



# Crédit Agricole Italia Banking Group

A sound banking Group  
in the Italian landscape 

Covered Bond Programme Update

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## 1 Executive Summary

2 Crédit Agricole Italia Banking Group

3 Crédit Agricole Italia Banking Group Financial Highlights

4 Italian Housing Market

5 CAIBG Residential Mortgage Loan Business

6 Crédit Agricole Italia OBG Programme

7 Appendices

8 Contact list

### Crédit Agricole Italia Banking Group Highlights

- ❑ Crédit Agricole Italia Banking Group (CAIBG) is 76.9% controlled by Crédit Agricole S.A., alongside Regional Banks, which own 9.5% (via Sacam International);
- ❑ The Group operates in prosperous northern Italy; over 2.1mn customers in June 2018;
- ❑ Group's net income: €150mn in June 2018 (+15% YoY);
- ❑ Customer loans: €44.1bn in June 2018 (+2% YoY\*);
- ❑ Over €270mn worth of investments since 2016 supporting digitalization, customer centrality and strengthening of best performing areas;
- ❑ Crédit Agricole Cariparma (CA Cariparma) is rated A3/Negative/P-2 by Moody's, the highest rating assigned among Italian banks.

### Covered Bond Activity

- ❑ 2013: Crédit Agricole Italia OBG Programme of €8bn created
- ❑ 2013: Retained issue of €2.7bn
- ❑ 2014: Inaugural market issue of €1bn and partial cancellation of the previous retained issue (new outstanding: €1.2 bn)
- ❑ 2015: Market issue of €1bn
- ❑ 2016: Double Tranche market issue of € 0.75bn each
- ❑ 2017: Double Tranche market issue of € 0.75bn each on March and a new Market Issue of €0.75bn on December
- ❑ 2018: Market issue of €0.5bn. Deliberated a programme's extension

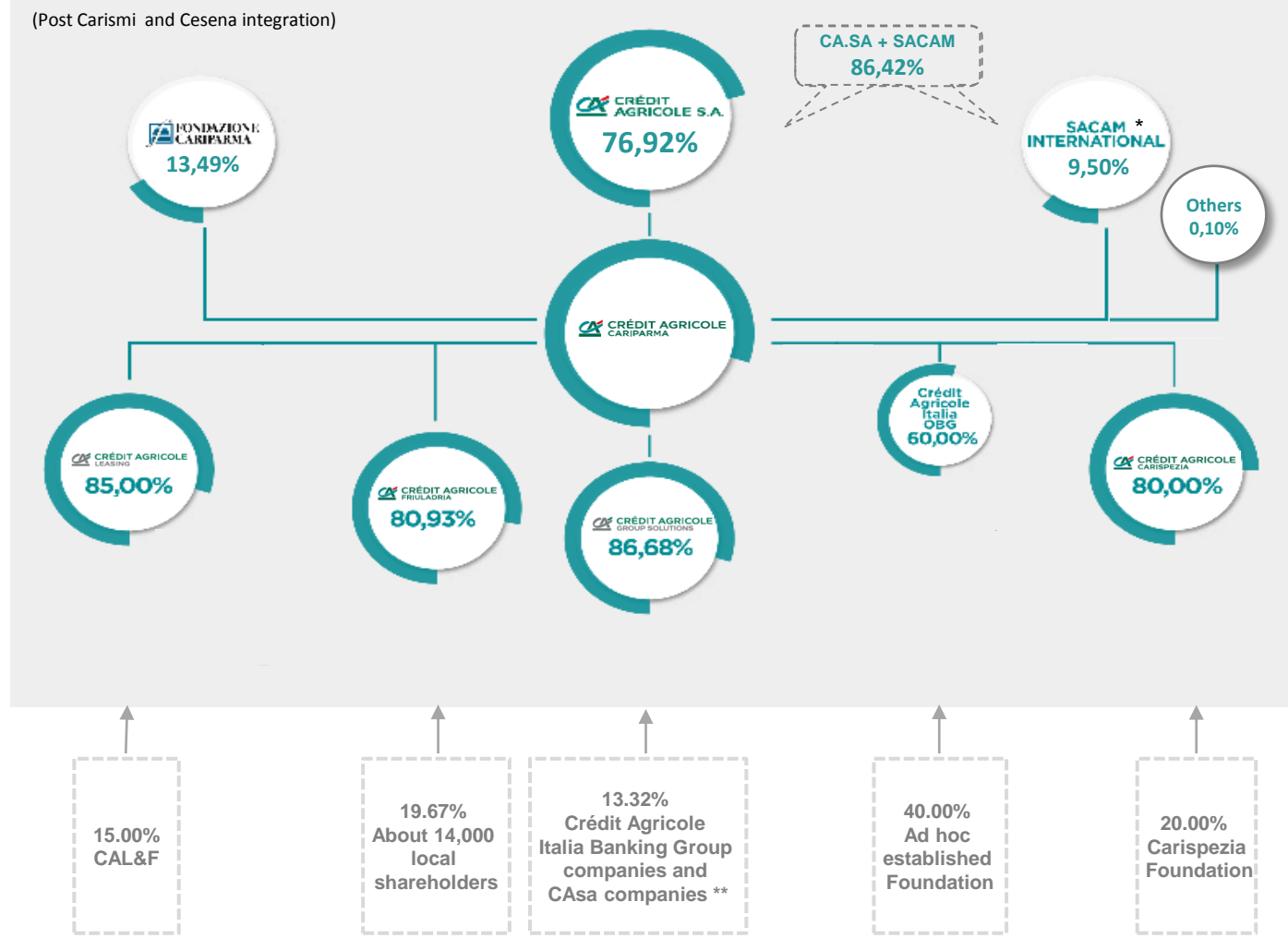
*The covered bonds issued by Crédit Agricole Cariparma are rated Aa2 by Moody's.*

## Crédit Agricole Italia Banking Group Funding Strategy

- Crédit Agricole Cariparma is funded mostly by customers, through deposits and senior unsecured bond issues\* placed via retail branches; the average maturity of these issues is 1.1 years (June 2018)
- The covered bond market has offered Crédit Agricole Cariparma
  - Access to longer term maturities
  - Diversification, in terms of funding tool and broad market investor base
- The issuance of covered bonds
  - Adds value to the main asset of the Group represented by mortgage loans
  - Provides for a countercyclical, long-term refinancing option as part of the Group's funding mix
  - Allows for the optimisation and stabilisation of long-term funding costs
  - Is in line with Crédit Agricole S.A.'s strategy of limiting cross-border funding flows

- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group**
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market
- 5 CAIBG Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices
- 8 Contact list

- 2006**
  - Significant development of Crédit Agricole Group's International retail banking business line with the announced acquisitions of Cariparma, FriulAdria and 202 Banca Intesa branches in Italy
- 2008**
  - Creation of Crédit Agricole Leasing Italy; acquisition from Intesa of a leasing portfolio originated by Cariparma
- 2009**
  - Cariparma takes control of Crédit Agricole Leasing Italy from CAL&F
- 2011**
  - Acquisition of 96 branches and Carispezia from Intesa Sanpaolo S.p.A.
- 2013**
  - Creation of Cariparma OBG
- 2015**
  - Creation of Crédit Agricole Group Solutions: Group Services Company (IT, real estate, back-office)
- 2016**
  - Rebranding of the Group: renaming in Crédit Agricole Italia Banking Group (CAIBG)
- 2017**
  - On 21 December CA Cariparma acquired Cesena, Rimini and San Miniato Savings Banks
- 2018**
  - On 24 June finalisation of the merger in CA Cariparma of San Miniato bank, on 21 July Cesena and 8 September Rimini



\* Crédit Agricole regional banks (Caisse regional)

\*\* Crédit Agricole Group Solutions shareholders: Crédit Agricole Cariparma (86.68%), Friuladria (8.75%), Carispezia (2.50%), Crédit Agricole Leasing Italia (1.19%), Agos (0.75%), Eurofactor (0.06%), Amundi SGR (0.06%), Amundi RE Italia SGR (0.01%)

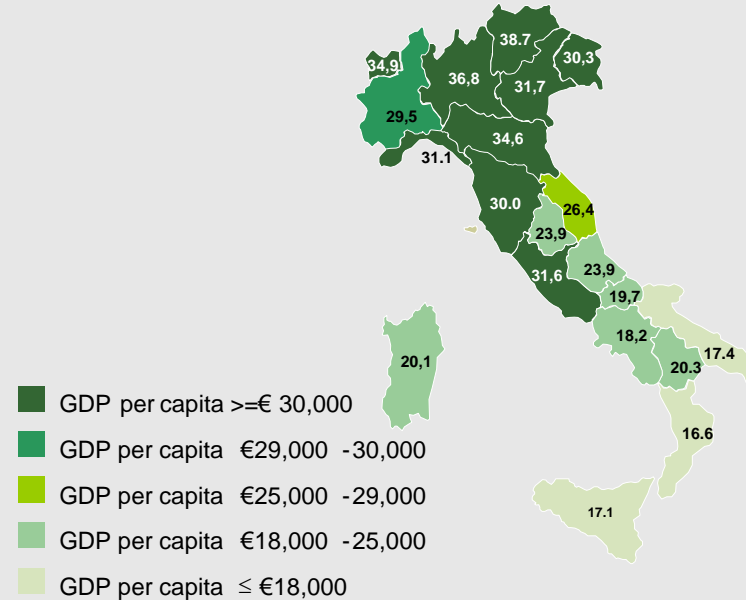
- The Group has once again proved to be able to **generate profitability as in the previous years**: net profit of Euro 150 million in the first half of 2018 vs. Euro 131 million in the first half of 2017 (up by +15% YoY);
- **Strong business momentum**: 77,000 new Customers acquired in the first six months of the year;
- **€44bn (+2% vs December 2017) in customer loans outstanding in June 2018\***
  - **Market share: 2.68%\*\* at national level** (excluding the 3 italian banks acquired at the end of 2017)
- **€50bn in on-balance sheet deposits and debt securities issued in June 2018\***
  - **Market share: 2.41%\*\* at national level** (excluding the 3 italian banks acquired at the end of 2017)
- **€34bn (+2% vs December 2017) in assets under management in June 2018\***
- **Employees: 10,091 in June 2018\***

\* Source: first half-2018 CAIBG results disclosures

\*\* Source: Bank of Italy data at 31.12.2017

- **Retail bank in Italy with 997 branches** (almost 1.100 point of sales including Private, Enterprise and Corporate Centers)\*
- Operating in the **prosperous regions of Northern Italy** which have the highest GDP per capita in Italy

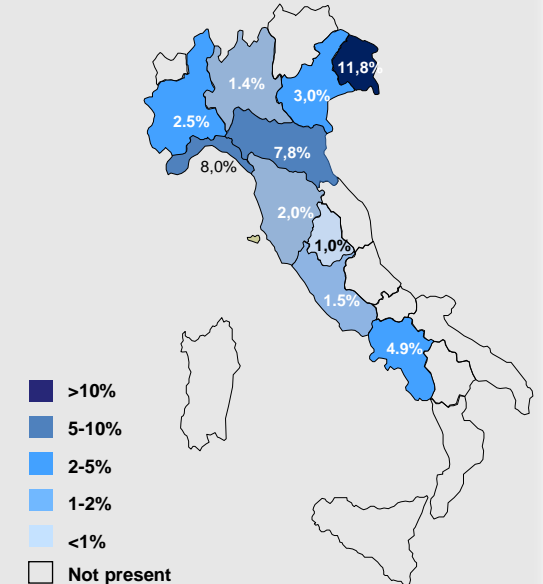
GDP per capita by region, in € K in 2016



Source: Istat

France: average GDP per capita: 34,144

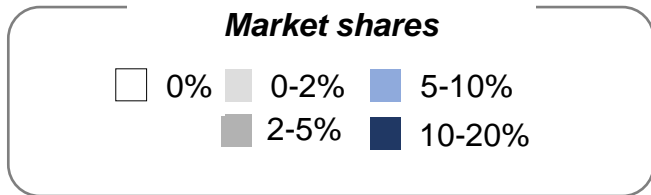
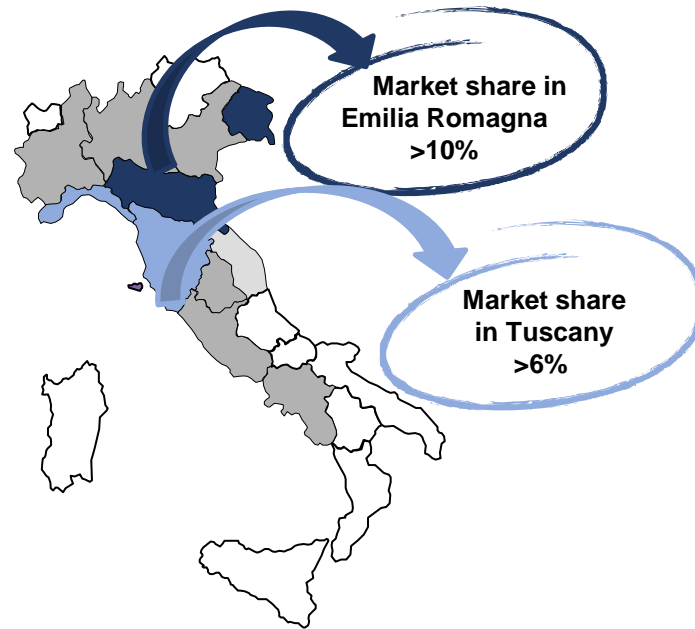
On-B/S deposit market share, 31/12/2017  
(excluding the 3 italian banks acquired at the end of 2017)



Source: Bank of Italy, data at 31.12.2017



## MARKET SHARES IN ITALY AND KEY NUMBERS POST INTEGRATION



The Group, thanks to the integration of Cesena, Rimini e San Miniato savings banks:

