



# Crédit Agricole Italia Banking Group Covered Bond Programme and Credit Update



This document has been prepared by Crédit Agricole Italia S.p.A. and is confidential and is not to be reproduced by any person, nor to be forwarded or distributed to any person other than its original recipient. Failure to comply with this directive may result in a violation of the Securities Act of 1933, as amended (the "Securities Act"), or the applicable laws of other jurisdictions where it would be unlawful (the "Other Countries"). None of Crédit Agricole Italia or its affiliates, advisers, dealers or representatives takes any responsibility for these materials or any of its contents or in relation to any loss arising from its use or from any reliance placed upon it by any person.

No representation or warranty expressed or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. None of Crédit Agricole Italia or its affiliates, advisers, dealers or representatives, or any other person, shall have any liability whatsoever (in negligence or otherwise) for any loss arising from any use of this document or its contents or otherwise arising in connection with this document.

The information, opinions, estimates and forecasts contained herein have not been independently verified and are subject to change without notice. They have been obtained from, or are based upon, sources we believe to be reliable but Crédit Agricole Italia makes no representation (either expressed or implied) or warranty on their completeness, timeliness or accuracy. Nothing contained in this document or expressed during the presentation constitutes financial, legal, tax or other advice, nor should any investment or any other decision be solely based on this document.

This document is for preliminary informational purposes only, limited in nature, and is not an offer to sell or the solicitation of an offer to purchase or subscribe for any securities and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information presented herein does not comprise a prospectus for the purposes of EU Directive 2003/71/EC (as amended by the EU Directive 2010/73).

Without limiting the foregoing, this document does not constitute an offer to sell, or a solicitation of offers to purchase or subscribe for, securities in the United States or Other Countries.

The securities referred to herein have not been, and will not be, registered under the Securities Act or the laws of Other Countries and may not be offered or sold within the United States or Other Countries or to, or for the account or benefit of, U.S. persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) or Other Countries persons.

Crédit Agricole Italia does not intend to register any portion of any offering in the United States or in Other Countries or to conduct a public offering of securities in the United States or Other Countries.

All of the numerical data provided in this document is derived from Crédit Agricole Italia's consolidated and corporate financial statements or from its registration document and annual report and financial review updates, unless otherwise indicated.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation.

By receiving this document you agree to be bound by the foregoing limitations.

## **Forward-Looking Statements**

This communication may contain forward-looking information and statements about Crédit Agricole Italia Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "target" or similar expressions. Although Crédit Agricole Italia's management believes that the expectations reflected in such forwardlooking statements are reasonable, investors are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Crédit Agricole Italia, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to, those discussed or identified in the annual reports and other filings with the French Autorité des marchés financiers made or to be made by Crédit Agricole Italia. Crédit Agricole Italia undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events, or otherwise.

## 1 Executive Summary

2 Crédit Agricole Italia Banking Group

3 Crédit Agricole Italia Banking Group Financial Highlights

4 Italian Housing Market

5 Crédit Agricole Italia Banking Group Residential Mortgage Loan Business

6 Crédit Agricole Italia OBG Programme

7 Appendices

8 Contact list

### Crédit Agricole Italia Banking Group Highlights

- ❑ Crédit Agricole Italia (CAI) Banking Group is 75.6% controlled by Crédit Agricole S.A., alongside Regional Banks, which own 9.3% (via Sacam International);
- ❑ The Group operates in prosperous northern Italy; 2.1mn customers in June 2019;
- ❑ Group's net income: €156mn in June 2019 (+4% YoY and +27% YoY net to the non-recurring elements recognized in the first half of 2018);
- ❑ Customer loans: €46.6bn in June 2019 (+6% YoY\*);
- ❑ Progressive investments supporting customer centrality, innovation, digital and social responsibility in the new 2019-2022 Business Plan;
- ❑ Crédit Agricole Italia (CAI) is rated Baa1/Stable/P-2 by Moody's.

### 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; Programme extended to €16bn
- ❑ 2019: Market issue and retained issue of € 0.75bn each on March

*The covered bonds issued by Crédit Agricole Italia are rated Aa3 by Moody's.*

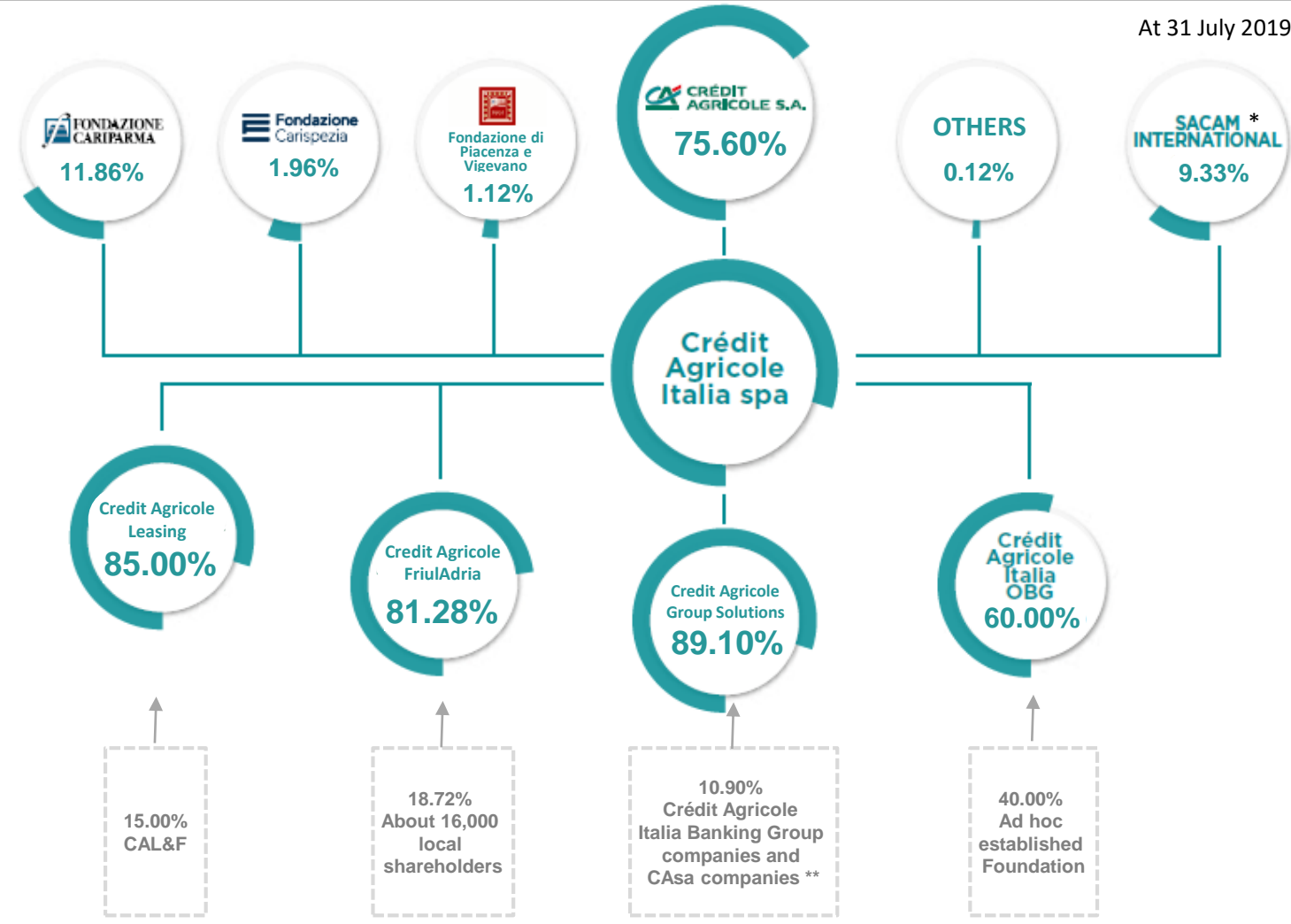
## Crédit Agricole Italia Banking Group Funding Strategy

- Crédit Agricole Italia is historically funded mostly by customers, through deposits and senior unsecured bond issues\* placed via retail branches;
- The covered bond market has offered Crédit Agricole Italia
  - 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 Crédit Agricole Italia Banking Group Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices
- 8 Contact list

At 31 July 2019

- 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)
- 2017
  - On 21 December CA Cariparma acquired Cesena, Rimini and San Miniato Savings Banks
- 2018
  - In 2018 merger in CA Cariparma of San Miniato, Cesena and Rimini
- 2019
  - In February rebranding of CA Cariparma in Crédit Agricole Italia S.p.A.
  - At the end of July CA Italia acquired 100% of CA Carispezia's capital with its merger into the parent company



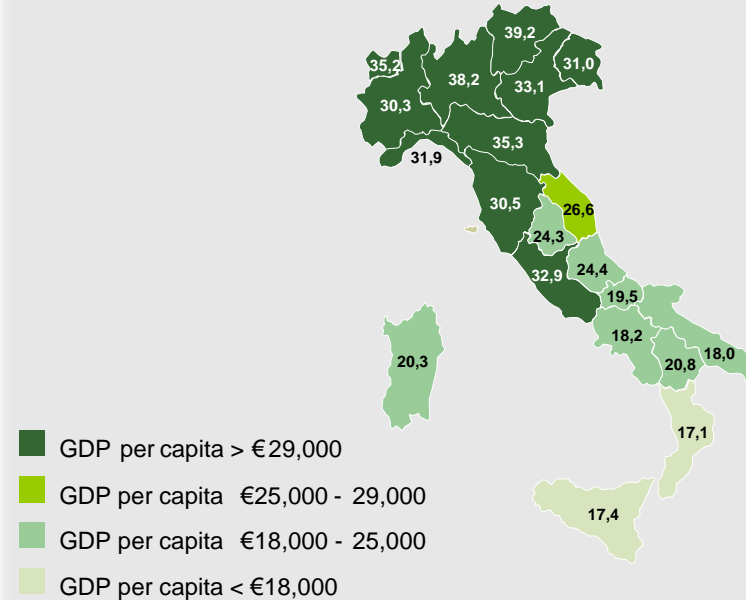
\* Crédit Agricole regional banks (Caisses regionales)

\*\* Crédit Agricole Group Solutions shareholders: Crédit Agricole Italia (89.10%), Crédit Agricole FriulAdria (8.75%), Crédit Agricole Leasing Italia (1.19%), Agos (0.75%), Eurofactor (0.06%), Amundi SGR (0.06%), Amundi RE Italia SGR (0.01%), CA Vita (0.04%), CA Assicurazioni (0.04%)

- The Group has once again proved to be able to **generate sustainable profitability during time**: net profit of Euro 156 million in the first half of 2019 vs. Euro 150 million in the first half of 2018 (up by +4% YoY and +27% net to the non-recurring elements recognized in the first half of 2018);
- **Strong business momentum**: 70,000 new Customers were acquired in first half of 2019 (with a net customer acquisition of 12.000 Customers);
- **€47bn (+6% YoY) in customer loans outstanding in June 2019\***
  - **Market share: 3.22%\*\* at national level**
- **€49bn in on-balance sheet deposits and debt securities issued in June 2019\***
  - **Market share: 2.73%\*\* at national level**
- **€36bn (+6% YoY) in assets under management in June 2019\***
- **Employees: 9,819 in June 2019\***

- **Retail bank in Italy with 919 branches** (~ 1.100 point of sales including *Private, Enterprise and Corporate Centers*)\*
- Operating in the **high-potential regions of Northern Italy**, which have the highest GDP per capita

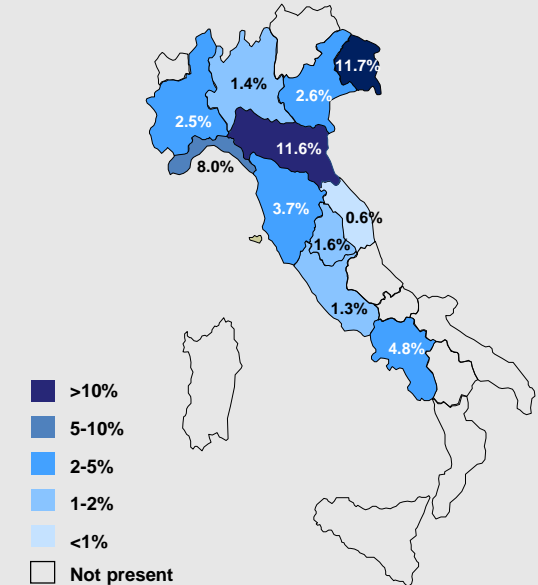
GDP per capita by region, in € K in 2017



