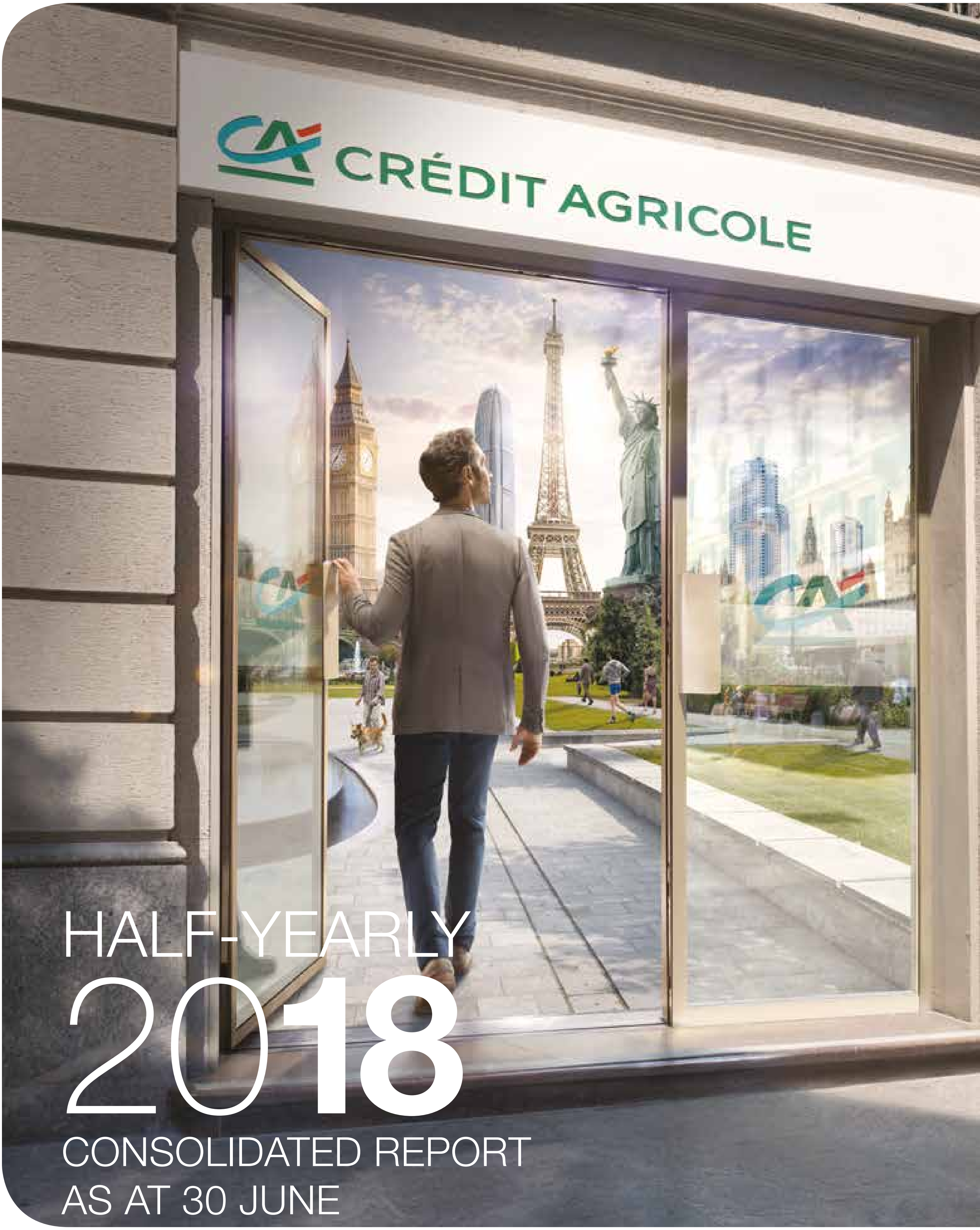

HALF-YEARLY 2018 CONSOLIDATED REPORT AS AT 30 JUNE

CRÉDIT AGRICOLE

Crédit Agricole Italia Banking Group

Half-yearly Consolidated Report as at 30 June 2018

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Corporate Officers and Independent Auditors

Board of Directors

CHAIRMAN

Ariberto Fassati

DEPUTY-CHAIRMAN

Xavier Musca

Fabrizio Pezzani(*)

CHIEF EXECUTIVE OFFICER

Giampiero Maioli(*)

DIRECTORS

Gian Domenico Auricchio(*)

Alberto Bertoli (°)

Evelina Christillin(°)

François Edouard Drion(*)

Jacques Ducerf

Daniel Epron

Alberto Figna(°)

Nicolas Langevin

Michel Mathieu(*)

Thierry Pomaret(*)

Annalisa Sassi(°)

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

Board of Statutory Auditors

CHAIRMAN

Paolo Alinovi

STANDING AUDITORS

Luigi Capitani

Maria Ludovica Giovanardi

Stefano Lottici

Germano Montanari

ALTERNATE AUDITORS

Alberto Cacciani

Roberto Perlini

Senior Management

VICE GENERAL MANAGERS

Roberto Ghisellini

Olivier Guilhamon

MANAGER IN CHARGE OF THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Pierre Débourdeaux

INDEPENDENT AUDITORS

EY S.p.A.

THE CRÉDIT AGRICOLE GROUP
WORLDWIDE

1st
BANCASSURER

1st
ASSET MANAGER

1st
GREEN, SOCIAL AND SUSTAINABILITY BOND BOOKRUNNER

139,000
EMPLOYEES

49
COUNTRIES

52 Mln
CUSTOMERS WORLDWIDE

THE CRÉDIT AGRICOLE GROUP
IN ITALY

3.1 Bln€
REVENUES

257 Bln€
DEPOSITS AND FUNDS UNDER MANAGEMENT*

64 Bln€
LOANS TO THE ITALIAN ECONOMY

2nd
PLAYER IN THE ITALIAN CONSUMER CREDIT MARKET

3rd
ASSET MANAGER IN ITALY**

OVER **14 thousand**
EMPLOYEES

4 Mln
CUSTOMERS IN ITALY

* Including "out-of-group" Amundi AuM and CACEIS Assets under Custody
**Source: Assogestioni (the Italian National Association of Asset Management Firms) "Asset Management Quarterly Map", 4th quarter of 2017. Data gross of duplications.

CRÉDIT AGRICOLE GROUP ITALIA

- CRÉDIT AGRICOLE
- AGOS
- FCA BANK
- CRÉDIT AGRICOLE LEASING
- CRÉDIT AGRICOLE EUROFACTOR
- CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK
- Amundi ASSET MANAGEMENT
- CRÉDIT AGRICOLE CREDITOR INSURANCE
- CRÉDIT AGRICOLE VITA
- CRÉDIT AGRICOLE ASSICURAZIONI
- caceis INVESTOR SERVICES
- INDOSUEZ WEALTH MANAGEMENT
- INDOSUEZ FIDUCIARIA
- CRÉDIT AGRICOLE GROUP SOLUTIONS

Profile of the Crédit Agricole Italia Banking Group

The **Crédit Agricole Italia Banking Group**, through its commercial banks, operates in the 11 Italian Regions that account for 73% of the population and generate 80% of the Italian GDP.

With its distinctive positioning based on Customer centrality, the Group is a proximity banking player that covers all market segments.

RETAIL BANKING
with 997 branches and 55 Small Business centers

PRIVATE BANKING
with 22 markets and 12 sub-centers

CORPORATE BANKING
with 21 markets and 14 sub-centers
1 Large Corporate Area

FINANCIAL ADVISORS
with 9 markets

Listening to Customers, trust, confidence, social responsibility, innovation, internationality and quality: These are the Group's driving values:

- **Quality of its relations** with Customers as a key value conveyed through a system ensuring that Customers are constantly **listened to** and focused on, combined with high-level service
- **Social responsibility** as an integral part of its **corporate culture**
- Innovation as **new digital services** that allow Customers to make transactions also remotely and that supplement direct relations without replacing them
- **Highly-specialized** dedicated services:
  - ✓ **Investment advisory services combined with digital services,** in order to meet the expectations of advanced Customers through the Financial Advisors and Private Bankers Network
  - ✓ A **complete service model for the Large Corporate segment**, thanks to innovative payment services, to the International Desk service that assists small and medium enterprises in their international development, and to the considerable commercial synergies with the other Companies of the Crédit Agricole Italia Group
  - ✓ A full range of products and specialist advisory services for the **agri-food sector**
  - ✓ A new service model dedicated **to small businesses** with teams of advisors for thorough coverage of the areas of operations.

Its belonging to a leading international group, such as Crédit Agricole, strengthens the **soundness of the Crédit Agricole Italia Banking Group** and places it, once again, at the top of the Italian banking system.

CAPITAL STRENGTH AS AT 30 JUNE 2018: CET 1 10.8% (TOTAL CAPITAL RATIO 14.9%)

• Crédit Agricole Italia Banking Group data as at 30 June 2018

The banking Group, consisting of its long-standing members **Crédit Agricole Cariparma, Crédit Agricole FriulAdria and Crédit Agricole Carispezia**, proved its will to enhance its operations in Italy finalizing the acquisition, in December 2017, of **Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato**.

Subsequent to the acquisition, the Group has increased its customer base by over 20%, which is now in excess of 2 million customers and its market share by 1%, thus continuing to develop in regions that are key for the economy and have strong manufacturing and agri-food vocation, with the entry of **over 200 branches** and **€18 Bln worth of assets.**

DEVELOPING
Its Customer-focused Proximity Bank Model

GROWING
In long-standing areas of operations with high potential

GROWING
In "size" and become more competitive

MAXIMIZING
Industrial synergies

OVER 1,100 points of sale

OVER 10 thousand Employees

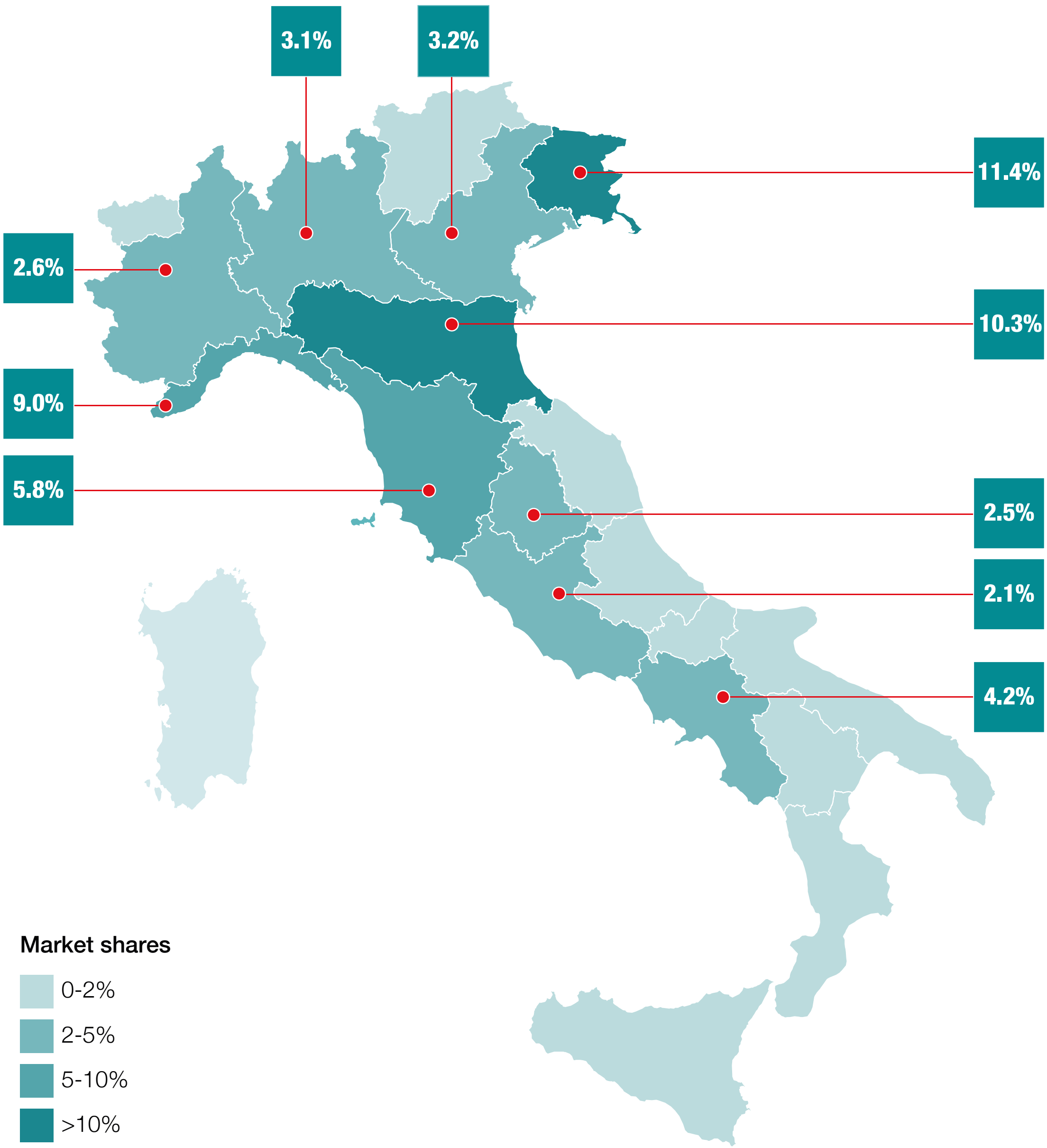
OVER 2 Mln Customers

44.3 Bln worth of loans

114.5 Bln worth of total funding

• Crédit Agricole Italia Banking Group data as at 30 June 2018

Breakdown of the Crédit Agricole Italia Banking Group' operations by geographical area



- System data - source: Bank of Italy as at 31 March 2018
- Crédit Agricole Italia Banking Group data as at 30 June 2018

Consolidated financial highlights and alternative performance measures

Income Statement highlights(°) (thousands of Euro)	30.06.2018	30.06.2017	Changes	
			Absolute	%
Net interest income	485,981	461,948	24,033	5.2
Net fee and commission income	445,363	370,072	75,291	20.3
Dividends	12,508	8,401	4,107	48.9
Net income from banking activities	24,378	13,117	11,261	85.9
Other operating income (expenses)	6,510	12,012	-5,502	-45.8
Net operating income	974,740	865,550	109,190	12.6
Operating expenses	-628,399	-503,078	125,321	24.9
Operating margin	346,341	362,473	-16,132	-4.5
Provisions for risks and charges	18,968	-7,009	25,977	
Impairment of loans	-131,967	-152,217	-20,250	-13.3
Net profit for the period	150,063	130,978	19,085	14.6

Balance Sheet highlights(°) (thousands of Euro)	30.06.2018	31.12.2017	Changes	
			Absolute	%
Loans to Customers(*)	49,231,179	44,251,456	4,979,723	11.3
Net Financial Assets/Liabilities at fair value	57,944		n.a.	n.a.
Financial assets measured at fair value through other comprehensive income (IFRS 7 par. 8 lett. h))	3,563,804		n.a.	n.a.
Financial assets available for sale		5,344,090	n.a.	n.a.
Investments held to maturity		2,234,277	n.a.	n.a.
Net due from banks	-819,072	178,795	-997,867	
Equity investments	29,685	33,868	-4,183	-12.4
Property, plant and equipment and intangible assets	2,767,465	2,797,622	-30,157	-1.1
Total net assets	59,454,373	59,579,102	-124,729	-0.2
Net financial liabilities/assets held for trading		1,569	n.a.	n.a.
Funding from Customers	50,258,730	50,358,320	-99,590	-0.2
Indirect funding from Customers	63,234,792	64,172,911	-938,119	-1.5
of which: asset under management	33,920,779	33,632,942	287,837	0.9
Equity	5,726,339	6,114,634	-388,295	-6.4

Operating structure	30.06.2018	31.12.2017	Changes	
			Absolute	%
Number of employees	10,091	10,271	-180	-1.8
Average number of employees(§)	10,071	9,755	316	3.2
Number of branches	997	1,015	-18	-1.8

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 63 and 69.

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

(*) This item reports the debt securities and loans allocated to the portfolio measured at amortized cost. These were previously reported among financial assets not quoted on an active market (Level 2 and Level 3) to banks and customers.

Structure ratios(°)	30.06.2018	31.12.2017
Loans to customers/Total net assets	82.8%	74.3%
Direct funding from Customers/Total net assets	84.5%	84.4%
Asset management/Total indirect funding from Customers	53.6%	52.4%
Loans to Customers/ Direct funding from Customers	98.0%	88.0%
Total assets/Equity	11.5	10.9

Profitability ratios(°)	30.06.2018	30.06.2017
Net interest income/Net operating revenues	49.9%	53.4%
Net fee and commission income/Net operating revenues	45.7%	42.8%
Cost(*) /income ratio	61.5%	56.0%
Net profit/Average equity (ROE)(a)	5.1%	5.2%
Net profit/Average Tangible Equity (ROTE)(a)	7.6%	8.2%
Net profit/Total assets (ROA)	0.5%	0.5%
Net profit/Risk-weighted assets	1.1%	1.1%

Risk ratios(°)	30.06.2018	31.12.2017
Gross bad loans/Gross loans to Customers	5.7%	6.3%
Net bad loans/Net loans to Customers	1.7%	2.7%
Impairments of loans/Net loans to Customers(f)	0.6%	0.7%
Cost of risk(b)/Operating margin	32.6%	53.2%
Net bad loans/ Total Capital(c)	20.3%	28.5%
Net non-performing loans/Net loans to Customers	3.9%	7.6%
Impairments of non-performing loans/Gross non-performing loans	57.6%	44.9%

Productivity ratios(°) (in income terms)	30.06.2018	30.06.2017
Operating expenses/No. of Employees (average)	126	130.1
Operating revenues/No. of Employees (average)	195	223.9

Productivity ratios(°) (in financial terms)	30.06.2018	31.12.2017
Loans to Customers/No. of Employees (average)	4,888	4,455
Direct funding from Customers/No. of Employees (average)	4,990	5,064
Gross banking income(f) /No. of Employees (average)	16,158	15,980

Capital ratios	30.06.2018	31.12.2017
Common Equity Tier 1(d) /Risk-weighted assets (CET 1 ratio)	10.8%	11.6%
Tier 1(e)/Risk-weighted assets (Tier 1 ratio)	12.2%	12.8%
Total Capital(c) / Risk-weighted assets (Total capital ratio)	14.9%	15.1%
Risk-weighted assets (Euro thousands)	28,239,427	27,839,234

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 63 and 69.
For the above performance measures, the ESMA Guidelines issued on 5 October 2015 and in force since 3 July 2016 have been taken into account.
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles).
(b) Total risk cost includes the provision for risks and charges as well as 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) Net loans to customers excluding securities measured at amortized cost
(*) Ratio calculated excluding ordinary and extraordinary contributions to support the banking system and expenses for integrating the Fellini Banks

Interim Report on Operations

THE MACROECONOMIC SCENARIO AND THE FINANCIAL SYSTEM

THE INTERNATIONAL MACROECONOMIC SCENARIO IN THE FIRST HALF OF 2018[1]

The first months of 2018 continued to benefit from the positive factors that contributed to the 2017 growth peak. In many countries inflation is still low and well below the target set by their Central Banks. This supports households' purchasing power and does not put pressure on central banks that are pursuing target inflation.

The increase in oil output which OPEC and Russia agreed on at the end of June and the considerable growth in shale-oil supply in forte have reduced the possibility of further increases in energy prices. World trade has been growing at a fast pace, on average by over 4% in the first four months of the year, with new momentum in emerging countries, especially in Asian ones. For the time being, the protectionist measures actually in force against China and the anticipated ones against Europe do not seem to have generated any considerable impact on trade, despite the many signs of deterioration of confidence about the global demand outlook. As regards investments, the global scenario is less even but still positive.

Alongside these favourable elements, **some uncertainty factors are however to be pointed out**, such as the ceasing of the synchronous pace of recovery in emerging and industrialized countries, which contributed to making 2017 the year of the highest acceleration in the present economic cycle. Awaiting the expansionary effects of the USA budgetary policy, tension has increased in some emerging countries, as have oil prices. Moreover, even in case trade tension concerned only the USA and China economies, a weaker forward-looking development would be the result and could trigger crisis relapsed in the weakest countries, especially emerging ones where economic disequilibrium has worsened.

Overall, despite increased weaknesses and the risk of faster cyclic deterioration, conditions remain favourable for steady global growth in 2018.

Monetary policies

Based on the different economic scenario, the main Central Banks are continuing to implement different **monetary policies**:

- The **Fed** continued with its policy for the increase in interest rates, as it has done for the last few years, increasing the Fed Funds rate by 0.25 basis points in June and taking it between 1.75% and 2%. It has been the second increase in 2018, after the March one, and the seventh since 2015. In view of more robust growth in 2018 and stable inflation at 2.1%, the number of increases in the year is expected to go up from three to four. The forecast for 2019 is more cautious, expecting a single increase of 25 bp;
- In April 2018, the **European Central Bank** left its **policy rates unchanged**: the interest rate on the main refinancing operations at 0%, the interest rate on the marginal lending facility at 0.25% and the **deposit facility rate** at -0.40%. In June, the ECB announced that, after a tapering phase starting from October with monthly asset purchases for Euro 15 billion, the *Quantitative Easing* will end in December;
- The **Chinese Central Bank** has implemented expansionary measures for some commercial banks in order to foster lending to businesses, anticipating possible negative effects generated by the USA tariffs on some imports from China;

1 Source: Forecast Report (July 2018)

- At the beginning of November 2017, the **Bank of England** increased interest rates from 0.25% to 0.5%[2]. for the first time since July 2007, in order to curb inflation (+3% vs. BoE target of +2%). In January 2018, interest rates were left unchanged, but the possibility of faster-than-expected interest rate increases was hinted at.

Main economies

The **gross world product is expected to increase over the entire 2018 by +3.9%**[(1)], slightly improving vs. 2017 (+3.7%). Performances have continued to be uneven in the various geographical areas and the difference has proven more marked within emerging economies:

- In the **United States**[2] growth has slowed down. In the first quarter of 2018, the US GDP posted an annualized quarterly change of +2.2%, lower than 2.9% recorded in the previous quarter. In May 2018, the unemployment rate decreased to 3.8% (vs. 3.9% in the previous month), while the employment rate increased to 60.4%. The economic indicators[(1)] of the last few months have shown again the good health of the economy, both as regards household consumption and investments made by businesses;
- In **China**, where the economy did not show any sign of slowdown in the first quarter, such signs have started to be evident in the last few months. In the first quarter, the GDP increased **by 6.8%** YOY, driven mainly by consumption. The latest economic indicators show that both retail sales and investments are slowing down. Despite the variability of the year opening data, foreign trade has increased at a considerable pace (with the average actuals for exports up by 6.1% and for imports up by 9.1% – data as of April);
- In the first quarter of 2018, the GDP of **India** increased by +7.7% YOY. All domestic demand items showed growth, whereas exports slowed down. The recovery in consumptions was affected by the increase in inflation;
- The economy of **Brazil posted** an increase in the GDP of less than 2% YOY, even though it grew at a faster pace than in the previous quarter (0.4% vs. 0.2% in the fourth quarter of 2017);
- The **Russian** economy grew by 1.3% YOY. At the beginning of April new sanctions were enforced against this country and they may cause investments to slow down;
- In the **United Kingdom** the economic scenario became more fragile between the end of 2017 and the beginning of 2018. In the first quarter of 2018 its GDP slowed down: it increased by +0.1% vs. the previous quarter. Uncertainty continues very high and the Brexit outlook is not making expectations any better.

EURO AREA

In the first quarter of 2018, **the GDP of the Euro Area**[2] increased by +1.5% in annualized quarterly terms, slowing down vs. the +2.8% growth in the previous quarter. This slowdown partly reflects growth adjusting to more sustainable rates after its exceptional performance in 2017 and partly the uncertainties on future outlook and the poor performance of exports, which were impacted by the Euro appreciation in 2017.

In April 2018, industrial output posted a +1.8% increase (vs. +3.2% in the previous month). Retail sales increased by +1.7%. Business confidence has been showing signs of improvement, while consumer confidence is still low. The unemployment rate decreased to 8.5%.

In the Euro Area, the **German economy** slowed down with an annualized quarterly increase of +1.2%, and France slowed down even more, growing by +0.7% (vs. +2.8% in the previous quarter).

2 Source: ABI Monthly Outlook (June 2018).

THE ITALIAN ECONOMY

In line with the main European countries, **in the first quarter of 2018 the Italian GDP increased by 0.3%**[3], slightly slowing down vs. the fourth quarter of 2017 (+0.4%), due to lower exports and investments. Growth has been confirmed by several macroeconomic indicators, even though some elements of uncertainty remain, mainly due to political instability and high public debt.

After slowing down in the last months of 2017, **household final consumption expenditure (HFCE)**[4] increased by +0.8% vs. the previous quarter, driven by purchases of semi-durable goods. Disposable income posted modest growth (+0.2%), whereas **purchasing power** decreased slightly (-0.2%).