- > reached the target of over **2.1 million customers**
- > **increased market share** and distribution capacity
- > enhanced its operations in **key economic areas**, with strong manufacturing and agri-food vocation
- > **full effect of group synergies in 2020**: around 20% of total revenues\* and around 25% of costs\*

**Market share at national level +1p.p.**  
from 2.8% to 3.7%

**+ ~ 20% customers**  
> 300 K

**New assets for 18 € billion**

**> 200 new branches**

*Business and IT system integration is already reached: on 24 June finalisation of the merger in CA Cariparma of San Miniato bank, on 21 July Cesena and 8 September Rimini*

- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights**
- 4 Italian Housing Market
- 5 CAIBG Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices
- 8 Contact list

Impressive performances in Italy at the end of June 2018

> 4 million customers	€263bn* of deposits and assets under management	€286 million Net income 13% of Crédit Agricole S.A. underlying net income Group share
> 15 000 employees	€67bn** of loans outstanding	

All of the Group's business lines are in marching order to expand the business in Italy

Over 4 billion investments  
in the last 2 years

Acquisitions and new partnerships

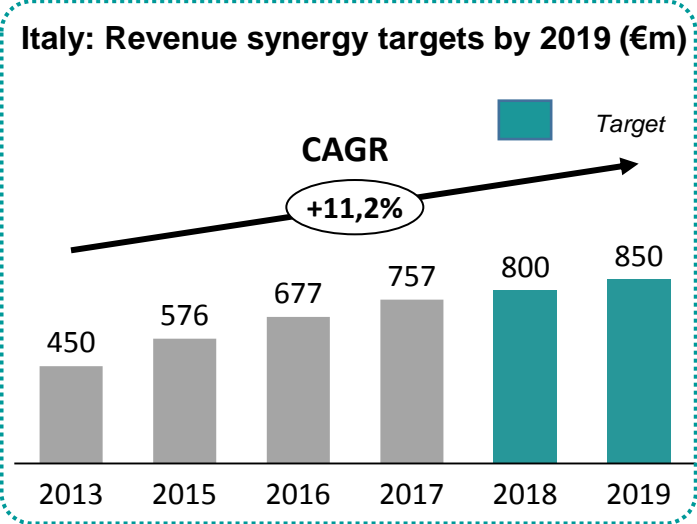


After the acquisitions in 2017, concluded by the integration of the new 3 Savings banks and Pioneer, 2018 is characterized by two new development levers:

- ✓ The acquisition of 94,1% Banca Leonardo (private banking)
- ✓ The partnership of Crédit Agricole Assurance with Creval\*\*\*:
  - 15 year distribution agreement for savings and death & disability products through the Creval network
  - 100% acquisition of Creval's insurance broker
  - partnership secured through the acquisition of a 5% stake in Creval

Improving of synergies:

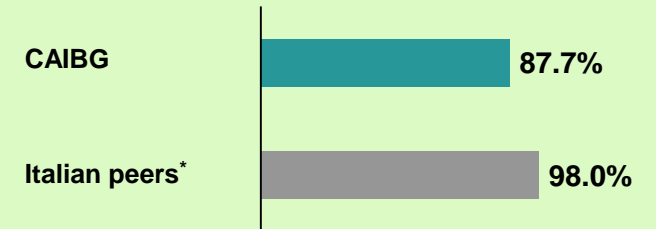
Synergies between the specialized business lines and retail networks are maximising, ensured a high level of operating efficiency.



## Continuous growth in profitability and dynamic business activity

- The Group generated in the first half of 2018 a **net profit of Euro 150 million** (+15% YoY) and the customer base increased by over 77.000 new clients;
- Operating income increasing by +13% YoY** thanks also to the contribution of the 3 Banks acquired at the end of 2017, accounting for approximately 10% of total revenues. Increase in the weight of **fee and commission** income, **driven by asset management** (up by +16% YoY) and **insurance** products;
- Support to households and businesses with progressive increase in loans (+2% vs. Dec. 2017), in the stock of home loans (+11% vs. Dec. 2017), and in asset management (+2% vs. Dec. 2017).**

### Loan to deposit ratio



## Operating expenses under control with a good efficiency level and confirmed investment plan

- Good efficiency level** with a C/I better than the Italian peers;
- Over 270mn of investments since 2016** supporting the plan. Evolution of **digital and multichannel tools**, aimed at customer centrality and at the **development of innovative services featuring a global approach**, in the perspective of a bank that is 100% human and 100% digital.
- Staff development** through training, new recruitments (e.g. the financial advisors network) and the implementation of initiatives aimed at improving worklife balance, such as smart working.

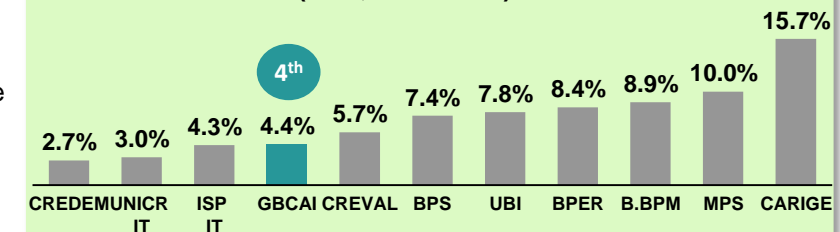
### Cost / income ratio (excluding non-recurring expenses to support the banking system)



## Progressive decline in the cost of credit and improving asset quality

- Implemented management actions and the disposal of an NPL stock (approximately 9% of total NPLs) have achieved a **31% decrease in net non-performing loans (vs. Dec. 2017)**;
- Among the best in the Italian market in terms of impaired loans ratio** and improvement in the coverage ratio of the NPL portfolio;
- Cost of credit** continued to fall to 60 bps in June 2018.

### Net Impaired loans ratio (in %, June 2018)





## LOANS (€bn)

<b>Loans to customers</b>	<b>44,080</b>
<i>o/w Current accounts</i>	2,714
<i>o/w Mortgage Loans</i>	27,515
<i>o/w Advances and credit facilities</i>	11,919
<i>o/w Non-performing loans</i>	1,932
<b>Loans to banks</b>	<b>5,273</b>
<i>o/w Crédit Agricole S.A.</i>	495

## RATIOS

<b>Cost/Income (excl. fondo solidarietà, contrib DGS e Single Resolution Fund)</b>	<b>57,9%*</b>
<b>Cost of credit (% net loans)</b>	<b>60 bps</b>
<b>Net Bad Debts ratio (% net loans)</b>	<b>1.9%**</b>
<b>Bad Debts coverage ratio</b>	<b>71.2%**</b>
<b>Net NPL ratio (% net loans)</b>	<b>4.4%**</b>
<b>NPL coverage ratio</b>	<b>57.6%**</b>

## FUNDING (€mn)

<b>Funding from customers &amp; debt securities issued</b>	<b>50,259</b>
<i>o/w Deposits</i>	2,328
<i>o/w Current and other accounts</i>	38,357
<i>o/w Debt Securities issued</i>	7,691
<b>Due to banks</b>	<b>6,092</b>
<i>o/w Crédit Agricole S.A.</i>	779
<b>Indirect funding from customers</b>	<b>63,235</b>
<i>o/w asset management</i>	33,921
<i>o/w assets under administration</i>	29,314

## RATINGS

<b>Moody's Long Term Bank Deposits Rating</b>	<b>A3 Negative***</b>
<b>Moody's Short Term Bank Deposits Rating</b>	<b>P-2</b>
<b>Covered bonds rating assigned by Moody's</b>	<b>Aa2</b>

## CAPITAL AND LIQUIDITY RATIOS (€mn)

<b>CET1 (fully loaded)</b>	<b>3,063</b>
<b>Own funds</b>	<b>4,205</b>
<b>Shareholders' Equity</b>	<b>5,726</b>
<b>RWA</b>	<b>28,245</b>
<b>CET1 ratio (fully loaded)</b>	<b>10.8%</b>
<b>Total capital ratio</b>	<b>14.9%</b>
<b>Liquidity Coverage Ratio (LCR)</b>	<b>195%</b>

\* CAIBG ratio excluding the integration of the 3 Savings banks (61.5% including CR Rimini, CR Cesena and CR San Miniato).

\*\* Bad Debts should be understood as «Sofferenze», whilst Non-Performing Loans should be understood as «Crediti deteriorati» as defined by the Bank of Italy (Circ. 272/2008 Bank of Italy 8<sup>th</sup> update)

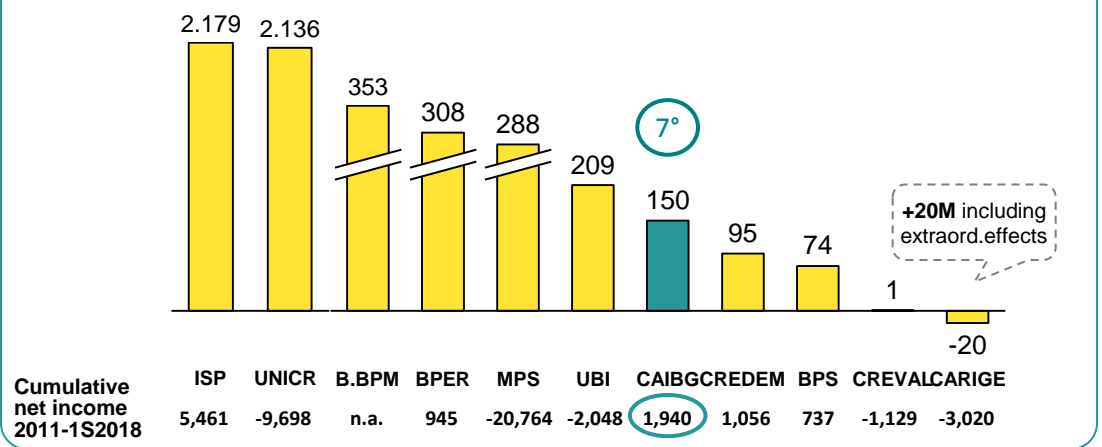
\*\*\* Placed under review for possible downgrade on May 30, follow the review for downgrade of Italy's Baa2 government bond rating

# Crédit Agricole Italia Banking Group Financial Highlights

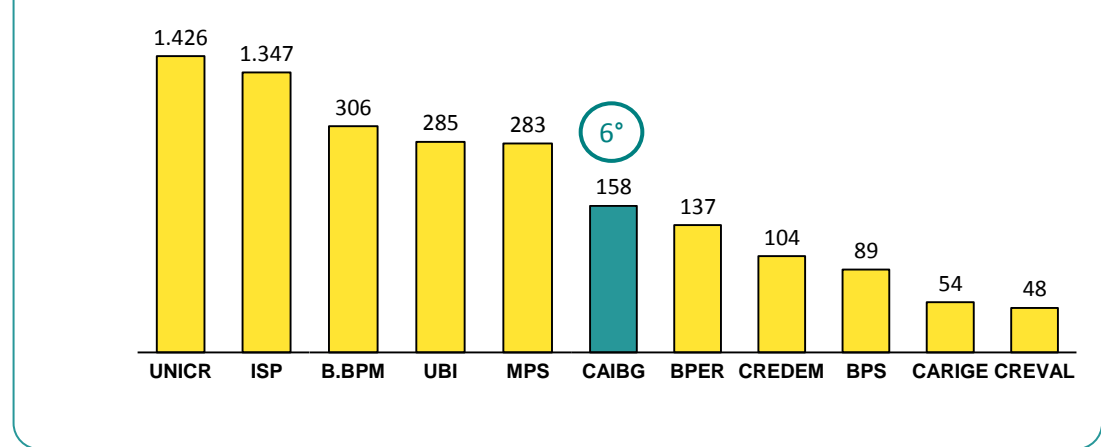
Crédit Agricole Italia Banking Group: 30/06/2018 ranking



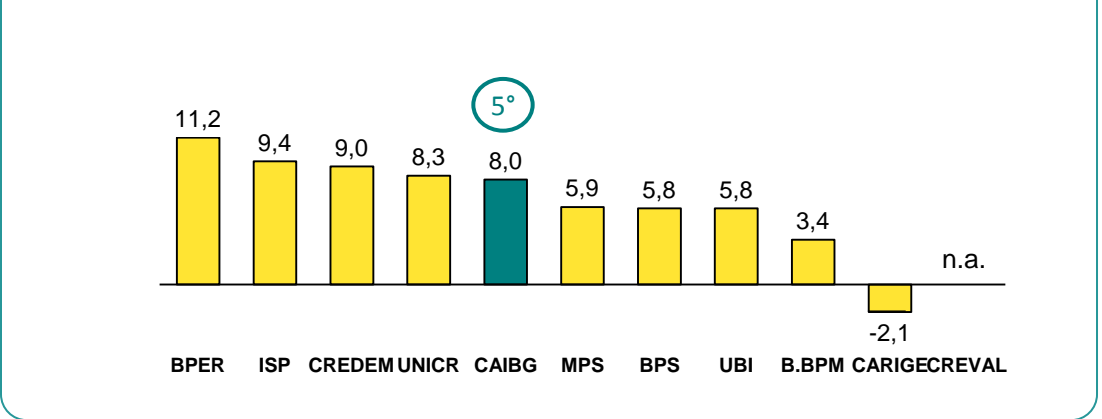
## NET INCOME (million €)