Source: Istat

France, average GDP per capita 2018: 35,000 (Source Eurostat)

On-B/S deposit market share, 31/12/2018



Source: Bank of Italy, data at 31.12.2018

\* Source: First half 2019 Crédit Agricole Italia Banking Group results disclosures

\*\* Source: Bank of Italy data at 31.12.2018



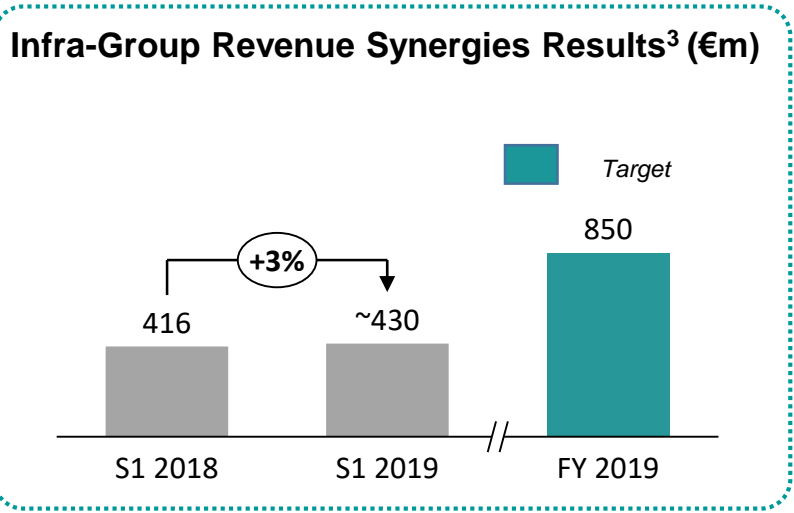
- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights**
- 4 Italian Housing Market
- 5 Crédit Agricole Italia Banking Group Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme
- 7 Appendices
- 8 Contact list

The Group CA performances in Italy are driven by an always greater synergic coordination between different business lines

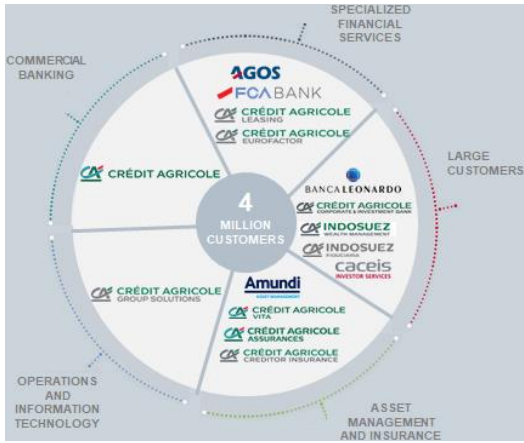
<b>&gt; 4 million</b> customers	<b>€253bn<sup>1</sup></b> of deposits and AUM	<b>€344 million<sup>2</sup></b> Net income Group share ~17% of Crédit Agricole S.A. results
<b>&gt; 15 200</b> employees	<b>€68,5bn</b> of loans outstanding	

### Improving of synergies

Maximizing synergies between the specialized business lines and retail networks, ensuring a high level of operating efficiency



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



### PMT 2022 - based on 3 pillars

*To be leader in Client's satisfaction and relations* Presented on 6th June 2019

*To develop societal projects on the territories*

*To adopt a new model of management and a more responsible work organisation*

### A Green and innovative bank

The development of **new projects** is underway to consolidate the **Group's positioning in the Innovation and Sustainable areas**, through a medium-long term strategy. For example:

- Le **Village by CA Milano** with 28 hosted startups
- Projects on environmental sustainability** (crowdfunding and green mobility)

### Main facts of the 1<sup>st</sup> half 2019:

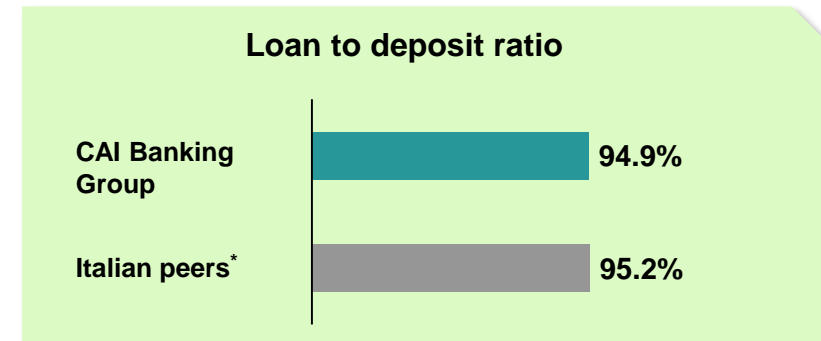
The first half of the year has seen the consolidation of the numerous acquisitions, new partnerships and projects, which contributed to increasing the business

- Commercial Banking:** change of the company name from CA Cariparma to **Crédit Agricole Italia** (26/02); integration of CA Carispezia in CAI;
- Financial Services (Consumer Credit):** **Agos** has extended its partnership with Banco BPM including the acquisition of Profamily for commercial development; **CALIT** has initiated some industrialization and digital innovation Projects;
- Insurance:** Mistral Project is pursuing successfully, in particular with the launch of new insurance products by **Crédit Agricole Assicurazioni**; ongoing partnership in life insurance with **Creval**.



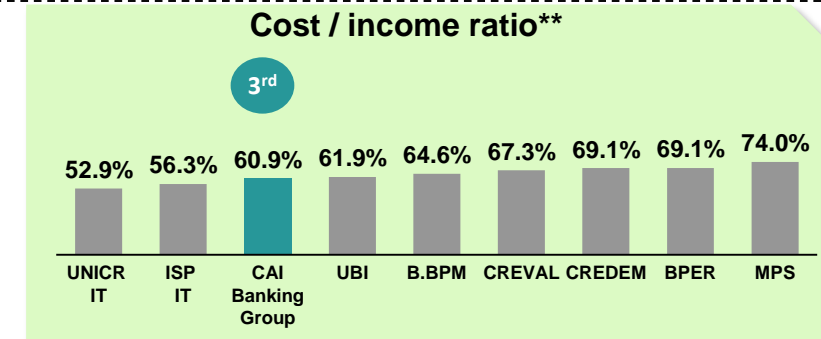
## Progressive increase in profitability and dynamic business activity

- The Group generated in the first half of 2019 a **net profit of Euro 156 million** (+4% YoY, and +27% net to the non-recurring elements recognized in the first half of 2018);
- Growth of net interest income** (up by +4% YOY), despite the continuing scenario of negative interest rates. **Fee and commission income also increased** by +1% YOY, driven by the asset management component (up by +3% YOY);
- Support to households and businesses with progressive increase in loans** (+6% YoY), in **home loans** (+9% YoY) and in **asset management** (+6% YoY);
- Strong commercial momentum: over 70,000 new customers** were acquired in H1 2019, up by +4% YOY (with a net customer acquisition of 12.000 customers), also thanks to the **contribution from the digital channel**, with 1 account out of 5 opened online, and to the development of the internal network of financial advisors.



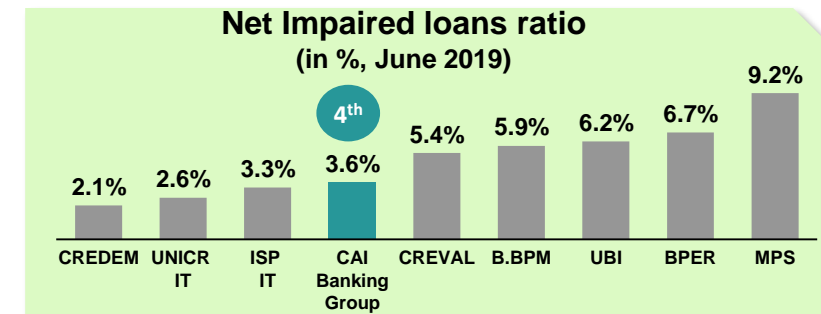
## Operating expenses under control and new business plan 2019-2022

- Expenses decreased** by -2% YOY, thanks to actions increasing operational efficiency, rationalization and transformation of physical structures, as well as to increasing synergies in the areas of the 3 Savings Banks absorbed in 2018, despite the higher investments to support the business;
- Customers, people and social responsibility** are the drivers of the new medium term plan 2019-2022, with important investments to support the business and full-range attention to customers' needs with strong **digital and innovation** performance;
- Staff development** through new recruitments, with about 200 new resources (85% young people), and training. The implementation of initiatives aimed at improving worklife balance and the enhancement of women's role in the company are all evidence of **constant attention to people**.



## Constant focus on credit quality and reduction in the cost of credit

- The **NPL stock went down** by -21% in the last 12 months;
- Among the best in the Italian market in terms of net impaired loans ratio** (3,6%) and improvement in the coverage ratio of the NPL portfolio: 53.4% for non performing and 68.6% for bad loans;
- Cost of credit** continued to fall to 54 bps in June 2019 vs 60 bps in June 2018.





## LOANS (€bn)

<b>Loans to customers</b>	<b>46,588</b>
<i>o/w Current accounts</i>	2,545
<i>o/w Mortgage Loans</i>	28,387
<i>o/w Advances and credit facilities</i>	13,979
<i>o/w Non-performing loans</i>	1,678
<b>Loans to banks</b>	<b>3,892</b>
<i>o/w Crédit Agricole S.A.</i>	518
<i>o/w Bank of Italy</i>	2,333

## RATIOS

<b>Cost/Income</b> (excl. contribution to support the banking system)	<b>60,9%</b>
<b>Cost of credit</b> (net adjustments / net loans)	<b>54 bps</b>
<b>Net Bad Debts ratio</b> (% net loans)	<b>1.3%*</b>
<b>Bad Debts coverage ratio</b>	<b>68.6%*</b>
<b>Net NPL ratio</b> (% net loans)	<b>3.6%*</b>
<b>NPL coverage ratio</b>	<b>53.4%*</b>

## FUNDING (€mn)

<b>Funding from customers &amp; debt securities issued</b>	<b>49,079</b>
<i>o/w Deposits</i>	2,179
<i>o/w Current and other accounts</i>	37,540
<i>o/w Debt Securities issued</i>	8,930
<i>o/w CB</i>	7,000
<i>o/w others</i>	430
<b>Due to banks</b>	<b>6,169</b>
<i>o/w Crédit Agricole S.A.</i>	859
<i>o/w TLTRO</i>	4,200
<b>Indirect funding from customers</b>	<b>66,744</b>
<i>o/w asset management</i>	36,125
<i>o/w assets under administration</i>	30,619

## RATINGS

<b>Moody's Long Term Bank Deposits Rating</b>	<b>Baa1**</b>	<b>Stable</b>
<b>Moody's Short Term Bank Deposits Rating</b>		<b>P-2</b>
<b>Covered bonds rating assigned by Moody's</b>		<b>Aa3**</b>

## CAPITAL AND LIQUIDITY RATIOS (€mn)

<b>CET1 (fully loaded)</b>	<b>3,240</b>
<b>Own funds</b>	<b>4,778</b>
<b>Shareholders' Equity</b>	<b>6,249</b>
<b>RWA</b>	<b>28,719</b>
<b>CET1 ratio (fully loaded)</b>	<b>11.3%</b>
<b>Total capital ratio</b>	<b>16.6%</b>
<b>Liquidity Coverage Ratio (LCR)</b>	<b>158%</b>

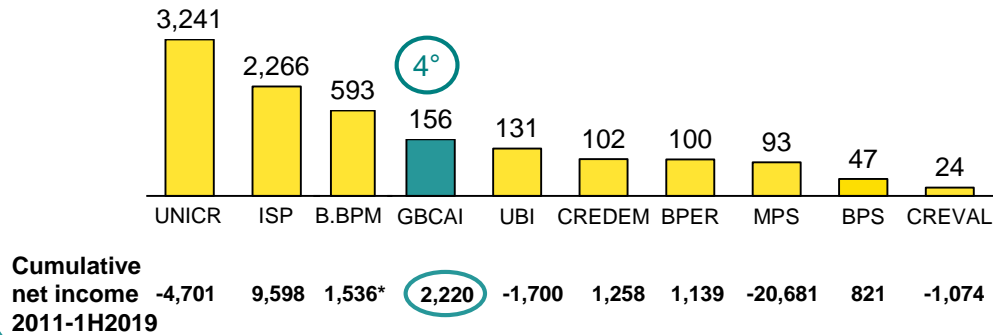
\*Bad Debts should be understood as «Sofferenze», whilst Non-Performing Loans should be understood as «Crediti deteriorati» as defined by the Bank of Italy (Circ. 272/2008 Bank of Italy 8<sup>th</sup> update)

\*\*Following the downgrade of Italy's sovereign debt to Baa3 by Moody's.