After decreasing in May, in June 2018 the **consumer confidence**[5] index proved satisfactory (116.2 vs. 106.4 in June 2017) with the economic and future components increasing. Conversely, the **business** confidence index showed uneven signs in different sectors: it decreased in the manufacturing and building sectors, while it increased in the service and retail industries, coming to 105.4 in June (vs. 106.9 in June 2017).

Also the **public administration** generated positive signs in terms of lower weight on the GDP of both net debt, coming to 3.5% (down by 0.5% YOY) and of the primary balance (down by -0.1% YOY).

Investments decreased with lower investments both in constructions and in machinery and equipment. On the other hand, expenditure for means of transport proved again on the increase.

In May 2018, **industrial output** increased by +2.1%[6] on an annual basis. All segments posted increases: capital goods (+3.1%), consumer goods (+2.1%), energy (+2.2%) and intermediate goods (+1.3%). The economic activity sectors that increased the most are those of manufacturing of electrical and non-electrical home appliances, pharmaceutical products and machinery and equipment. The manufacturing of computers and electronic products and the metalworking industry decreased slightly.

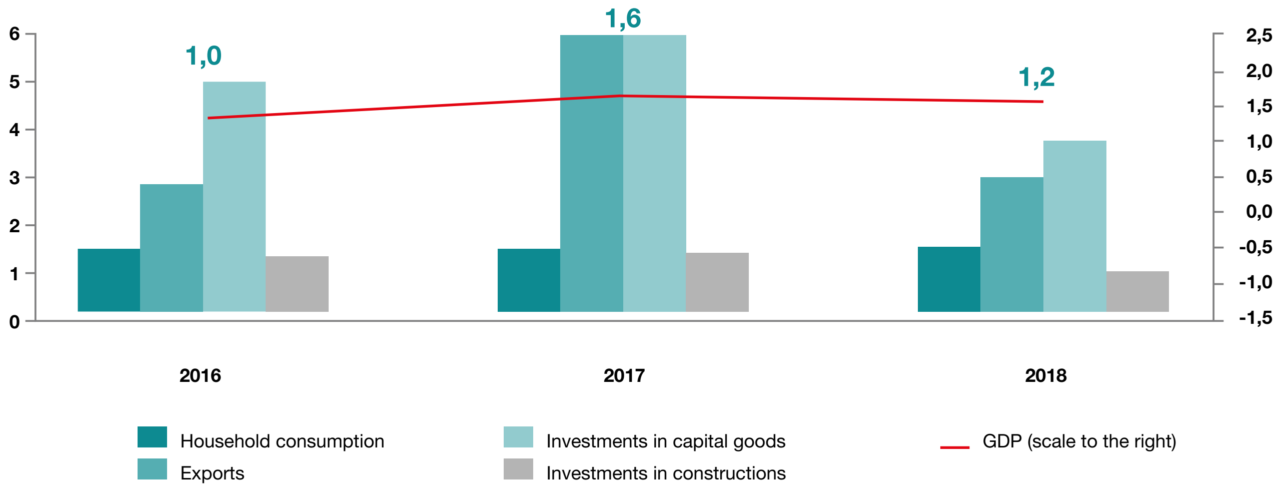
In the first quarter of 2018, the contribution of **foreign trade** was negative, with decreases in imports (-0.9%) and exports (-2.1%) vs. the previous quarter, due to the considerable downsizing in sales outside the EU. Indeed, the risks resulting from the protectionist policy of the United States significantly increased, as did the contrasts, on various fronts, in the relations between EU Member States and extra-EU Countries.

According to preliminary estimates, in June 2018 **consumer prices**[7] increased by 1.4% vs. June 2017. Inflation grew at a faster pace for both goods and services, even though to a lesser extent for the latter, coming to a negative inflation differential between services and goods (-0.7 percentage points).

The labour market conditions continued to improve with the **unemployment rate**[8] coming to 10.7% in May 2018 vs. 11.3% in May 2017; again in May 2018, the number of people looking for a job has been estimated as markedly decreasing (-2.9% vs. April 2018). Positive signs came also from the **employment rate** that came to 58.8% in May 2018, increasing vs. the previous year (57.7%), with a markedly higher number of employed people (+2.0% YOY; i.e. +457 thousand).

Based on the first data for 2018, several bodies have revised their expectations on the Italian economy for this year downward: Confindustria (the main organization representing Italian manufacturing and service companies) has forecast a +1.3% growth (vs. the previous estimate of 1.5%) and Prometeia a +1.2% growth (vs. 1.5%). Nevertheless, as remarked by the Governor of the Bank of Italy, Ignazio Visco, in his address to the annual meeting of the Italian Banking Association (ABI), "In most of the forecasts made by national and international institutions, Italy's growth is expected to exceed 1 percent on average in the three years 2018-2020". It is also reported that household and business confidence has remained high and positive signs are also the increase in bank loans and the improvement in the labour market.

3 Source: ISTAT (the Italian National Institute of Statistics) Monthly Report on the Italian economy (May 2018).
4 Source: ISTAT (the Italian National Institute of Statistics) Monthly Report on the Italian economy (June 2018).
5 Source: ISTAT (the Italian National Institute of Statistics) consumer and business confidence (June 2018)
6 Source: ISTAT (the Italian National Institute of Statistics) Industrial Production (July 2018)
7 Source: ISTAT (the Italian National Institute of Statistics), Consumer Prices (June 2018)
8 Source: ISTAT (the Italian National Institute of Statistics) Employed and Unemployed (July 2018)



Source: Prometeia, Forecast Report – July 2018.

THE BANKING SYSTEM

The banking system reported a positive bottom line in 2017, thanks also to significant non-recurring components that gave a positive contribution to the performance of some banks.

At the beginning of 2018 new European regulatory provisions entered into force:

- The new IFRS 9 requires banks to considerably revise their models for classifying and measuring their loan portfolio and concerns also provisions for non-performing loans, which are generally higher and, based on the First Time Adoption (FTA) rules, such increase has generated an impact on equity;
- The models for investor protection (MiFID2) and transparency (PRIIPs), with subsequent impact on revenues from indirect funding as regards asset management and insurance products;
- The so-called calendar provisioning, also known as statutory prudential backstop, which was proposed in March by the European Commission and requires, among the measures for the management and reduction of non-performing loans, common minimum regulatory provisioning levels (first pillar) for all EU banks;
- The publication by the European Central Bank of the final version of the Addendum to the ECB Guidance to banks on non-performing loans, which asks banks to speed up provisioning, up to 100% in two years, in case of default of unsecured positions and in seven years in case of positions backed by securities or real estate assets.

Recently, the Italian Ministry of the Economy **applied to the European Commission for a second** extension, after that of one year already granted, of the scheme for state-guarantee on NPL securitization (***Garanzia Cartolarizzazione Sofferenze* – GACS**), which, for the time being, will expire on 6 September 2018. The extension would help banks to continue in their derisking as requested by the EU supervisory authority. Moreover, Monte dei Paschi di Siena received the state guarantee on the senior tranche, worth Euro 2.9 billion, of the securitization of NPLs for a total amount of Euro 24.1 billion.

Moreover, the political uncertainty experienced in the first months of the year and the subsequent tensions on the BTP/Bund spread have impacted Italian bank bonds, causing a **20% decrease in the stock market index**, which has been recovered only in part. However, the industry has once again proved sound and the data for the first three months show increases: loans to customers increased, asset quality improved with net bad loans and the cost of credit both decreasing, and profitability constantly improving, despite markets rates still at their all-time low (in May 2018 the 3M Euribor was -0.33%).

In the banking system, the implemented monetary policies supported the performances of money and credit supply[9]:

- **Loan quality** has continued to progressively improve, with the stock of **net bad loans** decreasing, thanks also to the sale transactions made, and coming, in April 2018, to Euro 51 billion, its lowest value since April 2012. Specifically, net bad loans decreased by -43% vs. the Euro 89 billion peak at the end of November 2015 and by -20% vs. December 2017. The weight of net bad loans on total loans came to 2.96% in April 2018, decreasing from 3.7% recorded at the end of 2017. Moreover, the weight of **non-performing exposures (NPE)**[10], net of value adjustments, on total loans of the entire system further decreased by almost one percentage point in the first quarter of 2018, coming to 5.3% and amount of net non-performing loans decreased to a little over Euro 110 billion, from Euro 200 billion at the end of 2015;
- **Loans to households and businesses** markedly increased, up by +2.3% on an annual basis in May 2018, with **loans to households** growing (in April 2018: up by +2.9% YOY) driven by both the continuing good performance of consumer credit and by the recovery in the **mortgage loan market** (up by +2.6% YOY). **Loans to businesses** also increased (in April 2018: up by +2.2% YOY), mainly driven by a stronger demand and more favourable conditions to access credit;
- **Interest rates on loans** to customers still at their all-time low: in May 2018, the **average interest rate on total loans** was 2.64% (2.79% in May 2017; 6.18% at the end of 2007) and the **average interest rate on new home loans** came to 1.83% (2.12% in May 2017; 5.72% at the end of 2007). The **interest rate of new loans to businesses** further decreased to 1.50% (1.56% in May 2017; 5.48% at the end of 2007);
- In May 2018, **direct funding** (deposits from resident customers and bonds) came to Euro 1,728 billion, markedly increasing by approximately €21 billion vs. the previous year, up by +1.21%. Funding increased by approximately Euro 180 billion if compared with the figures reported at the beginning of the crisis – i.e. at the end of 2007 – when it amounted to approximately Euro 1,549 billion. The breakdown of this item by component shows the different weight of short-term funding sources on the one hand and medium-/long-term ones on the other: the weight of customers' deposits came to 85% (vs. 66% at the end of 2007) and that of bonds at 15% (vs. 34% at the end of 2007), subsequent to the progressively increasing preference for deposits, to the detriment of bonds, which, in May 2018, decreased by -17.1% YOY, while deposits increased (+5.3% YOY) as did asset management products that yield better returns to customers in a scenario of all-time low interest rates;
- The **average interest rate on funding** was 0.75% in May 2018 (0.95% in May 2017). The interest rate on deposits came to 0.41% (vs. 0.40% in May 2017) and that on bonds came to 2.53% (vs. 2.69% in May 2017);
- The **spread** between the average rate on loans to and the average rate on deposits from households and non-financial corporations has remained, in Italy, at very low levels; in May 2018 it came to 189 basis points (184 in May 2017). Before the financial crisis, this spread was over 300 basis points;
- As regards the **asset management industry**[11], in May 2018 the system reported Euro 10 billion worth of net funding since the beginning of the year, albeit significantly decreasing vs. Euro 48 billion in the previous year. Assets under management came to Euro 2,065 billion. The true drivers of funding have been open-end funds which posted Euro 9 billion worth of flows. Investors preferred especially flexible and balanced products, with bonds decreasing.
- In income terms, in the first quarter of 2018 **the Italian banking sector made profits** giving evidence of stronger and stronger growth, which started in 2017 after the losses made in 2016. This performance was driven by the increase in net fee and commission income, especially in the asset management component, by the effectiveness of cost control actions and by the decrease in the cost of risk.

The profitability of the leading Italian banks has continued to increase, whereas that of smaller-size banks proved lower. However, for all banks, the diversification of revenues and the reduction of costs, both administrative and labour ones, continue to be the key actions to successfully address increased competition, regulatory pressure and technology challenges, as well as to enhance operational efficiency supporting profitability.

9 Source: ABI Monthly Outlook (June 2018).
10 Address by the Governor of the Bank of Italy Ignazio Visco to the Annual Meeting of the Italian Banking Association (July 2018).
11 Source: Assogestioni (the Italian National Association of Asset Management Firms), Asset Management Monthly Map (June 2018)

Management Report

OPERATING PERFORMANCE

In a quite complex economic and regulatory scenario, affected – externally – by several uncertainty factors and – internally – by the fast integration of the three Banks that were acquired at the end of 2017, the Crédit Agricole Italia Banking Group, again in the first half of 2018, proved able to achieve considerable business performances and to further increase its profitability.

Total intermediated assets came to over Euro 157 billion and net profit to Euro 150 million. The latter figure also includes the contributions to the Single Resolution Fund and to the Italian National Resolution Fund, as well as the expenses for the integration of the three Banks that were acquired last year.

PERFORMANCE OF BALANCE SHEET AGGREGATES

Loans to Customers

As at 30 June 2018, loans to customers came to Euro 44.1 billion, essentially in line with the same figure at the end of 2017, thanks to the development in performing loans and to the progressive decrease in non-performing ones.

Indeed, in the reporting period, performing loans increased significantly (up by approximately +2%): a considerable increase was achieved both in technical forms with long maturities – specifically mortgage loans (especially home loans to households), which accounted for 62% of total loans to Customers and increased by 1.2% vs. 31 December 2017 (coming to Euro 27.5 billion) –, and in technical forms with shorter maturities (mostly to businesses) – where the Group's operations focused on advances and credit facilities, especially with products with pricing that is favourable to Customers (also based on whether the related assets are eligible for operations with the ECB) – increasing by Euro 456 million vs. the end of last year (up by +3.2%).

The increase in volumes was achieved while constantly focusing on credit quality, with the weight of non-performing loans on total loans to customers significantly decreasing in the reporting period (from 10.8% – after IFRS 9 FTA as at 1 Jan. 2018 – to 9.7%, especially unlikely-to-pay) and, concomitantly, an increased coverage ratio (up from 56% – after IFRS9 FTA as at 1 Jan. 2018 – to 58%). NPLs have been curbed both with an effective action to reduce the number of loans becoming non-performing and with the disposal of Unlikely-to-pay – UTP amounting to over 430 Mln€ (other transactions for NPL disposal have also been scheduled for the second half of the year). These disposal transactions aim at decreasing the overall stock of non-performing loans and fall within the scope of a wider strategy for the liquidation of non-performing loans, by structuring a competitive bidding process among investors that are specialized in this asset type, and by getting the relevant cash flows earlier than with ordinary loan collection management.

As at 30 June 2018, direct funding came to Euro 50.3 billion, in line with the end of 2017. Current accounts and deposits have continued to grow, with credit balances increasing to Euro 40.7 billion (up by +1% vs. December 2017), giving evidence of customers' preference for more liquid forms of deposit.

As regards "Debt securities issued", the Group's operations focused on the issue of Covered Bonds that, thanks to the increasing favour they have been met with on the market, have allowed funding on longer maturities and at advantageous costs: in 2018, the Group has placed covered bonds for an additional amount of Euro 0.5 billion; conversely, the stock of ordinary debentures decreased (-24%):

The present low rates have led Customers to prefer products that may have higher yields, especially asset management products.

As at 30 June 2018, indirect funding came to over Euro 63 billion: in the reporting period, while assets under administration decreased (down by Euro -1.2 billion, i.e. -4%), the component yielding higher value to customers increased (asset management, up by +1% to Euro 33.9 billion, despite the negative performances of markets in the period), thanks to the development in all its determinants (Funds – benefiting from the development in Individual Saving Plans (Italian acronym PIR) – Asset Management and Bancassurance, substantiating investors' preference for these forms of investment).

The portfolio of Government securities, which are held within the liquidity risk management policy and to support net interest income, came to Euro 7.8 billion (increasing by approximately +10% vs. the end of 2017).

Equity – net of the profit for the period – came to Euro 5.6 billion, increasing by Euro 152 million (up by +3%) vs. 31 December 2017, subsequent to the increase in income reserves (the undistributed portion of 2017 earnings).

As at 30 June 2018, the Common Equity Tier 1 ratio was at 10.9%, a figure that takes into account the share capital increase of Euro 147 million made in June 2018, in order to meet the impacts generated, on the one hand, by the end of the Basel 3 phase-in regime and, on the other, by the entry into force of the new IFRS9. As at the reporting date, the Tier 1 ratio was at 12.2% and the Total capital ratio at 14.9%.

PROFIT OR LOSS

Any comparison to 30 June 2017 is affected by the change in the perimeter, with the entry, at the end of 2017, of CR Rimini, CR Cesena and CR San Miniato, since the Income Statement for the first half of last year obviously did not report their profits or losses.

Net operating revenues came to Euro 975 million, increasing vs. last year (also because of the different perimeter) and with a lower contribution of interest income and a higher weight of fee and commission income.

In a scenario featuring still modest economic growth and still negative interest rates, net interest income came to Euro 486 million. As regards loans to Customers, competitive pressure has caused progressive reduction in spreads, both on newly issued ones and on existing ones (renegotiations), with a negative effect on net interest income, which was only partially mitigated by the increase in volumes (especially of mortgage loans). The contribution of funding from Customers to net interest income, even though benefiting from the decrease in the cost of forms with longest maturities (thanks to reduced volumes of ordinary bonds issued and increased volumes of covered bonds that are less expensive), was impacted by the negative change in spreads on demand funding (due to substantial limits to the decrease in interest rates on certain demand funding forms with negative interest rates).

Interest income from the government security portfolio decreased due to the reduction in yields and in government securities on the banking book.

Dividends came to Euro 13 million, increasing YOY because of dividends received from the three banks that were acquired in December 2017.

Net fee and commission income, which today accounts for almost 50% of total income from the commercial banking business, came to Euro 445 million: this performance was driven by both fee and commission income from management, intermediation and advisory services (Euro 258 million), specifically intermediation and placement of securities, UCITS units and insurance products, which significantly benefit from the synergies with the companies of the Crédit Agricole Italia Group (CA Vita and CA Assicurazioni), as well as of consumer credit products (Agos), and by fee and commission income from the traditional banking business, despite the decrease in fee and commission income from loan application processing and account expenses (which are evidence of even more advantageous conditions applied to customers).

The contribution to the Income Statement of the profit (loss) from banking activities (Euro 24 million as at 30 June 2018) increased by Euro 11 million vs. last year.

Other operating revenues came to Euro +6.5 million (in the first half of 2017 this item came to Euro +12 million), decreasing vs. the previous year essentially because the non-recurring positive components that were recognized in 2017 no longer apply, including the settlement reached with Intesa Sanpaolo as regards the transfer of branches made in previous years (positive by Euro 20 million).

Operating costs came to Euro 628 million, increasing by Euro 125 million vs. 2017 due to the change in the perimeter. In addition to the expenses for the integration of the three banks (approximately Euro 7 million in the reporting period) and the contributions to the Single Resolution Fund and to the Italian National Resolution Fund (ordinary and extraordinary, respectively, and totalling Euro 22 million vs. Euro 15 million in the first half of 2017 – the perimeter being equal).

Net of non-operating expenses, the cost/income ratio came to 61.5%

Net provisions came to Euro +19 million and this good performance resulted mainly from some agreements reached regarding the purchase of the three banks acquired in 2017 and the subsequent partial release of provisions that were recognized in 2017 (based on the best estimate at present available).

The continuous decrease in the cost of credit was one of the key factors for the Group's positive performance in 2018: indeed, net impairments of loans came to Euro 132 million, down by 13% vs. the first half of 2017 (and therefore despite the perimeter extension). In percentage terms, the ratio that expresses the cost of credit risk/impairment (the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers) decreased to 60 bps vs. 68 bps as at the end of 2017, even with increasing coverage ratios of non-performing loans.

The profit before taxes on continuing operations came to Euro 233 million.

As at the reporting date, current and deferred tax liabilities amounted to Euro 73 million.

The profit for the period (coming to Euro 150 million) increased vs. last year (up by Euro +19 million, i.e. +15%).

Comprehensive income consists of the profit for the period and of the changes in assets directly recognized in equity reserves. Comprehensive income for the reporting period came to Euro 31 million vs. Euro 130 million in the previous year.

Tax-related disputes

No significant events directly concerning the companies of the Banking Group occurred other than those already reported in the 2017 Annual Report and Financial Statements.

However, it is pointed out that some disputes are pending on registration taxes for transfers of branches made by the Intesa SanPaolo Group to the CAI Group in 2007 and 2011 and the subsequent assignment of the received equity investments to the institutional shareholders of the two banks for a total amount, due jointly and severally by all the parties involved on any grounds in the specific transactions, of approximately Euro 53 million, plus interest. On some of these disputes, favourable decisions were issued by the competent Courts of first and second instance, against which the Agenzia delle Entrate filed appeal. Also in the light of the opinions, obtained at the beginning of these disputes, from leading Law Firms, as well as in the light of the favourable Court decisions issued, no provisions were allocated for these disputes.

Some less material disputes are also pending, as are some confrontations regarding findings or alleged findings within some audits, which also entail a negligible total amount.

Risks and uncertainties

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

Reference is made to other sections of the Note to the Financial Statements for exhaustive reporting on the risks and uncertainties which the Group is exposed to (and on the techniques implemented for their mitigation), while it cannot but be emphasized once more the constant focus that the Group and its Management have kept on the monitoring of risks and uncertainties, also to comply with the countless recommendations that the national and international Authorities have been issuing on this topic Indeed, the Bank's governance bodies are fully aware that sustainable development and growth absolutely require also an effective analysis of the risks which the Bank is exposed to and of the relating uncertainties, in terms of impacts that these risks could have on the Group's financial position, cash flows and performance. Effective management and mitigation of the same risks to acceptably low levels are another crucial requirement for sustainable growth, also in order to protect savings (and, with them, Customers' confidence) on the one hand, and loans (healthy and drivers of growth) on the other.

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

DIVIDENDS DISTRIBUTED BY THE PARENT COMPANY IN THE HALF-YEAR

The Parent Company's net profit for 2017 amounted to Euro 211,712,287. In the first half of 2018, in line with the resolution approved by the General Meeting of Shareholders held on 27 April 2018, the Parent Company Crédit Agricole Cariparma S.p.A. allocated this amount as follows:

5% to the legal reserve	10,585,614
To the charity fund	1,300,000
To the Shareholders	110,965,252
To extraordinary reserve	88,861,421

The dividend was paid on 2 May 2018, at Euro 0.11870 for each one of the 934,837,845 ordinary shares.

Crédit Agricole Italia Banking Group

Interim Condensed Consolidated Financial Statements

Financial Statements

CONSOLIDATED BALANCE SHEET

Assets			30.06.2018	31.12.2017
10.	10.	Cash and cash equivalents	1,576,341	1,990,365
20.		Financial assets measured at fair value through profit or loss (IFRS 7 par. 8 lett. a))	135,556	
	20.	a) Financial assets held for trading;	106,259	74,252
	30.	b) Financial assets designated at fair value;	-	99
		c) Other financial assets mandatorily measured at fair value	29,297	
30.		Financial assets measured at fair value through other comprehensive income (IFRS 7 par. 8 lett. h))	3,563,804	
	40.	Financial assets available for sale		5,344,090
	50.	Investments held to maturity		2,234,277
40.		Financial assets measured at amortized cost (IFRS 7 par. 8 lett. f))	54,504,138	
	60.	a) due from banks	5,272,959	7,237,907 (*)
	70.	b) loans to customers	49,231,179	44,251,456 (*)
50.	80.	Hedging derivatives	570,474	570,367
60.	90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	30,612	26,085
70.	100.	Equity investments	29,685	33,868
80.	110.	Reinsurers' share of technical reserves	-	-
90.	120.	Property, Plant and Equipment	829,908	838,358
100.	130.	Intangible Assets	1,937,557	1,959,264
		- of which goodwill	1,575,536	1,575,536
110.	140.	Tax assets	1,584,308	1,458,004
		(a) current	421,608	317,587
		(b) deferred	1,162,700	1,140,417
		b1) pursuant to Italian Law No. 214/2011		725,894
120.	150.	Non-current assets held for sale and discontinued operations	-	98
130.	160.	Other assets	861,633	694,075
Total assets			**65,624,016**	**66,712,565**

(*) This item reports the debt securities and loans allocated to the portfolio measured at amortized cost. These were previously reported among financial assets not listed on an active market (Level 2 and Level 3) to banks and customers.

Even though IFRS 9 does not mandatorily require the 2017 comparative figures to be restated, the items of the 2018 financial statements have been compared to those of the previous period where possible and, where this could not be done, additional rows have been included for the items provided for by the previous update to Bank of Italy Circular No. 262 “Banks’ financial statements: layout and preparation”. It goes without saying that this representation limits data comparability.

Liabilities and Equity			30.06.2018	31.12.2017
10.		Financial liabilities measured at amortized cost (IFRS 7 par. 8 lett. g))	56,350,761	
	10.	a) due to banks	6,092,031	7,059,113
	20.	b) due to customers	40,999,055	40,575,365
	30.	c) debt securities issued	9,259,675	9,715,753
20.	40.	Financial liabilities held for trading	77,612	75,820
30.		Financial liabilities designated at fair value (IFRS 7 par. 8 lett. e))	-	
	50.	Financial Liabilities measured at fair value		67,201
40.	60.	Hedging derivatives	634,881	527,675
50.	70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	358,271	373,754
60.	80.	Tax liabilities	142,355	231,849
		(a) current	59,827	146,014
		b) deferred	82,528	85,835
70.	90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	100.	Other liabilities	1,560,645	1,126,839 (*)
90.	110.	Employee severance benefits	147,317	151,130
100.	120.	Provisions for risks and charges	420,383	433,953
		a) commitments and guarantees given	36,501	(*)
		b) post-employment benefits and similar obligations	41,653	40,191
		c) other provisions for risks and charges	342,229	393,762
110.	130.	Technical reserves	-	-
120.	140.	Valuation reserves	-140,343	-18,941
130.	150.	Redeemable shares	-	-
140.	160.	Equity instruments	365,000	365,000
150.	170.	Reserves	1,275,904	1,150,176
160.	180.	Share premium reserve	3,117,707	2,997,386
170.	190.	Share capital	962,073	934,838
180.	200.	Treasury shares (+/-)	-4,065	-4,065
190.	210.	Minority interests (+/-)	205,452	259,479
200.	220.	Profit (Loss) for the period	150,063	690,240
Total liabilities and shareholders' equity			**65,624,016**	**66,712,565**

(*) The sub-item "commitments and guarantees issued" shall report the provisions for credit risk regarding commitments to disburse funds and financial guarantees issued, which were previously recognized in the "Other liabilities" item.