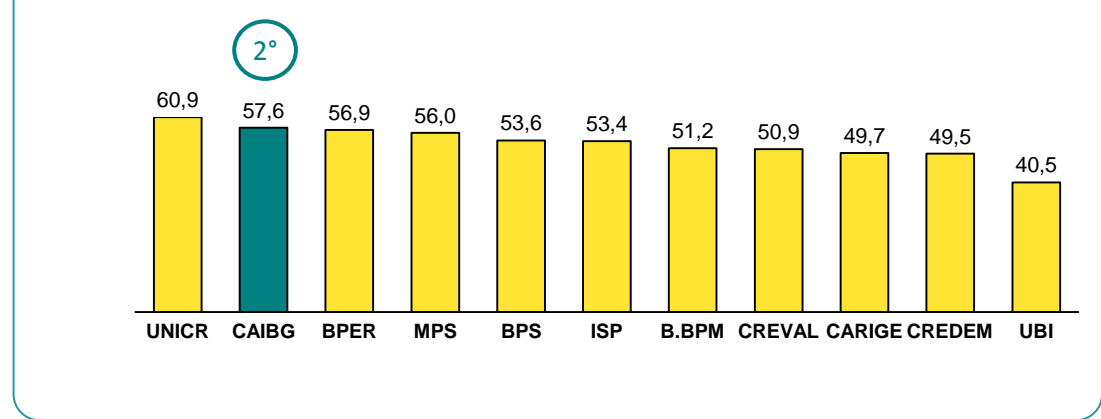
## TOTAL VOLUMES (loans, on and off-balance sheet customer assets €bn)



## ROTE\* (%)



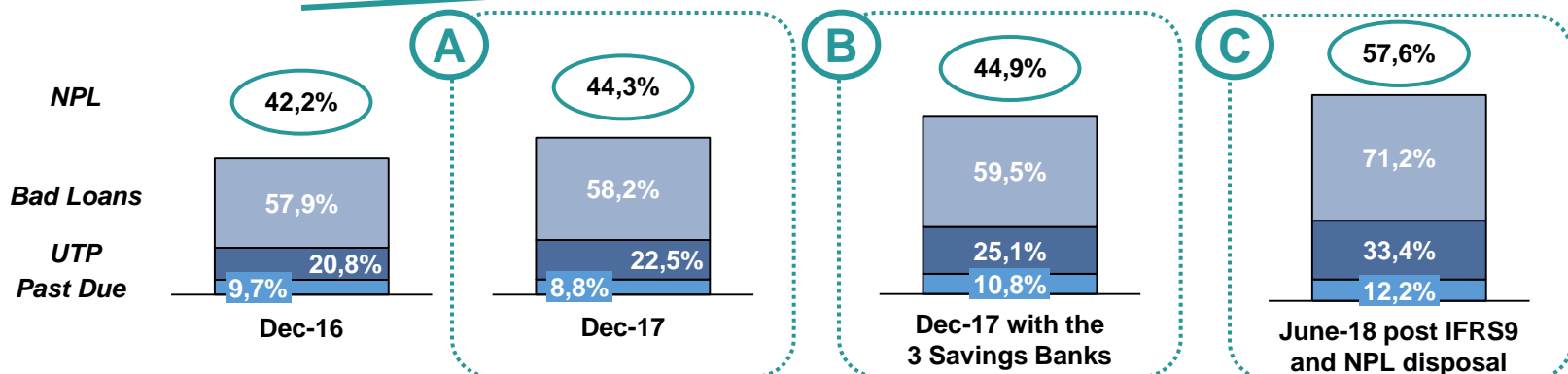
## NPL COVERAGE RATIO (%)



# Crédit Agricole Italia Banking Group Financial Highlights

## Asset Quality

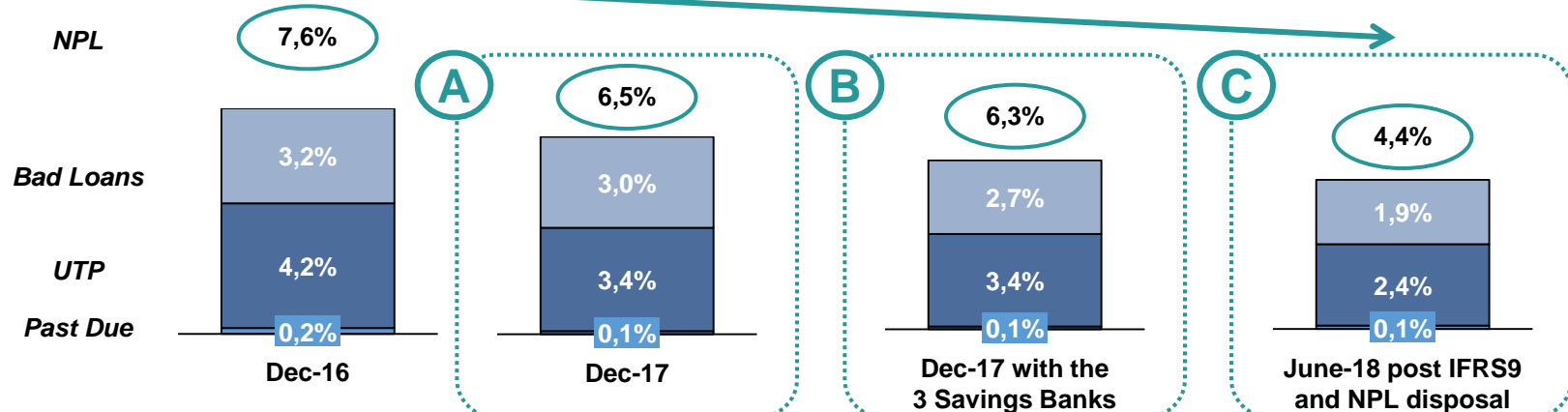
### NPL COVERAGE RATIO (%)



**A** Over the past few years the progressive improvement in asset quality has continued thanks to implemented management actions, along with new processes and procedure, and with small disposals of non performing loans;

**B** The acquisition of the three Savings Banks have positively influenced the asset quality of the Group: it has been acquired the “sound” part of the savings banks in order to exclude the majority of impaired loans;

### NET NPL RATIO (% net loans)



**C** In addition, with the adoption of the new financial reporting standard on financial instruments (IFRS9), mainly with the FTA, the Group has further improved the asset quality.

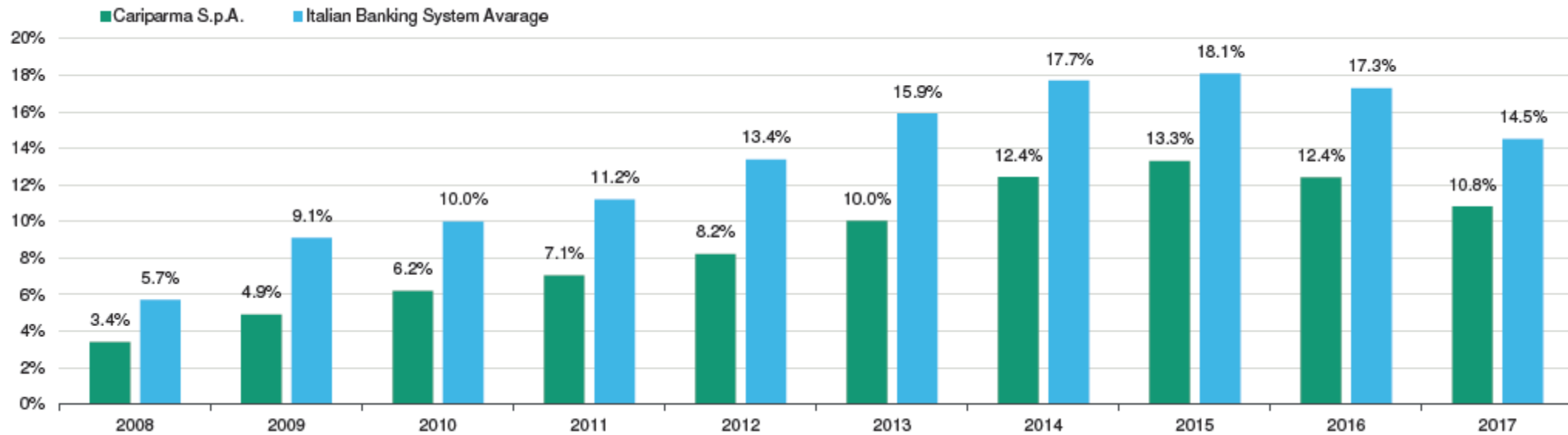
Within this framework, in relation to the objectives of reducing the stock of impaired loans, the Group has made a **disposal of an NPL stock** (approximately 9% of total NPLs), achieving a 31% decrease in net non-performing loans vs. December 2017. This has been the **first important disposal** of non performing loans and another one is planned in the second half of the year.

# Crédit Agricole Italia Banking Group Financial Highlights

Crédit Agricole Italia Banking Group's stock of problem loans lower than Italian average

Moody's Credit Opinion published on 01/06/2018

## CA Cariparma's stock of problem loans\* is large but significantly below the Italian average



Gross Impaired loans ratio (% gross loans)

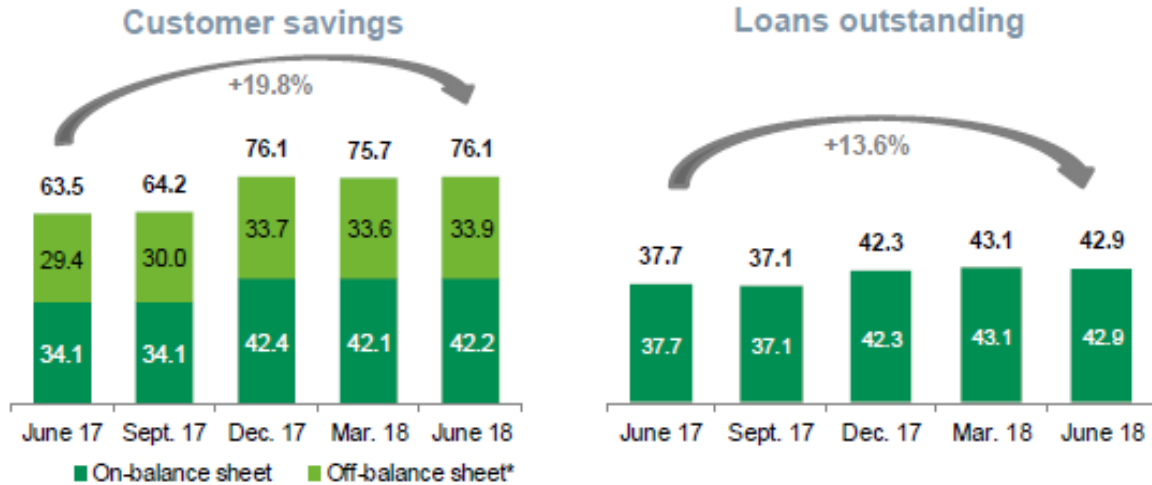
\* Problem loans is the sum of three categories (from worst to best): (1) Bad loans (in Italian, "sofferenze": loans to insolvent borrowers; (2) Unlikely to pay (in Italian, "inadempienze probabili"); (3) Past Due (in Italian, "esposizioni scadute e/o sconfinanti deteriorate: past due by more than 90 days. For further details please refer to our Sector In-Depth entitled "Italian Banks Implement New Problem Loan Definition";



# Crédit Agricole Italia Banking Group Financial Highlights

30/06/2018 results as disclosed by Crédit Agricole S.A.

## Activity indicators (€bn)



\* Excluding assets under custody

## Solid growth in home loans and off-balance sheet savings

- **Loans:** +5.1% June/June across the historical scope, of which +8.9% for home loans; (vs. +2.7% for the market over the same period)
- **Buoyant off-B/S inflows:** +6.6% June/June
- **Customer acquisition:** +10K in Q2 → total of 2.1m at end-June

## Strong sales growth in the 3 acquired banks

- Home loan origination +61% Q2/Q1

## Merger of legal entities with Cariparma

- San Miniato on 23 June, Cesena on 22 July and Rimini scheduled for September

## Contribution to Crédit Agricole S.A. P&L

€m	Q2-18 underlying	Δ Q2/Q2 underlying	H1-18 underlying	Δ H1/H1 underlying
<b>Revenues</b>	477	+9.3%	947	+13.2%
Operating expenses excl.SRF	(298)	+18.7%	(588)	+22.0%
SRF	(5)	x 17.6	(22)	x 2.1
<b>Gross operating income</b>	174	(6.1%)	339	(1.8%)
Cost of risk	(82)	(25.5%)	(141)	(11.5%)
<b>Income before tax</b>	112	+9.8%	198	+6.6%
Tax	(34)	+3.2%	(68)	+8.1%
<b>Net income</b>	78	+12.9%	132	+6.8%
Non controlling interests	(22)	+17.1%	(37)	+10.5%
<b>Net income Group Share</b>	55	+11.3%	95	+5.4%
<b>Cost/Income ratio excl.SRF (%)</b>	62.5%	+5.0 pp	61.9%	+4.4 pp

## Net income growth and integration of the 3 acquired banks

- Solid economic performance: **net income stable at constant scope**
- **Sharp reduction in the cost of risk** despite the scope effect
- **C/I ratio:** strong improvement for the 3 banks, from 118% in Q4-17 to 80% in Q2-18
- **Improvement of the quality of the portfolio:** reduction of the impaired loan ratio (10.3% vs 11.5% at end-March 2018) mainly due to the disposal of non-performing loans (€445m)