# Crédit Agricole Italia Banking Group Financial Highlights

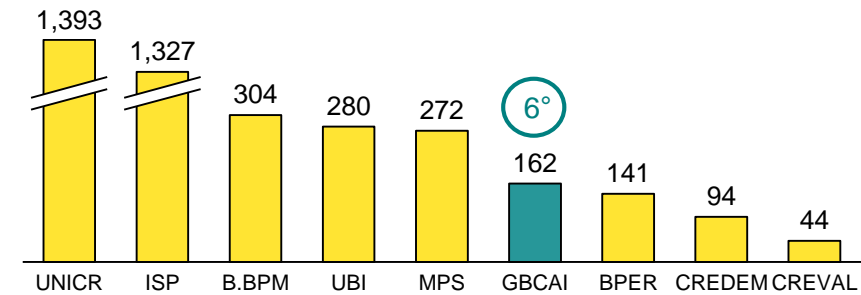
Crédit Agricole Italia Banking Group: 30/06/2019 ranking

## NET INCOME (million €)

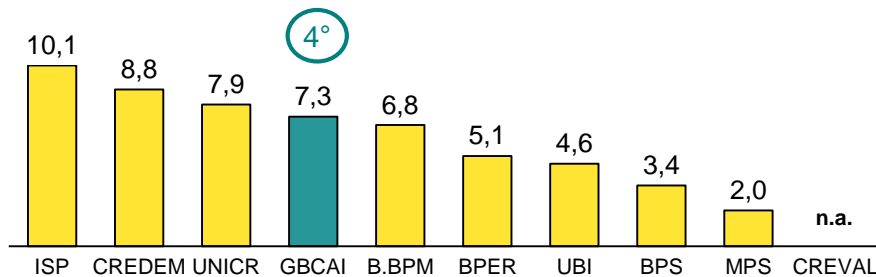


## TOTAL VOLUMES

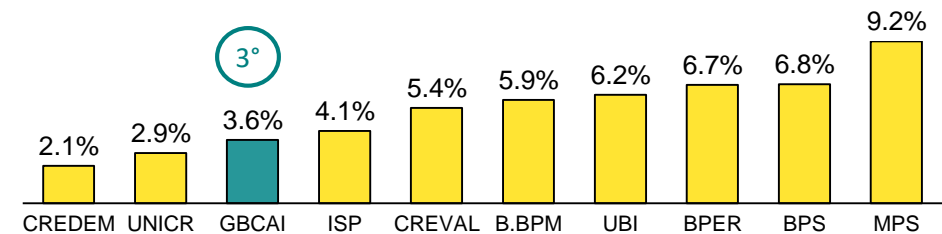
(loans, on and off-balance sheet customer assets €bn)



## ROTE\*\* (%)



## NET NPL RATIO (% net loans)



Competitors' performance are influenced by their different organisational structure as the inclusion, for some, of asset management, consumer credit, insurance or investment banking divisions.

# Crédit Agricole Italia Banking Group Financial Highlights

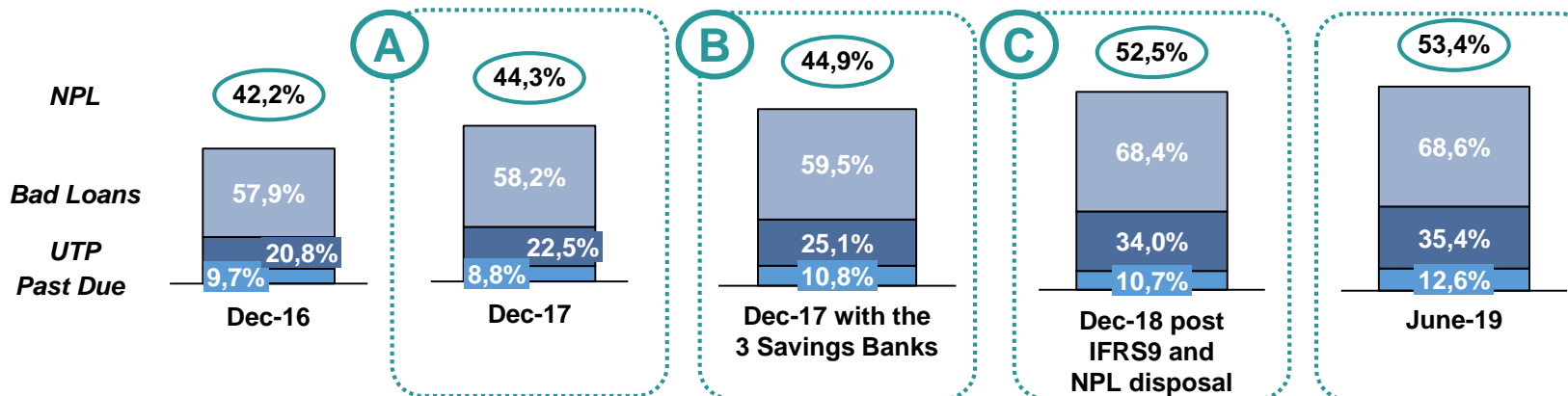
## Organizational Structure

	Banking	Bancassurance	Asset Management	Consumer Credit	Factoring Leasing	Investment Banking	Payment System
 <b>CRÉDIT AGRICOLE</b> CARIPARMA   FRIULADRIA   CARISPEZIA	✓	✗	✗	✗	✓	✗	✗
 <b>INTESA SANPAOLO</b>	✓	✓	✓	✓	✓	✓	✓
 <b>UniCredit Group</b>	✓	✗	✓	✓	✓	✓	✓
 <b>BANCO BPM</b>	✓	✗	✓	✓	✓	✓	✗
 <b>UBI Banca</b> UNIONE DI BANCHE ITALIANE	✓	✓	✓	✓	✓	✗	✗
 <b>BPER: Gruppo</b>	✓	✗	✓	✓	✓	✗	✗
 <b>CREDEM</b>	✓	✓	✓	✓	✓	✗	✗
 <b>Banca Popolare di Sondrio</b>	✓	✗	✗	✓	✓	✓	✗
 <b>Credito Valtellinese</b> GRUPPO BANCARIO	✓	✓	✗	✗	✓	✗	✗
 <b>MONTE DEI PASCHI DI SIENA</b> BANCA DAL 1472	✓	✗	✗	✓	✓	✗	✗
 <b>BNL</b> GRUPPO BNP PARIBAS	✓	✗	✗	✓ salary-and-pension-deducted loans	✗	✗	✗

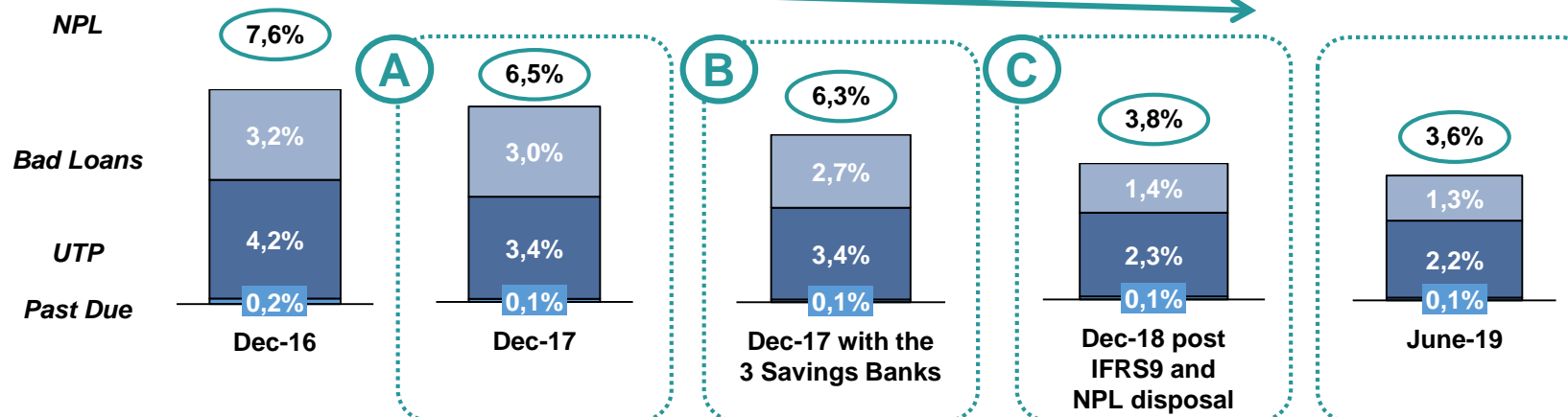
# Crédit Agricole Italia Banking Group Financial Highlights

## Asset Quality

### NPL COVERAGE RATIO (%)



### NET NPL RATIO (% net loans)



**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;

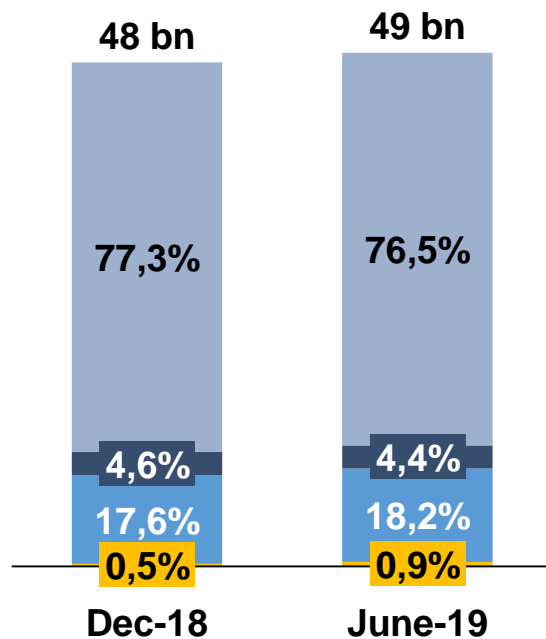
**C** In 2018 the Group further improved the asset quality, also thanks to the adoption of the new financial reporting standard on financial instruments (IFRS9). Over the year, the Group has made a disposal of 1.4bn of gross NPL (26% of total NPLs), achieving a 37% decrease in net non-performing loans vs. December 2017.