CONSOLIDATED INCOME STATEMENT

Voci			30.06.2018	30.06.2017
10.	10.	Interest and similar income	468,716	508,990
20.	20.	Interest and similar expenses	19,751	(73,732)
30.	30.	Net interest income	488,467	435,258 (*)
40.	40.	Fee and commission income	463,533	377,760
50.	50.	Fee and commission expense	(19,782)	(17,230)
60.	60.	Net fee and commission income	443,751	360,530
70.	70.	Dividends and similar income	12,508	8,401
80.	80.	Net profit (losses) on trading activities	5,093	10,025
90.	90.	Net profit (losses) on hedging activities	(6,182)	(4,901)
100.	100.	Profit (losses) on disposal or repurchase of:	23,101	(16,578)
		a) financial assets measured at amortized cost	2,923	
		b) financial assets measured at fair value through other comprehensive income	20,485	
		c) financial liabilities	(307)	
		a) loans		(21,113)
		b) financial assets available for sale		5,474
		c) investments held to maturity		-
		d) financial liabilities		(939)
110.	110.	Profit (losses) on financial assets and liabilities measured at fair value through profit or loss	2,204	
		a) financial assets and liabilities designated at fair value	-	
		b) other financial assets mandatorily measured at fair value	2,204	
		Net gains (losses) on financial assets and liabilities measured at fair value		-
120.	120.	Net interest and other banking income	968,942	792,735
130.	130.	Net losses/recoveries on impairment of:	(137,618)	(104,120)
		a) financial assets measured at amortized cost	(137,191)	
		b) financial assets measured at fair value through other comprehensive income	(427)	
		a) loans		(96,792)
		b) financial assets available for sale		(6,092) (§)
		c) investments held to maturity		-
		d) other financial activities		1,236
140.		Profit (losses) on changes in contracts without derecognition	-	
150.	140.	Net income from banking activities	831,324	688,615
160.	150.	Net premium income	-	-
170.	160.	Balance of other revenues/expenses from insurance activities	-	-
180.	170.	Net income from banking activities and insurance activities	-	688,615
190.	180.	Administrative expenses:	(716,889)	(595,497)
		a) Personnel expenses	(368,770)	(304,451)
		b) other administrative expenses	(348,119)	(291,046)
200.	190.	Net provisions for risks and charges	27,826	
		a) commitments and guarantees given	8,858	
		b) other net provisions	18,968	
		Net provisions for risks and charges		(7,009)
210.	200.	Impairment/recoveries on property, plant and equipment	(20,688)	(14,665)
220.	210.	Impairment/recoveries on intangible assets	(37,952)	(30,818)
230.	220.	Other operating expenses/income	140,892	155,468
240.	230.	Operating expenses	(606,811)	(492,520)
250.	240.	Profit (losses) on equity investments	8,814	7,151
260.	250.	Net profit (losses) on property, plant and equipment and intangible assets designated at fair value	-	-
270.	260.	Impairment on goodwill	-	-
280.	270.	Profit (losses) on disposals of investments	72	(20)
290.	280.	Profit (loss) before taxes on continuing operations	233,399	203,226
300.	290.	Taxes on income for the period from continuing operations	(73,497)	(65,113)
310.	300.	Profit (loss) from continuing operations, net of taxes	159,902	138,113
320.	310.	Profit/ (loss) from discontinued operations, net of taxes	-	-
330.	**320.**	**Profit (loss) for the period**	**159,902**	**138,113**
340.	330.	Profit (loss) for the period attributable to minority interest	(9,839)	(7,135)
350.	**340.**	**Profit (loss) for the period attributable to the Parent Company**	**150,063**	**130,978**

(*) Pursuant to the 5th update to Bank of Italy Circular No. 262, differentials on hedging derivatives, regarding single items/technical forms, shall be recognized as interest income or interest expenses in accordance with the algebraic sign of the interest flow (asset or liability) of the single item/technical form that is changed by the relevant derivative contracts. Previously, the balance of all differentials on hedging derivatives was reported, in accordance with the algebraic sign, under interest income or interest expenses.

(§) Pursuant to the 5th update to Bank of Italy Circular No. 262, interests associated with time passing, determined within the measurement of impaired financial assets based on the original effective interest rate shall be reported under interest and similar income. Previously, writebacks associated with the passing of time, equal to interests accrued in the period based on the original effective interest rate were reported as net losses/recoveries on impairment of loans.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Voci			30.06.2018	30.06.2017
10.	10.	Profit (loss) for the period	159,902	138,113
		Other comprehensive income after taxes not reversed in profit or loss	-	-
20.		Equity instruments designated at fair value through other comprehensive income	(535)	
30.		Financial liabilities designated at fair value through profit or loss (change in own credit rating))	-	
40.		Hedging of equity securities designated at fair value through comprehensive income	-	
50.	20.	Property, plant and Equipment	-	-
60.	30.	Intangible Assets	-	-
70.	40.	Defined-benefit plans	(5,799)	(526)
80.	50.	Non-current assets held for sale and discontinued operations	-	-
90.	60.	Share of Valuation Reserves on equity investments measured using the equity method	131	-
		Other comprehensive income after taxes reversed in profit or loss	-	-
100.	70.	Hedges of foreign investments	-	-
110.	80.	Exchange rate differences	-	-
120.	90.	Cash flow hedges	-	-
	100.	Financial assets available for sale		(570)
130.		Hedging instruments (not designated elements)	-	-
140.		Financial assets (other than equities) measured at fair value through other comprehensive income	(122,270)	-
150.	110.	Non-current assets held for sale and discontinued operations	-	-
160.	120.	Share of Valuation Reserves connected with investments carried at equity	-	-
170.	130.	Total other comprehensive income net of taxes	(128,473)	(1,096)
180.	**140.**	**Comprehensive income (Item 10+170)**	**31,429**	**137,017**
190.	150.	Consolidated comprehensive income attributable to minority interests	2,456	6,994
200.	**160.**	**Consolidated comprehensive income attributable to the Parent Company**	**28,972**	**130,023**

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	Shareholders' 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 IN OPENING BALANCES	-	-	-470,799	-	911	-	-	-	-469,888
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 JAN. 2018	100,356	135,025	-14,790	2,939	695	-	-963	11,640	234,902
ALLOCATION OF PROFIT FOR THE PREVIOUS YEAR	-	-	-	-	-	-	-	-	-
Reserves	-	-	575,482	-	-	-	-	-575,482	-
Dividends and other allocations	-	-	-	-	-	-	-	-126,398	-126,398
CHANGES FOR THE PERIOD	-	-	-	-	-	-	-	-	-
Change 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	-	-	22,541	-	-	-	-	-	22,541
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	-	-37,262
Comprehensive income	-	-	-	-	-128,473	-	-	159,902	31,429
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 INTERESTS AS AT 30 JUNE 2018	**84,116**	**123,514**	**-7,440**	**2,939**	**-6,580**	**-**	**-937**	**9,839**	**205,451**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2017

	Share capital ordinary shares	Share premium reserves	Reserves: Retained earnings	Reserves: other	Valuation reserves	Equity instruments	Treasury shares	Profit (Loss) for the period	Shareholders' equity
EQUITY AS AT 31 DEC. 2016	876,762	2,735,462	-14,534	-13,429	-13,429	200,000	-4,035	208,124	5,081,710
Minority interests as at 31 Dec. 2016	61,070	99,941	31,181	2,939	887	-	-964	10,844	205,898
ALLOCATION OF PROFIT FOR THE PREVIOUS YEAR	-	-	-	-	-	-	-	-	-
Reserves	-	-	89,205	-	-	-	-	-89,205	-
Dividends and other allocations	-	-	-	-	-	-	-	-129,763	-129,763
CHANGES FOR THE YEAR	-	-	-	-	-	-	-	-	-
Change in reserves	-	-	47	-	-	-	-	-	47
Transactions on equity	-	-	-	-	-	-	-	-	-
Issue of new shares	1,529	1,020	-	-	-	-	-	-	2,549
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-7,801	-	-	-	-	-	-7,801
Charity	-	-	1,512	-	-	-	-	-	1,512
Consolidation adjustments	-241	-944	-1,011	-	-8	-	-	-	-2,204
Shares and rights on shares of the Parent Company assigned to employees and directors	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-1,096	-	-	138,113	137,017
EQUITY AS AT 30 JUNE 2017	**876,762**	**2,735,462**	**1,175,045**	**-14,534**	**-14,392**	**200,000**	**-4,045**	**130,978**	**5,085,276**
MINORITY INTERESTS AS AT 30 JUNE 2018	**62,358**	**100,017**	**31,448**	**2,939**	**746**	**-**	**-954**	**7,135**	**203,689**

CONSOLIDATED STATEMENT OF CASH FLOWS

		30.06.2018	30.06.2017
A.	OPERATING ACTIVITIES		
1.	Cash flow from (used in) operations	508,010	520,629
-	profit (loss) for the period (+/-)	150,063	130,978
-	gains/losses on financial assets held for trading and on financial assets/liabilities designated at fair value through profit or loss(-/+)	-1,263	-3,377
-	Profit losses on hedging activities (-/+)	25,706	2,856
-	net losses/recoveries on impairment (+/-)	122,490	91,371
-	impairment recoveries on property, plant and equipment and intangible assets (+/-)	58,640	45,483
-	Net provisions for risks and charges and other expenses/revenues (+/-)	-27,826	7,009
-	Unpaid taxes and tax credits (+)	73,497	65,113
-	impairment recoveries on discontinued operations net of tax effect (-/+)	-	-
-	Other adjustments (+/-)	106,703	181,196
2.	Cash flow from/used in by financial assets	-168,365	-3,153,932
-	financial assets held for trading	9,368	13,085
-	financial assets designated at fair value	-	-
-	financial assets mandatorily measured at fair value	1,088	-
-	financial assets measured at fair value through other comprehensive income	-294,686	7,481
-	financial assets measured at amortized cost	303,400	-3,055,502
-	other assets	-187,535	-118,996
3.	Cash flows from/used in financial liabilities	-707,766	2,745,430
-	financial liabilities measured at amortized cost	-1,095,706	2,063,424
-	financial liabilities held for trading	1,792	-19,716
-	other liabilities	386,148	701,722
Net cash flow from/used in operating activities		**-368,121**	**112,127**
B.	INVESTING ACTIVITIES		
1.	Cash flow from:	16,701	8,504
-	Sales of equity investments	4,168	-
-	Dividends received on equity investments	12,508	8,401
-	Sales of property, plant and equipment	25	103
-	Sales of intangible assets	-	-
-	sales of business units	-	-
2.	Cash flow used in:	-28,634	-25,355
-	Purchases of equity investments	-	-
-	Purchases of property, plant and equipment	-12,389	-13,090
-	Purchases of intangible assets	-16,245	-12,265
-	Purchases of business units	-	-
Net cash flows from/used in investing activities		**-11,933**	**-16,851**
C.	FUNDING ACTIVITIES		
-	Issues/purchases of treasury shares	146,999	2,549
-	Issues/purchases of equity instruments	-11,804	-7,801
-	Distribution of dividends and other scope	-169,165	-129,763
Net cash flows from/used in financing activities		**-33,970**	**-135,015**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**-414,024**	**-39,739**

RECONCILIATION

Financial Statement items	**30.06.2018**	**30.06.2017**
Cash and cash equivalents at the beginning of the period	1,990,365	223,966
Total net increase/decrease in cash and cash equivalents for the period	-414,024	-39,739
Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at the ending of the period	1,576,341	184,227

KEY: (+) from (–) used in

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting standards and policies applicable to the Group, bases of measurement and estimates used

1.1 Applicable standards and comparability

The half-yearly condensed consolidated financial statements as at 30 June 2018 of the Crédit Agricole Italia Banking Group were prepared and presented in compliance with IAS 34 "Interim Financial Reporting" that prescribes the minimum content of an interim financial report and prescribes the principles for recognition and measurement in condensed financial statements for an interim period.

The standards and interpretations used to prepare the half-yearly condensed consolidated financial statements, as regards the classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the recognition of the related revenues and costs, have changes versus those used by the Crédit Agricole Italia Banking Group for the preparation of its consolidated financial statements as at 31 December 2017. Such changes specifically concern the application to reporting periods beginning on or after 1 January 2018 of the following international financial reporting standards: IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which are the most impacting ones of the new standards applicable to periods staring on or after 1 January 2018 (as given in the table below).

As regards standards and bases that have not changed vs. the ones used to prepare the financial statements as at 31 December 2017, please refer to that report.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION AND APPLICABLE TO REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2018

Standards, amendments or interpretations	Date of publication	Date of first application
IFRS 9 Financial instruments	29 November 2016 (EU No. 2067/2016)	1 January 2018
IFRS 15 Revenue from Contracts with Customers	29 October 2016 (EU No. 1905/2016)	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle: • IAS 28 Investments in Associates and Joint Ventures • IFRS 1 Additional Exemptions for First-time Adopters	8 February 2018 (EU No. 289/2018)	1 January 2018 1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	27 February 2018 (EU No. 289/2018)	1 January 2018
Amendments to IAS 40 Investment Property Clarification on transfers to, or from, investment properties	15 March 2018 (EU No. 400/2018)	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	9 November 2017 (EU No. 1988/2017)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration Clarifications on IAS 21	03 April 2018 (EU No. 519/2018)	1 January 2018

For reporting periods beginning on or after 1 January 2018, IFRS 9 "Financial Instruments" shall replace IAS 39 "Financial Instruments: recognition and measurement". IFRS 9 was endorsed by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016.

IFRS 9 sets down new principles for classification and measurement of financial instruments, for credit risk measurement (Impairment) and hedge accounting, excluding macro-hedging.

IFRS 9 shall apply retrospectively with mandatory effective date on 1 January 2018 with adjustments to opening items on the first-adoption date; it does not require restatement of comparative data for the 2017 FY but it provides for optional restatement. As regards the methods to report the effects of first-time adoption of the standard, the Crédit Agricole Italia Banking Group has opted for the exemption provided for in paragraph 7.2.15 of IFRS 9 and in paragraphs E1 and E2 of IFRS 1 "First time adoption of International Financial Reporting Standards", pursuant to which, without prejudice to retrospective application of the new measurement and recognition rules required by the standard, no restatement is mandatory on smooth basis of comparative figures in the financial statements of first application of the new standard. In accordance with the instructions contained in the deed for the issue of the 5th update to Bank of Italy Circular 262 "Banks' financial statements: layout and preparation", the banks that opt for the exemption from the obligation to restate comparative figures shall however include, in their first financial statements prepared based on the new Circular No. 262, a statement of reconciliation setting forth the method used and reconciling the figures of the latest approved financial statements to those of the first financial statements prepared based on the new provisions. This information is reported here below, in the "IFRS 9 First Time Adoption – FTA" in a table, in accordance with the discretionary choice allowed to the competent corporate bodies on the form and contents of such information reporting.

IFRS 15 "Revenue from Contracts with Customers" has replaced IAS 11 Construction Contracts, IAS 18 Revenue, as well as all related interpretations, namely IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

As regards the application of IFRS 15, the analyses that were performed have shown that the accounting treatment of the main types of revenue from contracts with customers is already compliant with the new standard and, therefore, no material impacts were generated upon its first-time adoption.

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

Standards, amendments or interpretations	Date of publication	Date of first application
Amendments to IFRS 9 – Financial instruments Prepayment Features with Negative Compensation	22 March 2018 (EU No. 498/2018)	1 January 2019
IFRS 16 Leases has replaced IAS 17	9 November 2017 (EU No. 1986/2017)	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	The endorsement process by the EU is underway	1 January 2019

IFRS 16 Leases

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

The main change determined by IFRS 16 concerns how lessees are required to recognize, measure and report leases. Indeed, the standard will require lessees to use a model aimed at recognizing all leases, with the lease debt under liabilities, which represents the commitments taken for the entire duration of the lease, and the right of use of the leased goods under assets, to be amortized throughout the useful life of the leased goods.

The Crédit Agricole Italia Banking Group has prepared to implement IFRS 16 in the set timeframe, involving its accounting, finance, risk management and purchasing structures in a project for the upgrading to the new standard. A preliminary impact analysis on the application of IFRS 16 within the Crédit Agricole Italia Banking Group was carried out in the second half of 2017.

In the present stage of the project, the Group is working on the definition of the structuring options regarding the interpretation of the standard and the upgrading of its information systems.

The project will continue in 2018 and the impact analyses carried out so far will be integrated.

The standards and interpretations published by the IASB as at 30 June 2018 but not yet endorsed by the European Union are not applicable by the Crédit Agricole Italia Banking Group. They will enter into force on the date set by the European Union and, therefore, shall not be applied by the Group for its reporting as at 30 June 2018.

This specifically concerns IFRS 17.

IFRS 17 Insurance Contracts will replace IFRS 4. The new standard shall be applicable to financial periods beginning on or after 1 January 2021, upon condition that the European Union endorses it. It implements new principles for the measurement, recognition of liabilities of insurance contracts and measurement of their profitability, as well as for their presentation.

Annual Improvements to IFRSs 2015-2017 Cycle

Several amendments to and interpretations of existing standards have been published by the IASB, generating no material impacts on the Group. They include amendments to IAS 12 Income Taxes (which have specifically endorsed the accounting choice made by the Crédit Agricole Italia Banking Group on the recognition in the income statement of the tax effects resulting from the deductibility of the remuneration paid to the holders of the Additional Tier 1 instruments issued by Crédit Agricole Cariparma since December 2016), IAS 23 Borrowing Costs, IFRS 3/IFRS 11 Business combinations/Joint Arrangements, IAS 19 Employee Benefits and a second amendment to IAS 28 Investments in Associates and Joint Ventures applicable to reporting periods beginning on or after 1 January 2019. IFRIC Interpretation 23 Uncertainty over Income Tax Treatments shall also be applicable to reporting periods beginning on or after 1 January 2019.

The half-yearly condensed consolidated financial statements are intended to update the information reported in the consolidated financial statements as at 31 December 2017 of the Crédit Agricole Italia Banking Group and, therefore, shall be read together with the latter. Moreover, the half-yearly financial report states only the highlights of the financial situation and of the performances of the Crédit Agricole Italia Banking Group.

1.2 Accounting standards and policies

FINANCIAL INSTRUMENTS (IFRS 9, IAS 39 AND IAS 32)

Definitions

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, or any contract giving rise to contractual obligations to receive or give cash or other financial assets.

Derivative are financial assets or liabilities the value of which evolves in accordance with that of an underlying asset and which require an initial investment that is low or zero, and which are settled at a later date.

Financial assets and liabilities are treated in the financial statements in accordance with IFRS 9, as endorsed by the European Union.

IFRS 9 specifies how the reporting entity shall classify and measure financial instruments, write-down loan exposures for impairment and implement hedge accounting, excluding macro-hedging.

However, it is pointed out that, in line with the instructions given by the Parent Company Crédit Agricole S.A., the Crédit Agricole Italia Banking Group has chosen the option, provided for upon introduction of IFRS 9, to continue to fully apply IAS 39 as regards hedge accounting. Therefore, all hedging relationships have remained in the IAS 39 scope, pending future provisions on macro-hedging.

Measurement of financial assets and liabilities

Initial measurement

On their initial recognition, financial assets and liabilities are measured at fair value, as required by IFRS 13.

Therefore, the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, on the principal market or on the most advantageous market, at the measurement date.

Measurement after initial recognition

After initial recognition, financial assets and liabilities are measured, in accordance with their classification, at amortized cost using the effective interest rate (EIR) method or at fair value. Derivative instruments are always measured at fair value.

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition, including any transaction costs directly attributable to its acquisition or issue, net of principal repayments, plus or minus the cumulative amortisation calculated using the effective interest rate (EIR) method of any difference (discount or premium) between the initial amount and the maturity amount. In case of financial assets, the amount is adjusted, where necessary, for impairment.

The effective interest rate (EIR) is the rate that exactly discounts future cash outflows or inflows throughout the expected life of the financial instrument or, where appropriate, over a shorter period in order to obtain the net book value of the financial asset or liability.

Financial assets

Classification and measurement of financial assets

Financial assets other than derivatives (debt instruments or equity instruments) are classified for financial reporting purposes in one of the three categories listed below:
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at amortized cost;
- Financial assets at fair value through OCI

The criteria for the classification and measurement of financial assets depend on the nature of the single financial asset, based on whether it qualifies as:
- A debt instrument (i.e. loans and fixed- or determinable-income securities); or
- An equity instrument (i.e. stocks).

DEBT INSTRUMENTS

The classification and measurement of a debt instrument is determined upon its initial recognition and depends on two joint criteria: the business model and the analysis of its contractual characteristics in order to assess that the financial asset contractual terms provide for cash flows, at given dates, consisting solely payments of principal and interest on the principal to be repaid (the so-called "Solely Payment of Principal and Interest – SPPI test"), unless measurement at fair value is opted for.

The three business models:

The business model reflects how a group of financial assets is collectively managed to pursue a given business objective, and thus represents the strategy implemented by the Crédit Agricole Italia Banking Group to manage its financial assets. The business model is determined for a portfolio of assets and not specifically for a single financial asset.

There are three different business models:
- *Held-to-collect (HTC),* the objective of which is collecting the contractual cash flows throughout the useful life of the assets; this model does not require that all the assets be held up to their contractual maturity; however, the sale of these assets are subject to certain restraints in terms of frequency and value. Sales are allowed in a financial year in compliance with an insignificance threshold that varies based on the average duration of the portfolio.
- *Held-to-collect and sell (HTC&S),* the objective of which is both collecting the cash flows throughout the life of the instruments and selling the assets; in this model, both the sale of financial assets and the collection of cash flows are allowed; and
- *Other/Sell,* a residual category that includes both financial assets held for trading and financial assets that are managed in accordance with a business model other than the foregoing two (Hold-to-Collect and Hold-to-Collect-and-Sell). In general, this classification applies to a portfolio of financial assets the management and performance of which are measured based on their fair value.

In accordance with the standard and with the choices made by the Group, sales of financial assets classified in the HTC business model are allowed in according to conditions given below:

Security portfolio

Sales of securities are allowed for the following reasons:

a) Any increase in credit risk (impairment);
b) Debt instruments that are close to maturity
c) Frequent sales that are non-significant in terms of value
d) Sales that are not frequent

a) Sales allowed because of increased credit risk (impairment)

The Crédit Agricole Italia Banking Group has identified the following criteria that allow the sale of debt securities classified in the Held-to-Collect Business Model; the sale shall be allowed if even only one of the criteria listed below is met.
- Accounting indicator: shift from Stage 1 to Stage 2 or to Stage 3;
- Risk indicator: downgrading by 3 notches of the long-term external rating of the issuer (or the equivalent for the internal rating) since the instrument initial recognition; downgrading by 2 notches of the issuer's country risk since the instrument initial recognition;
- Market indicators:
  - Widening of the issuer's credit spread between the date of initial recognition and the date of sale of the instrument;
  - Increase in the issuer's CDS premium between the date of initial recognition and the date of sale of the instrument.

b) Sales allowed as debt instruments are close to maturity

The sales of financial assets classified in a Held-to-Collect Business Model are allowed if their maturity is close and the sale proceedings are essentially equal to the value of residual cash flows (IFRS 9.B4.1.3B).

Therefore, in order for such sales to be deemed in line with a Held-to-Collect Business Model, the following parameters have been set:

- Allowed time gap to maturity of 6 months; and
- A maximum difference of 3% between the amount collected with the sale and residual contractual cash flows (amortized cost) and such difference shall not take any fair value hedge effects into account.

c) Frequent sales that are non-significant in terms of value

Sales are allowed in a financial year in compliance with a 15% limit; this insignificance threshold varies based on the average duration of the portfolio.

d) Sales that are not frequent

- Any changes in the tax legislation entailing higher tax liabilities for the Group;
- Extraordinary transactions carried out by the issuer/the issuer's Group (i.e. mergers, sale of business units and, in general, any other extraordinary transaction impacting on the entity's equity);
- Any change in the legislation or regulatory provisions;
- Need to strengthen capital requirements.

Loan portfolio

Sales of loans are allowed for the following reasons:

a) Any increase in credit risk (impairment);
b) Loans that are close to maturity and with a sale price that is equal to the remaining contractual cash flows;
c) Frequent sales that are non-significant in terms of value
d) Sales that are not frequent and are potentially significant

a) Sales allowed because of increased credit risk (impairment)

The Crédit Agricole Italia Banking Group has identified the following criteria that allow the sale of loans classified in the Held-to-Collect Business Model; the sale shall be allowed if even only one of the criteria listed below is met.

