

Iccrea Banca / Gruppo BCC Iccrea

Issuer View • 3 July 2023

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Iccrea Banca S.p.A. is the parent company and central entity of the Iccrea Cooperative Banking Group (ICBG). On the basis of a cohesion agreement, the group is composed of Iccrea Banca and, as of 31 December 2022, of 118 affiliated cooperative banks. The agreement regulates the mutual rights, permissions and obligations and includes joint and several liability as well as mutual support within the group to ensure solvency and liquidity. ICBG has the largest national cooperative franchise and is the fourth largest Italian banking group by total assets (FY/2022). Over 22,000 employees serve approximately 5.2 million customers in more than 2,400 branches as of FY/2022. Reported in the operating segments "Corporate" (4% of pre-tax profit; FY/2022), "Institutional" (23%), "Retail" (3%) and "Mutual Banks" (72%). At Group level, just under EUR 95bn in customer loans (FY/2022, market share in Italy: 6.1%) are offset by around EUR 121bn in "Direct Funding from Customers". Loans to SMEs occupy the largest position with 46% (FY/2022) of the loan portfolio, followed by private households with 39%. Mortgages represent about 75% of ICBG's total loan portfolio. Customer deposits (national market share: 6.4%) make up the bulk of direct funding at 91% (FY/2022), while issued securities and other liabilities account for 8% and 1%, respectively. ICBG has been active in the field of ESG bonds since November 2021 and has since placed two social bonds, one of which in 2023, with a volume of EUR 500m each. The bank has a NSFR of 145%, a Texas ratio (net NPLs/net tangible equity) of 11% and a NPL coverage ratio of 68.9% as of Q1/2023.

Ratings

	Rating	Outlook
Fitch	BB+	Stable
Moody's	-	-
S&P	BB+	Stable
DBRS	BB (High)	Positive

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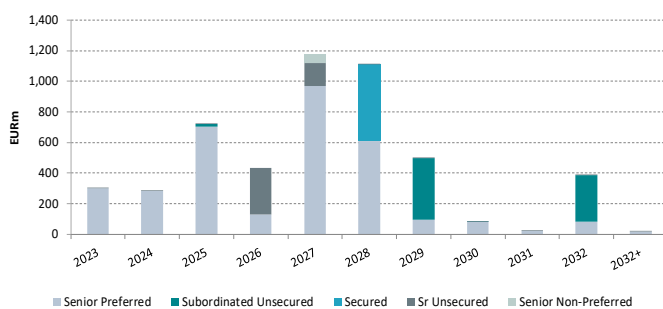
Balance Sheet

(EURm)	2021Y	2022Y	2023Q1
Net Loans to Customers*	88,758	90,869	90,300
Total Securities*	9,196	11,306	9,801
Total Deposits	117,436	119,117	119,612
Tier 1 Common Capital	11,246	12,286	12,210
Total Assets	178,985	173,542	171,466
Total Risk-weighted Assets	63,670	63,891	63,426

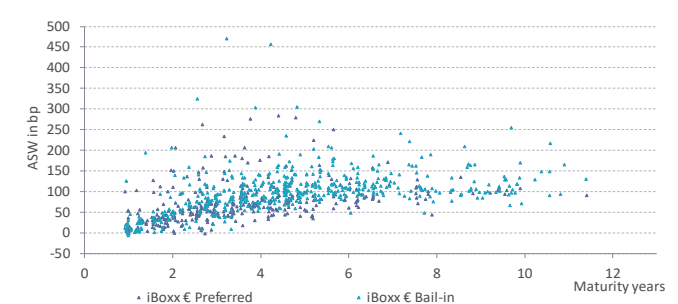
Income Statement

(EURm)	2021Y	2022Y	2023Q1
Net Interest Income	2,761	3,694	957
Net Fee & Commission Inc.	1,286	1,338	338
Net Trading Income	470	45	-
Operating Expense	3,155	3,310	712
Credit Commit. Impairment	1,250	489	22
Pre-tax Profit	438	1,569	593