# Crédit Agricole Italia Banking Group Financial Highlights

Crédit Agricole Italia Banking Group: 30/06/2019 funding

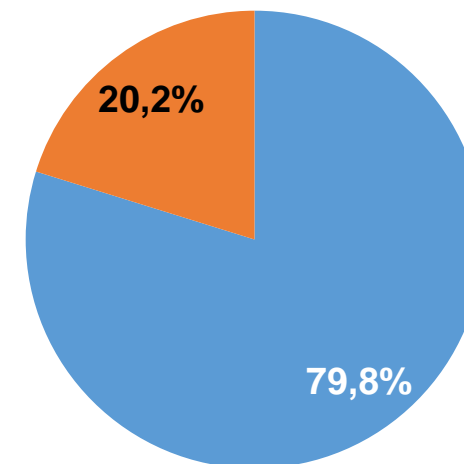
## DIRECT FUNDING - breakdown by product (%)

■ Current accounts    ■ Debt securities issues  
■ Saving deposits    ■ Others



## TOTAL ASSETS BREAKDOWN (%)

■ Unencumbered eligible assets    ■ Encumbered eligible assets



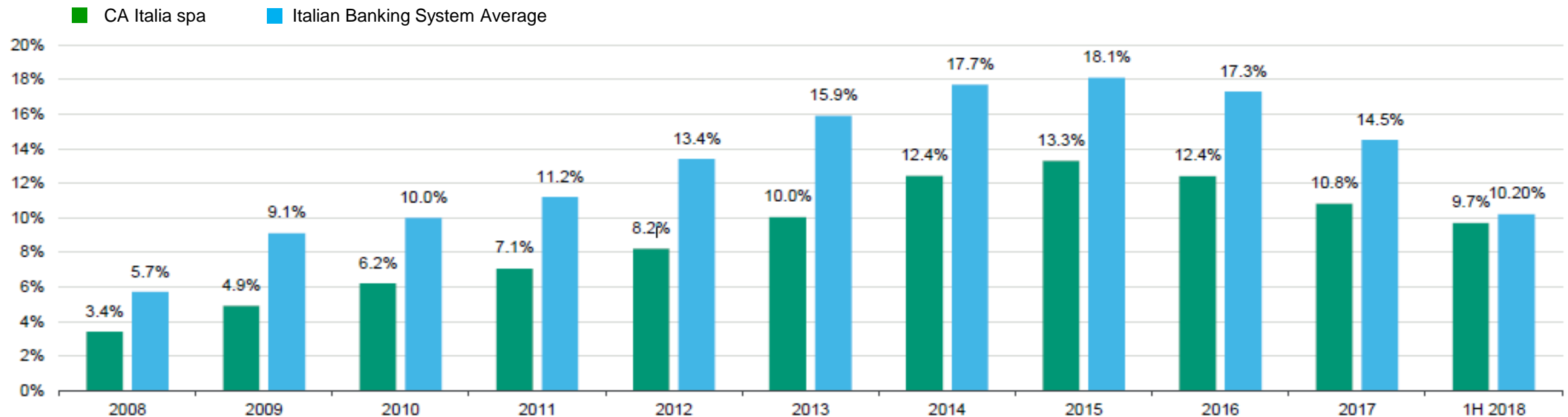


# Crédit Agricole Italia Banking Group Financial Highlights

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

Moody's Credit Opinion published on 04/29/2019

## CA Italia's stock of problem loans\* is large but will remain below the Italian average



Gross Impaired loans ratio (% gross loans)

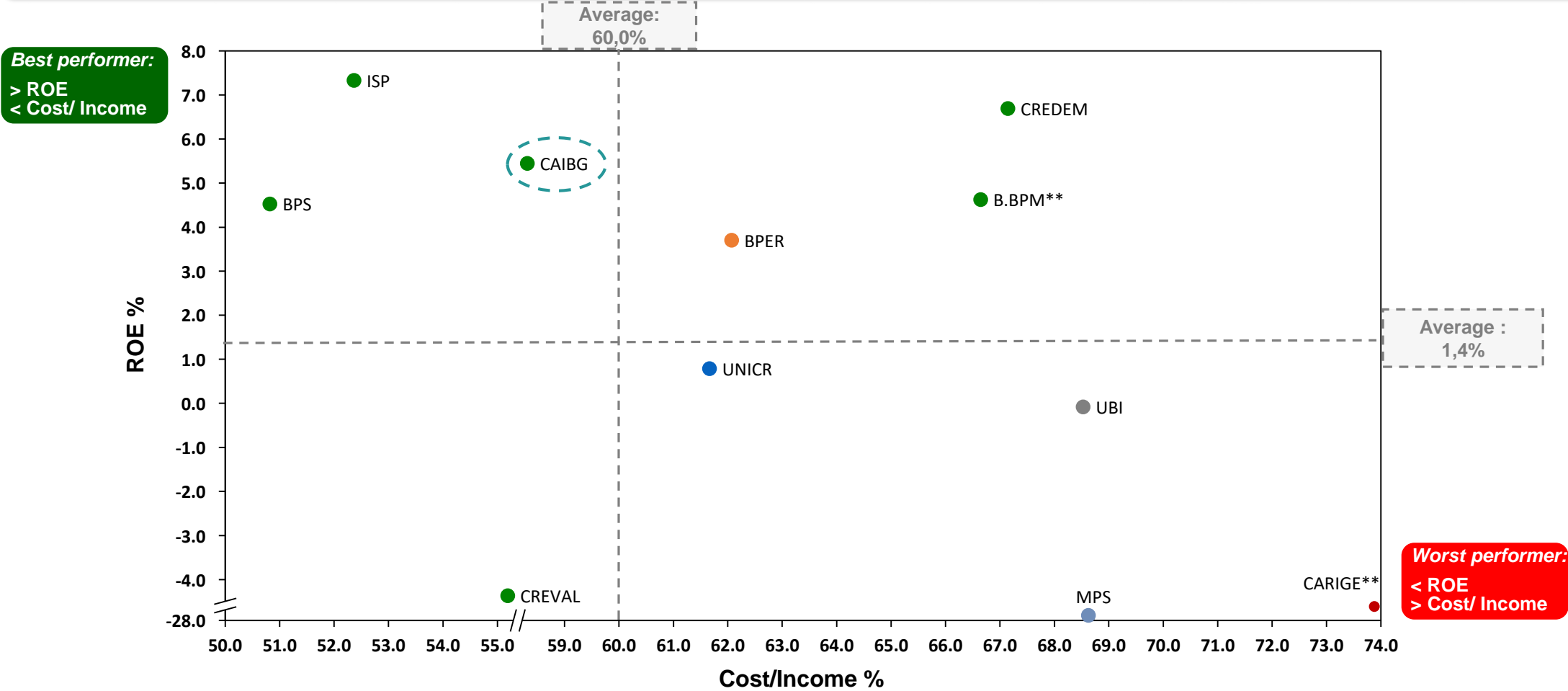
**CA Italia Stock of Problem Loans June 2019: 7.4%**

\* 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

Crédit Agricole Italia Banking Group: stably among best performers

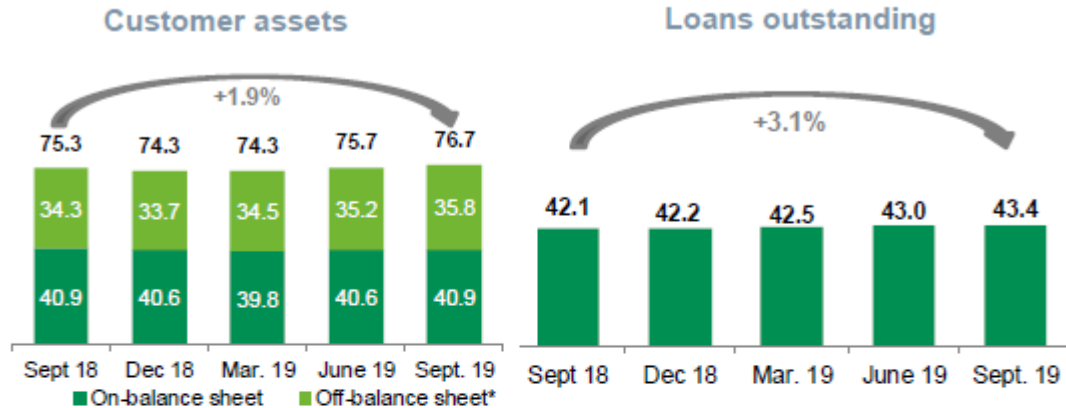
## ROE and Cost/Income ratios\*: December 2014 – June 2019



# Crédit Agricole Italia Banking Group Financial Highlights

30/09/2019 results as disclosed by Crédit Agricole S.A.

## Activity indicators (€bn)



\* Excluding assets under custody

### ■ Growth in commercial activity still above the market

- **Customer savings** : growth in off-balance sheet savings (+4.4% Sept./Sept.) in a declining market (-1.2%<sup>(1)</sup>)
- **Loans**: growth still strong in loans to individuals (+5.5% Sept./Sept.) and to corporates (+6.1% Sept./Sept.), outperforming the market (+0.7%<sup>(2)</sup>)
- **Commercial momentum**: net individual customer capture +16,000 in 9M-19; strong growth in property and casualty insurance (+22% Sept./Sept. in the number of policies; customer equipment rate up by +1.6pp over 1 year<sup>(3)</sup>)

<sup>(1)</sup>Source: Assogestioni, August/August; <sup>(2)</sup>Source: Abi, Sept/Sept. <sup>(3)</sup>number of customers with at least one property and casualty insurance policy

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

€m	Q3-19 underlying	Δ Q3/Q3 underlying	9M-19 underlying	Δ 9M/9M underlying
Revenues	462	+2.1%	1,397	(0.2%)
Operating expenses excl.SRF	(283)	+0.1%	(863)	(0.8%)
SRF	-	n.m.	(22)	+1.5%
Gross operating income	179	+5.4%	512	+0.7%
Cost of risk	(82)	(12.0%)	(189)	(10.2%)
Income before tax	117	+17.7%	323	+8.4%
Tax	(35)	+7.1%	(101)	+2.0%
Net income	82	+22.8%	223	+11.6%
Non controlling interests	(22)	+18.9%	(60)	+7.5%
Net income Group Share	60	+24.3%	162	+13.1%
Cost/Income ratio excl.SRF (%)	61.3%	-1.2 pp	61.7%	-0.4 pp

### ■ Very good quarter, net income sharply up Q3/Q3 and 9M/9M

- **Revenues** increase Q3/Q3 thanks to the combination of volume and price effects on loans, the reduction in the cost of customer savings and the increase in fees (particularly for the Wealth Management segment: +8.4% Q3/Q3)
- **Good cost control** Q3/Q3 and 9M/9M and decrease in the **cost/income ratio to 61.3%**
- **Further decrease in the cost of risk** to 59bp; ratio of impaired loans down to 8.1% (-1pp Sept./Sept.) and coverage ratio at 60.3%

**Crédit Agricole S.A. Group in Italy: Net income of €490 m, +16% 9M/9M**

Underlying: the specific items include integration costs for the 3 banks of -€7.3m in Q3-18 (-€3.8m in net income)

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

General trends are positive, residential market is expected to grow

## ■ Solid growth with slight deceleration in real estate transactions in H1 2019, driven by a strengthening demand.

- In H1-19 the year-on-year (YoY) growth rate in residential sales transactions was 8.8% (9.5% in H2 2018) with a 57% increase from the 2013 trough. In 2019 residential sales are expected to further increase by 2.8% after a sound 6.5% in 2018 (i.e. more than 590.000 residential sales transactions expected).
- Meanwhile, non-residential investments were down in H1. Political uncertainties coupled to the slow growth in the economy affected investor's confidence (in the corporate market, between 60% and 70% of investors are from abroad).

## ■ The fall in prices is slowing down

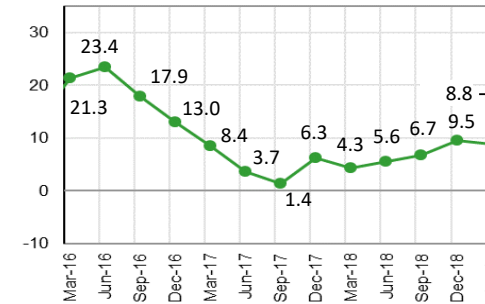
- Residential prices declined by 0.2% on a yearly basis in H1 2019, leaving prices 25% below their 2008 peak. The fall has been slowing since mid-2013. Residential prices in yearly averages are expected to stabilize at the end 2019, followed by a slight recovery of 0.4% and 0.9% in 2020 and 2021.
- The risks are on the down-side: lack of inflation, economic growth and confidence will not encourage investment, leading to a state of waiting, and savings are replacing consumption resulting in a wait-and-see attitude. On the other hand, potential demand is still high (75% of potential buyers are first-house or replacing first-home buyers) and rates are still at very low levels.