- Accounting indicator: shift from Stage 1 to Stage 2 or to Stage 3;
- Risk indicators (applying to Corporate customers only): downgrading by 3 notches of the long-term external rating of the issuer (or the equivalent for the internal rating) since the instrument purchase; downgrading by 2 notches of the issuer's country risk since the instrument purchase;

The sale shall be finalized within a reasonable period of time. Such period shall not exceed six months from the occurrence of the cause (credit risk deterioration) and the sale and subsequent transfer.

b) Sales allowed as loans are close to maturity

Sales of loans classified in a Hold-to-Collect Business Model are allowed if all the Group' criteria listed below are met:

- The sale concerns financial assets with residual life of less than 6 months;
- The value of the assets sold is close to their amortized cost (also when sales are frequent);
- The difference between the sale price and the amortized cost of the loan shall not exceed 3%. This difference shall not take fair value hedging effects into account.

c) Frequent sales that are non-significant in terms of value

Sales are allowed in a financial year in compliance with a 15% limit; this insignificance threshold varies based on the average duration of the portfolio.

d) Sales that are not frequent

- Any changes in the tax legislation entailing higher tax liabilities for the Group;
- Extraordinary transactions carried out by the issuer/the issuer's Group (i.e. mergers, sale of business units and, in general, any other extraordinary transaction impacting on the entity's equity);
- Any change in the legislation or regulatory provisions;
- Strengthening of capital requirements

The contractual characteristics ('Solely Payments of Principal & Interests' or 'SPPI' test):

The 'SPPI' test clusters a set of criteria, to be examined as a whole, based on which it can be assessed whether contractual cash flows comply with the characteristics of a base lending contract (principal repayment and payment of interest on the outstanding principal).

The test is passed if the loan entitles exclusively to principal repayment and if the payment of collected interest reflects the time value of money, the credit risk associated to the instrument, other costs and risks of a classic loan contract, as well as a reasonable margin, irrespective of interest rate being fixed or floating.

In a base lending contract, interest represent the cost of time passing, the price of credit and liquidity risk over the period, as well as other components linked to the cost of the asset maintenance (e.g.: administrative costs ...).

In case this qualitative analysis is not sufficient to draw conclusions, a quantitative analysis (or Benchmark test) shall be carried out. This supplementary analysis consists in comparing the contractual cash flows of the asset being analyzed to the cash flow of a benchmark asset (an asset with characteristics that are similar to those of the analyzed asset but "simple").

If the difference between the cash flows of the analyzed financial asset and those of the benchmark is not deemed significant, the asset is considered a base lending contract.

Moreover, a specific analysis shall always be carried out if the financial asset provides for payments having different priorities and linked to cash flows from other benchmark financial assets (e.g. in case of "Credit Linked Instruments – CLI" or instruments issued by Special Purpose Entities – SPE set up within Project Finance transactions), in which case credit risk concentration shall be analyzed for each single tranche. In this case, the SPPI test needs an analysis of the characteristics of the contractual cash flows of the tested asset and of the underlying assets in accordance with a «look-through» approach and of the credit risk taken with the subscribed tranches compared to the credit risk of the underlying assets.

The method to recognize debt instruments resulting from the determination of the business model combined with the 'SPPI' test can be presented as the chart below:

Debt instruments		Business models		
		HTC	HTC&S	Other/Sell
SPPI test	Passed	Amortized cost	Fair value through equity (FVTOCI) with recycling	Fair value through profit or loss (FVTPL)
	Not passed	Fair value through profit or loss (FVTPL),	Fair value through profit or loss (FVTPL),	Fair value through profit or loss (FVTPL),

Debt instruments at amortized cost

Debt instruments are measured at amortized cost if they are eligible for the HTC model and if they pass the 'SPPI' test.

They are recognized at their settlement date and their initial measurement includes accrued coupons and transaction costs.

This category of financial assets may be written down for impairment in accordance with the criteria set forth in the dedicated paragraph "Impairment".

Debt instruments at fair value through equity with recycling

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

They are recognized at their settlement date and their initial measurement includes accrued coupons and transaction costs.

Amortization of any premiums/discounts and of the transaction cost for fixed-income securities is taken to the Income Statement in accordance with the Effective Interest Rate – EIR – approach.

Afterwards, these financial assets are measured at fair value and any fair value changes are recognized in equity (with recycling) as the balancing item of the financial asset value (excluding accrued interest taken to the Income Statement in accordance with the EIR method).

In case of sale, these changes are taken to the Income Statement.

This category of financial instruments may be written down for impairment in accordance with the criteria set forth in the dedicated paragraph "Provision for credit risk/impairment" (with this generating no impact on the fair value as recognized in the Balance Sheet).

Debt instruments at fair value through profit or loss (FVTPL);

Debt instruments are measured at *fair value through profit or loss* in the following cases:

- Instruments are classified in the portfolios that have been set up for the Other/Sell Business Model (i.e. financial assets held for trading or held with the main objective of selling them);
  Financial assets held for trading are assets acquired or generated by the company mainly to sell them in the short term or being part of a portfolio of instruments jointly managed in order to make a profit from price fluctuations in the short term or from the player's profit. Even though contractual cash flows are collected in the period during which the Crédit Agricole Italia Banking Group holds the assets, the collection of the aforementioned contractual cash flows is not essential but ancillary.
- Debt instruments that are mandatorily measured at FVTPL since they are not compliant with the 'SPPI' test criteria. For example, this is the case of collective investment undertakings (Italian acronym OICR);
- Financial instruments that are classified in portfolios for which the entity opts for designation at fair value. In this case, it is a specific designation of instruments to be measured at *fair value through profit or loss*.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (which are taken directly to the Income Statement) and including accrued coupons.

After their initial recognition, they are measured at fair value and any fair value changes are taken to the Income Statement, under net banking income, as the balancing item in the Income Statement of the value of the financial assets in the Balance Sheet.

This category of financial assets is not subject to impairment.

Debt instruments measured at fair value through profit or loss because of their nature or because it is so opted for are recognized at their settlement date.

EQUITY INSTRUMENTS

Equity instruments are recognized at fair value through profit or loss – FVTPL, unless an irrevocable option is exercised for their classification at fair value through equity (in this case of the "without recycling" type), as long as such instruments are not held for trading.

Equity instruments at fair value through profit or loss

Financial assets designated at fair value through profit or loss are initially recognized at fair value, excluding transaction costs (which are recognized directly in the Income Statement). They are recognized at their settlement date.

After their initial recognition, they are measured at fair value and any fair value changes are taken to the Income Statement, under net banking income, as the balancing item in the Income Statement of the value of the financial assets in the Balance Sheet.

This category of financial assets is not subject to impairment.

Equity instrument at fair value through equity without recycling (irrevocable option).

The irrevocable option to recognize equity instruments at fair value through equity without recycling is exercised for single instrument/transaction and shall apply from the date of initial recognition. These securities are recognized at their settlement date.

The initial fair value includes transaction costs.

In their measurements after initial recognition, any fair value changes are recognized in equity. In case of sale, such changes are not subject to recycling in the Income Statement; therefore, the profit or loss from the sale is recognized in equity.

Only collected dividends are recognized in the Income Statement.

Reclassification of financial assets

In the very few cases where the business model of financial assets may change (which, in accordance with the standard, are the cases of starting up of a new business, acquisition of other companies, sale or discontinuation of a business line), the financial assets concerned shall be reclassified. All the financial assets in the relevant portfolio shall be reclassified effective from the reporting period after the one in which the business model changed.

In all other cases, the business model shall be unchanged for existing financial assets. If a new business model is determined, it shall apply on a forward-looking basis to new financial assets, which shall be clustered in a new management portfolio.

Temporary acquisition and transfer of securities

Temporary transfers of securities (securities lending, securities used in repurchase agreements) do not generally meet the conditions for being written off.

Securities that have been lent or transferred within repurchase agreements shall remain recognized. In case of securities transferred within repurchase agreements, the collected amount, which represents the amount due to the transferee, shall be recognized under liabilities by the transferor.

Securities that have been borrowed or received within repurchase agreements shall not be recognized in the transferee's financial statements.

In case of securities transferred within repurchase agreements, an amount receivable from the transferor shall be recognized in the transferee's financial statements, as the balancing item of the amount paid. In case the security is again resold, the transferee shall recognize a liability item measured at fair value representing its obligation to give back the security received within repurchase agreements.

Income and expenses relating to these transactions are taken to the Income Statement on an accrual basis, except in case of classification of the assets and liabilities at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or a group of financial assets) shall be totally written off or partially derecognized:
- When the contractual rights to the cash flows linked to the asset expire;
- When they are transferred or considered as such because they actually belong to one or more beneficiaries and when nearly all risks and rewards associated with the financial asset are transferred.

In this case, all the rights and obligations in force at the time of transfer shall be separately recognized under assets and liabilities.

When the contractual rights to cash flows are transferred and only part of the related risks and rewards, as well as control, is retained, the entity shall continue to recognize the financial asset to the extent it remains involved in it.

FINANCIAL LIABILITIES

Classification and measurement of financial liabilities

Financial liabilities are classified for their recognition in one of the two accounting categories given below:
- Financial liabilities at fair value through profit or loss, based on their nature or as an option;
- Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss based on their nature

Financial instruments that are issued mainly for the purpose of being repurchased in the short term, instruments that are part of a portfolio of identified financial instruments that are managed as a whole, for which there is evidence of a recent strategy aimed at making a profit in the short term and derivatives (except some hedging derivatives) are measured at fair value based on their very nature.

Any fair value changes in this portfolio shall be taken as balancing items to the Income Statement/through profit or loss.

Financial liabilities at fair value through profit or loss as an option

Financial liabilities that meet one of the three conditions laid down by the standard (and described above) may be designated at fair value through profit or loss as an option: for hybrid issues including one or more separable embedded derivatives, in order to mitigate or eliminate any accounting mismatch or in case of groups of financial liabilities under management the performance of which is measured at fair value.

This option is irrevocable and shall mandatorily apply at the date of the instrument initial recognition.

When measured after initial recognition, these financial liabilities are designated at fair value as balancing items in the Income Statement for fair value changes not associated with the Bank credit risk and as balancing items in equity without recycling for value changes associated with own credit risk, unless this worsen the accounting mismatch.

Financial liabilities measured at amortized cost

All other liabilities meeting the definition of financial liabilities (excluding derivatives) are measured at amortized cost.

This portfolio is recognized at its initial fair value (including transaction income and costs), and afterwards it is recognized at amortized cost with the effective interest rate method.

Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is allowed.

They may only be requalified (debt instruments vs. equity instruments).

Debt – equity distinction

The distinction between debt instruments and equity instruments is based on an analysis of the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it entails a contractual obligation to:
- Deliver cash, another financial asset or a variable number of equity instruments to another entity; or
- Exchange financial assets and liabilities with another entity at potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers discretionary return representing a residual interest in a company after settlement/deduction of all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Buyback of treasury shares

Treasury shares or equivalent derivative instruments, such as options on shares bought, which have a fixed strike price, including shares held to cover stock-option plans, do not meet the definition of a financial asset and are recognized as deduction from equity. They do not generate any impact on the Income Statement.

Derecognition of and changes in financial liabilities

A financial liability is derecognised in full or in part:
- When it is extinguished; or
- When quantitative or qualitative analyses show that it has been substantially changed subsequent to restructuring.

A substantial change in an existing financial liability shall be reported as extinction of the initial financial liability and recognition of a new financial liability (so-called novation). Any difference between the book value of the extinct liability and that of the new liability shall be immediately recognized in the Income Statement.

If the financial liability is not derecognized, the initial EIR is maintained and the its book value shall be changed in the Income Statement on the date of the change discounting the new future cash flows (as resulting from the change) to the change date using the original EIR. This impact is then spread over the residual lifetime of the instrument again using the original effective interest rate.

IMPAIRMENT FOR CREDIT RISK

Scope of application

In compliance with IFRS 9, the Crédit Agricole Italia Banking Group recognizes writedowns that are consistent with the Expected Credit Loss (ECL) on the following categories of financial assets:

- Financial assets consisting of debt instruments recognized at amortized cost or at fair value through equity with recycling (loans and receivables, debt securities);
- Financing commitments that are not measured at fair value through profit or loss;
- Guarantee commitments that fall within the IFRS 9 scope and are not measured at fair value through profit or loss;
- Lease receivables that fall within the IAS 17 scope and
- Trade receivables generated by transactions within the IFRS 15 scope.

Equity instruments (at fair value through profit or loss or at fair value OCI without recycling) are not concerned by provisions on impairment.

Derivative instruments and other instruments at fair value through profit or loss/with balancing item in the Income Statement are subject to the assessment of counterparty risk that is not covered by the ECL model reported herein.

Credit risk and provisioning/impairment stages

Credit risk is defined as the risk of losses related to default by a counterparty leading to its inability to meets its commitments to the Group.

The impairment/provisioning model for credit risk consists of three stages (Buckets):

- Bucket 1: as early as upon initial recognition of the financial instrument (loan, debt security, guarantee...), the entity shall recognize expected credit losses over 12 months;
- Bucket 2: if the credit quality shows significant deterioration (vs. Initial recognition) for a given transaction (or portfolio), the Bank shall recognize the losses expected up to maturity;
- Bucket 3: if one or more default events have occurred on the transaction or on the counterparty with an adverse effect on the estimated future cash flows, the Bank shall recognize a [incurred] credit loss spread to maturity. Subsequently, if the conditions for classifying financial instruments in bucket 3 are not met, financial instruments shall be classified in bucket 2, then in bucket 1, according to any further improvement in credit risk quality.

Definition of default:

The definition of default for ECL provisioning requirements is identical to that used in the management and for the calculation of regulatory ratios. Therefore, a debtor is considered to be in default when at least one of the following conditions is met:

- A payment more than ninety days past due (in accordance with the regulatory definition of non-performing past due exposures of the Bank of Italy);
- The entity believes that the debtor is unlikely to meet its contractual obligations in full unless actions such as the enforcement of guarantees are taken (according to the Bank of Italy's definition of Unlikely-To-Pay exposure);
- Insolvency (according to the Bank of Italy's definition of bad loans).

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

Definition of Expected Credit Loss ("ECL")

ECL is the "weighted average of credit losses with the respective risks of a default occurring as the weights", in other words, the expected present discounted value of credit losses (principal and interest). It is the present value of the difference between the contractual cash flows and the expected ones (including principal and interest).

The ECL approach is designed to anticipate as early as possible the recognition of expected credit losses.

ECL governance and estimate

The Risk Management and Permanent Controls Department is responsible for defining the methodological framework and for overseeing the provisioning process for expected losses on exposures.

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

The ECL calculation formula includes the Probability of Default (PD), Loss Given Default (LGD) and Exposure-At-Default (EAD) parameters.

As already pointed out, also the aforementioned parameters have been defined largely based on the internal models used within the regulatory framework (where any), even though they had to be upgraded to determine an IFRS 9-compliant ECL. Indeed, IFRS 9 requires a point-in-time analysis as at the financial reporting date, while taking into account historical loss data and forward-looking macroeconomic data. Therefore, the accounting approach is different from the prudential framework which provides for multiyear and Through-The-Cycle analyses to estimate the Probability of Default (PD); moreover, the prudential framework provides for Downturn analysis to estimate the Loss Given Default (conversely, this effect is not envisaged in the IFRS 9 LGD).

The ECL calculation methods are different according to the type of product: financial instruments and off-balance-sheet instruments.

The expected credit losses are discounted at the Effective Internal Rate – EIR, determined upon initial recognition of the financial instrument.

The models and parameters used are backtested at least once a year.

Significant deterioration of credit risk

Foe each financial instrument, the Crédit Agricole Italia Banking Group assesses deterioration of credit risk from initial recognition to every reporting date. This assessment of any changes in credit risk is the basis for classifying transactions [exposures] in different risk categories (Buckets).

Every financial instrument, with few exceptions, is monitored to assess any significant deterioration. No "contagion" is required for the downgrading of financial instruments of the same counterparty from Bucket 1 to Bucket 2. The assessment of any significant deterioration shall consider any changes in the credit risk of the principal debtor, without taking account of any guarantee, including transactions with a shareholder guarantee.

To measure significant deterioration of credit risk since initial recognition, the internal rating and the Probability of Default – PD at origination shall be considered.

Origination means the trading/settlement date, on which the Bank becomes a party bound by the contractual terms regulating the financial instrument. For financing and guarantee commitments, origination means the date on which the firm commitment was made.

For the perimeter of exposures without an internal rating model, the Crédit Agricole Italia Banking Group uses the absolute threshold of non-payment for over 30 days as the maximum threshold for significant deterioration and subsequent classification in Bucket 2.

For exposures (except for securities) for which internal rating models have been implemented and applied (all the more so where the rating models have been validated), the Crédit Agricole Italia Banking Group considers that all information fed into the rating system ensures more effective assessment than the criterion of non-payment for over 30 days alone, without prejudice to the application of the 30-day past due rule as back-stop threshold.

Other factors used for classification into Bucket 2 are:

- Any non-compliance with a PD absolute threshold. This threshold is set at 12% for the corporate portfolio and at 20% for the retail portfolio;
- The fact there is no rating at the assessment date, if regarding loans paid out more than six months before;
- The classification of the loan as forborne performing.

If the conditions that triggered classification in Bucket 2 no longer apply, impairment may be upgraded to 12-month ECL (Bucket 1).

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

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

- Securities with «*Investment Grade*» (IG) rating, at the reporting date, are classified in Bucket 1 and provisioned for based on 12-month ECL;
- Securities with «*Non-Investment Grade*» (NIG) rating, at the reporting date, shall be monitored for significant deterioration, from origination, and shall be classified in Bucket 2 (ECL lifetime) in case of significant deterioration of credit risk.

Relative deterioration shall be assessed prior to the occurrence of a known default (Bucket 3).

Impairment model on Bucket 3

Within the revision of the impairment model of the non-performing portfolio, which was already based essentially on the discounting of future cash flows from collection in accordance with IAS 39, the new IFRS 9 requirement to estimate a forward-looking and multi-scenario ECL has been complied with, with the addition to the IAS 39 scenario (internal collection) of an alternative collection scenario with the sale on the market of the single non-performing exposure.

This choice has proved consistent with the objectives set in the NPL strategy of the Crédit Agricole Italia Banking Group, which identify the reduction of the NPL stock (especially bad loans) through the sale of given portfolios, as the strategy that can, in certain conditions, achieve the maximum value for the Group, considering also the timeframes for collection of non-performing exposures.

In this regard, with its “Guidance to Banks on non-performing loans” published in March 2017, the ECB requested the Banks with a weight of non-performing loans higher that the average of European Banks to design a strategy aimed at progressively reduce their NPLs.

These changes in the strategies for NPL collection have been taken into account upon first-time adoption of IFRS 9 that, as pointed out above, has introduced significant changes vs. IAS 39. Specifically, IAS 39 read (at par. 59): “A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset...*omissis*... Losses expected as a result of future events, no matter how likely, are not recognised".

The approach provided for by the new standard is quite different; indeed, paragraph 5.5.17 reads "An entity shall measure ECL of a financial instrument in a way that reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money;
c) reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date".

Specifically, IFRS 9 defines a credit loss is the difference between all the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive . Therefore, whereas for IAS 39 the source of cash flows is limited to the cash flows from the debtor or from the guarantee as provided for by the contractual terms, in accordance with IFRS 9 the source of cash flows is not limited to cash flows due pursuant to the contract, but it includes all cash flows that the creditor will collect. Consequently, if the entity intends to sell a non-performing loan to a third party, in order to both increase its cash flows and to pursue a specific strategy for the management of non-performing loans, the ECL estimate shall reflect also the sale scenario and, thus, the cash flows resulting from such sale. According to IFRS 9, sale scenarios that are only possible may also be considered and, as such, they need to be balanced with others that are deemed more likely; conversely, under IAS 39, a loan collection through its sale may be considered (as the only scenario) if it is reasonably certain at the reporting date, as the expression of a management strategy already formalized at such date.

All the above being given, in accordance with IFRS 9 impairment model, the Crédit Agricole Italia Banking Group measures loans reflecting the different strategies assumed for their collection in order to proportionally align them to a probability of sale determined consistently with the Group's NPL Plan.

Consequently, the "ordinary" scenario, which assumes a strategy for loan collection mainly through legal actions, sale of collaterals and mortgaged assets, assignments to collection companies, has been supplemented with the scenario envisaging the sale of the loan.

Restructuring due to financial difficulties (so-called forbearance measures)

Debt instruments restructured due to financial difficulties are those for which the entity has amended the original financial terms (interest rate, maturity) for economic or legal reasons linked to the financial difficulties of the borrower, at terms and conditions that would not have been considered under other circumstances. This may concern all debt instruments, irrespective of the category the instrument has been classified in based on its credit risk deterioration since initial recognition.

Loan restructuring consists of any and all amendments made to one or more credit agreements, as well as refinancings granted because of financial difficulties experienced by the customer.

This definition of restructuring shall apply to each agreement and not at a customer level (no contagion).

Loans that are restructured because of financial difficulties are defined based on two cumulative criteria:

- Amendments to agreements or loan refinancings;
- A customer experiencing financial difficulties.

«Amendments to agreements» refer, by way of example, to the following situations:

- There is a difference to the benefit of the borrower between the amended agreement and the terms and conditions of the former agreement;
- The amendments made to the agreement result in terms and conditions that are more favourable for the borrower than those that may have been obtained by other borrowers of the bank with a similar risk profile and at the same time.

«Refinancings» refer to situations in which a new debt/loan is granted to the customer in order to enable it to repay, in full or in part, another debt of which the customer cannot meet the contractual terms and conditions because of its difficult financial situation.

The restructuring of a loan (whether performing or defaulted) implies the assumed existence of a risk of incurred loss. Therefore, the need to recognize impairment of the restructured exposure shall be analyzed accordingly (a restructuring does not automatically result in the recognition of impairment for incurred losses or classification as default).

The classification as 'restructured loan' or "Forborne exposure" is temporary.

If the restructuring is carried out in compliance with the instructions issued by the European Banking Authority (EBA), the exposure shall maintain this "restructured/forborne" status for a period of at least 2 years, where the exposure was performing at the time of restructuring, or of at least 3 years where the exposure was defaulted at the time of restructuring. These periods shall be extended in case of occurrence of certain events provided for by the Group's standards (e.g. "further incidents/relapses").

Where the exposure is not derecognized, the reduction in future cash flows as granted to the counterparty or the deferral of such cash flows over a more extended time horizon that the one before the restructuring shall determine a writedown in the income statement.

The writedown for restructuring is calculated as the difference between:

- The book value of the loan; and
- The sum of the "restructured" future cash flows, discounted at the Effective Interest Rate (EIR) in force at origination.

In case of any waiver of part of the principal, this amount shall be a loss to be immediately recognized as cost of the loan.

Upon writedown, the portion referring to time passing shall be recognized under net interest income.

DERIVATIVE FINANCIAL INSTRUMENTS

Classification and measurement

Derivative instruments are financial assets or liabilities held for trading, unless they can be considered as hedging derivatives.

They are initially recognized in the balance sheet at their fair value on the trading/settlement date and, subsequently, they are recognized at fair value.

At each reporting date, the changes in the fair value of derivative contracts are recognized:

- Through profit or loss for derivatives held for trading or fair value hedges;
- Through equity for cash flow hedging derivatives or derivatives hedging net investments in foreign operations, for the effective portion of the hedge.

HEDGE ACCOUNTING

General framework

In accordance with the decision made by the Crédit Agricole Group, the Crédit Agricole Italia Banking Group does not apply the «hedge accounting» section of IFRS 9, exercising the option to do so provided for by the standard itself. All hedging relationships will continue to be reported in accordance with the IAS 39 rules until the date of application of the supplement on fair value macro-hedging (after it is endorsed by the European Union). However, the eligibility of financial instruments for hedge accounting in accordance with IAS 39 takes into account the IFRS 9 principles for the classification and measurement of financial instruments.

Under IFRS 9 and taking account of IAS 39 hedging principles, debt instruments at amortized cost and ad fair value through equity with recycling are eligible for fair value hedging and cash flow hedging.

Documentation

Hedging relationships shall comply with the following principles:

- Fair value hedges are intended to provide protection from exposure to changes in the fair value of an asset or liability that has been recognized or of a firm commitment that has not been recognized, attributable to the risk or risks hedged and that may have an impact on profit or loss (for instance, hedging of all or part of the fair value changes caused by the interest rate risk associated to a fixed-rate debt);
- Cash flow hedges are intended to provide protection from exposure to changes in the future cash flows of an asset or liability that has been recognized or of a transaction that is considered very likely, attributable to the risk or risks hedged and that might (in case of a planned transaction not carried out) have an impact on profit or loss (for instance, the hedging of changes in all or some of the future interest payments on a floating-rate debt);
- Hedges of net investments in foreign operations are intended to provide protection against the risk of unfavourable changes in fair value associated with foreign exchange risk of an investment made abroad in a currency other than the Euro.

In order to be eligible for hedge accounting, hedges shall meet also the following conditions:

- The hedging instrument and the hedged instruments are eligible;
- There is formal documentation from inception, specifically including the individual designation and the characteristics of the hedged item and of the hedging instrument, as well as the type of hedging relationship and the nature of the hedged risk;
- The effectiveness of the hedge is proved, at inception (i.e. prospectively) and retrospectively, with tests carried out at each reporting date.