**Crédit Agricole S.A. group in Italy<sup>(1)</sup> : Net income €286m in H1-18**

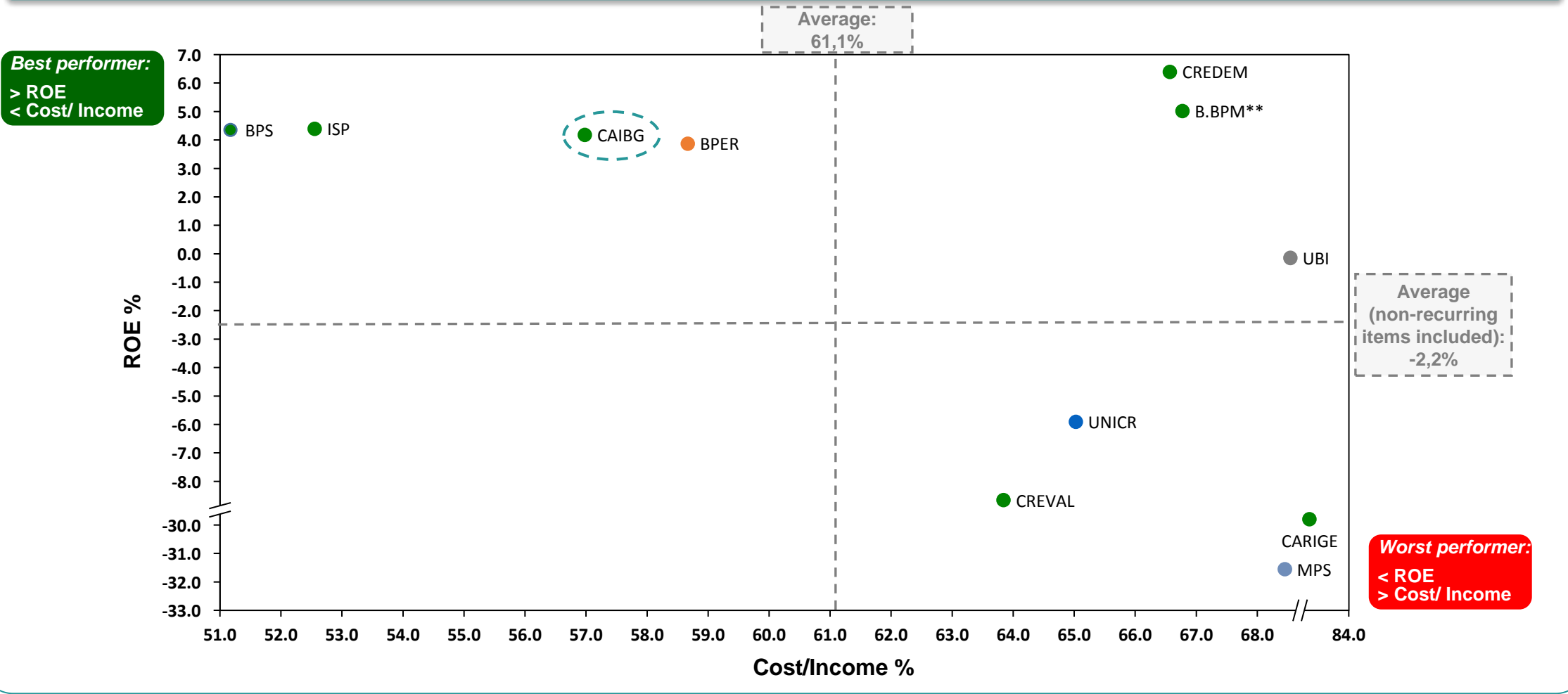
\* IRB, Large customers, Insurance, Specialised financial services (including FCA Bank at 25%)

# Crédit Agricole Italia Banking Group Financial Highlights

Crédit Agricole Italia Banking Group: one of the best performer



**ROE and Cost/Income ratios\*: December 2011 – June 2018**



- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market**
- 5 CAIBG Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices
- 8 Contact list

Italian's growth continues moderately in the first six months of the year

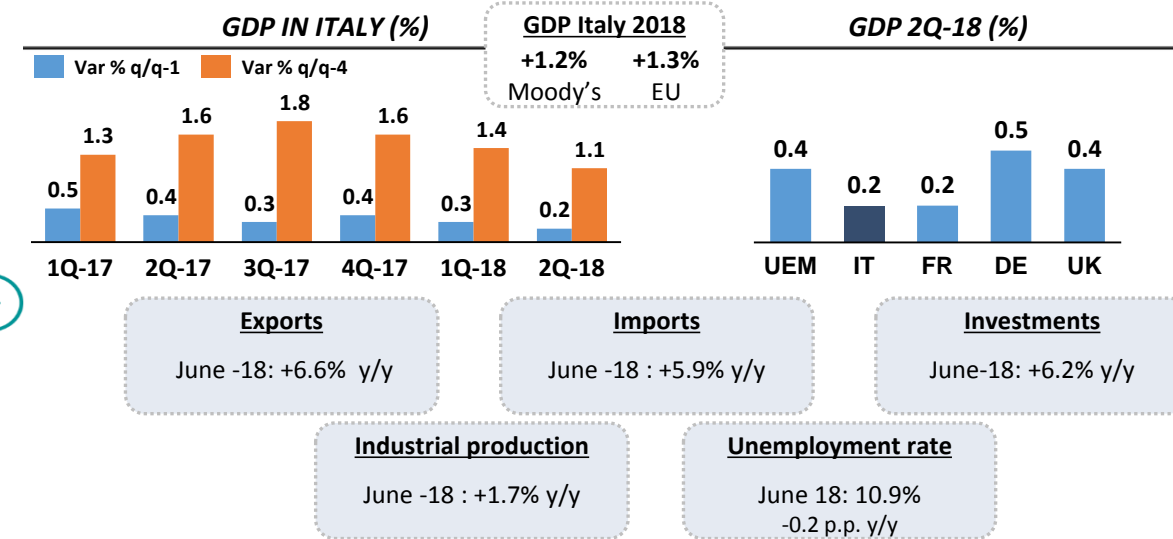
### Macro scenario

- Italy 2Q-2018 confirms a moderate GDP growth at 0.2%, slightly below than 1Q-18 (+0.3% vs 4Q-2017). In UEM area GDP growth flat at 0.4% vs 1Q-18;
- The new Italian political situation is characterized by unprecedented elements, creating tensions on the Italian government bond market. The spread btp-bund may be influenced by the future reviews of Italian ratings;
- The new government will translate speech into deeds in autumn in the budget law for 2019.

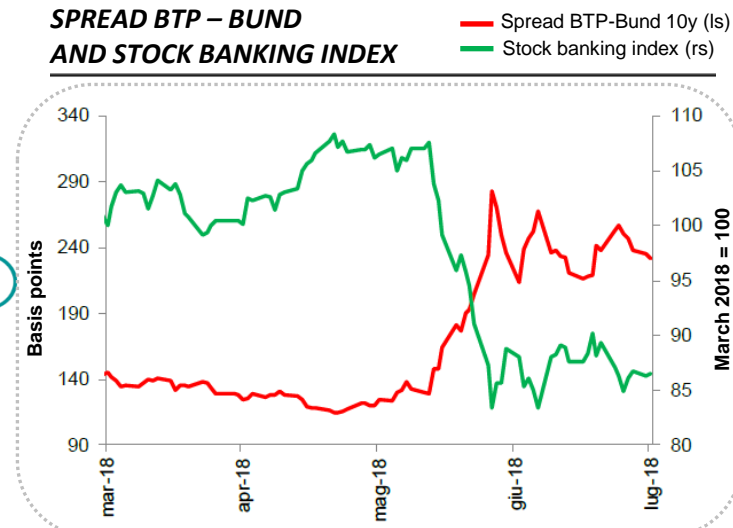
### Banking scenario

The Italian banking system exhibits a progressive reduction of non performing loans but also an increasing gap between (big) banks with a greater level of profitability and efficiency and (small) banks with uncertain situations with further possible reorganisations. Nevertheless there are some signs of recovery:

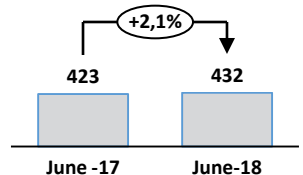
- Reduced credit risk with the implementation of plans and targets for significant NPL reduction
- AuM and mortgage loans's growth proceed, even if slightly below than 2017
- Progressive reduction of operating costs thanks to the rationalization of the physical network and saving of administrative expenses.



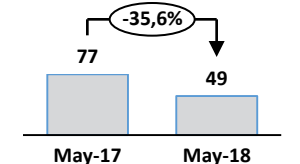
### SPREAD BTP – BUND AND STOCK BANKING INDEX



### HOUSEHOLDS LOANS (bn)



### NET BAD LOANS (stock, bn)



General trends are positive, residential market is expected to grow

### ■ Rebound of real estate transactions in Q1 2018, with stronger acceleration since end-2016, driven by a strengthening in demand derived from improved revenue trends

- In Q1-18 the year-on-year (YoY) growth rate in residential sales transactions accelerated to 4.3% with a 44% increase from the 2013 trough.
- Meanwhile, non-residential sales expanded by 5.9% YoY after 9.2% in Q4-17.
- In 2018 the residential sales market is expected to increase by 4.3% vs. 4.9% in 2017 (i.e. 566.057 residential sales transactions expected in 2018).
- In Q1-18 non-residential corporate investments declined by -13.5% YoY (2017 non-residential corporate investments achieved a record of € 11 billions). The overall volume for 1H-18 is expected up €3,2 billion invested.

### ■ The fall in prices is slowing down

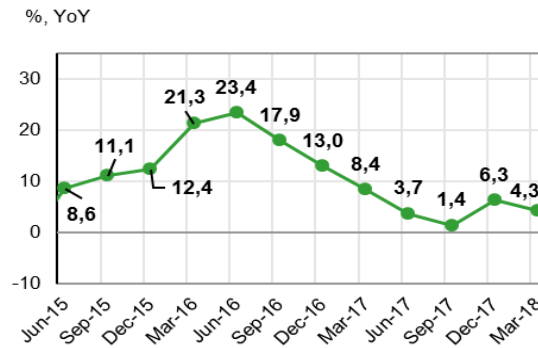
- Nominal home prices declined by 1% on a yearly basis in Q12018, leaving prices 25% below their 2008 peak.
- The fall has been slowing since mid-2013 and in H1-18, prices were down a mere 0.5% over the previous semester.
- Residential prices in yearly averages are expected to slightly decline in 2018 and to post a very slight increase in 2019, driven by improving housing demand, increased credit availability and low interest rates.

### Residential market forecast (Nomisma)

	2017	2018	2019	2020
Transactions	4,9%	4,3%	3,6%	1,4%

Sources: Nomisma (July 2018), Crédit Agricole S.A.

### Residential sales transactions - YoY



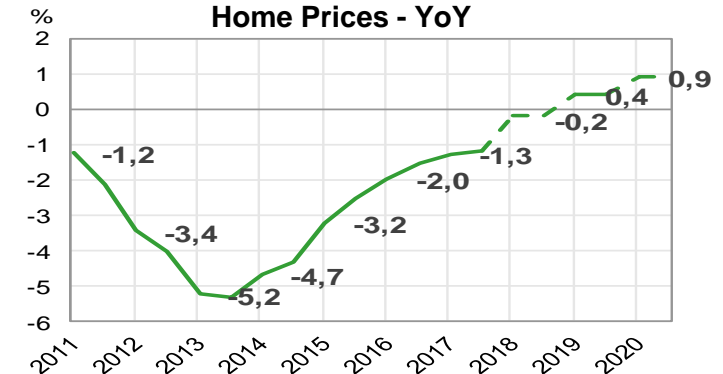
Sources: Agenzia delle Entrate, Crédit Agricole S.A./ECO

### Non-residential corporate investments in Italy



Source: Nomisma

### Home Prices - YoY

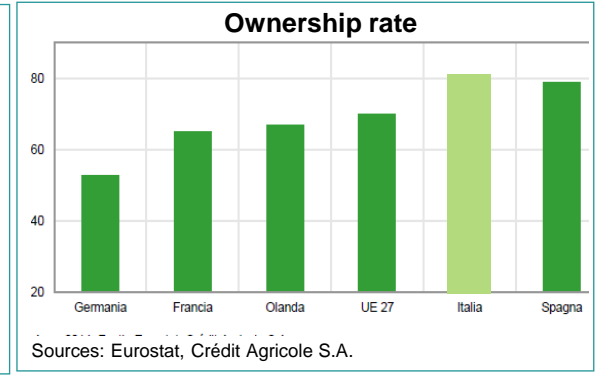
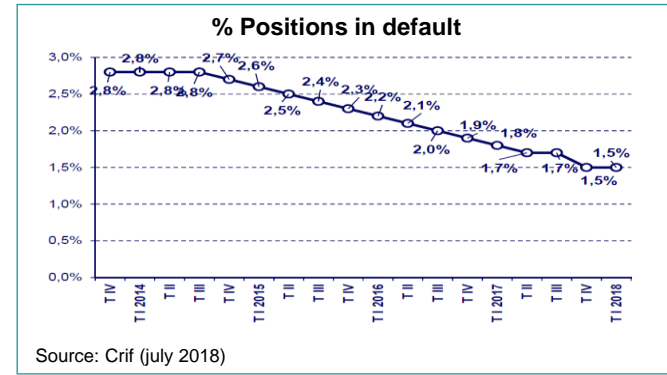
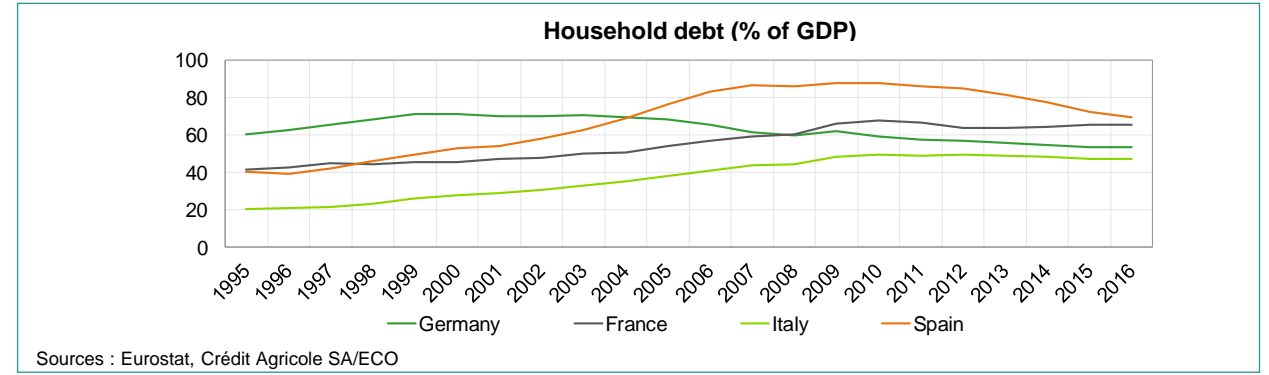
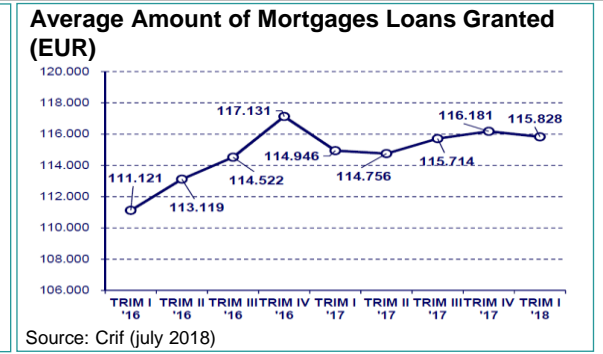
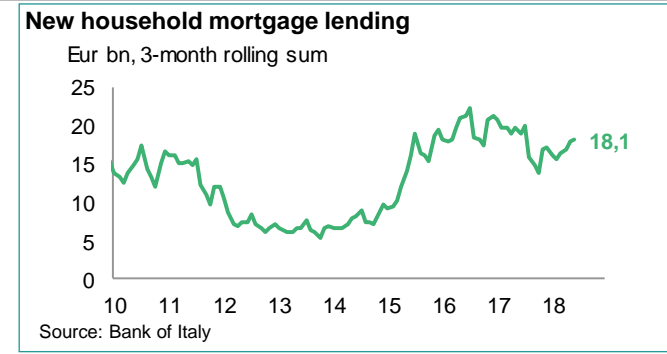