### Residential market forecast YoY (Source: Nomisma)

	2018	2019	2020	2021
Transactions	6.5%	2.8%	-1.5%	-1.2%

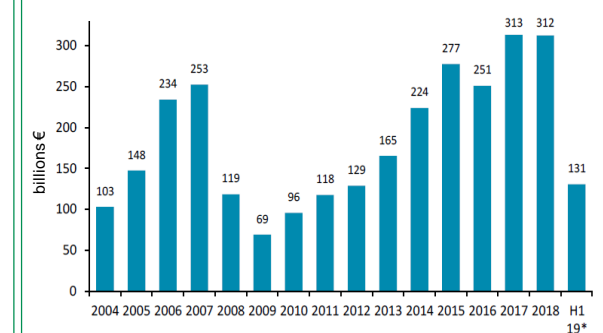
Sources: Nomisma (july 2019), Crédit Agricole S.A.

### Residential sales transactions YoY (%)



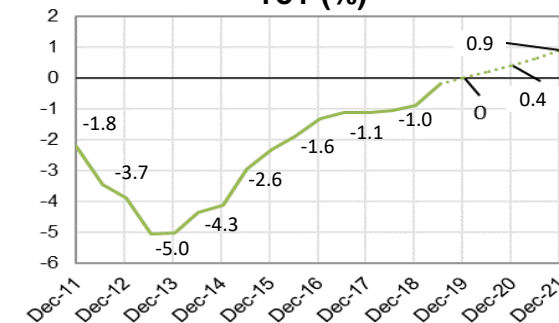
Sources: Agenzia delle Entrate, Crédit Agricole S.A./ECO

### Non-residential investments in Italy Eur bn



Source: Nomisma

### Residential Prices YoY (%)

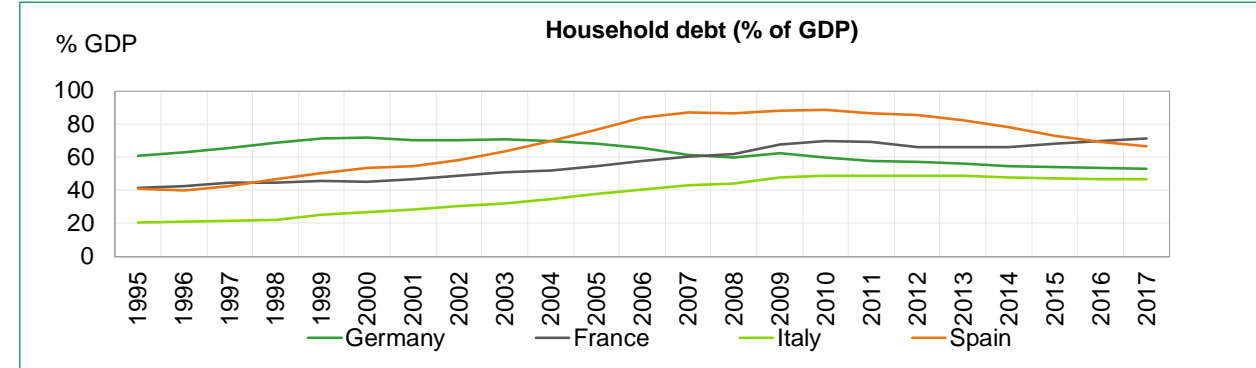
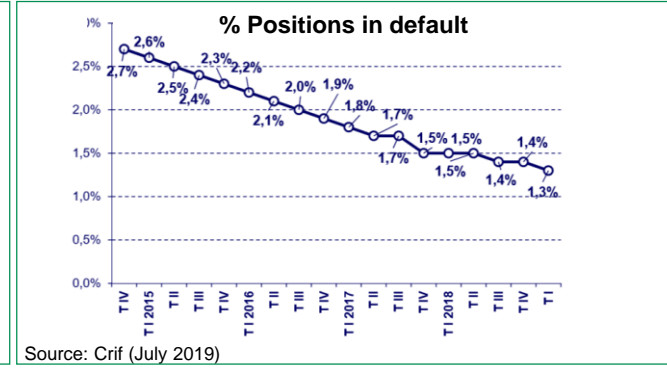
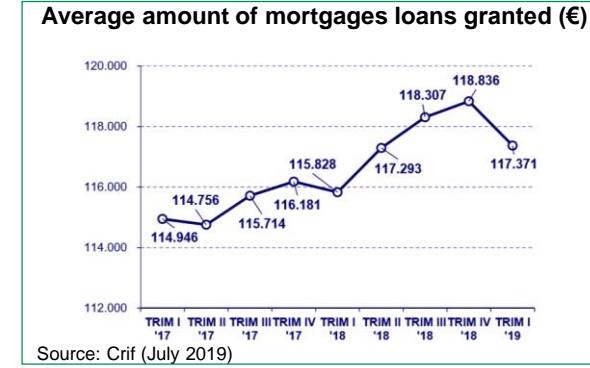
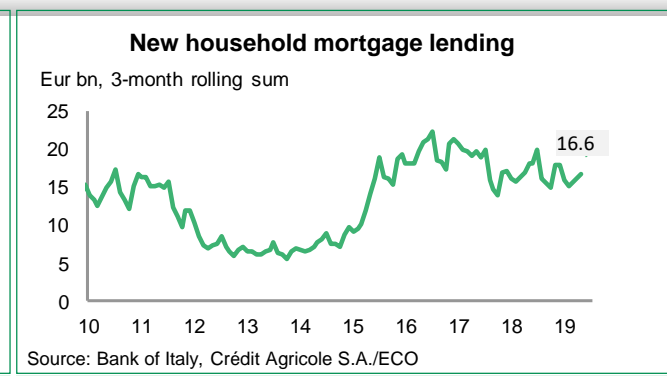
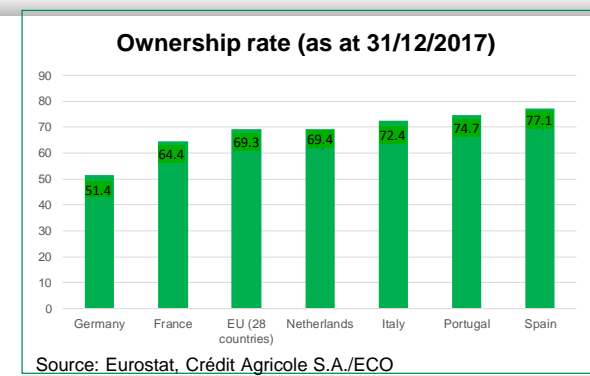


Sources: Nomisma, Crédit Agricole SA

# Italian Housing Market

A mortgage loan market characterized by a wait-and-see attitude

- **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 (72.4%) is among the highest in the EU and limits both sales volumes and mortgage loan market growth**
- **Supporting factors:**
  - Still home prices decline
  - Interest rates at low level
- **The new production has been steadily declining even if the interest rates stood at a very low level mainly due to the uncertainty of the context**
  - New lending stood at €16,6bn on a 3-months rolling basis at end-May 2019, compared to €18,1bn a year ago showing a slight slowdown in new lending.
  - In the context of low interest rates, the fixed-rate mortgage contracts remain clearly predominant: 71.6% at end-May vs. 67.9% at end-November (source: Nomisma).
  - The average amount of mortgages loans granted in Q1-19 was 117 K€, down from the fourth quarter of 2018 (source: Crif).
  - A renegotiations phase could come into force within the next months for households able to gain at least 100 bp on their home loans rates.
- **Risks in the mortgage loan market have receded to a low level**
  - The default rate in Q1-19 reach a low level of 1.3% (source: Crif).



- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market
- 5 Crédit Agricole Italia Banking Group 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

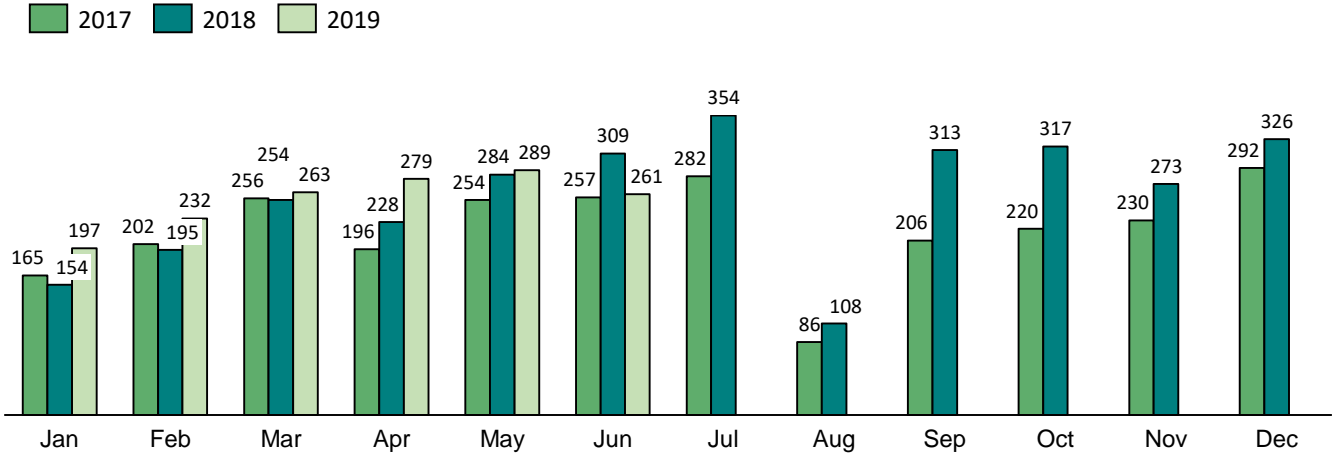
**CA Italia Banking Group, a significant player in Italian residential financing:**

- €28.4bn stock of residential mortgage loans on 30/06/2019 (+1% vs December 2018 )
- €1.5bn residential mortgage loans' production on 30/06/2019 +7% YoY (+9% YoY in transactions)
- Market share of ca. 5.16%\* of stock and ca. 5.50%\* of flow at December 2018

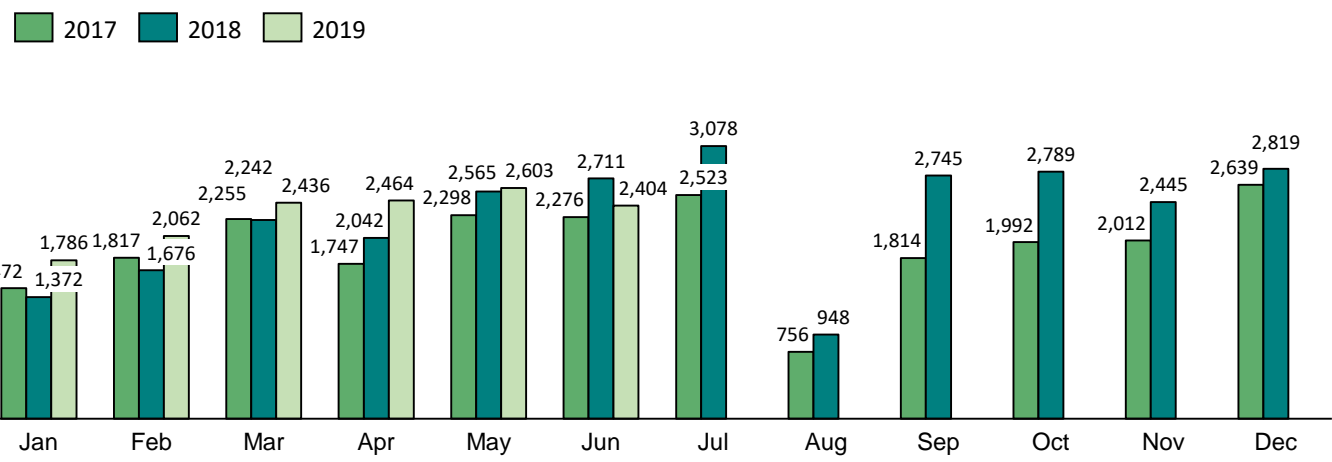
**CA Italia Banking Group mortgage loans risk level:**

- Mortgage deed registration: 1st level mortgage deed registered is 150% of the loan amount
- On 30/06/2019, 1.0% of net non-performing loans (bad loans + UTP + past due); 0.5% of net bad loans ("sofferenze")
- Mortgage NPL coverage ratio at 41.7% on 30/06/2019