For interest rate hedges of a portfolio of financial assets or financial liabilities, the Crédit Agricole Italia Banking Group opts for a documentation of fair value hedges, in accordance with IAS 39 as endorsed by the European Union (the so-called carve-out version). Specifically:

- The Group documents these hedging relationships based on its gross position in derivative instruments and hedged items;
- The effectiveness of these hedging relationships is proved with effectiveness testing.

Measurement

The remeasurement of derivatives at fair value is recognized as follows:

- Fair value hedges: any change in the derivative value is recognized in the income statement symmetrically with the change in value of the hedged item. Only any ineffective portion of the hedge is reported in the income statement;
- Cash flow hedges: the change in value of the derivative is recognized in the balance sheet with a balancing item in a specific profit and loss account directly recognized in equity with recycling for the effective portion, while any ineffective portion is recognized in the income statement/through profit or loss. Profits or losses on the derivative accrued through equity are then recycled to profit or loss when the hedged cash flows occur;
- Hedge of a net investment in foreign operations: the change in the derivative value is recognized in the balance sheet as a balancing item of the equity account with recycling and the ineffective portion of the hedge is recognized in the income statement/through profit or loss.

When the conditions for hedge accounting eligibility are no longer met, the following accounting treatment shall be applied retrospectively:

- Fair value hedges: only the hedging instrument continues to be revalued through profit or loss. The hedged item is fully recognized in accordance with its classification. For debt instruments at fair value through equity with recycling, any changes in fair value subsequent to the end of the hedging relationship are fully recognized in equity. For hedged items measured at amortized cost, which were interest rate hedged, the remaining portion of the revaluation difference is amortized over the remaining life of the such hedged items;
- Cash flow hedges: the hedging instrument is measured at fair value through profit or loss. The amounts accrued in equity and referring to the effective portion of the hedge remain in equity until the hedged item affects profit or loss. For interest-rate hedged instruments, the income statement/profit or loss is affected as interest payments are made. The remaining portion of the revaluation difference is then amortized over the remaining life of these hedged items;
- Hedges of net investments in foreign operations; the amounts accrued in equity and referring to the effective portion of the hedge remain in equity as long as the net investment is held. Recognition in the income statement occurs when the net investment exits the consolidation scope.

EMBEDDED DERIVATIVES

An embedded derivative is a component of a hybrid contract that meets the definition of a derivative product. This designation applies only to financial liabilities and to non-financial contracts. Embedded derivatives shall be recognized separately from the host contract if the following three conditions are met:

- The hybrid contract is not measured at fair value through profit or loss;
- Taken separately from the host contract, the embedded component has the characteristics of a derivative;
- Its characteristic of a derivative are not closely linked to those of the host contract.

Offsetting financial assets and financial liabilities

In compliance with IAS 32, the Crédit Agricole Italia Banking Group offsets a financial asset and a financial liability and reports a net balance if – and only if – it has a legally exercisable right to offset the amounts recognized and intends to extinguish the net amount or to realize the asset and the liability concomitantly.

Derivative instruments and spot transactions traded through Clearing Houses the operation principles of which meet the two requirements of IAS 32 are offset.

Net gains or losses on financial instruments

Net gains or losses on financial instruments at fair value through profit or loss

For financial instruments recognized at fair value through profit or loss, this item specifically includes the following income statement items:

- Dividends and other income from shares or other variable-income securities classified as financial assets at *fair value through profit or loss*;
- Any changes in the fair value of financial assets and liabilities at fair value through profit or loss;
- Realized gains and losses from disposal of financial assets at fair value through profit or loss;
- Any changes in fair value and profits or losses from disposal or termination of derivative instruments other than within a fair value or cash flow hedging relationship.

This item also reports any ineffectiveness of hedging.

Net profits or losses on financial instruments at fair value through equity

For financial instruments recognized at fair value through equity, this item specifically includes the following income statement items:

- Dividends from equity instruments classified in the category of financial assets at fair value through equity without recycling;
- Gains and losses from disposal, as well as from the termination of the hedging relationship on debt instruments classified in the category of financial assets at fair value through equity with recycling;
- Profits or losses from disposal or termination of fair value hedges of the financial assets at fair value through equity when the hedged item is sold.

Financing commitments and financial guarantees granted

Financing commitments that are not designated as assets at fair value through profit or loss or that are not considered derivative instruments pursuant to IFRS 9 are not recognized. However, they are provisioned for in compliance with the IFRS 9 requirements.

A financial guarantee contract is a contract that obliges the issuer to make specific payments to compensate the beneficiary of the guarantee for a loss suffered due to a specific debtor's failure to comply with its obligation to make a payment at the set due date, in accordance to the initial or amended terms and conditions of a debt instrument.

Financial guarantee contracts are initially measured at fair value and afterwards at the higher amount between:

- The amount of the value adjustment for losses in accordance with IFRS 9 «Impairment» section; and
- The amount initially recognized net of any costs recognized in accordance with IFRS 15 «Revenue from Contracts with Customers».

REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

Fee and commission revenues and expenses are recognized in the income statement according to the nature of the services they refer to.

Fees and commissions that are an integral part of the financial instrument yield are recognized as an adjustment of the instrument return and included in its effective interest rate.

The recognition in the income statement of the other types of fees and commissions shall reflect the time when control of the assets or the service sold is transferred to the customer:

- The profit or loss associated with a provision of services is recognized in the Fee and Commission section, when control on the service provision is transferred to the customer, if it can be reliably estimated. Such transfer may occur as the service is provided (ongoing service) or at a given date (ad hoc service).
  a) Fees and commissions that remunerate ongoing services (for example fees and commissions on payment services) are recognized in the income statement according to the progress in the service provided.
  b) Fees and commissions collected or paid as remuneration of ad hoc services are fully recognized in the income statement when the service is provided.

Fees and commissions to be paid or collected, that is to say not yet finally acquired, are recognized progressively in accordance with the fulfilment of the so-called performance obligation. This estimate is updated at each reporting date. In practice, this condition causes the deferral of the recognition of some types of revenues until their final acquisition.

FINANCIAL REPORTING 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 explanatory 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. The financial statements and the tables contained in the explanatory Notes present the figures for the reporting period along with the respective comparison data, as far as possible subsequent to the issue of the 5th update of Bank of Italy Circular No. 262 “Banks’ financial statements: layout and preparation”, which provides for the new layouts implementing IFRS9.

These Half-yearly Report and condensed consolidated financial statements were prepared, as the Annual Report and Financial Statements as at 31 December 2017, 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 2017 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 Cariparma 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 Cariparma 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.

Subsidiaries are companies in which Crédit Agricole Cariparma, directly or indirectly, holds more than 50% of the voting rights in the General Meeting of Shareholders or in which, despite holding less than 50% of the voting rights, it has the power to appoint the majority of the investee's directors or to determine its financial and operating policies (controlling influence).

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 Cariparma holds, directly or indirectly, at least 20% of the voting rights or has the power to participate in determining 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 a shareholders' agreement for vote pooling.

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 2017.

Equity investments in subsidiaries

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

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

Company name	Headquarters	Type of relationship (1)	Equity investment		Actual % of votes available
			Investor	% held	
A. Companies					
Parent Company					
Crédit Agricole Cariparma 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 Cariparma S.p.A.	80.9%	81.3% (2)
2. Crédit Agricole Carispezia S.p.A.	La Spezia, Italy	1	Crédit Agricole Cariparma S.p.A.	80.0%	80.0%
3. Crédit Agricole Leasing Italia S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	85.0%	85.0%
4. Sliders S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	100.0%	100.0%
5. Mondo Mutui Cariparma S.r.l.	Milan, Italy	4	Crédit Agricole Cariparma S.p.A.	19.0%	19.0%
6. Crédit Agricole Italia OBG S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	60.0%	60.0%
7 Credit Agricole Group Solutions S.c.p.a.	Parma, Italy	1	Crédit Agricole Cariparma S.p.A.	86.6%	86.6%
			Crédit Agricole FriulAdria S.p.A.	8.8%	8.8%
			Crédit Agricole Carispezia S.p.A.	2.5%	2.5%
			Crédit Agricole Leasing Italia S.r.l.	1.2%	1.2%
8. Italstock S.r.l.	Milan, Italy	1	Crédit Agricole Cariparma S.p.A.	100.0%	100.0%
9. Crédit Agricole Real Estate Italia S.r.l.	Parma, Italy	1	Crédit Agricole Cariparma S.p.A.	100.0%	100.0%
10. Cassa di Risparmio di Rimini S.p.A	Rimini, Italy	1	Crédit Agricole Cariparma S.p.A.	96.8%	96.8%
11. Cassa di Risparmio di Cesena S.p.A.	Cesena, Italy	1	Crédit Agricole Cariparma S.p.A.	96.4%	96.4%
12. Unibanca Immobiliare S.r.l.	Cesena, Italy	1	Cassa di Risparmio di Cesena S.p.A.	100.0%	100.0%
13. Carice Immobiliare S.p.A.	Cesena, Italy	1	Cassa di Risparmio di Cesena S.p.A.	100.0%	100.0%
14. Agricola Le Cicogne S.r.l.	Faenza, Italy	1	Cassa di Risparmio di Cesena S.p.A.	50.0%	50.0%
15. Malatesta Finance S.r.l.(3)	Cesena, Italy	4	Cassa di Risparmio di Cesena S.p.A.		
16. San Piero Immobiliare Srl	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.0%	100.0%
17. San Giorgio Immobiliare S.r.l.	Cesena, Italy	1	Unibanca Immobiliare S.r.l.	100.0%	100.0%
18. San Genesio Immobiliare S.p.A.	San Miniato, Italy	1	Crédit Agricole Cariparma S.p.A.	100.0%	100.0%
19. Carismi Finance S.r.l.(3)	Milan, Italy	4	Crédit Agricole Cariparma S.p.A.		
A2. Consolidated using the equity method					
1. Fiere di Parma S.p.A.	Parma, Italy	7	Crédit Agricole Cariparma S.p.A.	34.1%	34.1%

(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 treasury shares held by the Bank as at the reporting date.

(3) Companies consolidated on a line-item basis are also Malatesta Finance S.r.l. and Carismi Finance S.r.l., which qualify as subsidiaries pursuant to IFRS 10 even though no equity investment is held in these companies. Based on the method used to recognize the securitization transaction, the main income statement and balance sheet components of the special-purpose entities have been consolidated in practice in the financial statements of the originator banks.

EVENTS OCCURRED AFTER THE REPORTING DATE AND OUTLOOK

From 30 June 2018 to the date of approval of these Half-yearly Report and Condensed Consolidated Financial Statements, no events occurred such as to significantly affect the structure of the Crédit Agricole Italia Banking Group, other than those reported below:

On 22 July 2018 the merger by absorption was finalized of Cassa di Risparmio di Cesena, a consolidated company from 21 December 2017, into the Parent Company Crédit Agricole Cariparma.

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 Service) with which, effective from 2015, the option was exercised for the national tax consolidation of the CASA Group in Italia, 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. 18 Companies of the Group opted to join the tax consolidation scheme and, having been designated by CAsa, CA Cariparma has undertaken the role of Consolidating Entity.

MERGER BY ABSORPTION OF CASSA DI RISPARMIO DI SAN MINIATO

On 24 June 2018 the merger by absorption was finalized of Cassa di Risparmio di San Miniato, a consolidated company from 31 December 2017, into the Parent Company Crédit Agricole Cariparma. Since it was a business combination of a subsidiary and since IFRS 3 could not be directly applied, the Parent Company Crédit Agricole Cariparma has recognized the merger retroactively, with accounting effectiveness as at 1 January 2018, thus consistently with the figures of the consolidated financial statements as at 31 December 2017 (the so-called "Book Value Method").

CRÉDIT AGRICOLE CARIPARMA SPA SHARE CAPITAL INCREASE

In the first half of 2018, in order to meet the impacts generated, on the one hand, by the end of the Basel 3 phase-in regime and, on the other, by the entry into force of the new IFRS9, the Group strengthened its capital and specifically its Common Equity Tier 1, with a capital increase of Euro 147 million (of which: Euro 26,678,766 share capital and Euro 120,321,234 share premium reserve) made by the Parent Company Crédit Agricole Cariparma.

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

VALERY PROJECT

Consistently with the "NPE Strategy", the Valery Project is being implemented aiming at the sale of a portfolio worth approximately €1.5 billion during 2018.

The sale of the Valery portfolio, consisting of three separate transactions, is going well with results and timeframe in line with the objective set at its beginning.

Specifically, the sale of the first package of exposures, mainly real estate ones classified as UTP for a gross value of Euro 430 million, was completed and the process for the sale of package of bad mortgage loans for a total gross value of Euro 700 is at an advanced stage.

IFRS 9 First-Time Adoption

CLASSIFICATION AND MEASUREMENT

To comply with the new IFRS 9, which requires that financial assets be classified in accordance with the contractual characteristics of their cash flows and with the business model based on which they are held, the methods to carry out the tests (the SPPI Tests) on the cash flow contractual characteristics have been designed and the business models have been formalized.

As regards the SPPI test on financial assets, the securities and loans existing as at 31 December 2017 have been analyzed in order to determine their correct classification upon the First Time Adoption (FTA) of the new standard.

As regards specifically debt securities, a thorough analysis of the characteristics of the cash flows of the instruments classified at amortized cost and in the category of financial assets available for sale pursuant to IAS 39 has been carried out. No securities to be reclassified due to their failing of the SPPI test were found. It is also reported that, based on the in-depth analyses made and on the clarifications given by the IFRS Interpretation Committee, undertakings for collective investement (UCI) (open-end funds and closed-end funds) have been classified as assets to be mandatorily measured at fair value through profit or loss.

For the loan portfolio, the Group has performed step by step analysis, taking account of that loan contracts are essentially standardized. Also as regards to loans no significant impacts have to be reported for the transition to the new standard in terms of classification.

Upon IFRS 9 FTA, the Crédit Agricole Italia Banking Group, in line with the business models identified for the management of the of the property portfolio within the banking book, has opted to use both the “Held to Collect and Sell – HTCS” business model, which covers approximately 43% of the nominal value of the security portfolio, and the “Held to Collect – HTC” business model, which covers the remaining 57%.

This allocation reflects the management approach adopted by the Crédit Agricole Italia Banking Group for investing the liquidity resulting from the present monetary policies of the ECB, which focuses on High Quality Liquidity Asset – HQLA, optimizing their contribution to the net interest income and generating positive impacts on its LCR. On the other hand, non conversely the HTCS model is limited to those securities for which, as at the FTA date, potential volatility through Own Funds was deemed acceptable based on the risk policies (mainly referring to: RAF, ICAAP and ILAAP) implemented by the Group.

The business model “Other” which provides for the instruments to be measured at “Fair value through profit and loss – FVTPL”, was chosen for the instruments that were previously classified as Held-For-Trading – HFT in accordance with IAS 39, as well as for other residual instruments.

No reclassifications were made of securities mandatorily measured at FVTPL due to their failing the SPPI test, except for undertakings for collective investement (UCI) instruments for immaterial amounts.

As regards equity instruments, the Crédit Agricole Italia Banking Group has opted for classification at fair value through OCI without recycling (also in case of disposal) of the instruments to be held, whereas it has opted for classification at fair value through profit or loss of the remaining instruments (residual category amounting to Euro 32 million).

For the loan portfolio, the business model identified upon FTA is the HTC one, measuring these financial instruments at amortized cost, i.e. consistently with the present classification, as long as the SPPI Test is passed.

The Crédit Agricole Italia Banking Group has decided not to exercise the Fair Value Option (with separate recognition in equity of the fair value changes attributable to its own creditworthiness) regarding the stock of financial liabilities existing as at 1 January 2018.

IMPAIRMENT

The new method to calculate impairment, which is different from the IAS 39 one, entailed an impairment increase of approximately Euro 694 million gross of tax effects (of which a gross amount of approximately Euro 579 million attributable to non-performing loans classified in stage 3). The impact of this increase, upon FTA, was recognized in an equity reserve (income reserve) and concerned:

- HTC securities for Euro 4.2 million,
- HTC&S securities for Euro 3.1 million,
- Loans to customers for Euro 675 million (of which Euro 579 million on Stage 3),
- Due from banks for Euro 2.0 million,
- Revocable and irrevocable commitments for Euro 9.2 million.

On 12 December 2017 the European Parliament and the Council issued Regulation (EU) 2017/2395 “as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds” amending Regulation (EU) No 575/2013 (CRR), with the addition of the new Article 473 a «Introduction of IFRS 9», which gives banks the possibility to mitigate the impacts on own funds resulting from the introduction of IFRS 9 over a transitional period of 5 years (from March 2018 to December 2022) sterilizing the impact in CET1 with the application of percentages decreasing over time. The Crédit Agricole Italia Banking Group has decided not to apply the transitional arrangements laid down in the aforementioned regulation.

The quantitative reporting in terms of reclassifications and impacts on the balance sheet of IFRS 9 first-time adoption is given below.

STATEMENT OF RECONCILIATION BETWEEN THE BALANCE SHEET AS AT 31 DECEMBER 2017 (IMPLEMENTING THE NEW IFRS 9 RULES FOR PRESENTATION) AND THE BALANCE SHEET AS AT 1 JANUARY 2018 (IMPLEMENTING THE NEW IFRS 9 RULES FOR MEASUREMENT AND IMPAIRMENT)

CONSOLIDATED BALANCE SHEET			Bank of Italy Circular 262/2005 5th update - ASSETS																
Bank of Italy Circular 262/2005 4th update - ASSETS		31.12.2017 (formerly IAS 39)	10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss			30. Financial assets measured at fair value through other comprehensive income	40. Financial assets measured at amortized cost		50. Hedging derivatives	60. Fair value change of financial assets in macro-hedge portfolios	70. Equity investments	80. Reinsurers' share of technical reserves	90. Property, Plant and Equipment	100. Intangible Assets	110. Tax assets		120. Non-current assets held for sale and discontinued operations	130. Other assets
				a) financial assets held for trading	b) financial assets designated at fair value	c) other financial assets mandatorily measured at fair value		a) due from banks	b) loans to customers							(a) current	(b) deferred		
10.	Cash and cash equivalents	1,990,365	1,990,365																
20.	Financial assets held for trading	74,252		74,219		32													
30.	Financial assets measured at fair value	99		99															
40.	Financial assets available for sale	5,344,090		40,046		30,353	3,380,422	1,956	1,891,312										
50.	Investments held to maturity	2,234,277							2,234,277										
60.	Due from banks	7,237,907					1,434	7,236,474											
70.	Loans to Customers	44,251,456							44,251,456										
80.	Hedging derivatives	570,367								570,367									
90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	26,085									26,085								
100.	Equity investments	33,868										33,868							
110.	Reinsurers' share of technical reserves	-																	
120.	Property, Plant and Equipment	838,358												838,358					
130.	Intangible Assets	1,959,264													1,959,264				
	of which: goodwill	1,575,536																	
140.	Tax assets	1,458,004															1,458,004		
	(a) current	317,588														317,588			
	(b) deferred	1,140,417															1,140,417		
	b1) pursuant to Italian Law No. 214/2011	725,894																	
150.	Non-current assets held for sale and discontinued operations	98																98	
160.	Other assets	694,075																	694,075
Total assets		66,712,565	1,990,365	114,364	-	30,385	3,381,856	7,238,430	48,377,045	570,367	26,085	33,868	-	838,358	1,959,264	317,588	1,140,417	98	694,075

CONSOLIDATED BALANCE SHEET

Bank of Italy Circular 262/2005 5th update - LIABILITIES AND EQUITY

	Bank of Italy Circular 262/2005 4th update - LIABILITIES AND EQUITY	31.12.2017 (formerly IAS 39)	10. Financial liabilities measured at amortized cost			20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	40. Hedging derivatives	50. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	60. Tax liabilities		70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee severance benefits	100. Provisions for risks and charges			110. Technical reserves	120. Valuation reserves	140. Equity instruments	150. Reserves	160. Share premium reserve	170. Share capital	180. Treasury shares (+/-)	190. Minority interests (+/-)	200. Profit/ (Loss) for the period
			a) due to banks	b) due to customers	c) debt securities issued					a) current	b) deferred				a) commitments and guarantees given	b) post-employment benefits and similar obligations	c) other provisions for risks and charges									
10.	Due to banks	7,059,113	7,059,113																							
20.	Due to customers	40,575,365		40,575,365																						
30.	Debt securities issued	9,715,753			9,715,753																					
40.	Financial liabilities held for trading	75,820				75,820																				
50.	Financial Liabilities measured at fair value	67,201			67,201																					
60.	Hedging derivatives	527,675						527,675																		
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	373,754							373,754																	
80.	Tax liabilities	231,849									231,849															
	(a) current	146,014								146,014																
	b) deferred	85,835									85,835															
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-										-														
100.	Other liabilities	1,126,839											1,091,549		35,290											
110.	Employee severance benefits	151,130												151,130												
120.	Provisions for risks and charges	433,953													433,953											
	(a) Post-employment benefits and similar obligations	40,191														40,191										
	b) other provisions	393,762															393,762									
130.	Technical reserves	-																-	-							
140.	Valuation reserves	-18,941																	-18,941							
160.	Equity instruments	365,000																		365,000						
170.	Reserves	1,150,176																			1,150,176					
180.	Share premium reserve	2,997,386																				2,997,386				
190.	Share capital	934,838																					934,838			
200.	Treasury shares (+/-)	-4,065																						-4,065		
210.	Minority interests (+/-)	259,479																							259,479	
220.	Profit (Loss) for the period	690,240																								690,240
Total liabilities and shareholders' equity		66,712,565	7,059,113	40,575,365	9,782,954	75,820	-	527,675	373,754	146,014	85,835	-	1,091,549	151,130	35,290	40,191	393,762	-	-18,941	365,000	1,150,176	2,997,386	934,838	-4,065	259,479	690,240

STATEMENT OF RECONCILIATION BETWEEN THE BALANCE SHEET AS AT 31 DECEMBER 2017 (IMPLEMENTING THE NEW IFRS 9 RULES FOR PRESENTATION) AND THE BALANCE SHEET AS AT 1 JANUARY 2018 (IMPLEMENTING THE NEW IFRS 9 RULES FOR MEASUREMENT AND IMPAIRMENT)

Bank of Italy Circular 262/2005 5th update – ASSETS		31.12.2017	IFRS 9 FTA impacts				01.01.2018
			Securities	Loans	Tax effects	Total impacts FTA	
10.	Cash and cash equivalents	1,990,365					1,990,365
20.	Financial assets measured at fair value through profit or loss (IFRS 7 par. 8 lett. a))	144,749					144,749
	a) Financial assets held for trading;	114,364					114,364
	b) Financial assets designated at fair value;	-					-
	c) Other financial assets mandatorily measured at fair value	30,385					30,385
30.	Financial assets measured at fair value through other comprehensive income (IFRS 7 par. 8 lett. h))	3,381,856	-22			-22	3,381,834
40.	Financial assets measured at amortized cost (IFRS 7 par. 8 lett. f))	55,615,475	2,680	-677,070		-674,390	54,941,085
	a) due from banks	7,238,430	-369	-1,950		-2,319	7,236,111
	b) loans to customers	48,377,045	3,049	-675,120		-672,071	47,704,974
50.	Hedging derivatives	570,367					570,367
60.	Fair value change of financial assets in macro-hedge portfolios (+/-)	26,085					26,085
70.	Equity investments	33,868					33,868
80.	Reinsurers’ share of technical reserves	-					-
90.	Property, Plant and Equipment	838,358					838,358
100.	Intangible Assets	1,959,264					1,959,264
	- of which goodwill	1,575,536					1,575,536
110.	Tax assets	1,458,005			216,233	216,233	1,674,238
	(a) current	317,588			204,437	204,437	522,025
	(b) deferred	1,140,417			11,796	11,796	1,152,213
120	Non-current assets held for sale and discontinued operations	98					98
130	Other assets	694,075					694,075
Total assets		**66,712,565**	**2,658**	**-677,070**	**216,233**	**-458,179**	**66,254,386**

Bank of Italy Circular 262/2005 5th update – LIABILITIES AND EQUITY		31.12.2017	IFRS 9 FTA impacts				01.01.2018
			Securities	Loans	Tax effects	Total impacts FTA	
10	Financial liabilities measured at amortized cost	57,417,432	376			376	57,417,808
	a) due to banks	7,059,113					7,059,113
	b) due to customers	40,575,365					40,575,365
	c) debt securities issued	9,782,954	376			376	9,783,330
20	Financial liabilities held for trading	75,820					75,820
30	Financial liabilities designated at fair value	-					-
40	Hedging derivatives	527,675					527,675
50	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	373,754					373,754
60	Tax liabilities	231,849			2,141	2,141	233,990
	(a) current	146,014					146,014
	b) deferred	85,835			2,141	2,141	87,976
70	Liabilities associated with non-current assets held for sale and discontinued operations	-					-
80	Other liabilities	1,091,549					1,091,549
90	Employee severance benefits	151,130					151,130
100	Provisions for risks and charges	469,243		9,193		9,193	478,436
	a) commitments and guarantees given	35,290		9,193		9,193	44,483
	b) post-employment benefits and similar obligations	40,191					40,191
	c) other provisions for risks and charges	393,762					393,762
110	Technical reserves						
120	Valuation reserves	-18,941	3,572		-2,662	910	-18,031
140	Equity instruments	365,000					365,000
150	Reserves	1,150,176	-1,725	-651,581	207,084	-446,222	703,954
160	Share premium reserve	2,997,386					2,997,386
170	Share capital	934,838					934,838
180	Treasury shares (+/-)	-4,065					-4,065
190	Minority interests (+/-)	259,479	435	-34,682	9,670	-24,577	234,902
200	Profit (Loss) for the period	690,240					690,240
Total liabilities and shareholders' equity		**66,712,565**	**2,658**	**-677,070**	**216,233**	**-458,179**	**66,254,386**

Balance sheet aggregates

Balance sheet figures at 30 June 2018 are reported below with the comparison figures for the previous year. The relevant comments are included in the "Interim Management Report", where the Company's performance is dealt with.