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023Q1		2021Y	2022Y	2023Q1
Net Interest Margin	1.66	2.22	-	Liquidity Coverage Ratio	289.15	230.50	250.00
ROAE	4.38	15.92	16.39	IFRS Tier 1 Leverage Ratio	6.31	7.11	-
Cost-to-Income	65.13	61.12	53.70	NPL/ Loans at Amortised Cost	4.32	3.17	-
Core Tier 1 Ratio	17.66	19.23	19.25	Reserves/Loans at Amort. Cost	3.41	2.61	-

* Issuer data; As of: 03.07.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Deposit base

Risks / Weaknesses

- Diversification of revenue sources

Covered Bonds

Author: Melanie Kiene, CIIA

Mortgage Covered Bonds Issuance Programme

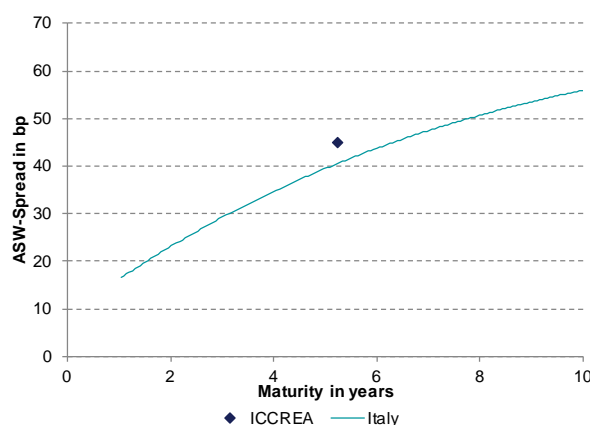
In 2021, the group (issuer: Iccrea Banca S.p.A.) establishes a programme to issue covered bonds in soft bullet format with a total volume of EUR 10.0bn. Currently, the volume of covered bonds issued under this programme amounts to a EUR 500m benchmark bond, which is also part of the July composition of the iBoxx EUR Covered. The outstanding Obbligazioni Bancarie Garantite is matched by a cover pool with a total volume of EUR 1.8bn.

Programme data

31 March 2023	Mortgage
Covered bonds outstanding	EUR 0.500bn
Cover pool volume	EUR 1.759bn
Current OC (nominal / committed)	251.8% / 7.5%
Type	100% Residential
Main country	100% Italy
Number of mortgage loans	15,332
Average outstanding balance	EUR 145,254
Weighted average LTV	56.7%
Fixed interest (Cover Pool / CBs)	56.1% / 100.0%
Currency (Cover Pool / CBs)	100% EUR / 100% EUR
WAL (Cover Pool / CBs)	10.4y / 5.2y
CB Rating (Fitch / Moody's / S&P)	- / Aa3 / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – Italy



Cover pool with focus on residential mortgages

As at 31 March 2023, the cover pool collateralising Iccrea Banca's covered bonds has only residential mortgage loans in Italy as primary cover. The programme documentation also allows for the addition of commercial mortgage loans and public agency securities to the cover pool, with each of these types of assets not allowed to exceed 20% of the cover pool at any time. Geographically, all assets are located in Italy. The region Emilia-Romagna dominates with a share of 24.6% of the loan volume, followed by Friuli-Venezia Giulia (19.9%), Lombardia (18.8%) and Veneto (12.8%). The average loan volume is EUR 145,254 and based on the outstanding loan amount it is EUR 109,597. The average weighted current loan-to-value (LTV) ratio is reported at 56.7%. 43.9% of the loans issued are at floating rates and have a weighted average remaining maturity of 16.63 years. 84.5% of the loans are for financing that has been in place for 36 months or more. Iccrea states in its cover pool report for the end of March, 0.46% of the volume of loans in the pool is in deferred payment, another 0.02% of the volume has been in arrears for more than 90 days and 0.12% is shown as in default.

Rating and regulatory

Iccrea Banca's covered bond programme is rated "Aa3" by Moody's. The collateral score is 6.9%. In our view, the rating makes the corresponding benchmark bonds suitable as Level 1 assets within the scope of LCR management. In addition, all covered bonds benefit from a preferred risk weight of 10% according to CRR. In addition, they can be used as eligible collateral in the context of ECB collateral management.

Annex

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Time of going to press: Monday, 03 July 2023 (11:41)