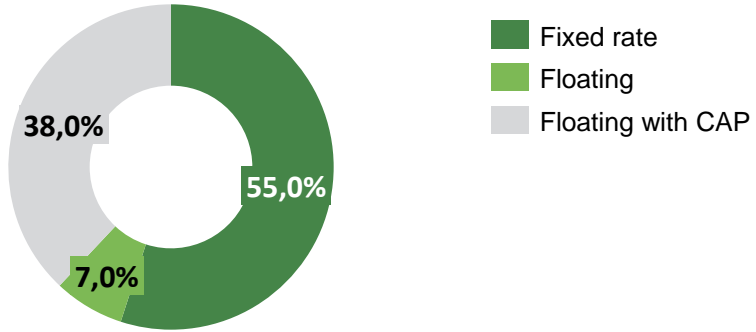
**New gross mortgage loans (volumes in million)**



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



**First half 2019 new residential mortgage loans interest rate type**





# Crédit Agricole Italia Banking Group Credit Policy – Framework and guidelines



Cluster	Main Driver		Strategy
Private/ Customers	Counterparty risk	Rating	Diversified approach by product ✓ Mortgage loans ✓ Loans ✓ Others
	Borrower's characteristics	<ul style="list-style-type: none"> <li>✓ Income (and guarantees)</li> <li>✓ Installment / Income</li> <li>✓ LTV (Loan to value) and LTC (Loan to building cost)</li> <li>✓ Age</li> </ul>	
Companies / Public Entities	Counterparty risk	Rating	Cluster Identification
	Economic sector	Attractiveness and riskiness	Customized strategies by cluster
	Size	Commercial segmentation	Specialized lending by segment

- **Credit Policy by PEF** (Pratica elettronica di fido) approval system
- **Origination process changes according to the complexity of the position**
- **Constraints inversely related to borrower's risk profile** based on his rating

## Forthcoming Guidelines

- **New PEF (Pratica Elettronica Fido):** more efficient and effective;
- **Greater segmentation and specialized lending.**

# Crédit Agricole Italia Banking Group Residential Mortgage Loan Business

Well-established selection and risk management processes (1/2)



## STEPS OF THE PROCESS

## ACTIVITIES

## DESCRIPTION OF THE PROCESS

## FOCUS

Sale

*Full transparency and tailor-made commercial offer to Customers*

**Supported sale** and automated production of documentation

*Sales\* 2018:*  
47% Branches; 43% Intermediary; 10% On Line

Origination

*Customer Registration and preliminary checks*

- Supported workflow with **mandatory steps and completeness and adequacy checks** of the entered data
- **Integrated Workflow with Crédit Agricole Italia's procedures** and related checks

*Lending Criteria:*

- Maximum borrower's age 80 years
- Maximum tenor of 30 years (average maturity stock mortgage loans 21.8 years, average maturity new mortgage loans 21.5 years)
- Installment\*\* \ Net income ratio <30% (higher levels will be evaluated by superior deliberative levels)
- LTV standard <80%\*\*\*, <50% in case of restructuring, holiday homes

*Automated mortgage loan application*

▪ The bank:

- 1) performs analysis on databases (CRIF, CERVED; DATABANK);
- 2) checks compliance with credit policy;
- 3) carries out the calculation of an acceptance rating, defining automatically the approval risk level (synthetic assessment) through the same tool (PEF)

*Origination through PEF (Pratica Elettronica Fido) with integrated credit strategies*

PEF assigns to customers a synthetic assessment summarized by three categories :

1. **Positive:** possible forwarding to the decision-making organ
2. **To evaluate:** it's necessary an higher level of analysis
3. **To deepen:** it required further documentation in order to improve the credit worthiness

*Approvals in 2018:*

7% branch level  
64% Regional level  
29% Central level

Approval

*Display PEF outputs and automated updating*

Identification of the decision making organ according to the level of risk through PEF's score.

# Crédit Agricole Italia Banking Group Residential Mortgage Loan Business

Well-established selection and risk management processes (2/2)



STEPS OF THE PROCESS	ACTIVITIES	DESCRIPTION OF THE PROCESS	FOCUS
<p>Implementation</p> <p>Conclusion</p> <p>Lending</p>	<p><i>Property appraisal</i></p> <p><i>Insurance contract</i></p>	<ul style="list-style-type: none"> <li>▪ <b>Automated contract's documentation</b> with integrated checks</li> <li>▪ <b>Property valuation:</b> the asset is always subject to a technical physical appraisal</li> <li>▪ Property must be <b>insured</b> against the risks of fire, lightning and explosion (Home Protection Insurance). In addition, 77% of mortgages bear a creditor protection, even if the subscription is not mandatory</li> </ul>	<p>Property valuation companies:</p> <ul style="list-style-type: none"> <li>▪ Crif</li> <li>▪ Cerved</li> <li>▪ Prelios</li> <li>▪ Revaluta</li> </ul>
<p>Filing System</p>	<p><i>Digital Filing System</i></p>	<ul style="list-style-type: none"> <li>▪ Actually 100% digital dossier, digital contract and digital storage</li> </ul>	
<p>Property Value's Surveillance</p>	<p><i>Fair Value Assesment</i></p>	<ul style="list-style-type: none"> <li>▪ The value of the property is checked through statistical methods (<b>Nomisma Indexes</b>) once a year</li> <li>▪ If statistical method shows a significant variation with the previous period, a new appraisal is carried out</li> </ul>	

- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market
- 5 Crédit Agricole Italia Banking Group Residential Mortgage Loan Business
- 6 Crédit Agricole Italia OBG Programme**
- 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 each, maturity of 8 and 15 years
- March 2017: Double tranche market issue of € 0.75 bn each, maturity of 8 and 12 years
- December 2017: € 0.75bn market issue 8 year maturity
- January 2018: € 0.5bn market issue 20 year maturity
- Programme extended to 16bn
- March 2019: Market issue maturity of 8 years and retained issue of € 0.75bn each
- Currently outstanding: €2.0 bn retained OBG; €7.0 bn market OBG
- Current rating: Aa3 from Moody's

### Cover pool

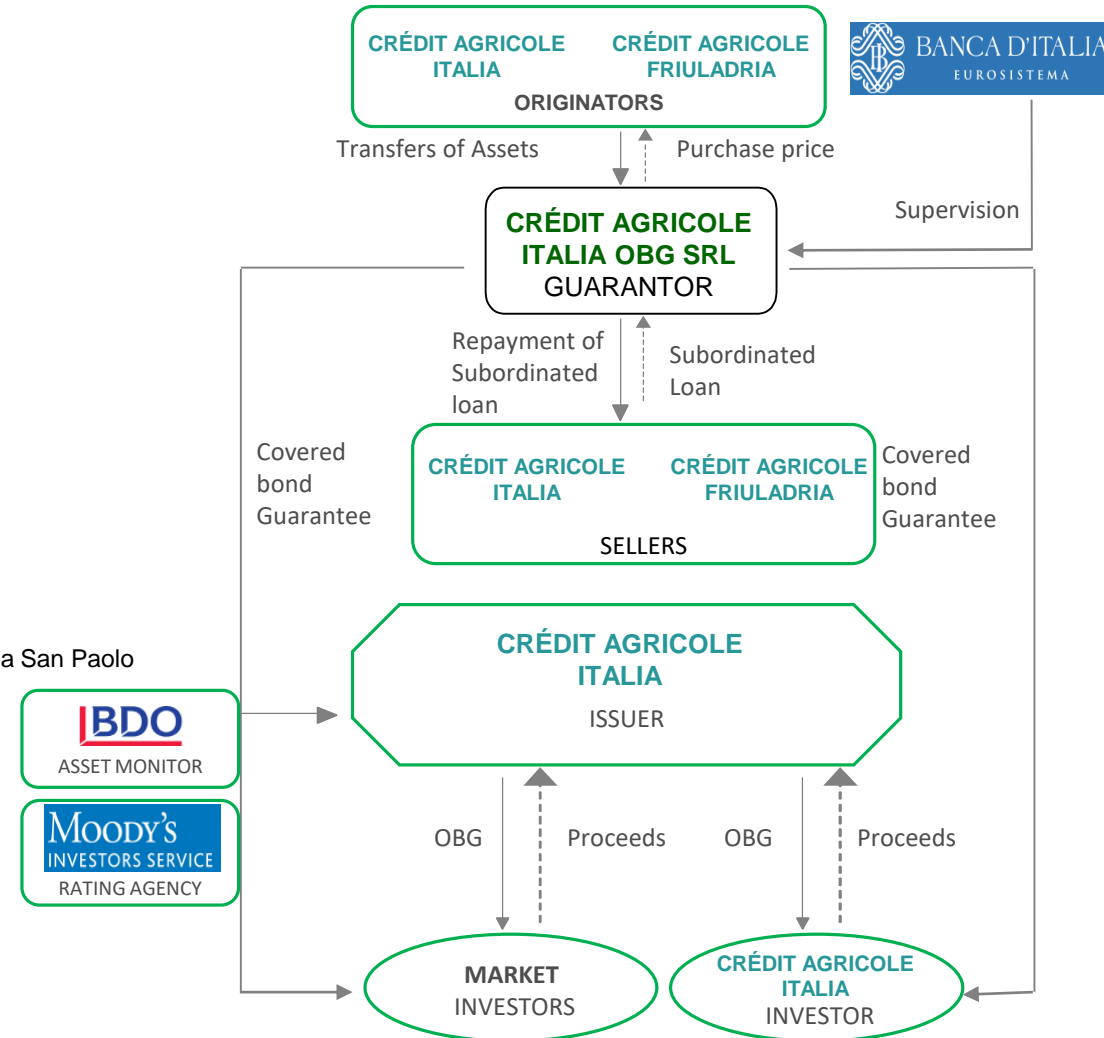
- Mortgage loans transferred to Crédit Agricole Italia OBG srl
- Self-originated mortgage loans by Crédit Agricole Italia Banking Group and originated by branches purchased from Intesa San Paolo
- Property located in Italy
- No arrears on the transfer date
- Current cover pool: 85% residential mortgage loans and 15% substitute assets\* (cash)
- No ABS and commercial mortgage loans (by prospectus)

### Over-collateralisation

- 7.5% committed over-collateralisation (OC)
- 16.75% at June 2019

### Monitoring

- BDO Italia: Asset Monitor reporting to Bank of Italy



## ■ Interest rate exposure

- Cover pool is composed by 5.1bn of floating rate and 3.8bn fixed rate
- Floating rate for €2.0bn retained OBG (soft bullet)
- Fixed rate for €7.0bn market OBG (soft bullet)

## ■ Asset and liabilities matching controls

### Semi annual regulatory stress tests

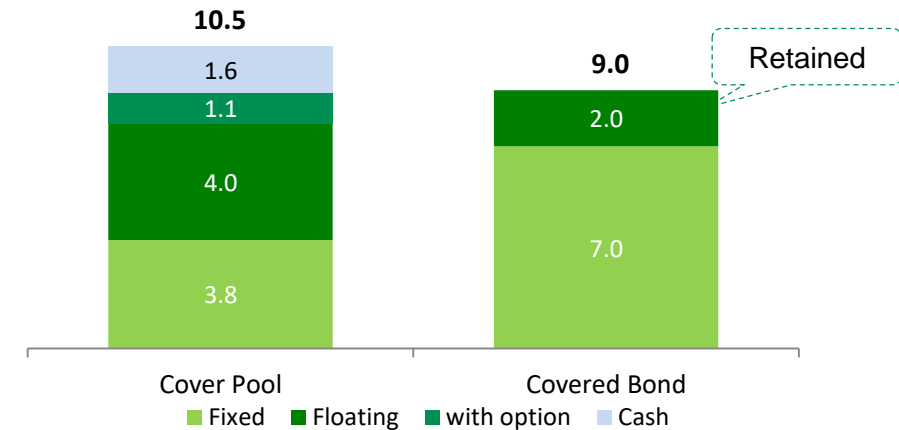
- Nominal Value Test
- Net Present Value Test
- Interest Coverage Test
- Amortisation Test\*