Reclassified Consolidated Balance Sheet

Assets	**30.06.2018**	**31.12.2017**	**Changes**	
			Absolute	**%**
Net Financial Assets/Liabilities at fair value	57,944		n.a.	n.a.
Financial assets measured at fair value through other comprehensive income (IFRS 7 par. 8 lett. h))	3,563,804		n.a.	n.a.
Financial assets available for sale		5,344,090	n.a.	n.a.
Investments held to maturity		2,234,277	n.a.	n.a.
Net due from banks	-819,072	178,795	-997,867	
Loans to Customers	49,231,179	44,251,456	4,979,723	11.3
Equity investments	29,685	33,868	-4,183	-12.4
Property, plant and equipment and intangible assets	2,767,465	2,797,622	-30,157	-1.1
Non-current assets held for sale and discontinued operations	-	1,458,004	-1,458,004	-100.0
Tax assets	1,584,308	98	1,584,210	
Other assets	3,039,060	3,280,892	-241,832	-7.4
Total assets	**59,454,373**	**59,579,102**	**-124,729**	**-0.2**

Liabilities	**30.06.2018**	**31.12.2017**	**Changes**	
			Absolute	**%**
Funding from Customers	50,258,730	50,291,118	-32,388	-0.1
Net financial liabilities/assets at fair value	-	67,102	n.a.	n.a.
Net financial liabilities/assets held for trading		1,569	n.a.	n.a.
Tax liabilities	142,355	231,849	-89,494	-38.6
Other liabilities	2,553,798	2,028,268	525,530	25.9
Specific-purpose provisions	567,699	585,083	-17,384	-3.0
Share capital	962,073	934,838	27,235	2.9
Equity instruments	365,000	365,000	-	-
Reserves (net of treasury shares)	4,389,546	4,143,497	246,049	5.9
Valuation reserves	-140,343	-18,941	121,402	
Minority interests	205,452	259,479	-54,934	-21.2
Profit (Loss) for the period	150,063	690,240	-539,270	-78.1
Total equity and net liabilities	**59,454,373**	**59,579,102**	**-124,729**	**-0.2**

Reconciliation of the official balance sheet and reclassified balance sheet

Assets	30.06.2018	31.12.2017
Net Financial Assets/Liabilities at fair value	57,944	
20 a. Financial assets held for trading	106,259	
20 b. Financial assets designated at fair value	-	
20 c. Financial assets mandatorily measured at fair value	29,297	
20. Financial liabilities held for trading	-77,612	
30. Financial liabilities designated at fair value	-	
Financial assets measured at fair value through other comprehensive income	3,563,804	
30. Financial assets measured at fair value through other comprehensive income	3,563,804	
Financial assets available for sale		5,344,090
40. Financial assets available for sale		5,344,090
Investments held to maturity		2,234,277
50. Investments held to maturity		2,234,277
Net due from banks	-819,072	178,795
40 a. Due from banks	5,272,959	7,237,907
10 a. Due to banks	-6,092,031	-7,059,113
Loans to Customers	49,231,179	44,251,456
40 b. Loans to customers	49,231,179	44,251,456
Equity investments	29,685	33,868
70. Equity investments	29,685	33,868
Property, plant and equipment and intangible assets	2,767,465	2,797,622
90. Property, Plant and Equipment	829,908	838,358
100. Intangible Assets	1,937,557	1,959,264
Tax assets	1,584,308	1,458,004
110. Tax assets	1,584,308	1,458,004
Non-current assets held for sale and discontinued operations	-	98
120. Non-current assets held for sale and discontinued operations	-	98
Other assets	3,039,060	3,280,982
10. Cash and cash equivalents	1,576,341	1,990,365
130. Other assets	861,633	694,075
50. Hedging derivatives (Assets)	570,474	570,367
60. Fair value change of financial assets in macro-hedge portfolios	30,612	26,085
Total assets	**59,454,373**	**59,579,102**

Liabilities	**30.06.2018**	**31.12.2017**
Funding from Customers	50,258,730	50,291,118
10 b) Due to customers	40,999,055	40,575,365
10 c) Debt securities issued	9,259,675	9,715,753
Net financial liabilities/assets at fair value	-	
20. Financial liabilities held for trading	-	
30. Financial liabilities designated at fair value	-	
20 a. Financial assets held for trading	-	
20 b. Financial assets designated at fair value	-	
20 c. Financial assets mandatorily measured at fair value	-	
Net financial Liabilities/Assets held for trading		1,568
40. Financial liabilities held for trading		75,820
20. Financial assets held for trading		-74,252
Tax liabilities	142,355	231,849
60. Tax liabilities	142,355	231,849
Liabilities associated with non-current assets held for sale and discontinued operations	-	-
Other liabilities	2,553,798	2,028,268
40. Hedging derivatives (Liabilities)	634,881	527,675
50. Fair value change of financial liabilities in macro-hedge portfolios	358,271	373,754
80. Other liabilities	1,560,646	1,126,839
Specific-purpose provisions	567,699	585,083
90. Employee severance benefits	147,317	151,130
100. Provisions for risks and charges	420,382	433,953
Share capital	962,073	934,838
170. Share capital	962,073	934,838
Equity instruments	365,000	365,000
140. Equity instruments	365,000	365,000
Reserves (net of treasury shares)	4,389,546	4,143,497
150. Reserves	1,275,904	1,150,176
160. Share premium reserve	3,117,707	2,997,386
180. Treasury shares (+/-)	-4,065	-4,065
Valuation reserves	-140,343	-18,941
120. Valuation reserves	-140,343	-18,941
Minority interests	205,452	259,479
190. Minority interests	205,452	259,479
Profit (Loss) for the period	150,063	690,240
200. Profit (loss) for the period	150,063	690,240
Total liabilities and shareholders' equity	**59,454,373**	**59,579,102**

Loans to Customers

Items	30.06.2018	31.12.2017	Changes	
			Absolute	%
- Current accounts	2,714,101	2,813,237	-99,136	-3.5
- Mortgage loans	27,515,081	27,165,159	349,922	1.3
- Advances and loans	11,918,707	10,978,089	940,618	8.6
- Repurchase agreements	-	342,913	-342,913	
- Non-performing loans	1,932,104	2,785,831	-853,727	-30.6
Loans to customers	**44,079,994**	**44,085,229**	**-5,235**	**-**
Securities measured at amortized cost	**5,151,185**		**n.a.**	**n.a.**
Loans represented by securities		166,227	n.a.	n.a.
Loans to Customers		44,251,456	n.a.	n.a.
Total loans to customers	**49,231,179**		**n.a.**	**n.a.**

Loans to customers: credit quality

Items	30.06.2018			31.12.2017		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
- Bad loans	2,956,566	2,104,491	852,074	2,950,066	1,754,196	1,195,870
- Unlikely to Pay	1,556,661	519,160	1,037,501	2,037,025	511,844	1,525,181
- Past-due/overlimit loans	48,442	5,913	42,530	72,590	7,810	64,780
Non-performing loans	4,561,669	2,629,564	1,932,104	5,059,681	2,273,850	2,785,831
Performing - stage 2	3,385,502	231,539	3,153,963			
Performing - stage 1	39,081,586	87,659	38,993,927			
Performing loans	42,467,088	319,198	42,147,890	41,691,283	225,658	41,465,625
Loans to customers	**47,028,757**	**2,948,763**	**44,079,995**	**46,750,964**	**2,499,508**	**44,251,456**
Securities measured at amortized cost	5,155,633	4,448	5,151,185			
Total loans to customers	52,184,390	2,953,211	49,231,179			

Loans to customers: credit quality

Items	30.06.2018			31.12.2017		
	Total/gross exposure	Total/Net exposure	Coverage ratio	Total/Gross exposure	Total/Net exposure	Coverage ratio
- Bad loans	5.7%	1.7%	71.2%	6.3%	2.7%	59.5%
- Unlikely to Pay	3.0%	2.1%	33.4%	4.4%	3.4%	25.1%
- Past-due/overlimit loans	0.1%	0.1%	12.2%	0.2%	0.1%	10.8%
Non-performing loans	8.74%	3.9%	57.6%	10.8%	6.3%	44.9%
Performing - stage 2	6.5%	6.4%	6.8%			
Performing - stage 1	74.9%	79.2%	0.2%			
Performing loans	81.4%	85.6%	0.8%	89.2%	93.7%	0.5%
Total	**100.0%**	**100.0%**	**5.7%**	**100.0%**	**100.0%**	**5.3%**

As at 30 June 2018, the coverage ratio of non-performing loans came to 57.6%, markedly increasing vs. 44.9% as at 31 December 2017 and also vs. the date of IFRS 9 First Time Adoption when it came to 56.4%.

It is pointed out that, within the Fellini Project (acquisition by Crédit Agricole Cariparma of the CR San Miniato, CR Cesena and CR Rimini Banks), in the portfolios of the acquired Banks there were non-performing loans for a net amount of approximately Euro 280 million at the acquisition date. Should these NPLs be reported net of provisions, the coverage ratio of non-performing loans would come to approximately 55%.

Funding from Customers

Items	30.06.2018	31.12.2017	Changes	
			Absolute	%
- Deposits	2,328,273	2,013,974	314,299	15.6
- Current and other accounts	38,356,938	38,262,415	94,523	0.2
- Other items	306,154	289,306	16,848	5.8
- Repurchase agreements	7,691	9,671	-1,980	-20.5
Due to customers	40,999,055	40,575,365	423,690	1.0
Debt securities issued	9,259,675	9,715,753	-456,078	-4.7
Financial Liabilities designated at fair value (debt instruments)	-	67,201	-67,201	
Total direct funding	**50,258,730**	**50,358,320**	**-99,590**	**-0.2**
Indirect funding	**63,234,792**	**64,172,911**	**-938,119**	**-1.5**
Total funding	**113,493,522**	**114,531,231**	**-1,037,709**	**-0.9**

Indirect funding

Items	30.06.2018	31.12.2017	Changes	
			Absolute	%
- Asset management products	16,625,496	17,041,680	-416,184	-2.4
- Insurance products	17,295,283	16,591,262	704,021	4.2
Total assets under management	**33,920,779**	**33,632,942**	**287,837**	**0.9**
Assets under administration	**29,314,013**	**30,539,969**	**-1,225,956**	**-4.0**
Indirect funding	**63,234,792**	**64,172,911**	**-938,119**	**-1.5**

Government securities held

	30.06.2018		
	Nominal value	Book value	Valuation reserve
Financial assets held for trading			
Italian Government securities	10	14	X
Argentinian Government securities	21	-	X
Brazilian Government securities:	1	-	X
Financial assets through comprehensive income			
Italian Government securities	3,080,000	3,328,939	-91,726
Argentinian Government securities	-	-	-
Financial assets measured at amortized cost			
Italian Government securities	4,720,283	5,136,992	X
Total	**7,800,315**	**8,465,945**	**-91,726**

Specific-purpose provisions

Items	30.06.2018	31.12.2017	Changes	
			Absolute	%
Employee severance benefits	147,317	151,130	-3,813	-2.5
Provisions for risks and charges	420,383	433,953	-13,570	-3.1
a) commitments and guarantees given	36,501		n.a.	n.a.
b) post-employment benefits and similar obligations	41,653	40,191	1,462	3.6
c) other provisions for risks and charges	342,229	393,762	-51,533	-13.1
Total specific-purpose provisions	**567,700**	**585,083**	**-17,383**	**-3.0**

Equity

Items	30.06.2018	31.12.2017	Changes	
			Absolute	%
Share capital	962,073	934,838	27,235	2.9
Share premium reserve	3,117,707	2,997,386	120,321	4.0
Reserves	1,275,904	1,150,176	125,728	10.9
Equity instruments	365,000	365,000	-	-
Reserves from valuation of available-for-sale financial assets		12,854	n,a	n,a
Reserves from valuation of financial assets through other comprehensive income	-102,551		n.a.	n.a.
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-37,792	-31,795	5,997	18.9
Treasury shares	-4,065	-4,065	-	-
Profit for the period	150,063	690,240	-540,177	-78.3
Total book equity	**5,726,339**	**6,114,634**	**-388,295**	**-6.4**

Own Funds

Regulatory Capital and capital ratios	30.06.2018	31.12.2017
Common Equity Tier 1 (CET1)	3,063,370	3,239,971
Additional Tier 1 (AT1)	382,931	323,726
Tier 1 - T1	3,446,301	3,563,697
Tier 2 (T2)	758,549	633,410
Total Capital (Own Funds)	4,204,851	4,197,107
Risk-weighted assets	28,239,427	27,839,234
of which by credit and counterparty risks and by the risk of value adjustment of the loan	25,127,381	24,696,755
CAPITAL RATIOS		
Common Equity Tier 1 ratio	10.8%	11.6%
Tier 1 ratio	12.2%	12.8%
Total Capital ratio	14.9%	15.1%

Consolidated Own Funds as at 30 June 2018 included, as per the prior authorization given by the Competent Authority (Article 26, par. 2 of EU Regulation No. 575/2013, EU Decision No. 2015/656 of the ECB), the share of the profit for the period eligible to be included, 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 FYs.

In the first half of 2018, in order to meet the impacts generated, on the one hand, by the end of the Basel 3 phase-in regime and, on the other, by the entry into force of the new IFRS9, the Group strengthened its capital and specifically its Common Equity Tier 1, with a capital increase of Euro 147 million (of which: Euro 26,678,766 share capital and Euro 120,321,234 share premium reserve) made by Crédit Agricole Cariparma.

Moreover, within the merger by absorption of Cassa di Risparmio di San Miniato into Crédit Agricole Cariparma, the latter made another capital increase subsequent to the exchange to the minority shareholders of the absorbed bank.

As regards the calculation of Own Funds, it is also pointed out the end of the application of the transitional arrangements laid down by the supervisory regulation for banks (Regulation (EU) No. 575/2013; Circular No. 285 of the Bank of Italy).

The Crédit Agricole Italia Banking Group has decided not to apply the transitional arrangements laid down by Regulation (EU) 2017/2395 "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds" amending Regulation (EU) No 575/2013 (CRR), with the addition of the new Article 473 a «Introduction of IFRS 9».

The Group's performance

In the following statements, the Income Statement figures as at 30 June 2018 are given and compared to the figures referring to the same period last year. The relevant comments are included in the "Interim Management Report", where the performance of operations is dealt with.

The performance for the first half of 2018 refers to the Group perimeter that consists of Crédit Agricole Cariparma S.p.A. (Parent Company), Crédit Agricole FriulAdria S.p.A., Crédit Agricole Carispezia S.p.A., Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A., Crédit Agricole Leasing Italia S.r.l., Crédit Agricole Group Solutions S.c.p.a. and of the Special-Purpose Entities Mondo Mutui Cariparma S.r.l., Crédit Agricole Italia OBG S.r.l., San Genesio Immobiliare S.p.A., Crédit Agricole Real Estate Italia S.r.l., Sliders S.r.l., Italstock S.r.l., Unibanca Immobiliare S.r.l., Carice Immobiliare S.p.A., Agricola Le Cicogne S.r.l., San Piero Immobiliare S.r.l. e San Giorgio Immobiliare S.r.l., which have been consolidated on a line-item basis.

The figures reported below are expressed in thousands of Euros.

Reclassified Consolidated Income Statement

	30.06.2018	30.06.2017	Changes	
			Absolute	%
Net interest income	485,981	461,948	24,033	5.2
Net fee and commission income	445,363	370,072	75,291	20.3
Dividends	12,508	8,401	4,107	48.9
Income from banking activities	24,378	13,117	11,261	85.9
Other operating income (expenses)	6,510	12,012	-5,502	-45.8
Net operating income	974,740	865,550	109,190	12.6
Personnel expenses	-368,770	-304,451	64,319	21.1
Administrative expenses	-200,989	-153,144	47,845	31.2
Impairment on property, plant and equipment and amortization of intangible assets	-58,640	-45,483	13,157	28.9
Operating expenses	-628,399	-503,078	125,321	24.9
Operating margin	346,341	362,472	-16,131	-4.5
Impairment on goodwill	-	-	-	
Net provisions for risks and charges	18,968	-7,009	25,977	
Net value adjustments of loans	-131,967	-152,217	-20,250	-13.3
Profit (losses) on investments held to maturity and other investments	57	-20	77	
Profit (loss) on continuing operations before taxes	233,399	203,226	30,173	14.8
Taxes on income from continuing operations	-73,497	-65,113	8,384	12.9
Profit (loss) on discontinuing operations after taxes	-	-	-	
Profit (Loss) for the period	**159,902**	**138,113**	**21,789**	**15.8**
Profit (Loss) for the period attributable to minority interests	-9,839	-7,315	2,704	37.9
Profit (Loss) for the period attributable to the Parent Company	**150,063**	**130,978**	**19,085**	**14.6**

Reconciliation of the official Income Statement and Reclassified Income Statements

	30.06.2018	30.06.2017
Net interest income	485,981	461,948
30. Net interest income	488,467	435,258
90. Net profit (loss) on hedging activities: of which amortized cost effect of hedging of debt instruments	-3085	-3458
130. Net losses on impairment of: a) loans of which time value on non-performing loans		29,613
230: Calit IAS profit	599	535
Net fee and commission income	445,363	370,072
60. Net fee and commission income	443,751	360,530
230. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	1,612	9,542
Dividends and similar income = item 70	12,508	8,401
Income from banking activities	24,378	13,117
80. Net profit (losses) on trading activities	5,093	10,025
90. Net profit (losses) on hedging activities	-6182	-4901
90. Net profit (losses) on hedging activities: of which amortized cost effect of hedging of debt instruments	3,085	3,458
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 comprehensive income	20,485	
100. Profit (loss) on disposal or repurchase of: d) financial liabilities	-307	
100. Profit (loss) on disposal or repurchase of: a) loans of which debt securities classified as loans		-
100. Profit (loss) on disposal or repurchase of: b) financial assets available for sale		5,474
100. Profit (loss) on disposal or repurchase of: d) financial liabilities		-939
110. Profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	2,204	
110. Profit (loss) on financial assets and liabilities measured at fair value		-
Other operating income (expenses)	6,510	10,047
230. Other operating expenses/income	140,892	155,469
130. Net losses on impairment of: d) other financial transactions of which impairments/recoveries relating to FITD (Italian Interbank Deposit Protection Fund) actions	-271	0
130. Net losses on credit risk impairment: of b) financial assets measured at fair value through other comprehensive income	-427	
250. Profit (Losses) on equity investments of which Price Adjustment for disposal of equity investments	8,829	7,151
To deduct: expenses recovered	-137,274	-130,244
To deduct: recovered expenses for the management of non-performing loans	-3,028	-4,195
To deduct: Commission income from Fast Loan Application Processing	-1,612	-9,542
To deduct>: Calit IAS gains	-599	-535
130. Net losses on impairment of: b) financial assets available for sale		-6092
Net operating income	974,740	865,550
Personnel expenses = item 190 a)	-368,770	-304,451
Administrative expenses	-200,989	-153,144
190. Administrative expenses: b) other administrative expenses	-348,119	-291,046
230. Other operating expenses/income: of which expenses recovered	137,274	130,244
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	9,856	7,658
Impairment on property, plant and equipment and amortization of intangible assets	-58,640	-45,483
210. Impairment/recoveries on property, plant and equipment	-20,688	-14,665
220. Impairment/recoveries on intangible assets	-37,952	-30,818
Operating expenses	-628,399	-503,078
Operating margin	346,341	362,471
Impairment on goodwill = item 260	-	-

	30.06.2018	30.06.2017
Net provisions for risks and charges = Item 190 b) other net provisions	18,968	
Net provisions for risks and charges = Item 160		-7,009
Net value adjustments of loans	-131,967	-152,217
100. Profit/loss on disposal or repurchase of: a) financial assets measured at amortized cost	2,923	
to deduct: profit (loss) on disposal or repurchase of securities classified as financial assets measured at amortized cost	-	
100. Profit (loss) on disposal of: a) loans		-21,113
to deduct: profit (loss) on disposal or repurchase of debt securities classified as loans		-
130. Net losses on credit risk impairment: of a) financial assets measured at amortized cost	-137,191	
to deduct: net losses for credit risk impairment of securities classified as financial assets measured at amortized cost	271	
130. Net losses on impairment of: a) loans		-96,792
130. Net losses on impairment of: a) loans of which time value on non-performing loans		-29,613
130. Net losses on impairment of: d) other financial transactions		-1,236
190. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-9,856	-7,658
To deduct: recovered expenses for the management of non-performing loans	3,028	
230. Other operating expenses/income: of which recovered expenses for the management of non-performing loans		4,195
200. Net provisions for risks and charges: a) commitments and guarantees given	8,858	
Profit (loss) on other investments	57	(20)
250. Profit (losses) on equity investments	8,814	7,151
to deduct Profit (Losses) on equity investments of which CA Vita Price Adjustment	-8,829	-7,151
260. Profit (losses) from property, plant and equipment and intangible assets measured at fair value	0	0
280. Profit (losses) on disposals of investments	72	-20
Profit (loss) before taxes on continuing operations	233,399	203,226
Taxes on income for the period from continuing operations = item 300	-73,497	-65,113
Profit (Loss) for the period	**159,902**	**138,113**
Profit (Loss) for the period attributable to minority interest	**-9,839**	**-7,135**
Profit (Loss) for the period ttributable to the Parent Company	**150,063**	**130,978**

Net interest income

Items	30.06.2018	30.06.2017	Changes	
			Absolute	%
Business with Customers	404,646	362,384	42,262	12
Business with banks	(5,973)	3,199	(9,172)	
Debt securities issued	(57,526)	-49,089	8,437	17
Spreads on hedging derivatives	87,902	73,436	14,466	20
Financial assets held for trading	99	4	95	
Assets measured at fair value	-		n.a.	n.a.
Securities measured at amortized cost	29,092		n.a.	n.a.
Securities through comprehensive income	28,146		n.a.	n.a.
Other net interest income	(405)	-4	401	
Investments held to maturity		4,170	n.a.	n.a.
Financial assets available for sale		67,848	n.a.	n.a.
Net interest income	**485,981**	**461,948**	**24,033**	**5.2**

Net fee and commission income

Items	30.06.2018	30.06.2017	Changes	
			Absolute	%
- guarantees issued	3,905	1,729	2,176	
- collection and payment services	29,261	20,840	8,421	40.4
- current accounts	103,102	91,250	11,852	13.0
- debit and credit card services	18,617	13,110	5,507	42.0
Commercial banking business	154,885	126,929	27,956	22.0
- securities intermediation and placement	100,037	91,787	8,250	9.0
- intermediation in foreign currencies	2,344	1,976	368	18.6
- asset management	5,112	5,515	-403	-7.3
- distribution of insurance products	125,372	107,215	18,157	16.9
- other intermediation/management fee and commission income	24,805	15,443	9,362	60.6
Management, intermediation and advisory services	257,669	221,936	35,733	16.1
Other net fee and commission income	32,809	21,207	11,602	54.7
Total net fee and commission income	**445,363**	**370,072**	**75,291**	**20.3**

Net income from banking activities

Items	30.06.2018	30.06.2017	Changes	
			Absolute	%
Interest rates	3,270	6,210	-2,940	-47.3
Stocks	-2,061	1	2,062	
Foreign exchange	3,538	2,857	681	23.8
Commodities	19	20	-1	-5.0
Derivatives on trading receivables	-	-	-	-
Total profit (losses) on financial assets held for trading	4,766	9,088	-4,322	-47.6
Total profit (losses) on assets held for hedging	-3,096	-1,446	1,650	
Profit (Losses) on disposal of debt securities classified as loans	226	-	226	
Total profit (loss) on securities measured at amortized cost	20		n,a	n,a
Total profit (loss) on securities through comprehensive income	20,484		n,a	n,a
Net gain (loss) on financial assets/liabilities measured at FV through profit or loss	1,978		n,a	n,a
Profit (losses) on disposal of financial assets available for sale		5,475	n,a	n,a
Net Income from banking activities	**24,378**	**13,117**	**11,261**	**85.9**

Operating expenses

Items	30.06.2018	30.06.2017	Changes	
			Absolute	%
- wages and salaries	-267,087	-217,443	49,644	22.8
- social security contributions	-69,870	-57,874	11,996	20.7
- other personnel expenses	-31,811	-29,134	2,677	9.2
Personnel expenses	-368,769	-304,450	64,319	21.1
- general operating expenses	-55,670	-48,346	7,324	15.1
- IT services	-47,824	-33,045	14,779	44,7
- direct and indirect taxes	-61,115	-52,464	8,651	16.5
- real estate property management	-29,986	-25,394	4,592	18.1
- legal and other professional services	-13,212	-7,730	5,482	70.9
- advertising and promotion expenses	-9,941	-5,142	4,799	93.3
- indirect personnel expenses	-5,786	-3,685	2,101	57.0
- contributions to the banking system	-21,856	-17,930	3,926	21.9
- other expenses	-92,876	-89,531	3,345	3,7
- expenses and charges recovered	137,350	130,122	7,228	5.6
Administrative expenses	-200,917	-153,145	47,772	31.2
- intangible assets	-37,952	-30,818	7,134	23.1
- property, plant and equipment	-20,761	-14,665	6,096	41.6
Depreciation and amortization	-58,714	-45,483	13,231	29.1
Operating expenses	**-628,399**	**-503,078**	**125,321**	**24.9**

Net value adjustments of loans

Items	30.06.2018	30.06.2017	Changes	
			Absolute	%
- bad loans	-49,388	-102,789	-53,401	-52.0
- Unlikely to Pay	-69,814	-61,671	8,143	13.2
- Past-due loans	-2,677	-2,950	-273	-9.3
- Performing loans	-12,172	19,893	-32,065	
Net losses on impairment of loans	**-134,051**	**-147,516**	**-13,465**	**-9.1**
Expenses/recovered expenses for loan management	-6,828	-3,465	3,363	97.1
Net losses on impairments of guarantees and commitments	8,912	-1,236	10,148	
Net value adjustments of loans	**-131,967**	**-152,217**	**-20,250**	**-13.3**

Comprehensive Income

Items			30.06.2018	30.06.2017
10.	10.	Profit (loss) for the period	159,902	138,113
		Other comprehensive income after taxes reversed in profit or loss	-	-
20.		Equity instruments designated at fair value through other comprehensive income	-	
30.		Financial liabilities designated at fair value through profit or loss (changes in the reporting entity's creditworthiness)	-	
40.		Hedging of equity instruments designated at fair value through other comprehensive income	-	
50.	20.	Property, Plant and Equipment	-	-
60.	30.	Intangible Assets	-	-
70.	40.	Defined-benefit plans	(5,799)	(526)
80.	50.	Non-current assets held for sale and discontinued operations	-	-
90.	60.	Share of Valuation Reserves on equity investments measured using the equity method/carried at equity	131	-
		Other comprehensive income after taxes reversed in profit or loss	-	-
100.	70.	Hedges of foreign investments	-	-
110.	80.	Exchange rate differences	-	
120.	90.	Cash flow hedges	-	-
	100.	Financial assets available for sale		(570)
130.		Hedging instruments (not designated elements)	-	
140.		Financial assets (other than equities) measured at fair value through other comprehensive income	(122,270)	-
150.	110.	Non-current assets held for sale and discontinued operations	-	-
160.	120.	Share of Valuation Reserves on equity investments measured using the equity method/carried at equity	-	-
170.	130.	Total other comprehensive income net of taxes	(128,473)	(1,096)
180.	**140.**	**Comprehensive income (Item 10+170)**	**31,429**	**137,017**
190.	150.	Comprehensive income attributable to Minority Interests	2,456	6,994
200.	**160.**	**Comprehensive income attributable to the Parent Company**	**28,972**	**130,023**

The inclusion in comprehensive income of the item reporting financial assets measured at fair value entails physiological volatility that must be taken into account when analyzing the table.