Sources : Nomisma, Crédit Agricole S.A.

# Italian Housing Market

A sound mortgage loan market: not oversized and low sustainable indebtedness

- **The Italian mortgage loan market is small compared to that of other European countries : Italy is the third economy in the Euro area but only the fifth mortgage loan market**
- **The high ownership rate (above 70%) is among the highest in the EU and limits both sales volumes and mortgage loan market growth**
- **Supporting factors:**
  - tax incentives,
  - Residential Real Estate Lease (introduced by the “Legge di Stabilità” 2016),
  - ECB monetary easing measures
- **The strong catch up in new mortgages during 2015-2016 reflected the large renegotiation process of outstanding housing loans in a context of low rates**
  - Renegotiations are now largely over, explaining the pause in new lending in late 2017
  - Nevertheless new lending has been picking up again since early 2018 to 17bn€ (annualized rate) in April 2018, signaling households’ interest in housing market transactions
  - New lending granted has increasingly been at fixed rate (share of 70% in Q1-18 vs. 30% in early 2015); the average amount of mortgages loans granted in Q4-17 has also been up for the second quarter in a row in Q4-17 to 116 K€
- **Risks in the mortgage loan market have receded to a low level**
  - The default rate remains at low level and with a further improvement in Q1-18 reaches 1.5%.



- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market
- 5 CAIBG Residential Mortgage Loan Business**
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices
- 8 Contact list

# Crédit Agricole Italia Banking Group

## Residential Mortgage Loan Business

### Highlights

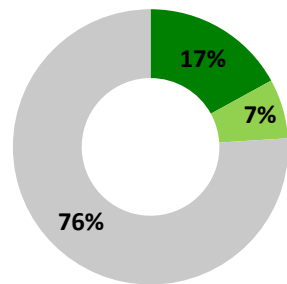
#### CA Italia Banking Group a significant player in Italian residential financing:

- €27.5bn stock of residential mortgage loans on 30/06/2018 (+1.3% vs December 2017)
- €1.4bn residential mortgage loans' production\* on 30/06/2018 (+1.7% YoY)
- Market share of ca. 4.64%\*\* of stock and ca. 5.01%\*\* of flow at December 2017 in Italy (excluding the 3 Italian banks acquired at the end of 2017).

#### CA Italia Banking Group mortgage loans risk level:

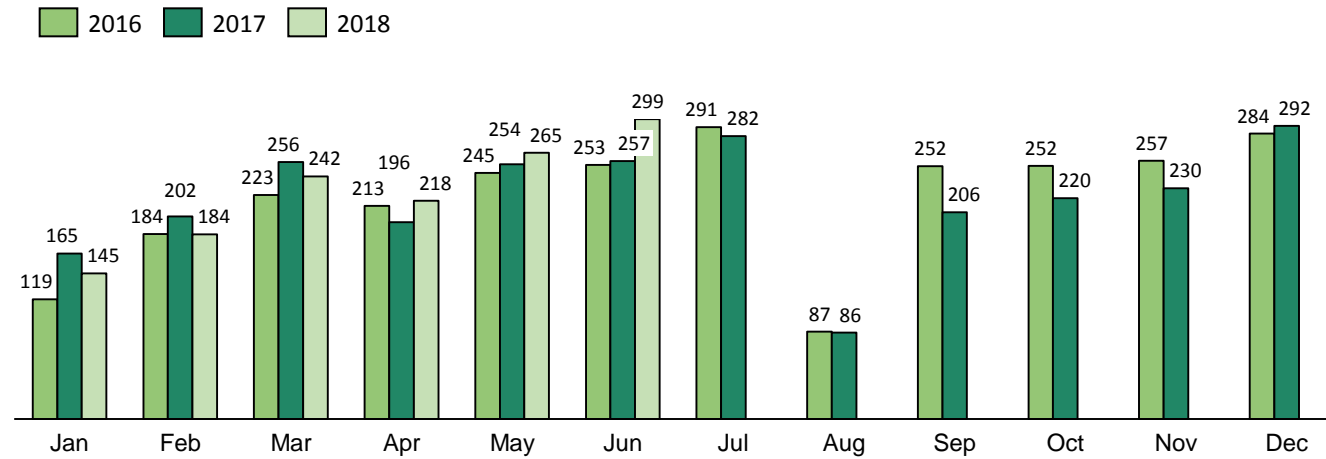
- Mortgage deed registration: 1st level mortgage deed registered is 150% of the loan amount
- On 30/06/2018, 1.3% of net non-performing loans (bad loans + UTP + past due); 0,8% of net bad loans ("sofferenze"), better than the average Italian banking system
- Loan loss reserves represent 53.5% of non-performing loans on 30/06/2018
- From 2016, introduction of Euribor floor at 0.00% on new mortgage loan contracts

#### First half 2018 new residential mortgage loans interest rate type

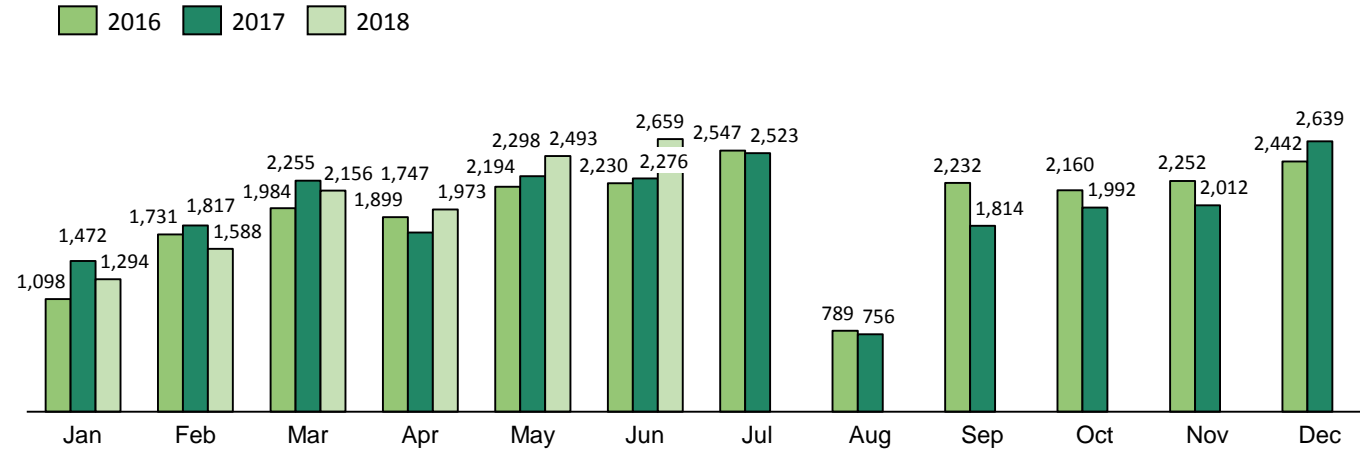


- Fixed rate
- Floating
- Floating With CAP

#### New mortgage loans (volumes in million)



#### New mortgage loans (number of transactions)





# Crédit Agricole Italia Banking Group

## Residential Mortgage Loan Business

Well-established selection and risk management processes

### Underwriting

#### Origination process relies on the borrower's repayment capacity, which is assessed through a comprehensive risk analysis

- Direct / indirect financial promoters: 48% of the mortgage loans are originated directly by Crédit Agricole Cariparma's branches, while in 44% of cases, customers come from Indirect promoters and 8% on line. Mortgage loans originated by direct and indirect promoters are both analyzed and monitored under the same policies / limits
- For all mortgages:** the manager of the branch prepares the mortgage application and enters it into PEF (Pratica elettronica di Fido). Through PEF Crédit Agricole Cariparma (i) performs analysis on databases (CRIF, CERVED, DATABANK), (ii) checks compliance with credit policy, (iii) carries out the calculation of an acceptance rating, and (iv) defines the level of decision-making autonomy for the approval

#### The loan application goes through a fully standardized process

- At the end of the process, PEF assigns to customers a synthetic assessment summarized by three categories (i) "positive", (ii) "to evaluate" (the assessment process of the application can continue but must be accompanied by an information kit characterized by a higher level of analysis) and (iii) "to deepen" (the mortgage requires a detailed assessment of the preliminary assumption of the related decision), which determines the different procedures and the decision makers. This assessment is not binding but it's a suggestion for the approval process
- Approval process:** crossing the outputs of PEF system with the amount to be approved. On average, 8% of the requests are approved at branch level, 65% at territorial direction level and the remaining 27% at central direction level.
- Property valuation:** the asset to be financed is always subject to a technical physical report
- Real estate appraisals:** Crédit Agricole Italia Banking Group uses only independent appraisers for its underwriting appraisals

### Lending Criteria

- Borrower's age and type:** maximum borrower's age at maturity < 80 years
- Loan Term:** maximum tenor of 30 years
- Debt to net income ratio (DTI):** installment / net income ratio can not exceed 32%, and with the respect of the "Subsidiary income" or the amount deemed essential, net of debtor commitments, to guarantee to an individual or a family unit the fulfillment of basic needs. In a stressed scenario this limit can be waived only in exceptional cases on the basis of documented verification
- Mortgage deed registration:** 1st level mortgage deed registered is 150% of the loan amount (110% for employees)
- LTV:** maximum 80% on the lower of the market value certified by the appraisal of the asset and the purchase price, up to 50% in case of restructuring, holiday homes and properties located abroad (with mortgage collateral in Italy)

### Property risk

- Property must be insured against the risks of fire, lightning, explosion
- Crédit Agricole Italia Banking Group offers customers Crédit Agricole Home Protection Insurance, characterised by an annual premium with automatic renewal
- The holders of the mortgage have the option to subscribe to further creditor protection

### Surveillance

- The value of the property is verified at least once a year, with possibility to use statistical methods to monitor the value and identify properties requiring a check
- If statistical method shows a significant variation with the previous period, a new appraisal is carried out

1	Executive Summary
2	Crédit Agricole Italia Banking Group
3	Crédit Agricole Italia Banking Group Financial Highlights
4	Italian Housing Market
5	CAIBG Residential Mortgage Loan Business
<b>6</b>	<b>Crédit Agricole Italia OBG Programme</b>
7	Appendices
8	Contact list

# Crédit Agricole Italia OBG Programme

## Structural features and structure overview

### The Programme

- €8bn Covered Bond Programme: first issue in July 2013, with a €2.7bn retained issue (liquidity reserves)
- November 2014: €2.7bn retained issue partially cancelled (€1.5bn)
- December 2014: € 1.0bn market issue 7 year maturity
- September 2015: € 1.0bn market issue 7 year maturity
- October 2016: Double tranche market issue of € 0.75 bn maturity of 8 and 15 years
- March 2017: Double tranche market issue of € 0.75 bn maturity of 8 and 12 years
- December 2017: € 0.75bn market issue 8 year maturity
- January 2018: € 0.5bn market issue 20 year maturity
- Currently outstanding: €1.2 bn retained OBG; €6.25 bn market OBG
- Current rating: Aa2 from Moody's