### 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

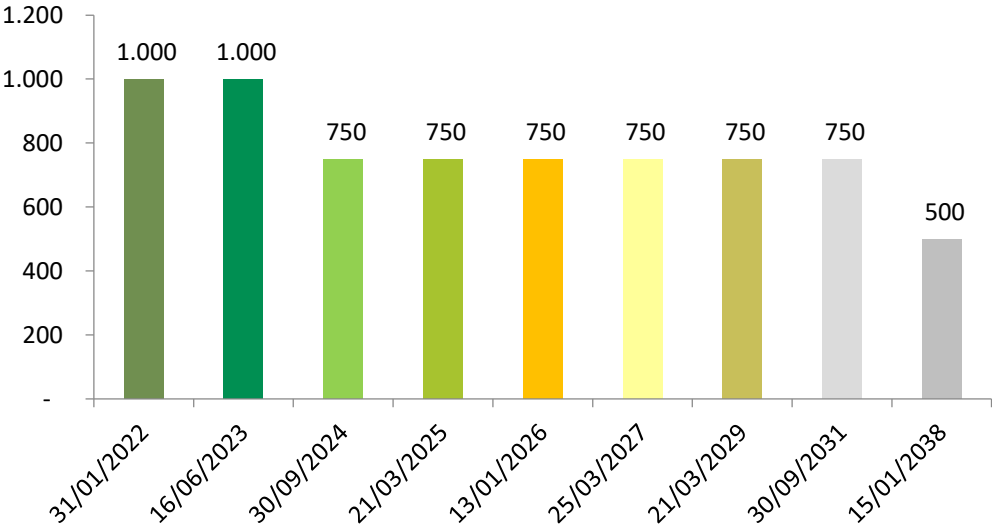
### Interest rate breakdown (bn€)\*\*



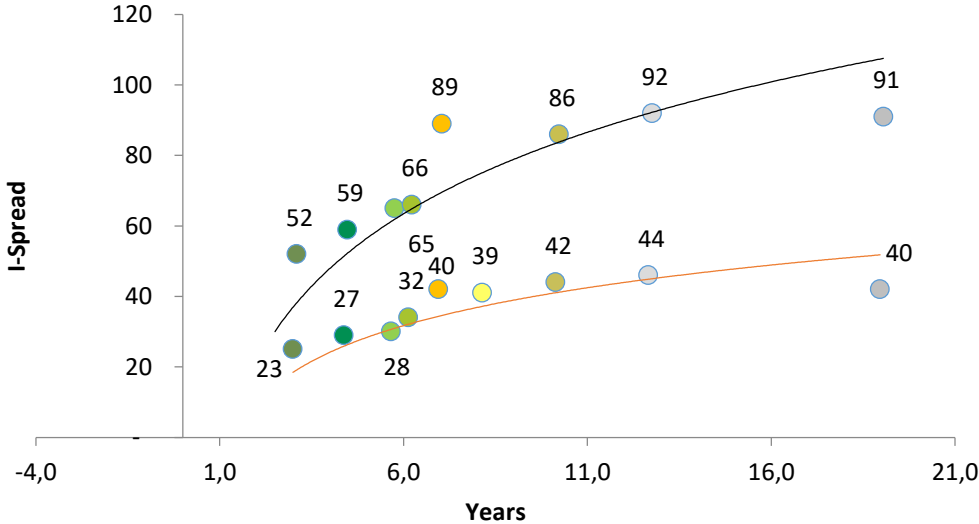
*Ancient loans with option: Customers have the right to switch at any time from fixed to floating rate (and vice-versa) at the market rate of the moment*

\*\* Updated at 30th June 2019

## OBG Outstanding Maturities



## I-Spread (bps) June 2019 vs December 2018



— Dec. 2018 104 bps: Spread between BTPS 2038 and CAI Banking Group covered bond 20y

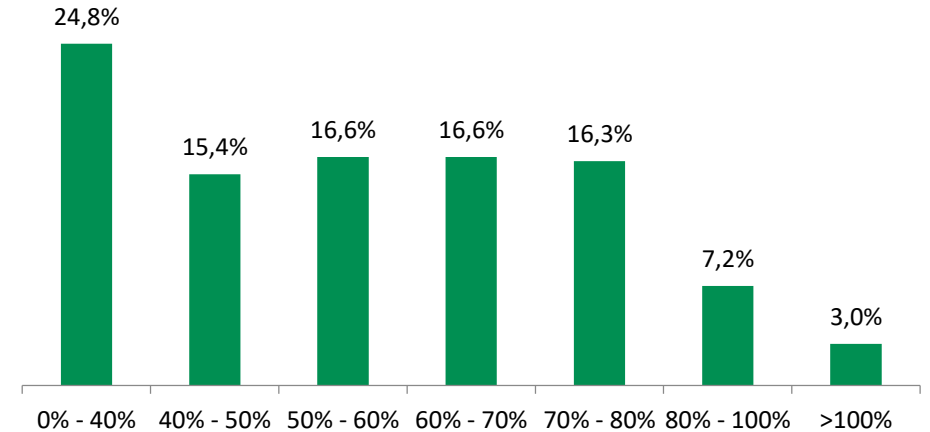
— June 2019 155 bps: Spread between BTPS 2038 and CAI Banking Group covered bond 20y

# Crédit Agricole Italia OBG Programme

Cover Pool at 30/06/2019 (1/3)

<b>Total mortgage outstanding cover pool</b>	8,859,014,566
<b>Substitute Assets* (Cash)</b>	1,589,995,999
<b>Number of loans</b>	102,795
<b>Average loan balance</b>	86,181
<b>WA Seasoning (month)</b>	57
<b>Remaining term (month)</b>	221
<b>WA CLTV (Current Loan to Value)</b>	55.97%
<b>Interest rates of credit pool</b>	42.4% fixed 11.9% with option 45.6% floating
<b>Origination</b>	100% Crédit Agricole Italia Banking Group (details below)

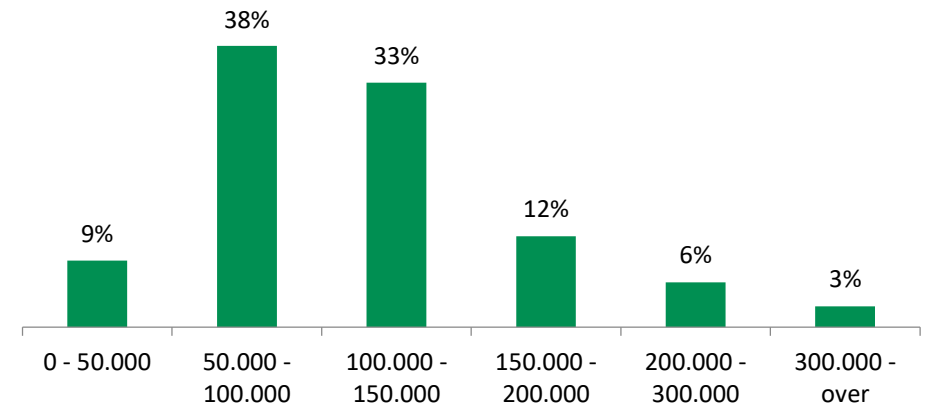
## Breakdown by CLTV as % of outstanding amount



## Origination by banks (% of outstanding amount)

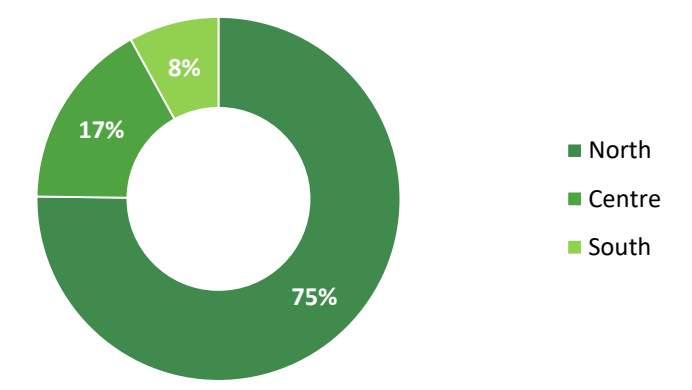
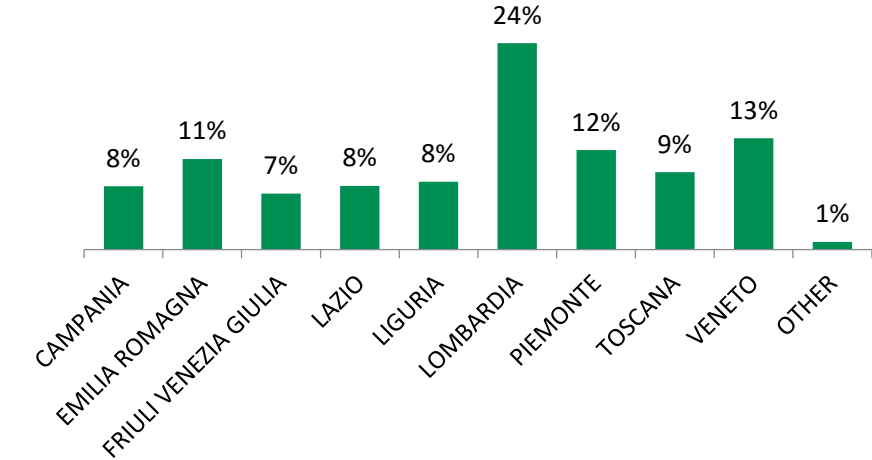


## Breakdown by outstanding amount as % of outstanding amount

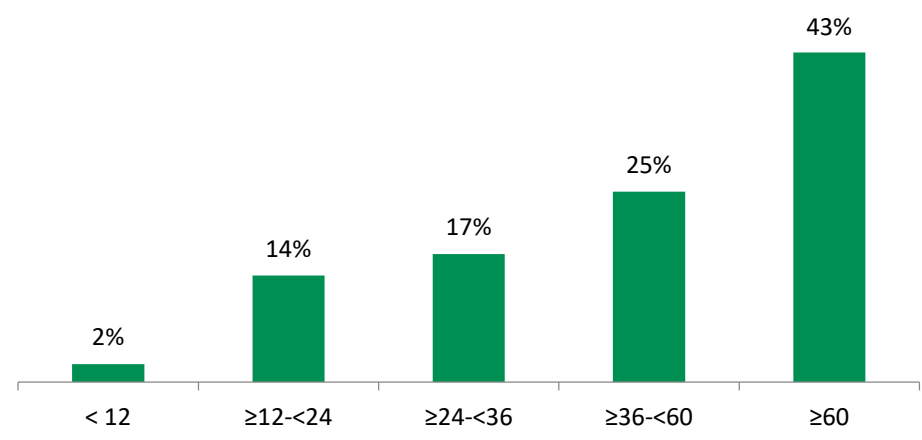




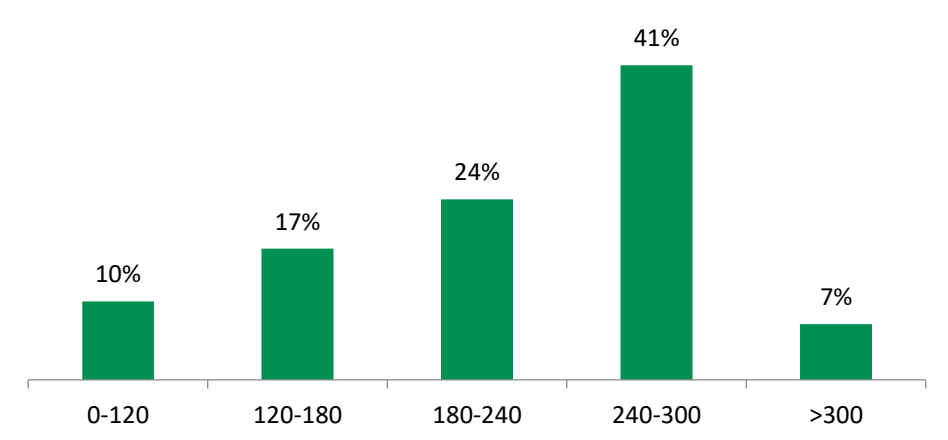
**Breakdown by region as % of outstanding amount**



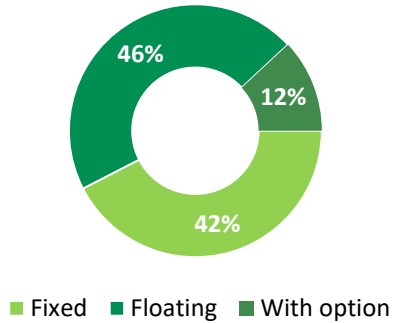
**Breakdown by seasoning (months) as % of outstanding amount**