Fair value reporting – Classification of financial instruments and of non-financial assets/liabilities

Reporting on the fair value hierarchy as required by IFRS 13 applies to financial instruments and to non-financial assets/liabilities that are measured at fair value (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) on active markets.

  Level 1 includes financial instruments that are quoted on active markets. Specifically, these financial instruments are stocks and bonds quoted on active markets, investment schemes quoted on active markets (EFT) and derivatives traded on 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 values 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 as at a 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 on markets considered inactive or that are not quoted on an active market, but whose fair value is determined using a universally acknowledged measurement model based on observable or indirectly observable inputs;
  - Financial instruments whose fair value is determined with measurement models using observable market inputs.
- **Level 3:** Financial instruments whose fair value is determined using, to a significant extent, inputs that do not meet the set observability requirements.

The fair value of some complex instruments that are not traded on active markets is determined with measurement techniques based on inputs that are not observable on the market. The above are mainly complex interest rate instruments, stock derivatives and structured loans, where the 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 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 Debt Valuation Adjustment (DVA).

As provided for by IFRS13, in certain conditions, risk mitigation tools may be used, such as ISDA master agreements and Credit Support Annexes (CSA), and, therefore, the Bank can calculate the CVA and DVA by netting set or by counterparty, after assessing the netting effect potentially resulting from such Agreements, rather than calculating it by single derivative.

As at 30 June 2018, the CVA value for the Crédit Agricole Italia Banking Group, calculated in accordance with the method used for the 2017 Annual Report and Financial Statements, was Euro 8.7 million. Similarly, as at 30 June 2018, the DVA value was Euro 1.2 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 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 Department of Crédit Agricole Cariparma assesses whether transfers between fair value levels have occurred and reviews the fair value categorization at each reporting date.

The Finance Department moves financial instruments from Level 1 to Level 2 only in case of financial instruments that are quoted in a regulated but not active market and that can be measured using the Group's internal standard pricing models.

The Finance Department makes transfers to Level 3 only for financial instruments that are no longer listed in a regulated market and that cannot be measured using standard internal pricing models of the Group.

Fair value reporting – Transfers between portfolios

In the first half of 2018, upon IFRS 9 FTA, the debentures issued by Cassa di Risparmio di San Miniato, which, up to December 2017, were measured at Fair Value, subsequent to the exercise of the Fair Value Option (IAS 39), were reclassified at Amortized Cost (IFRS 9).

Portfolio reporting: breakdown by fair value level

Carismi's debentures have been kept at Level 1, since they are quoted on the Multilateral Trading Facility (Hi-Mtf), even though, for the transitional period of Carismi migration into CA Cariparma, debentures other than zero-coupon instruments have been measured at 100 and zero-coupon debentures at their dirty price on 30 June 2018.

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Financial assets/liabilities measured at fair value			30.06.2018			31.12.2017		
			L1	L2	L3	L1	L2	L3
1.		Financial assets measured at fair value through profit or loss	623	86,905	48,027			
	1.	a) financial assets held for trading	623	85,833	19,802	8	72,991	1,253
	2.	b) financial assets designated at fair value	-	-	-	26	73	-
	3.	Assets available for sale				5,044,755	222,854	75,045
		c) Other financial assets mandatorily measured at fair value	-	1,072	28,225			
2.		Financial assets measured at fair value through other comprehensive income	3,334,221	206,945	22,638			
3.	4.	Hedging derivatives	-	570,433	41	-	570,313	54
4.	5.	Property, Plant and Equipment	-	-	-	-	-	2,865
5.	6.	Intangible Assets	-	-	-	-	-	-
Total			**3,334,844**	**864,283**	**70,706**	**5,044,789**	**866,231**	**79,217**
1.		Financial liabilities held for trading	-	77,612	-	-	75,820	-
2.		Financial liabilities designated at fair value	-	-	-	-	67,201	-
3.		Hedging derivatives	-	258,220	376,661	-	279,748	-
Total			-	**335,833**	**376,661**	-	**422,769**	-

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

Changes for the period in financial assets measured at Level 3 fair value

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, Plant and Equipment	Intangible assets
	Total	of which a) financial assets held for trading	of which b) financial assets designated at fair value	of which c) other financial assets mandatorily measured at fair value				
1. Opening balance	49,070	18,232	-	30,838	15,486	54	-	-
2. Increases	9,975	9,749	-	226	16,170	-	-	-
2.1 Purchases	9,379	9,379	-	-	12,872	-	-	-
2.2 Profits recognized in:	-	-	-	-	185	-	-	-
2.2.1 Income Statement	510	284	-	226	2,125	-	-	-
- of which capital gains	465	239	-	226	9	-	-	-
2.2.2 Equity	-	X	X	X	1,173	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	86	86	-	-	-	-	-	-
3. Decreases	8,662	8,179	-	2,839	9,018	13	-	-
3.1 Sales	1,429	90	-	1,339	5,730	-	-	-
3.2 Redemptions	-	2,311	-	-	-	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-	-	-
3.3.1 Income Statement	1,780	1,780	-	-	499		-	-
- of which capital losses	154	154	-	-	-	13	-	-
3.3.2 Equity	-	X	X	X	388	-	-	-
3.4 Transfers to other levels	-	-	-	-	1,900	-	-	-
3.5 Other decreases	5,453	3,998	-	1,500	501	-	-	-
4. Closing Balance	**50,383**	**19,802**	-	**28,225**	**22,638**	**41**	-	-

Changes for the period in financial liabilities measured at Level 3 fair value

	Financial assets held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance			247,927
2. Increases	-	-	148,430
2.1 Issues	-	-	138,872
2.2 Losses recognized in:	-	-	-
2.2.1 Income Statement	-	-	9,558
- of which capital losses	-	-	9,558
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	-	-	19,696
3.1 Redemptions	-	-	18,539
3.2 Repurchases	-	-	-
3.3 Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	1,157
- of which: capital gains	-	-	1,157
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing Balance	**-**	**-**	**376,661**

Assets and liabilities that are not measured at fair value or are measured at fair value on a non-recurring basis: breakdown by fair value level

Assets/liabilities that are not measured at fair value or that are measured at fair value on a non-recurring basis	30.06.2018				31.12.2017			
	VB	L1	L2	L3	VB	L1	L2	L3
Investments held to maturity					2,234,277	2,243,331		19,982
1. Financial assets measured at amortized cost	54,504,138	604,480	5,238,024	50,024,068				
Due from banks					7,237,907	-	7,234,919	3,066
Loans to Customers					44,251,456	-	-	46,849,564
2. Investment property	88,354	-	-	113,893	79,580	-	-	108,955
3. Non-current assets held for sale and discontinued operations	-	-	-	-	98	-	-	-
Total	**54,592,491**	**-**	**-**	**113,893**	**51,568,943**	**-**	**7,234,919**	**46,961,585**
1. Financial liabilities measured at amortized cost	56,350,761	-	59,202,032	2,642,416				
Due to banks					7,059,113	-	7,059,113	-
Due to Customers					40,575,365	-	34,697,691	5,877,674
Debt securities issued					9,715,753	-	9,099,929	792,789
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**56,350,761**	**-**	**59,202,032**	**2,642,416**	**57,350,231**	**-**	**50,856,733**	**6,670,463**

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

Operations and income by business segment

Data relating to operations and income by business segment is given in compliance with IFRS 8 *Operating Segments using the "management reporting approach".*

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

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

The data for the 2018 period reflect the application, since 1 January, of the new IFRS9.

On 21 December 2017 Crédit Agricole Cariparma finalized the purchase from the Voluntary Scheme of the Interbank Deposit Protection Fund of 95.3% the share capitals of Cassa di Risparmio di Cesena S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di San Miniato S.p.A. (in June 2018 Cassa di Risparmio di San Miniato S.p.A. was merged by absorption into Crédit Agricole Cariparma). This business combination shall be taken into account in the comparison to 2017 as it makes such comparison not smooth.

The revenues made in the period by the Retail and Private Banking channels came to Euro 734 million and the revenues made by the Corporate Banking channel totalled Euro 158 million.

In the period, the operating expenses of the Retail and Private Banking channels came to Euro 643 million and those of the Corporate Banking channel to Euro 107 million.

Assets by segment (point volumes) mainly consisted of loans to Customers, property, plant and equipment and intangible assets that can be directly allocated to the operating segments. As at 30 June 2018, assets of the Retail and Private Banking channels amounted to Euro 29.3 billion, increasing vs. 31 December 2017 (up by +1.4%). The assets of the Corporate Banking channel also increased (up by +2.2%) coming to Euro 18.8 billion.

Liabilities by segment (point volumes) consist of direct funding from Customers, which can be directly allocated to the operating segments. Within this aggregate, the Retail and Private Banking channels accounted for Euro 33.6 billion worth of funding, essentially in line with 31 December 2017. The Corporate Banking channel, with a balance of Euro 9.6 billion, posted a -4.2% decrease vs. 31 December 2017.

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

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

SEGMENT REPORTING AS AT 30 JUNE 2018

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	394,524	99,282	-5,338	488,467
Net fee and commission income	392,439	56,735	-5,423	443,751
Profit (loss) on trading activities	1,070	1,668	2,355	5,093
Dividends	21	0	12,487	12,508
Other net operating income (items 90,100,190)	49,797	546	106,322	156,665
Total operating income	**837,851**	**158,231**	**110,402**	**1,106,484**
Losses on impairment of loans	-57,283	-79,537	2,552	-134,268
Losses on impairment of AFS financial assets and other financial transactions	0	0	0	
Personnel and administrative expenses and depreciation/amortization	-588,748	-39,491	-147,290	-775,529
Allocations to provisions for risks	2,338	12,199	13,289	27,826
Total costs	**-643,693**	**-106,829**	**-131,449**	**-881,971**
Gains (losses) on equity investments			8,814	8,814
Impairment on goodwill				
Profit on disposal of investments	0	0	72	72
Profit (loss) by segment	**194,158**	**51,402**	**-12,161**	**233,399**
Unallocated operating expenses				
Operating margin				
Share of profit of associates attributable to the Group				
Profit before taxes	**194,158**	**51,402**	**-12,161**	**233,399**
Taxes	-66,014	-17,477	9,993	-73,497
Profit for the period	**128,144**	**33,926**	**-2,168**	**159,902**
Data as at 30 June 2017				
Assets and liabilities				
Assets by segment	29,326,863	18,756,111	265,953	48,348,927
Equity investments in associates	0	0	29,685	29,685
Unallocated assets	0	0	17,239,176	17,239,176
Total assets	**29,326,863**	**18,756,111**	**17,534,814**	**65,617,788**
Liabilities by segment	33,590,113	9,628,579	873,642	44,092,334
Unallocated liabilities	0	0	15,599,892	15,599,892
Total liabilities	**33,590,113**	**9,628,579**	**16,473,534**	**59,692,226**

SEGMENT REPORTING AS AT 30 JUNE 2017

	Retail and Private Banking	Corporate Banking	Other	Total
External operating income:				
Net interest income	347,360	120,239	-32,342	435,258
Net fee and commission income	304,910	43,208	12,412	360,531
Profit (loss) on trading activities	2,411	2,429	5,185	10,025
Dividends	-	-	8,401	8,401
Other net operating income (items 90,100,190)	132,421	786	782	133,989
Total operating income	787,103	166,662	-5,562	948,204
Losses on impairment of loans	-48,753	-54,896	6,857	-96,792
Losses on impairment of AFS financial assets and other financial transactions	-	-	-7,328	-7,328
Personnel and administrative expenses and depreciation and amortization	-493,115	-34,563	-113,302	-640,980
Allocations to provisions for risks	-4,240	-6,825	4,056	-7,009
Total costs	-546,108	-96,284	-109,717	-752,109
Gains (losses) on equity investments	11,124	502	-4,475	7,151
Impairment on goodwill	-	-	-	-
Profit on disposal of investments	-	-	-20	-20
Profit (loss) by segment	206,949	101,145	-119,774	203,226
Unallocated operating expenses	-		-	-
Operating margin	-	-	-	-
Share of profit of associates attributable to the Group	-	-	-	-
Profit before taxes	206,949	101,145	-119,774	203,226
Taxes	-50,797	-19,794	5,478	-65,113
Profit for the year	156,152	81,351	-114,296	138,113
Assets and liabilities				-
Assets by segment	26,999,372	12,354,112	3,061,099	42,414,583
Equity investments in associates	-	-	-	-
Unallocated assets	-	-	13,272,683	13,272,683
Total assets	26,999,372	12,354,112	16,333,782	55,687,266
Liabilities by segment	27,044,482	8,213,558	3,098,893	38,356,933
Unallocated liabilities	-	-	12,481,058	12,481,058
Total liabilities	**27,044,482**	**8,213,558**	**15,579,951**	**50,837,991**

RISKS AND RISK MANAGEMENT

This section is meant to provide an update of the information on risks and the relative hedging policies, as at 30 June 2018, to complete the reporting given in Part E of the Annual Report as at 31 December 2017.

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

In designing the risk management system, Crédit Agricole Cariparma complies with both the Italian legislation (with specific reference to the provisions of the 15th update to the Bank of Italy's Circular No. 285/2013, issued in July 2013), as well as with guidelines issued by the Parent Company Crédit Agricole SA, 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 Cariparma, when centralized.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) REPORT

At the end of 2013, the Crédit Agricole Italia Banking Group was authorized by the competent Supervisory Authorities to use advanced approaches to calculate credit risk in order to determine its capital requirements, with regard to the Retail perimeter of Crédit Agricole Cariparma and Crédit Agricole FriulAdria and effective from the reporting as at 31 December 2013. Having obtained this authorization, the Crédit Agricole Italia Banking Group is a Class 1 firm for ICAAP purposes.

In addition to preparing the ICAAP for the Parent Company Crédit Agricole S.A., whose results are used as the main indicator of the RAF (Risk Appetite Framework), the Crédit Agricole Italia Banking Group is required, pursuant to Circular No. 285 of the Bank of Italy (Part 1, Title III, Chapter 1, Section 1, Paragraph 1), to prepare an ICAAP Report for the national Supervisory Authority.

As at 31 December 2017, the quantitative analyses on capital absorptions within the Crédit Agricole Italia Banking Group concerned, in addition to First Pillar Risks, concentration risk and interest rate risk on the banking book; since 2017, in accordance with the guidelines issued by the Parent Company Crédit Agricole SA, the analyses have also covered sovereign risk, issuer risk and strategic risk (the so-called Second Pillar Risks). The analyses showed that Own Funds are adequate to meet all the risks which the Crédit Agricole Italia Banking Group is exposed to, 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 have also been considered (risk of excessive leverage, Country risk, transfer risk and "basis risk"), as well as all the other risks deemed material for the Crédit Agricole Italia Banking Group.

At the end of April 2018, the Crédit Agricole Italia Banking Group sent the following:

- As regards the ICAAP for the Parent Company, a set of documents to the ECB 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 internal documents concerning ICAAP-related topics. Along with the ICAAP documentation, at the end of April 2018, the Group sent its ILAAP (Internal Liquidity Adequacy Assessment Process) Report to the EU Regulator. This Report is intended to provide the results of a self-assessment on the processes for the identification, measurement, management and monitoring of internal liquidity and describes: the liquidity framework, the Group's refinancing structure, the composition of its liquidity reserves, the mechanism for the allocation of refinancing costs, resilience testing, the contingency funding plan and areas where the methodological model needs to be further developed.

  This exercise gave evidence of the compliance of the liquidity risk management framework of the Crédit Agricole Italia Banking Group with the requirements set down by the Regulator. Indeed, the adopted framework ensures liquidity steering and effective monitoring of compliance with the set limits.
- 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 2017 of the Basel "Second Pillar" situation, to the Bank of Italy. 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 Capital Adequacy Assessment Process (ICAAP) is the first phase in the prudential supervision process envisaged by the Second Pillar of the new "Basel 3" prudential supervision regulation. 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 issue an overall opinion on the Group.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS (ILAAP) REPORT

Along with the ICAAP Report, at the end of April 2018, the Group sent its ILAAP (Internal Liquidity Adequacy Assessment Process) Report to the EU Regulator. This report is intended to provide the results of a self-assessment on the processes for the identification, measurement, management and monitoring of internal liquidity and describes: the liquidity framework, the Group's refinancing structure, the composition of its liquidity reserves, the mechanism for the allocation of refinancing costs, resilience testing, the contingency funding plan and areas where the methodological model needs to be further developed.

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

INTERNAL CONTROL SYSTEM

The internal control system is the complex of the organizational, procedural and regulatory mechanisms aimed at controlling all types of activities and risks to ensure proper execution and security of operations.

The scope of the Crédit Agricole Italia Banking Group's internal control system includes all its structures, both central and of the Distribution Network, Information Technology departments and outsourced essential services (FOIE, the Italian acronym for Important Operating Functions Outsourced) and the relating 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 the 1st half of 2018, the Systems of Permanent Controls was upgraded, consistently with the changes in business risks and with the organizational changes in the Crédit Agricole Italia Banking Group; concomitantly, responsibilities for the assessment of the control outcomes and for any subsequent improvement actions have been defined and assigned as regards each risk scope.

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

The Crédit Agricole Italia Banking Group attaches great importance to the management and control of credit risk, as a key precondition to ensure sustainable development over time, especially in the present economic situation that, while showing some modest improvement, is affected by potential uncertainty factors.

The Group's lending operations are carried out by setting appropriate lending policy directions and guidelines on lending and credit risk management, in compliance with the corporate strategies and objectives, in order to selectively support the development of loans to the worthiest customers, as well as to limit and upgrade exposures to the riskiest Customers.

Specifically, the Group closely oversees the efficiency and effectiveness of control activities, both with IT procedures and with systematic monitoring on any developments in the credit quality of the loan-to-customers portfolio, in order to ensure even closer monitoring of positions entailing higher risk, as early as upon occurrence of the first early warnings on their performance, to promptly detect any symptoms of becoming non-performing and, thus, to implement all the most appropriate actions for the recovery and/or mitigation of credit risk.

At the same time, lending focuses on providing support to households, to the real economy and to the productive system. Consistently with this approach, lending actions aim at developing and supporting business with the most creditworthy customers.

The evolution in the economic, regulatory and market scenario, supported by an overall analysis of the progressive improvement in the credit quality of new loans vs. the Group loans portfolio, has steered the actions implemented in the first half of 2018. Among the main actions, the following are worth specific mentioning:

- Progressive implementation and full operation of the upgrading to the new regulatory requirements, with specific regard to the ECB "Guidance to banks on Non-Performing Loans", which requires the adoption of a new approach for the management and governance of the non-performing portfolio, to be implemented with a medium-term NPL Strategy, consistently with the Group's objectives of reducing the stock of non-performing loans in a set time horizon, with the upgrading of the organizational structure, in order to strengthen the separation between the management of Performing Loans and the management of Non-Performing Loans, as well as with the identification and implementation of specific action drivers, which will generate the expected income and financial impacts;

- Continuation of the actions that started in 2014 on credit organisation tools and processes. In this scope, the analyses preliminary to the implementation of the new Electronic Loan Application Procedure continued, in order to:
  - Improve the service quality, reducing processing and response time and thus improving Customer Satisfaction;
  - Enhance the efficiency of the loan authorization process through guided directions, optimizing decision-making procedures and reducing recycles;
  - Reduce overall processing time, with the possibility of managing larger volumes.
- Other implementation actions for the evolution of the functions of the Ex Parte Creditoris (EPC) legal platform and of the Management Electronic Process (Italian acronym PEG), aimed at improving overall efficiency and effectiveness of use, both by the Network and by Central Structures.

Credit quality

ITEMS	GROSS EXPOSURES - WEIGHT ON TOTAL LOANS				Change	
	June 2018		December 2017		Absolute	%
- Bad loans	2,956,566	6.3%	2,950,066	6.3%	6,500	0.2%
- Unlikely to Pay	1,556,661	3.3%	2,037,025	4.4%	-480,364	-23.6%
- Past-due/overlimit loans	48,442	0.1%	72,590	0.2%	-24,148	-33.3%
Non-performing loans	4,561,669	9.7%	5,059,681	10.8%	-498,012	-9.8%
Performing - stage 2	3,385,502	7.2%				
Performing - stage 1	39,081,586	83.1%				
Performing loans	42,467,088	90.3%	41,691,283	89.2%	775,805	1.9%
Total gross loans to customers	**47,028,757**	**100.0%**	**46,750,964**	**100.0%**	**277,793**	**0.6%**

ITEMS	NET EXPOSURES - COVERAGE RATIO				Change	
	June 2018		December 2017		Absolute	%
- Bad loans	852,074	71.2%	1,195,870	59.5%	-343,796	-28.7%
- Unlikely to Pay	1,037,501	33.4%	1,525,181	25.1%	-487,680	-32.0%
- Past-due/overlimit loans	42,530	12.2%	64,780	10.8%	-22,250	-34.3%
Non-performing loans	1,932,104	57.6%	2,785,831	44.9%	-853,727	-30.6%
Performing - stage 2	3,153,963	6.8%				
Performing - stage 1	38,993,927	0.2%				
Performing loans	42,147,890	0.8%	41,465,625	0.5%	682,265	1.6%
Total net loans to customers	**44,079,995**	**5.7%**	**44,251,456**	**5.3%**	**-171,461**	**-0.4%**

(*) The amounts do not include securities measured at amortized cost.

The tables summarizing credit quality show that the stock of non-performing loans has markedly decreased by Euro 500 million vs. 31 December 2017, a reduction that has been boosted thanks to the sale of an UTP portfolio made in June consistently with the Group's NPL strategy.

As at 30 June 2018, the coverage ratio of non-performing loans came to 57.6%, markedly increasing vs. 44.9% as at 31 December 2017 and also vs. the date of IFRS 9 First Time Adoption when it came to 56.4%.