### Cover pool

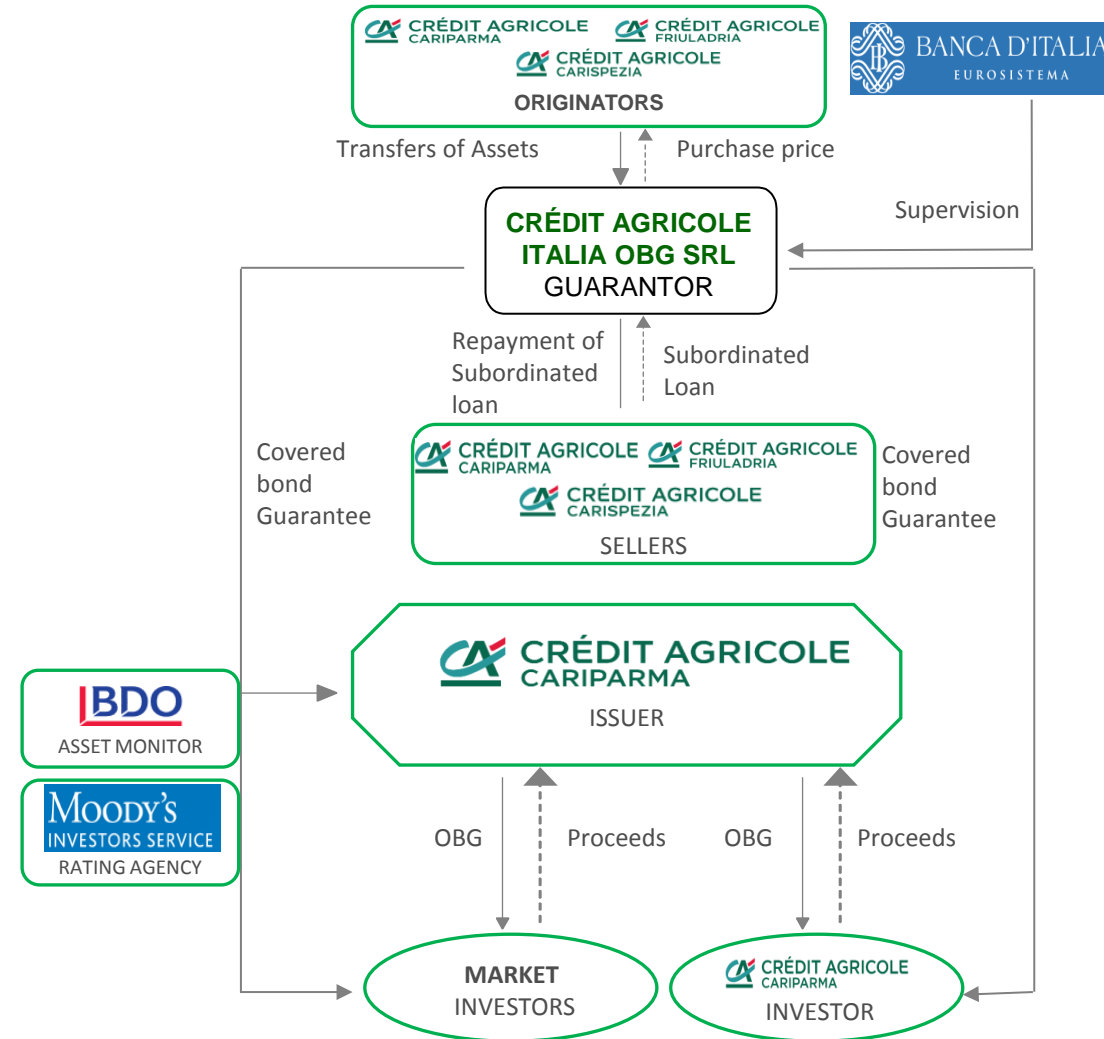
- Mortgage loans transferred to Crédit Agricole Italia OBG srl
- Self-originated mortgage loans by Crédit Agricole Italia Banking Group; there are also loans originated by branches purchased from Intesa San Paolo
- Property located in Italy
- No arrears on the transfer date
- Current cover pool: 100% residential mortgage loans
- No ABS and commercial mortgage loans (by prospectus)

### Over-collateralisation

- 7.5% committed over-collateralisation (OC)
- 30.30% at June 2018

### Monitoring

- BDO Italia: Asset Monitor reporting to Bank of Italy



## ■ Interest rate exposure

- ❑ Cover pool is equally distributed between floating rate and fixed rate
- ❑ Floating rate for €1.2bn retained OBG (soft bullet)
- ❑ Fixed rate for €6.25bn market OBG (soft bullet)

## ■ Asset and liabilities matching controls

### Semi annual regulatory stress tests

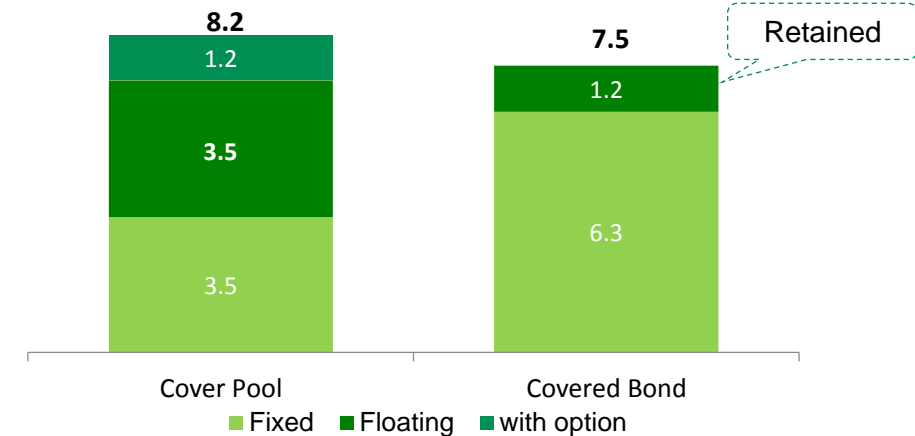
- ❑ Nominal Value Test
- ❑ Net Present Value Test
- ❑ Interest Coverage Test
- ❑ Amortisation Test\*

### Additional internal controls

- ❑ Quarterly monitoring based on cash flow model to check timely payment of OBG with cash from cover pool including over-collateralisation

\*To be performed only post OBG Guarantor event of default

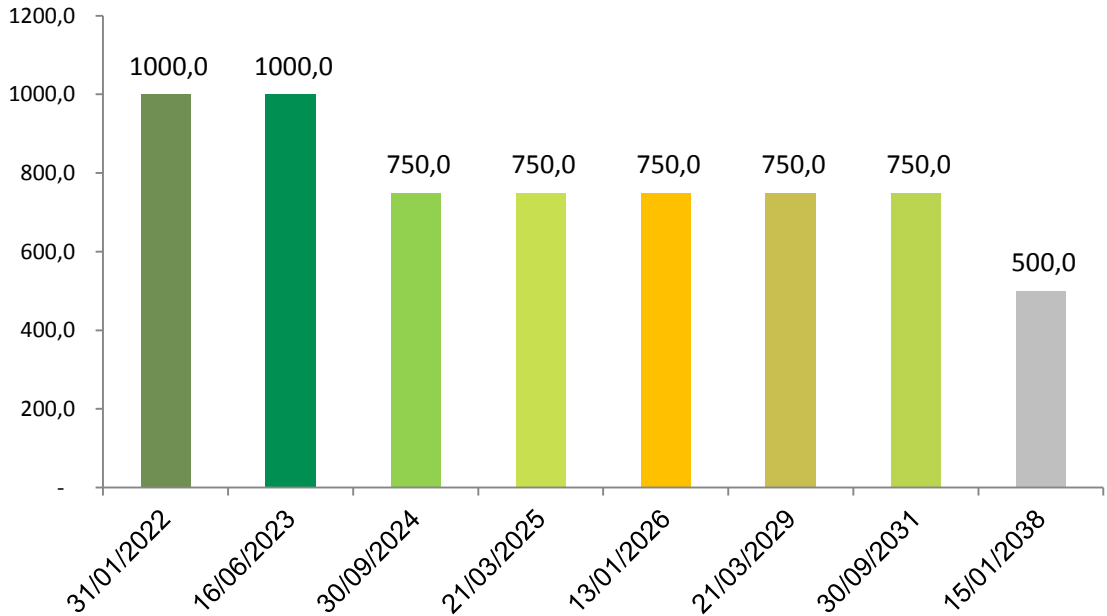
### Interest rate breakdown (bn€)\*\*



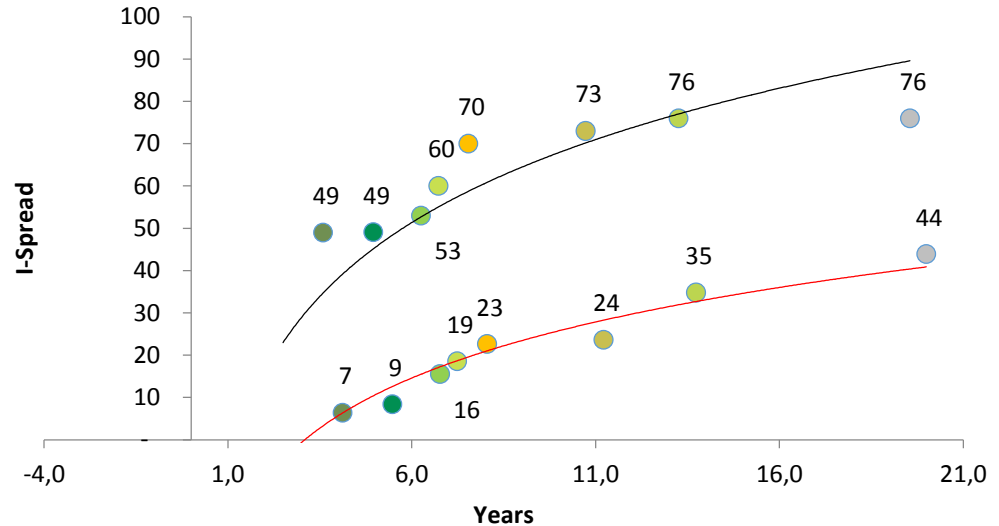
*Ancient loans with option: Customers have the right to switch at any time from fixed to floating rate (and vice-versa) at the market rate of the moment*

\*\* Updated at 30th June 2018

## OBG Outstanding Maturities



## I-Spread (bps) June 2018 vs December 2017



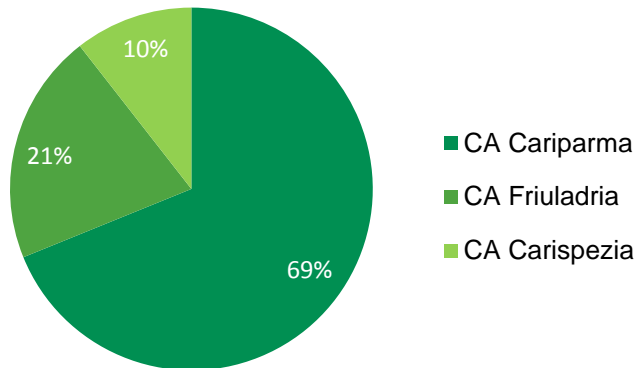
— June 2018 105 bps: Spread between BTPS 2038 and CAIBG covered bond 20y  
 — Dec. 2017 104 bps: Spread between BTPS 2038 and CAIBG covered bond 20y

# Crédit Agricole Italia OBG Programme

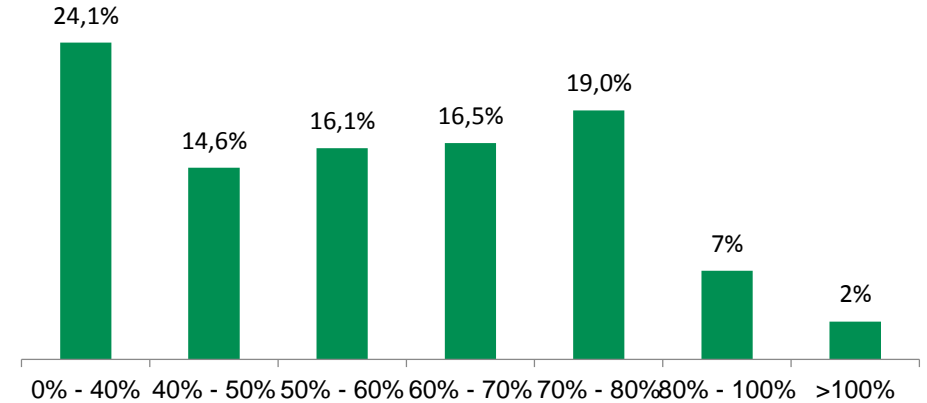
Cover Pool at 30/06/2018 (1/3)

<b>Total mortgage outstanding cover pool</b>	8,226,881,362
<b>Substitute Assets* (Cash)</b>	1,480,223,904
<b>Number of loans</b>	93,436
<b>Average loan balance</b>	88,048
<b>WA Seasoning (month)</b>	52
<b>Remaining term (month)</b>	225
<b>WA CLTV (Current Loan to Value)</b>	56.61%
<b>Interest rates of credit pool</b>	42.8% fixed 14.1% with option 43.2% floating
<b>Origination</b>	100% Crédit Agricole Italia Banking Group (details below)

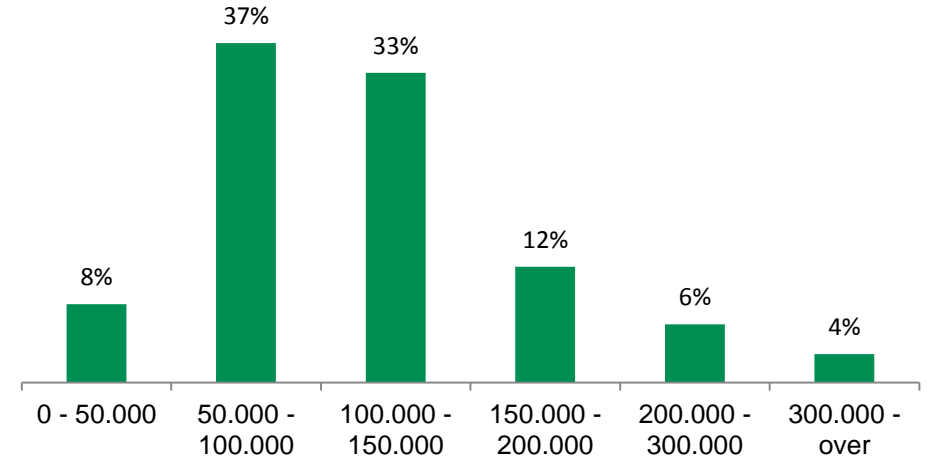
## Origination by banks (% of outstanding amount)