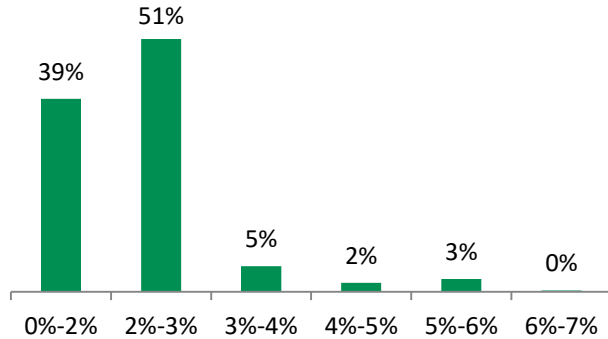
**Breakdown by remaining (months) as % of outstanding amount**



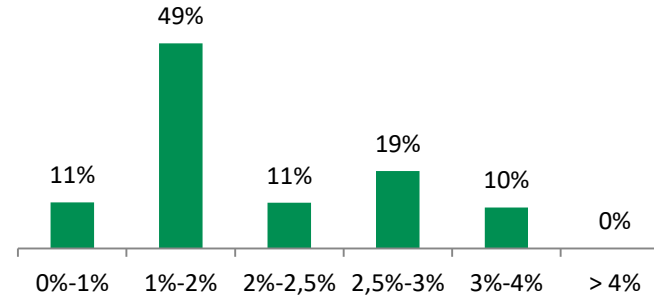
Interest type as % of outstanding amount



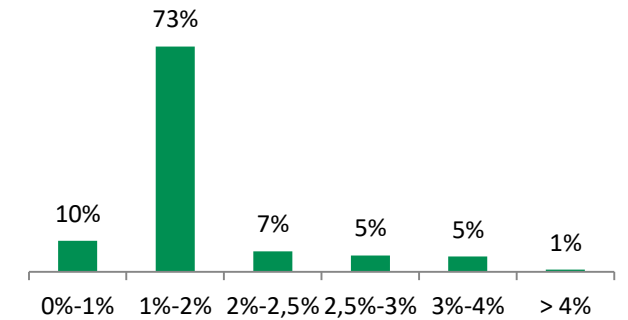
Breakdown fixed interest as % of relevant fixed rate outstanding amount



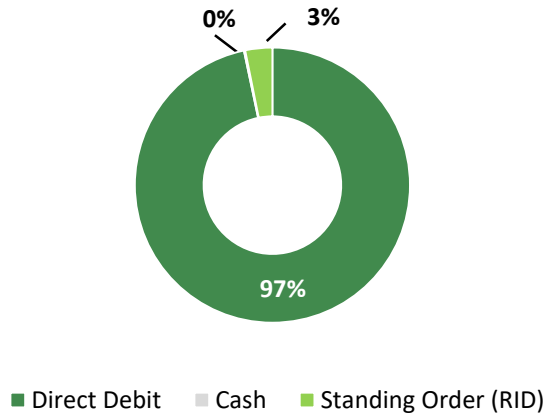
Breakdown "with option", margin on Euribor 3M as % of relevant with option outstanding amount



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



Payment type as % of outstanding amount



## Cover pool mortgage loan performance

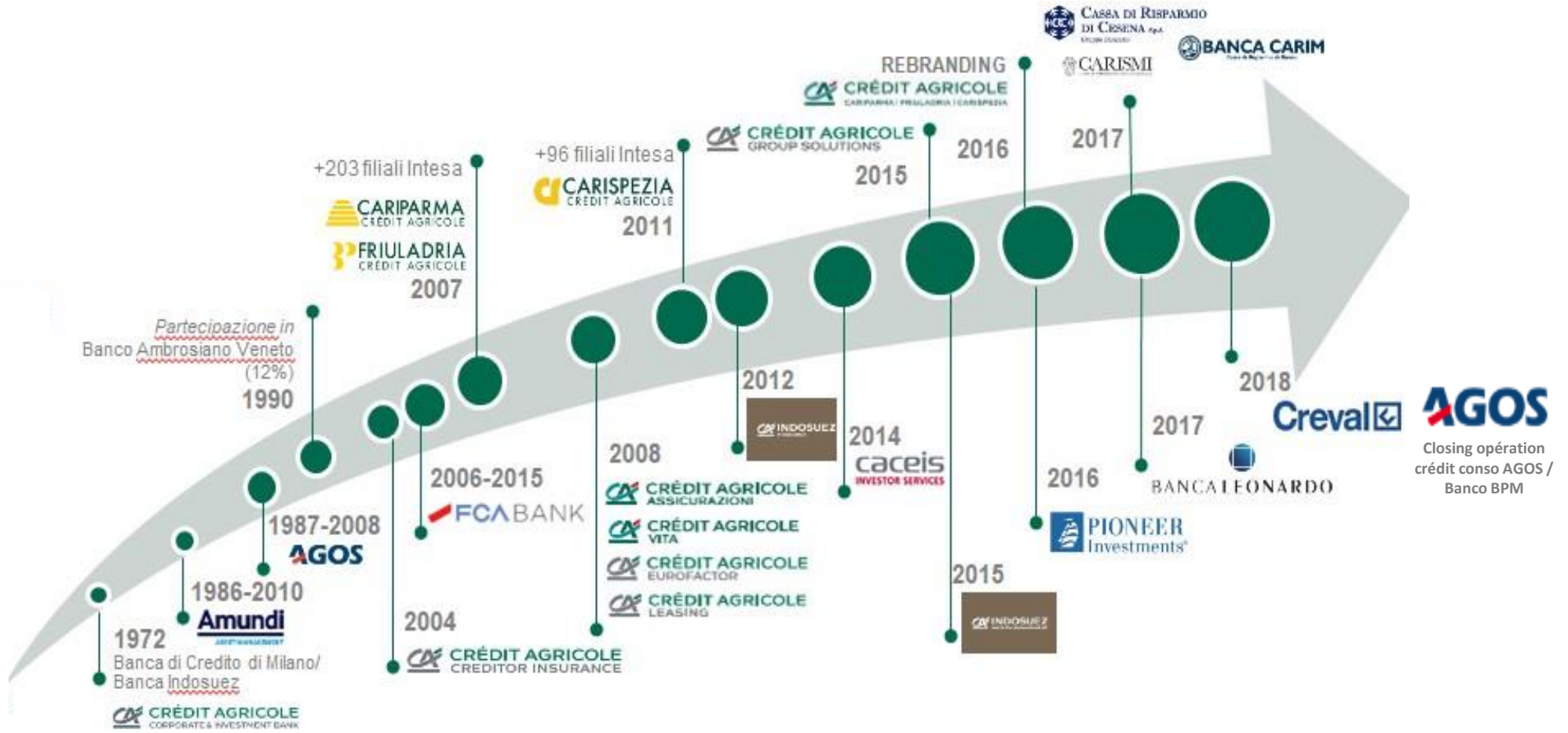
- Loans in Arrears > 90 days: 0.15% of total Cover Pool (vs. 0.18% at 31.12.18)
- Total Loans in Arrears: 3.4% of total Cover Pool (vs. 2.7% at 31.12.18)
- No Bad Debts\* in the Cover Pool: they are bought back on a monthly basis

Issuer	Crédit Agricole Italia
Originator	Crédit Agricole Italia, Crédit Agricole FriulAdria and Crédit Agricole Carispezia (merged in CA Italia at the end of July 2019)
Guarantor	Crédit Agricole Italia OBG S.r.l.
Arranger	CA-CIB
Representative of CB holders	Zenith
Asset Monitor	BDO Italia (ex Mazars)
Rating	Aa3 from Moody's
TPI LEEWAY (Moody's)	2 Notches
Listing	Luxembourg Stock Exchange
Programme Amount	€16bn
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; Series 10 €0.75bn; Series 11 €0.75bn retained

<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 Crédit Agricole Italia Banking Group 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



### **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 moratorium still in progress, or (ii) has been subject to moratorium and, despite the moratorium being over, accrued interest during the period of moratorium has not yet been fully paid;
- 13) excluding mortgage loans to debtors classified as doubtful;
- 14) excluding ABS and commercial mortgage loans.

**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
- **Fondo Interbancario di Tutela dei Depositi (November 2018)** - voluntary intervention scheme of the Italian Interbank Deposit Protection Fund (FITD) in support of Banca Carige which was placed under special administration in January 2019
- **GACS (May 2019)** – authorized an extension until May 2021 of public guarantee for the securitization of non-performing loans



The Covered Bond Programme of Crédit Agricole Italia 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: Aa3 (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"



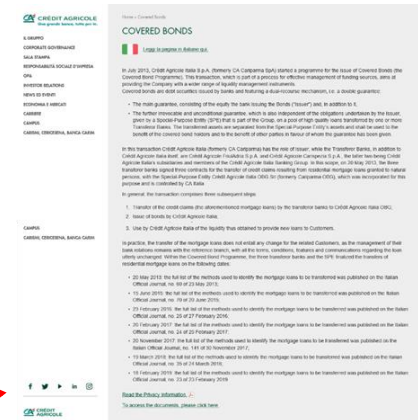
- IL GRUPPO
- CORPORATE GOVERNANCE
- SALA STAMPA
- RESPONSABILITÀ SOCIALE D'IMPRESA
- INVESTOR RELATIONS**
- NEWS ED EVENTI
- SPONSORSHIP RUGBY

3 Click on "Covered Bond"

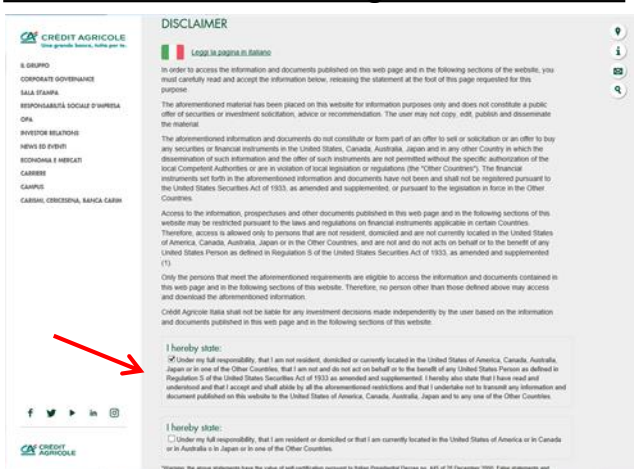


- IL GRUPPO
- CORPORATE GOVERNANCE
- SALA STAMPA
- RESPONSABILITÀ SOCIALE D'IMPRESA
- INVESTOR RELATIONS**
- Covered Bond**

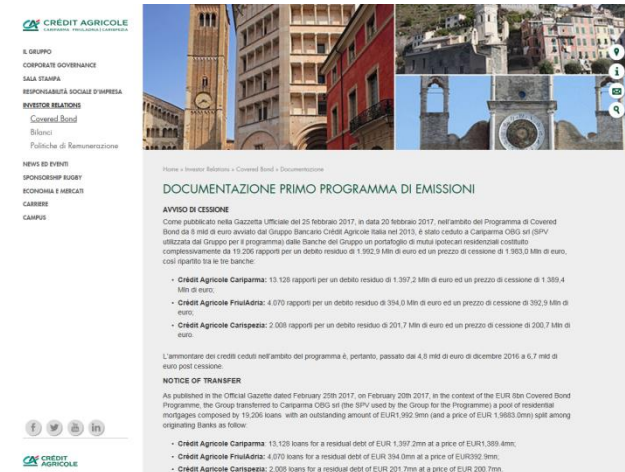
4 Click on "To access the documents, please click here" at the end of the site



5 Click here to insert the flag in the first bottom



**NOW YOU ARE IN THE RESERVED SECTION**



- 1 Executive Summary
- 2 Crédit Agricole Italia Banking Group
- 3 Crédit Agricole Italia Banking Group Financial Highlights
- 4 Italian Housing Market
- 5 Crédit Agricole Italia Banking Group 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)**

**CRÉDIT  
AGRICOLE  
GROUP**  
ITALIA

 **CRÉDIT AGRICOLE**  
CARIPARMA | FRIULADRIA | CARISPEZIA

**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