It is pointed out that, within the Fellini Project (acquisition by Crédit Agricole Cariparma of the CR San Miniato, CR Cesena and CR Rimini Banks), in the portfolios of the acquired Banks there were non-performing loans for a net amount of approximately Euro 280 million at the acquisition date. Should these NPLs be reported net of provisions, the coverage ratio of non-performing loans would come to approximately 55%.

MARKET RISK

TRADING BOOK

The Group does not engage in proprietary trading activities in financial and capital markets. Nevertheless, there are residual positions resulting from its placement and trading activities carried to meet customers' requests.

Some residual positions resulting from the business combination made at the end of December 2017 will be progressively managed through run-off, consistently with the management and governance model implemented by the Group.

BANKING BOOK

Asset Liability Management regards all the Banking Book positions, with specific focus on fixed-rate positions, and takes account of the effects that interest rate fluctuations may have on the Group's profits and economic value.

The Group manages interest rate risk on all assets and liabilities recognized in the Financial Statements, defining, through the adoption of internal models, the cumulative gap for each time bucket generated by the difference between the existing fixed-rate assets and liabilities. The ALM Committee proposes the relevant limits to the Group Risk Management Committee of the Controlling Company Crédit Agricole S.A. by periodically submitting a Risk Strategy document, and the proposed limits are subsequently submitted for approval to the Boards of Directors of the single entities. In line with the instructions issued by Crédit Agricole S.A., a set of limits (in absolute value) on the gap was added to the global limit, defined in terms of Current Net Value (CNV) and representing the maximum risk level acceptable for the Group.

Global limits on the banking book price risk are set based on the types of instruments that can be held (Italian, German and French Government Bonds[12]) and are expressed with reference to the maximum nominal value that can be held and to the potential loss in stress conditions.

FAIR VALUE HEDGING

Interest rate risk hedging has the objective of optimizing the management of the Banking Book in accordance with any changes in the fair value of funding and lending, caused by adverse movements in the interest rate curve, or of reducing the uncertainty of cash flows linked to a specific asset/liability in an integrated balance sheet perspective.

Asset & Liability Management activities also aim at mitigating, using hedges that are calibrated also through specific modeling of financial statement items, any impacts on the Group's profits which may be generated by fluctuations in interest rates.

Specifically, fixed-rate debentures have been hedged (micro-hedging), as have the optional component of mortgage loans with cap to Customers (macro-hedging), government securities in liquidity reserves[13] (asset swap hedging) and fixed-rate gaps detected by the internal model, with macrohedging on retail current accounts with debit balances.

12 The residual position in securities other than the sovereign bonds that may be held resulting from the business combination made at the end of December 2017 will be progressively managed through run-off in accordance with the Risk Strategy.

13 The government securities acquired subsequent to the business combination made at the end of December 2017 have been kept at fixed-rate where not hedged at origination.

LIQUIDITY RISK

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

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

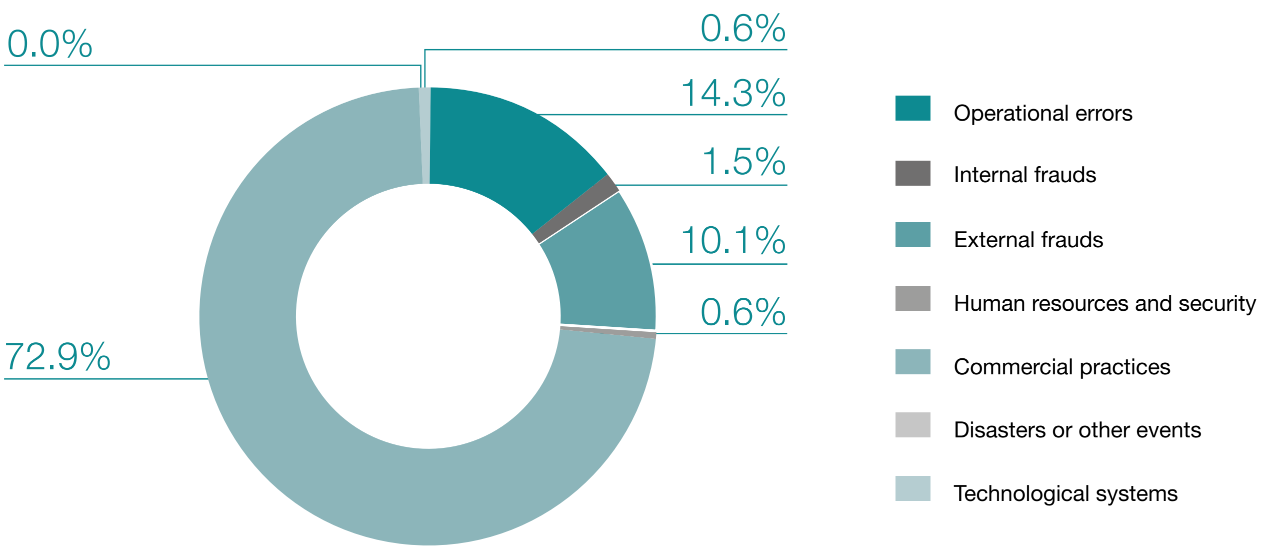
As at 30 June 2018, the Group Liquidity Coverage Ratio (LCR) was 195%, firmly above the set compliance requirements.

OPERATIONAL RISKS

BREAKDOWN OF LOSSES

Operational losses recognized in the first half of 2018 came to approximately Euro 8.8 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

On 24 June 2018 the merger by absorption of Cassa di Risparmio di San Miniato into the Parent Company Crédit Agricole Cariparma was finalized.

The plan for the merger of the banks acquired within the “Fellini Project” is continuing with the merger by absorption, on 22 July 2018, of Cassa di Risparmio di Cesena and, on 9 September 2018, of Cassa di Risparmio di Rimini into the Parent Company Crédit Agricole Cariparma.

TRANSACTIONS WITH RELATED PARTIES

The regulation issued by the Bank of Italy on 12 December 2011, on risk activities and conflicts of interest with associated persons falls within the scope of the framework regulation concerning related parties (Article 2391-bis of the Italian Civil Code, Article 53 of the Italian Consolidated Law on Banking 53 of the Italian Consolidated Law on Banking (TUB) and CONSOB Regulation No. 17221/10) and has been designed to "control the risk that the closeness of some persons to the Bank's decision-making centers may compromise the objectivity and impartiality of decisions relating to loan granting and other transactions with the same persons, with possible distortions in the allocation of resources, in the Bank's exposure to risks not adequately measured or controlled, potential damages to depositors and shareholders".

The Crédit Agricole Italia Banking Group had already adopted a Regulation on transactions with related parties implementing the original CONSOB regulation of 2010; afterwards, in accordance with the regulation issued by the Bank of Italy, Crédit Agricole Cariparma approved the Document "Regulation for Risk Activities and Conflicts of Interests with Associated Persons", in order to give the Group a specific internal regulation that amounts to the new body of law on these matters and in order to harmonize the various regulations in force.

In addition to identifying the related parties of the Crédit Agricole Italia Banking Group, the aforementioned Regulation 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 to be resolved on (i) to independent directors, as well as, where necessary, (ii) to the control bodies.

With regard to controls, the required control activities are carried out by different corporate roles, 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 legislation, also pursuing the objective to appropriately prevent and manage potential conflicts of interests in transactions with associated persons.

Related parties of the Crédit Agricole Italia Banking Group are the following:

a) Corporate officers, namely the members of the Board of Directors, of the Board of Auditors and of the Senior Management of the Companies of the Group;
b) The shareholder/investor, that is to say, the natural or legal person controlling or exercising significant influence on the company;
c) The person, other than a shareholder/investor, who can appoint, on his/her/its own, one or more members of the body engaged in strategic oversight functions, also based on any agreement whatsoever or clauses of the Articles of Association dealing with or providing for the exercise of the above rights and powers;
d) A company or an enterprise, also set up in a legal form other than that of a company, on which a Group company can exercise control or a significant influence;
e) The identified staff.

CONNECTED PERSONS

Persons connected to a related party are defined as follows:

- Companies or enterprises, also set up in a legal form other than that of a company, which are controlled by a related party;

- persons controlling a related party among those listed at points b and c of the relevant definition, that is to say, persons or entities that are directly or indirectly subject to joint control with the same related party;
- Close family members of a related party or the companies or enterprises controlled by the same.

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 single Banks belonging to the Group refer to the same perimeter of associated persons as determined by the Parent Company Crédit Agricole Cariparma.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

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

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

In the first half of 2018, intra-group transactions and/or transactions with Italian and foreign related parties were carried out within regular operations and the related financial activities; such transactions were generally carried out at arm's length conditions.

The intra-group transactions were carried out based on assessments of mutual business interest and expediency and the applied terms and conditions were set in compliance with substantial fairness, with the shared objective of creating value for the Crédit Agricole Italia Banking Group as a whole.

The same principle applied also to intra-group provision of services, together with the one of settling such provisions at a minimum price fit to recover the related production costs.

In the reporting period, specifically on 24 June 2018, the Parent Company Crédit Agricole Cariparma finalized the merger by absorption of the subsidiary Cassa di Risparmio di San Miniato.

TYPE OF RELATED PARTIES	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Loans to Customers	Due from banks	Due to customers	Due to banks	Guarantees issued
Controlling Company	-	-	-	494,969	-	780,103	6,085
Entities exercising significant influence on the Company	-	-	-	-	12,585	-	-
Associates	107	-	13,364	-	12,223	-	135
Directors and Managers with strategic responsibilities	-	-	2,617	-	7,491	-	19
Other related parties	7,662	400	4,204,616	693,354	1,605,648	168,417	104,010
Total	**7,769**	**400**	**4,220,597**	**1,188,324**	**1,637,947**	**948,520**	**110,249**

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

CRÉDIT AGRICOLE
CARIPARMA

1. The undersigned Giampiero Maioli, Chief Executive Officer, and Pierre Debourdeaux,Manager responsible for preparing of the Company's financial reports of Cariparma 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 an
   - 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 2018.

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, 25 luglio 2018

Giampiero Maioli
Chief Executive Officer

Pierre Débourdeaux
Manager responsible for preparing the Company's financial reports

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

Independent Auditors' Review Report

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

To the Shareholders of
Crédit Agricole Cariparma 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 Cariparma S.p.A. and its subsidiaries (the "Crédit Agricole Italia Banking Group") as of June 30, 2018. The Directors of Crédit Agricole Cariparma 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, 2018 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, August 3, 2018

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

Annexes

Financial Statements of the Parent Company

BALANCE SHEET

Assets			30.06.2018	31.12.2017
10.	10.	Cash and cash equivalents	126,623,473	155,369,633
20.		Financial assets measured at fair value through profit or loss (IFRS 7 par. 8 lett. a))	69,497,960	
		a) Financial assets held for trading;	69,497,959	
		b) Financial assets designated at fair value;	-	
		c) Other financial assets mandatorily measured at fair value	1	
	20.	Financial assets held for trading		62,074,133
	30.	Financial assets measured at fair value		-
30.		Financial assets measured at fair value through other comprehensive income (IFRS 7 par. 8 lett. h))	2,433,708,665	
	40.	Financial assets available for sale		2,634,465,236
	50.	Investments held to maturity		1,569,990,409
40.		Financial assets measured at amortized cost (IFRS 7 par. 8 lett. f))	43,447,108,778	
	60.	a) due from banks	8,562,207,834	10,550,970,046
	70.	b) loans to customers	34,884,900,944	29,799,716,470
50.	80.	Hedging derivatives	410,988,469	413,546,339
60.	90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	20,623,221	17,338,199
70.	100.	Equity investments	1,471,642,470	1,493,703,547
80.	110.	Property, Plant and Equipment	367,389,114	333,433,227
90.	120.	Intangible Assets	1,034,863,289	1,017,803,869
		- of which goodwill	922,339,723	922,339,723
100.	130.	Tax assets	1,063,212,838	754,984,383
		(a) current	323,933,340	175,262,009
		(b) deferred	739,279,498	579,722,374
		b1) pursuant to Italian Law No. 214/2011		525,865,949
110.	140.	Non-current assets held for sale and discontinued operations	-	-
120.	150.	Other assets	576,748,719	351,605,707
Total assets			51,022,406,996	49,155,001,198

(*) This item reports the debt securities and loans allocated to the portfolio measured at amortized cost. These were previously reported among financial assets not listed on an active market (Level 2 and Level 3) to banks and customers.

Liabilities and Equity			30.06.2018	31.12.2017
10.		Financial liabilities measured at amortized cost (IFRS 7 par. 8 lett. g))	43,335,699,788	
	10.	a) due to banks	7,542,931,608	7,791,591,667
	20.	b) due to customers	27,661,291,705	26,124,338,715
	30.	c) debt securities issued	8,131,476,475	7,990,403,845
20.	40.	Financial liabilities held for trading	67,113,202	67,919,874
30.		Financial liabilities designated at fair value (IFRS 7 par. 8 lett. e))	-	
	50.	Financial Liabilities measured at fair value		-
40.	60.	Hedging derivatives	484,882,102	411,805,731
50.	70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	252,152,815	261,707,732
60.	80.	Tax liabilities	90,378,618	149,627,132
		(a) current	43,405,068	107,006,929
		b) deferred	46,973,550	42,620,203
70.	90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	100.	Other liabilities	1,114,818,086	633,731,920
90.	110.	Employee severance benefits	93,926,027	87,564,799
100.	120.	Provisions for risks and charges	222,760,133	124,414,521
		a) commitments and guarantees given	11,321,724	
		b) post-employment benefits and similar obligations	17,119,688	15,130,916
		c) other provisions for risks and charges	194,318,721	109,283,605
110.	130.	Valuation reserves	-84,101,055	-4,622,875
120.	140.	Redeemable shares	-	-
130.	150.	Equity instruments	365,000,000	365,000,000
140.	160.	Reserves	852,429,967	1,007,040,547
150.	170.	Share premium reserve	3,118,248,692	2,997,927,458
160.	180.	Share capital	962,072,641	934,837,845
170.	190.	Treasury shares (+/-)	-	-
180.	200.	Profit (Loss) for the period	147,025,980	211,712,287
Total liabilities and shareholders' equity			**51,022,406,996**	**49,155,001,198**

(*) The sub-item "commitments and guarantees issued" shall report the provisions for credit risk regarding commitments to disburse funds and financial guarantees issued, which were previously recognized in the "Other liabilities" item.

INCOME STATEMENT

Items			30.06.2018	30.06.2017
10.	10.	Interest and similar income	307,371,560	369,654,688
20.	20.	Interest and similar expenses	7,528,032	(68,975,366)
30.	30.	Net interest income	314,899,592	300,679,322
40.	40.	Fee and commission income	310,852,132	274,468,033
50.	50.	Fee and commission expense	(15,121,244)	(14,196,019)
60.	60.	Net fee and commission income	295,730,888	260,272,014
70.	70.	Dividends and similar income	64,985,418	49,911,619
80.	80.	Net profit (losses) on trading activities	3,963,104	7,151,546
90.	90.	Net profit (losses) on hedging activities	(3,771,171)	(3,643,462)
100.	100.	Gains (losses) on disposal or repurchase of:	(543,124)	(15,272,911)
		a) financial assets measured at amortized cost	(10,607,485)	
		b) financial assets measured at fair value through other comprehensive income	10,280,893	
		c) financial liabilities	(216,532)	
		a) loans		(18,799,047)
		b) financial assets available for sale		4,112,685
		c) investments held to maturity		-
		d) financial liabilities		(586,549)
110.	110.	Profit (losses) on financial assets and liabilities measured at fair value through profit or loss	-	-
		a) financial assets and liabilities designated at fair value	-	
		b) other financial assets mandatorily measured at fair value	-	
		Net gains (losses) on financial assets and liabilities measured at fair value		-
120.	120.	Net interest and other banking income	675,264,707	599,098,128
130.	130.	Net losses/recoveries on impairment of:	(88,252,691)	(70,169,502)
		a) financial assets measured at amortized cost	(87,816,006)	
		b) financial assets measured at fair value through other comprehensive income	(436,685)	
		a) loans		(67,100,955)
		b) financial assets available for sale		(1,601,483)
		c) investments held to maturity		-
		d) other financial activities		(1,467,064)
150.	140.	Net income from banking activities	587,012,016	528,928,626
160.	150.	Administrative expenses:	(499,939,635)	(449,943,337)
		a) Personnel expenses	(224,616,303)	(204,611,335)
		b) other administrative expenses	(275,323,332)	(245,332,002)
170.	160.	Net provisions for risks and charges	7,195,767	(5,268,566)
		a) commitments and guarantees given	474,003	
		b) other net provisions	6,721,764	
		Net provisions for risks and charges		-
180.	170.	Impairment/recoveries on property, plant and equipment	(8,304,997)	(6,668,312)
190.	180.	Impairment/recoveries on intangible assets	(9,182,901)	(8,112,624)
200.	190.	Other operating expenses/income	106,356,890	121,610,807
210.	200.	Operating expenses	(403,874,876)	(348,382,032)
220.	210.	Profit (losses) on equity investments	8,813,951	7,151,465
230.	220.	Net profit (losses) on property, plant and equipment and intangible assets designated at fair value	-	-
240.	230.	Impairment on goodwill	-	-
250.	240.	Profit (losses) on disposals of investments	22,687	(10,866)
260.	250.	Profit (loss) before taxes on continuing operations	191,973,778	187,687,193
270.	260.	Taxes on income for the period from continuing operations	(44,947,798)	(46,414,502)
280.	270.	Profit (loss) from continuing operations, net of taxes	147,025,980	141,272,691
290.	280.	Profit/ (Loss) from discontinued operations, net of taxes	-	-
300.	290.	Profit (Loss) for the period	147,025,980	141,272,691

STATEMENT OF COMPREHENSIVE INCOME

Items			30.06.2018	30.06.2017
10.	10.	Profit (loss) for the period	147,025,980	141,272,691
		Other comprehensive income after taxes not reversed in profit or loss	-	-
20.		Equity instruments designated at fair value through other comprehensive income	88,777	
30.		Financial liabilities designated at fair value through profit or loss (changes in the reporting entity's creditworthiness)	-	
40.		Hedging of equity instruments designated at fair value through other comprehensive income	-	
50.	20.	Property, Plant and Equipment	-	-
60.	30.	Intangible Assets	-	-
70.	40.	Defined-benefit plans	(5,571,905)	(197,153)
80.	50.	Non-current assets held for sale and discontinued operations	-	-
90.	60.	Share of valuation reserve on equity investments accounted for with the equity method:	-	-
		Other income components with reversal to Income Statement	-	-
100.	70.	Hedging of foreign investments	-	-
110.	80.	Exchange rate differences	-	-
120.	90.	Cash flow hedges	-	-
130.		Hedging instruments (not designated elements)	-	-
	100.	Financial assets available for sale		(243,761)
140.		Financial assets (other than equities) measured at fair value through other comprehensive income	(77,166,886)	
150.	110.	Non-current assets held for sale and discontinued operations	-	
160.	120.	Share of valuation reserve on equity investments accounted for with the equity method:	-	-
170.	130.	Total other comprehensive income net of taxes	(82,650,014)	(440,914)
180.	**140.**	**Comprehensive income (Item 10+170)**	**64,375,966**	**140,831,777**

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	available for sale	IAS 19				
EQUITY AS AT 31 DEC. 2017	934,837,845	2,997,927,458	1,004,251,201	2,789,346	20,038,329	-24,661,204	365,000,000	-	211,712,287	5,511,895,262
CHANGE IN OPENING BALANCES	-	-	-347,953,095	-	1,318,583	-	-	-	-	-346,634,512
BALANCES AS AT 1 JAN. 2018	934,837,845	2,997,927,458	656,298,106	2,789,346	21,356,912	-24,661,204	365,000,000	-	211,712,287	5,165,260,750
ALLOCATION OF THE 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										
Issue 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	-	-	-	-	-75,224,858	-5,571,905	-	-	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**	**-53,867,946**	**-30,233,109**	**365,000,000**	**-**	**147,025,980**	**5,360,676,225**

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2017

	Share capital ordinary shares	Share premium reserve	Reserves:		Valuation reserves	Equity instruments	Profit (Loss) for the period	Equity
			Retained earnings	other				
EQUITY AS AT 31 DEC. 2016	876,761,620	2,736,003,683	932,405,316	2,789,346	-5,348,700	200,000,000	205,021,525	4,947,632,790
ALLOCATION OF THE PROFIT								-
FOR THE PREVIOUS PERIOD								-
Reserves	-	-	86,936,877	-	-	-	-86,936,877	-
Dividends and other allocations	-	-	-	-	-	-	-118,084,648	-118,084,648
CHANGES FOR THE PERIOD	-	-	-	-	-	-	-	-
Change in reserves	-	-	674,250	-	-	-	-	674,250
Transactions on equity	-	-	-	-	-	-	-	-
Issue of new shares	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-7,801,667	-	-	-	-	-7,801,667
Derivatives on treasury shares	-	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company								-
assigned to Employees and Directors	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-440,914	-	141,272,691	140,831,777
EQUITY AS AT 30 JUNE 2017	876,761,620	2,736,003,683	1,012,214,776	2,789,346	-5,789,614	200,000,000	141,272,691	4,963,252,502

STATEMENT OF CASH FLOWS

		30.06.2018	30.06.2017
A.	OPERATING ACTIVITIES		
1.	Cash flow from (used in) operations	330,318,207	81,562,123
-	profit (loss) for the period (+/-)	147,025,980	24,663,820
-	"gains/losses on financial assets held for trading and on financial assets/liabilities designated at fair value through profit or loss(-/+)"	-1,266,583	-632,595
-	profit/losses on hedging activities	26,030,222	-812,057
-	net losses/recoveries on impairment (+/-)	73,124,295	19,115,449
-	impairment/recoveries on property, plant and equipment and intangible assets (+/-)	17,487,898	3,280,953
-	net provisions for risks and charges and other expenses/revenues (+/-)	-7,195,767	786,486
-	unpaid taxes and tax credits (+)	44,947,798	12,733,937
-	impairment/recoveries on discontinued operations net of tax effect (-/+)	-	-
-	other adjustments (+/-)	30,164,364	22,426,130
2.	Cash flow from/used in financial assets	-166,147,335	-960,583,623
-	financial assets held for trading	181,268,762	1,230,706
-	financial assets designated at fair value	-	-
-	financial assets mandatorily measured at fair value	-	-
-	financial assets measured at fair value through other comprehensive income	-449,818,863	11,440,859
-	financial assets measured at amortized cost	224,124,434	-953,296,503
-	other assets	-121,721,668	-19,958,685
3.	Cash flows from/used in financial liabilities	-806,836,306	912,509,772
-	financial liabilities measured at amortized cost	-1,094,789,616	756,153,517
-	financial liabilities held for trading	-806,672	-673,624
-	other liabilities	288,759,982	157,029,879
	Net cash flow from/used in operating activities	-642,665,434	33,488,272
B.	INVESTMENT ACTIVITIES		
1.	Cash flow from:	66,111,355	127,870
-	sales of equity investments	1,101,437	-
-	dividends received on equity investments	64,985,418	127,870
-	sales of property, plant and equipment	24,500	-
-	sales of intangible assets	-	-
-	sales of business units	-	-
2.	Cash flow used in:	701,367,565	-2,177,221
-	**purchases of equity investments**	**-6,226,725**	-
-	purchases of property, plant and equipment	-3,282,582	-1,312,977
-	purchases of intangible assets	-12,627	-
-	purchases of business units	710,889,499	-864,244
	Net cash flow from/used in investment activities	767,478,920	-2,049,351
C.	FUNDING ACTIVITIES		
-	issues/purchases of treasury shares	-29,031,657	-
-	issues/purchases of equity instruments	-11,804,014	-
-	dividend distribution and other scope	-112,265,252	-33,354,550
	Net cash flows from/used in financing activities	-153,100,923	-33,354,550
	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-28,287,437	-1,915,629

RECONCILIATION

Financial Statement items	30.06.2018	30.06.2017
Cash and cash equivalents at the beginning of the period	155,369,633	42,447,703
Total net increase in cash and cash equivalents in the period	-28,287,437	-1,915,629
Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at the ending of the period	127,082,196	40,532,074

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

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

	30.06.2018	
	Equity	**of which: Profit for the period**
Balances of the Parent Company accounts	5,360,676	211,712
Effect of consolidation of subsidiaries	365,663	-5,687
Effect of the equity method accounting of significant equity investments	-	-
Dividends received in the year	-	-55,962
Other changes	-	-
Consolidated account balances	**5,726,339**	**150,063**

CONTACT DATA

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Registered Office Via Università, 1 – 43121 Parma, Italy
Phone: +39.0521.912111
Share Capital: Euro 934,837,845 fully paid in – Entered in the Business Register of Parma, Italy.
Taxpayer Identification Number and VAT No. 02113530345 Italian Banking Association ABI Code 6230.7
Entered in the Italian Register of Banks at No. 5435. Member of the Italian Interbank Deposit Protection Fund
and of the Italian National Compensation Fund.
Parent Company of the Crédit Agricole Italia Banking Group entered in the Italian Register of Banking Groups
At No. 6230.7 – The Company is subject to the management and coordination of Crédit Agricole S.A.

CRÉDIT AGRICOLE