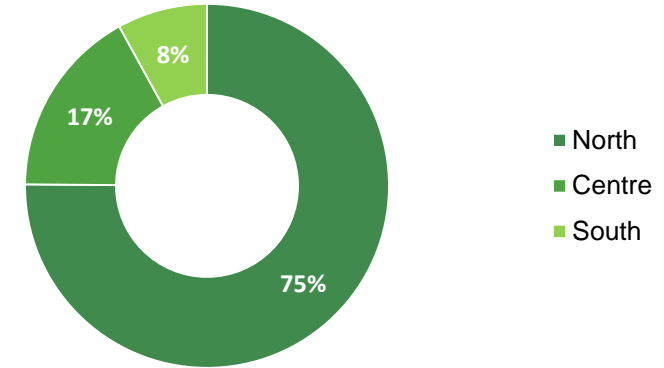
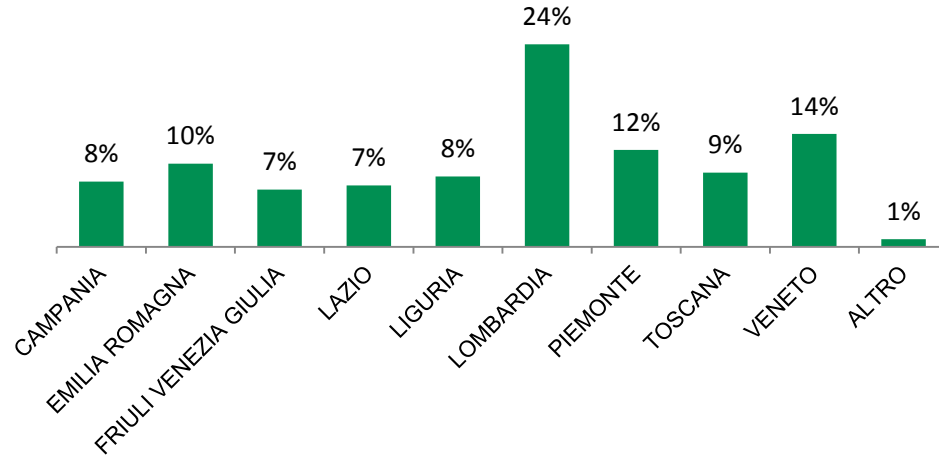
## Breakdown by CLTV as % of outstanding amount



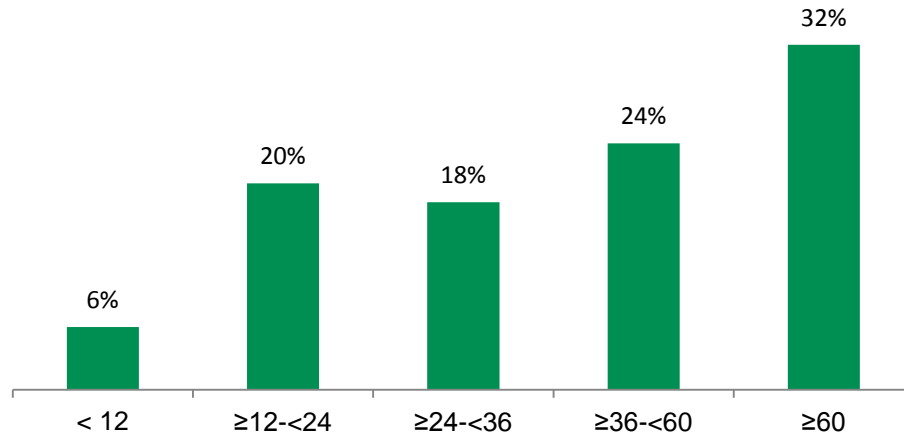
## Breakdown by outstanding amount as % of outstanding amount



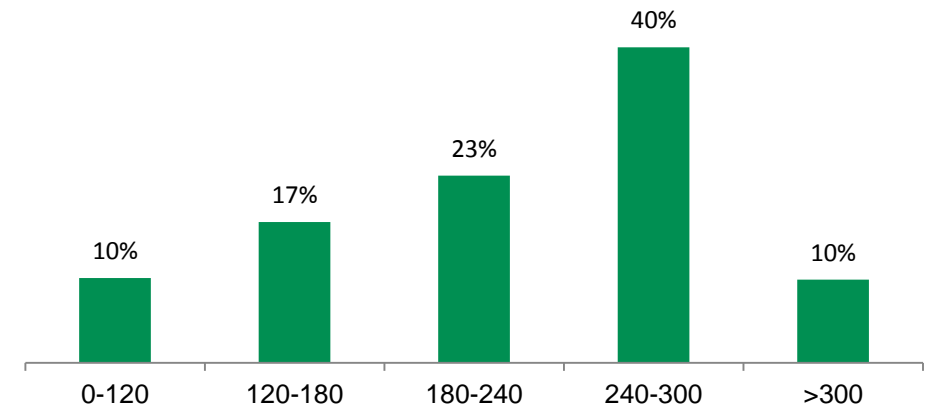
## Breakdown by region as % of outstanding amount



## Breakdown by seasoning (months) as % of outstanding amount



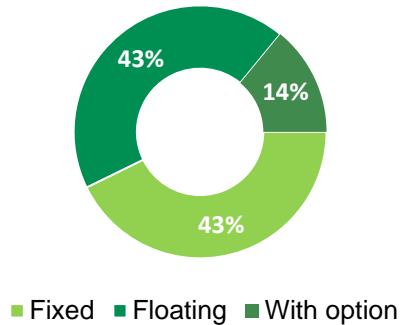
## Breakdown by remaining (months) as % of outstanding amount



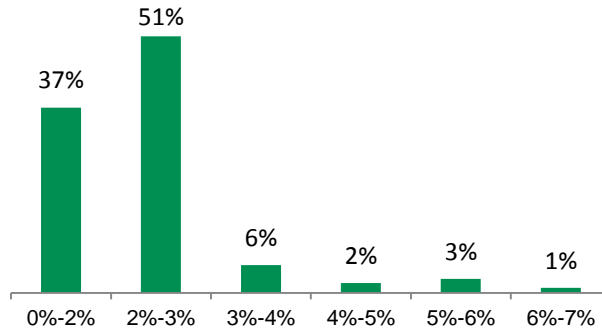
# Crédit Agricole Italia OBG Programme

Cover Pool at 30/06/2018 (3/3)

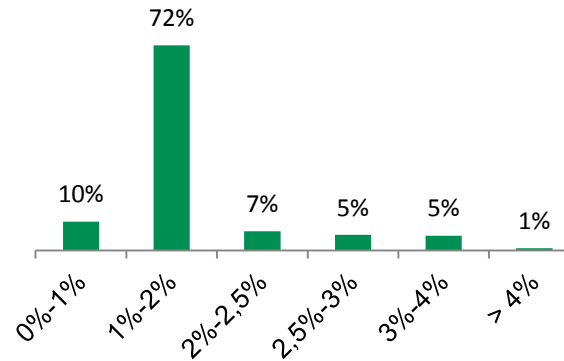
Interest type as % of outstanding amount



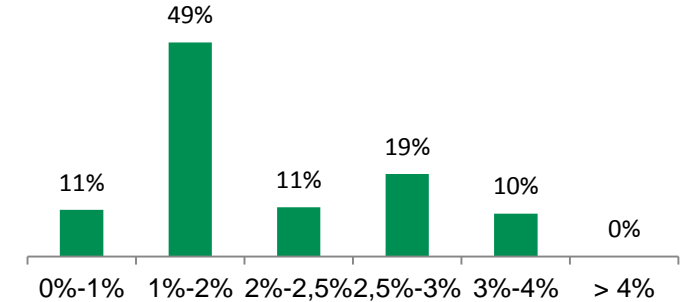
Breakdown fixed interest as % of fixed rate outstanding amount



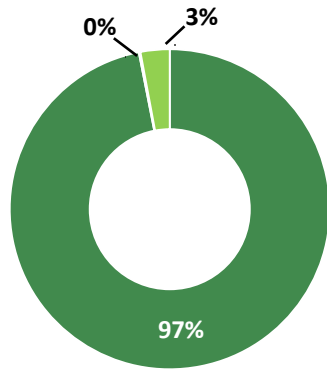
Breakdown "with option", margin on Euribor 3M as % of with option outstanding amount



Breakdown floating rate margin on Euribor 3M as % of floating rate outstanding amount



Payment type as % of outstanding amount



■ Direct Debit ■ Cash ■ Standing Order (RID)

## Cover pool mortgage loan performance

- Loans in Arrears > 90 days: 0.16% of total Cover Pool (vs. 0.21% at 31.12.17)
- Total Loans in Arrears: 2.9% of total Cover Pool (vs. 2.9% at 31.12.17)
- No Bad Debts\* in the Cover Pool: they are bought back on a monthly basis



Issuer	Crédit Agricole Cariparma
Originator	Crédit Agricole Cariparma, Crédit Agricole FriulAdria and Crédit Agricole Carispezia
Guarantor	Crédit Agricole Italia OBG S.r.l.
Arranger	CA-CIB
Representative of CB holders	Zenith
Asset Monitor	BDO Italia (ex Mazars)
Rating	Aa2 from Moody's
TPI LEEWAY (Moody's)	2 Notches
Listing	Luxembourg Stock Exchange
Programme Amount	€8bn
Cover Pool	Italian residential mortgages only
Governing Law	Italian Law
Maturity	Soft bullet with 12 month extension period
LCR	LCR compliant, Level 1 asset
Covered Bond Label	Yes
Risk Weighting (Standard Approach)	10%
Outstanding OBG	Series 1: €1.2bn retained Series 2: €1.0bn Series 3: €1.0bn Series 4: €0.75bn Series 5: €0.75bn; Series 6: €0.75bn Series 7: €0.75bn Series 8: €0.75bn Series 9: €0.5bn

# Crédit Agricole Italia OBG Programme

## Italian Covered Bond legal framework

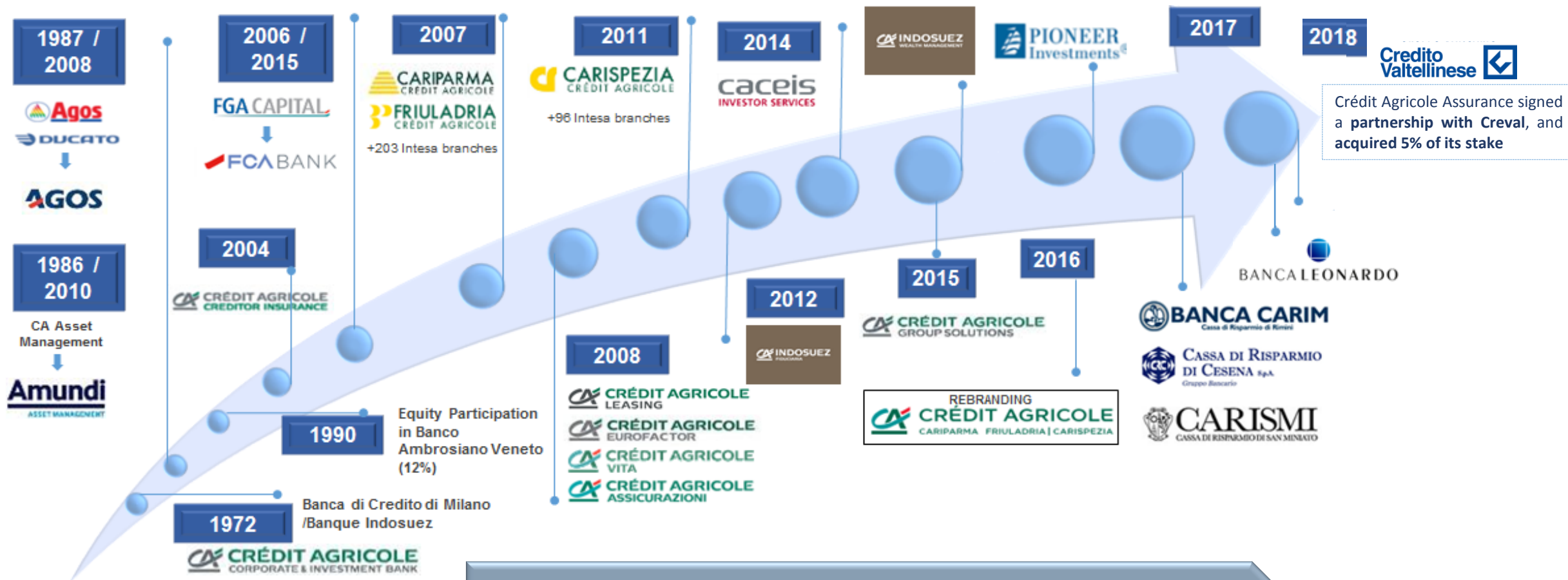


<b>Name of the instrument</b>	Obbligazioni Bancarie Garantite (OBG)
<b>Legislation</b>	Law 80 14/5/2005 amending art 7-bis of Law 130/1999; Ministry Finance & Economy regulation 310 dated 14/12/2006 and Bank of Italy instructions issued 17/5/2006
<b>Asset Ring-fencing</b>	Cover assets are segregated by law after the transfer to a separate entity
<b>Integration Assets</b>	Substitute Assets (deposits < 1yr) up to 15% of cover assets
<b>Main eligibility criteria for assignment</b>	EEA and Switzerland, LTV 80% for residential mortgage loans (60% for commercial mortgage loans)
<b>Inclusion of hedge positions</b>	Hedge positions are part of structural enhancements intended to protect bondholders
<b>Mandatory Tests</b>	The Nominal Value (NV) of the Cover Pool must be at least equal to the NV of the outstanding OBG The NPV of the cover pool must be at least equal to the NPV of the outstanding OBG Interest deriving from the Cover Pool must be sufficient to cover interest due under the OBG Loans in arrears for more than 90 days must be excluded from mandatory tests
<b>1st claim on the Cover Pool in the event of insolvency of the Issuer</b>	In case of issuer's default, OBG holders benefit from a priority claim on the assets included in the Cover Pool for all payments due under the covered bond
<b>Bankruptcy remoteness</b>	In case of issuer's insolvency, the OBG are not accelerated
<b>Dual Recourse</b>	Dual recourse both on the issuer and on the Cover Pool In case of issuer's default and if the cover pool is insufficient for all payments due under OBG, OBG bondholders have a claim against the issuer ranking pari passu with the issuer's unsecured creditors
<b>Over-collateralisation</b>	Minimum over-collateralisation required to comply with the mandatory coverage tests
<b>Controls</b>	Supervision by Bank of Italy; Ongoing controls by the asset monitor (including controls of mandatory tests)
<b>Compliant with UCITS 52 (4) and CRR</b>	Yes

- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market
- 5 CAIBG Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices**
- 8 Contact list

# Crédit Agricole Group's expanding presence in Italy

its second home market



Started in 2017 three extraordinary transactions  
 Acquisition of Pioneer Group, 3 Savings Banks, Banca Leonardo  
 CA Group in Italy reaches 4 millions customers  
 Finalised IT Migration in September 2018

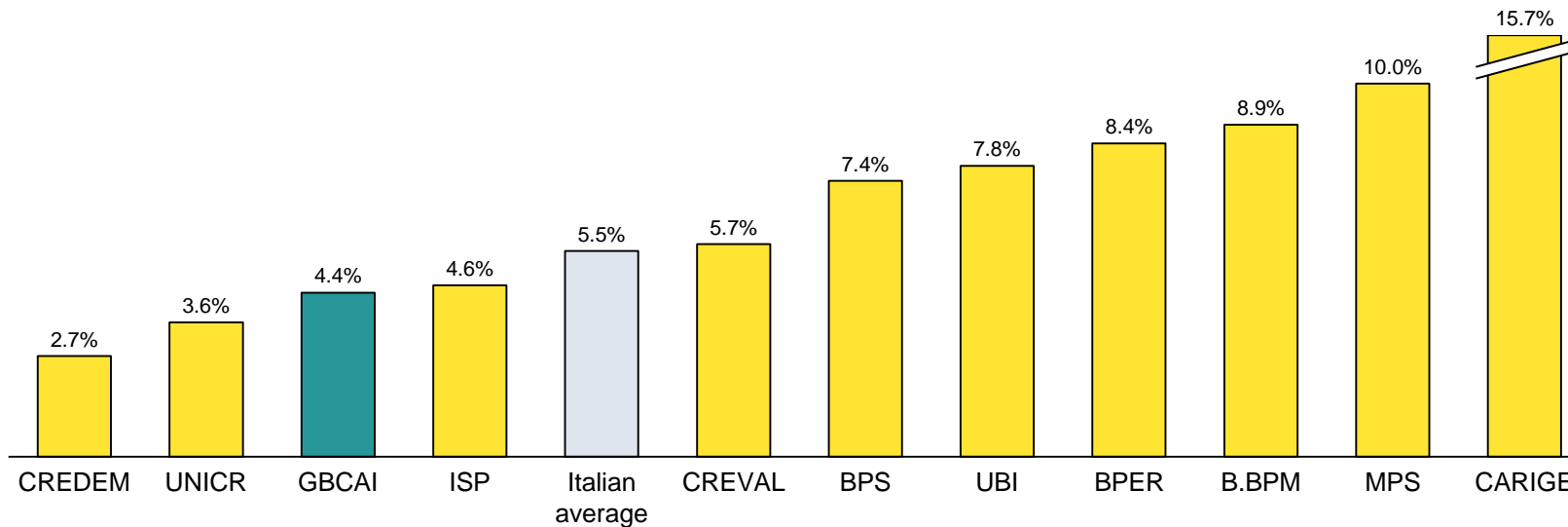
### **Mortgage Loan Eligibility Criteria (at the transfer date)**

Receivables deriving from Mortgage loan contracts :

- 1) which are Residential Mortgage Loans having a weighted-risk below 35% (standard approach) and LTV at transfer time below 80%;
- 2) governed by Italian law;
- 3) no installments due and unpaid for more than 30 days;
- 4) seasoning: borrower has paid at least the 1<sup>st</sup> installment in respect of the Loan;
- 5) pre-amortisation period fully elapsed ;
- 6) denominated in Euro;
- 7) which do not allow limitations on transfer;
- 8) debtor is a person resident in Italy and belongs to the economic category of consumer families;
- 9) secured by first level mortgage deed registration;
- 10) current principal balance exceeds €2,000;
- 11) underlying property is located in Italy;
- 12) excluding mortgage loans in relation to which the payment of the installments (including the principal component and the interest component) (i) shall be subject to a suspension still in progress, or (ii) has been subject to suspension and, despite the suspension being over, accrued interest during the period of suspension has not yet been fully paid;
- 13) excluding mortgage loans to debtors classified as doubtful;
- 14) excluding ABS and commercial mortgage loans.

# Crédit Agricole Italia Banking Group Financial Highlights

Crédit Agricole Italia Banking Group's stock of problem loans lower than Italian average



Net Impaired loans ratio (% net loans)

**Source:** Italian banking groups' results disclosures

\* Problem loans is the sum of three categories (from worst to best): (1) Bad loans (in Italian, "sofferenze": loans to insolvent borrowers; (2) Unlikely to pay (in Italian, "inadempienze probabili"); (3) Past Due (in Italian, "esposizioni scadute e/o sconfinanti deteriorate: past due by more than 90 days. For further details please refer to our Sector In-Depth entitled "Italian Banks Implement New Problem Loan Definition;

The Italian banking system is challenged by a high level of non-performing loans concentrated within certain banks

Specific regulatory measures:

- **DTAs (August 2015)** - Tax deductibility of loan losses has gone from 5 years\* to 1 year, in order to allow for the complete write-off of current stock of deferred tax assets



- **Fondo Interbancario di Tutela dei Depositi (November 2015)** – on voluntary basis, can initiate interventions in support of participating banks in special administration or failing or likely to fail, in accordance with the specific conditions provided for in the regulations (Tercas)
- **Single Resolution Fund (November 2015)** - part of the Single Resolution Mechanism (SRM - CR Ferrara, Banca Etruria, Banca Marche, CariChieti)
- **Garanzia Cartolarizzazione Sofferenze (GaCS – January 2016)** - **guarantee for senior tranches of securitised NPLs**, guarantee will be issued upon request of banks, which in turn have to pay a regular commission to the Treasury. Price of the guarantee will reflect the market price in order to ensure the state aid-free nature of the scheme.

The State will guarantee only senior tranches of the asset-backed security which have received a rating equal to or higher than Investment Grade by a rating agency qualified by the ECB

- **Atlante Fund (April 2016)** – supporting the recapitalisation of Italian banks and transactions for the sale of NPLs through the purchase of *junior* tranches
- **Bureaucracy simplification and streamlining procedures for accelerating the timing for credit recovery (June 2016)**
  - New on-line civil court proceedings to decrease the average time for a civil court decisions to 367 days
  - Creation of special tribunals for business disputes, with 80% managed within 1 year
  - «Marciano Pact»: the non-payment by a business owner extended beyond 9 months from the due date of at least three monthly installments provides for the out-of-court assignment of real property used to collateralise financing to the creditor
- **Atlante Fund 2 (August 2016)** – provides support for the sale of NPLs by Italian banks through the purchase of *mezzanine* and *junior* tranches
- **GACS (September 2018)** – authorized an extension of 6 months (until March 2019) of public guarantee for the securitization of non-performing loans
- **MREL: minimum requirement of eligible liabilities and TLAC (2019): total loss absorbing capacity (2019)** in order to have sufficient capacity on their balance-sheet to absorb losses

The Covered Bond Programme of Crédit Agricole Cariparma is eligible to obtain the preferential treatment pursuant to Article 129 of CRR:

- collateralised (pursuant to paragraph 7 off Article 129 of CRR) by:
  - residential property up to the lesser of the principal amount of the liens that are combined with any prior liens and 80 % of the value of the pledged properties and
  - exposures to institutions that qualify for the credit quality step 1 as set out in this Chapter\*. The total exposure of this kind shall not exceed 15 %\*\* of the nominal amount of outstanding covered bonds of the issuing institution. Exposures to institutions in the Union with a maturity not exceeding 100 days shall not be comprised by the step 1 requirement but those institutions shall as a minimum qualify for credit quality step 2 as set out in this Chapter\* (Short Term at least equal to P-2)
- Rating: Aa2 (credit quality step 1 pursuant to paragraph 4 off Article 129 of CRR)
- Transparency (pursuant to paragraph 7 off Article 129 of CRR): provided that the institution investing in the covered bonds can demonstrate to the competent authorities that:
  - a) it receives portfolio information at least on:
    - i. the value of the cover pool and outstanding covered bonds
    - ii. the geographical distribution and type of cover assets, loan size, interest rate and currency risks
    - iii. the maturity structure of cover assets and covered bonds, and
    - iv. the percentage of loans more than 90 days past due
  - b) the issuer makes the information referred to in point (a) available to the institution at least semi-annually

\* CRR – Part Three – Title II – Chapter 2

\*\* exposures caused by transmission and management of payments of the obligors not be comprised in calculating the limits referred to in this points



# Access to the reserved section of the web site



1 <http://gruppo.credit-agricole.it/>



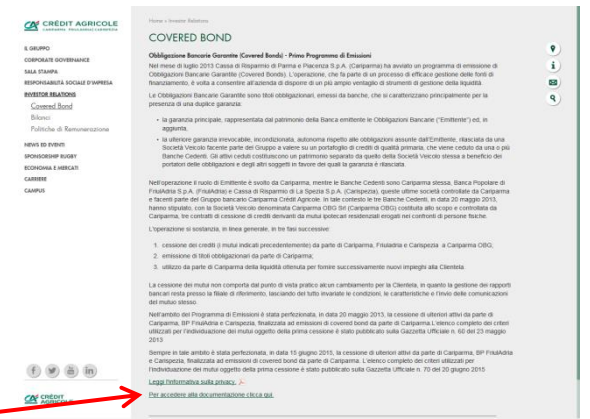
2 For the Covered Bond Section Click on the link: "Investor Relations"



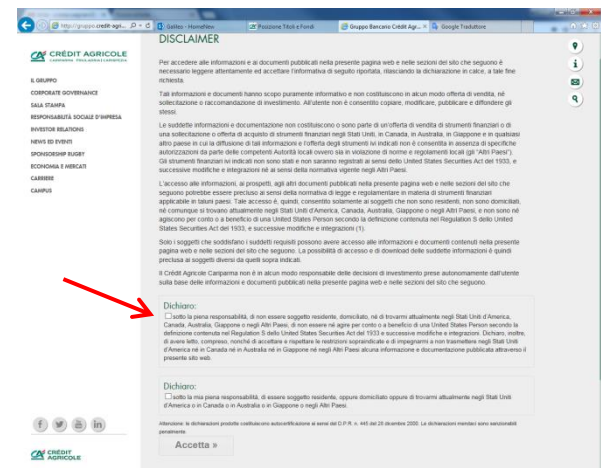
3 Click on "Covered Bond"



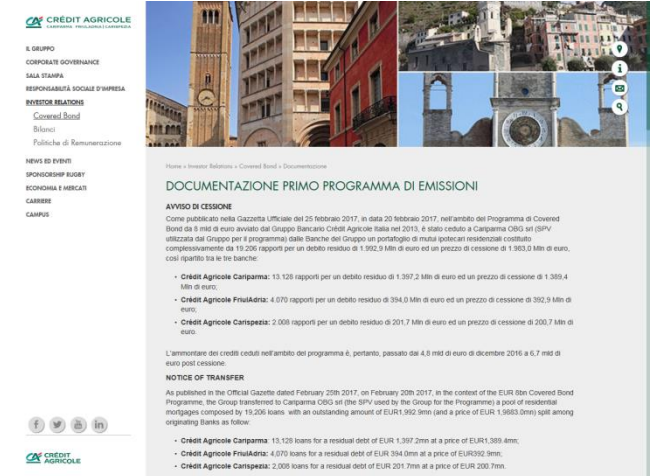
4 Click on "Per accedere alla documentazione clicca qui" at the end of the site



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- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market
- 5 CAIBG Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices
- 8 Contact list**

**Stefano Marlat**  
Head of Financial Management

+39 0521 913 306  
[stefano.marlat@credit-agricole.it](mailto:stefano.marlat@credit-agricole.it)

**Arturo Cerbone**  
Financial Management

+39 0521 913 179  
[arturo.cerbone@credit-agricole.it](mailto:arturo.cerbone@credit-agricole.it)

**Giuseppe Ammannato**  
Investor Relations

+39 0521 913 328  
[giuseppe.ammannato@credit-agricole.it](mailto:giuseppe.ammannato@credit-agricole.it)

**Website: [www.gruppo.credit-agricole.it](http://www.gruppo.credit-agricole.it)**

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