



1H 2015 Results

5 August 2015

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The Manager responsible for preparing the financial reports of Banca CARIGE S.p.A, Mr. Luca Caviglia, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this presentation corresponds to the underlying documentary evidence and accounting records.

It is noted that the Bank has classified, measured and presented data relating to groups of assets held for sale (Creditis) and discontinued operations (Insurance Group) according to the provisions of IFRS 5. Further to the resolution adopted by the Board of Directors on 30 June 2015, Banca Cesare Ponti has ceased to be classified under groups of assets held for sale. Some comparative data contained in this press release, in addition to those reported in the attached Financial Statements, have consequently been restated, as necessary and even where not provided for by the afore-mentioned accounting standard, in order to take account of changes made to groups of assets held for sale and allow for a like-for-like comparison.

Note: due to rounding off, the sum of some separate figures may differ from their respective aggregate amounts; the percentage variation is calculated from data not rounded off.



Highlights

1H15 Consolidated Results

1H2015: speed-up of the turnaround process

2014: FIRST PHASE OF TURNAROUND

- ✓ Risk profile reduction
- ✓ Branch network rationalisation (36 branches closed)
- ✓ 2014-2018 Business Plan
- ✓ EUR 800 mln Capital Increase
- ✓ Trade Union Agreement
- ✓ Early repayment of LTRO & Participation in T-LTRO programme
- ✓ New organisational and governance model
New Management Team
- ✓ Signing of Insurance Companies Disposal
- ✓ Re-opening of bond issuance programme
- ✓ Comprehensive Assessment Results and Capital Plan

2015: SECOND PHASE OF TURNAROUND

ROLL OUT OF BUSINESS PLAN

- 2015-2019 Business Plan ✓ 19/03/2015 approved
- Binding offer for Creditis ✓ 30/04/2015
- Closing of Insurance Companies Disposal ✓ 5/06/2015
- EUR 850 mln Capital Increase ✓ 2/07/2015 completed
- Merger by absorption of CRS and CRC ✓ 30/06/2015 resolution
- Strategic re-focusing of Banca Cesare Ponti ✓ 30/06/2015
- Closure of 15 branches out of 45 (as per BP)
- Cost Excellence Programme: EUR 3.8 mln savings formalised (EUR 5.7mln at steady state)

- ⚠ IT Unit efficiency improvement
- ⚠ Back-office efficiency improvement
- ⚠ Hub & Spoke Model – Roll Out of Pilot Project
- ⚠ New branch layout

2014

2015

Securing the Group

Improving efficiency

Commercial momentum

Intensive Capital Management activities



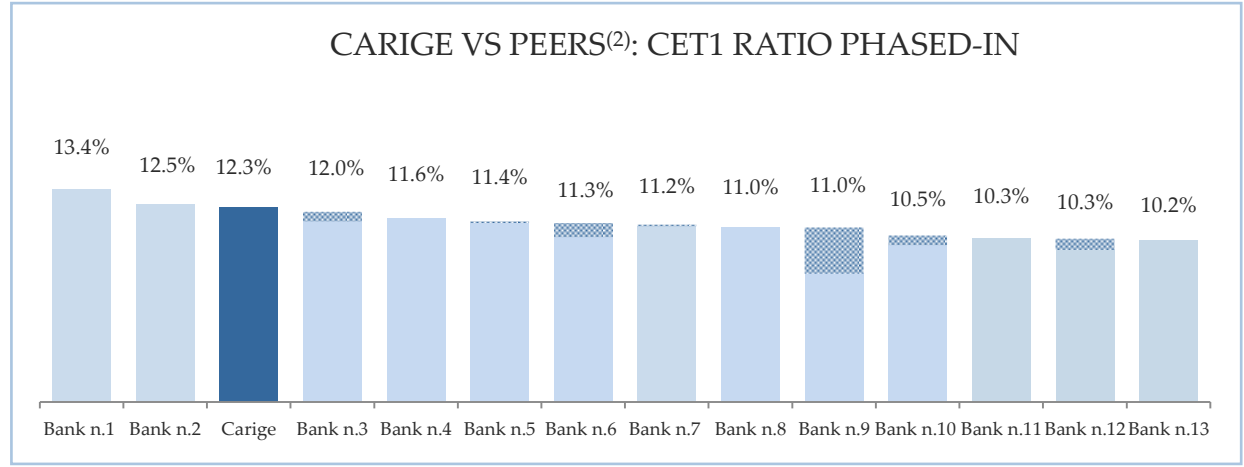
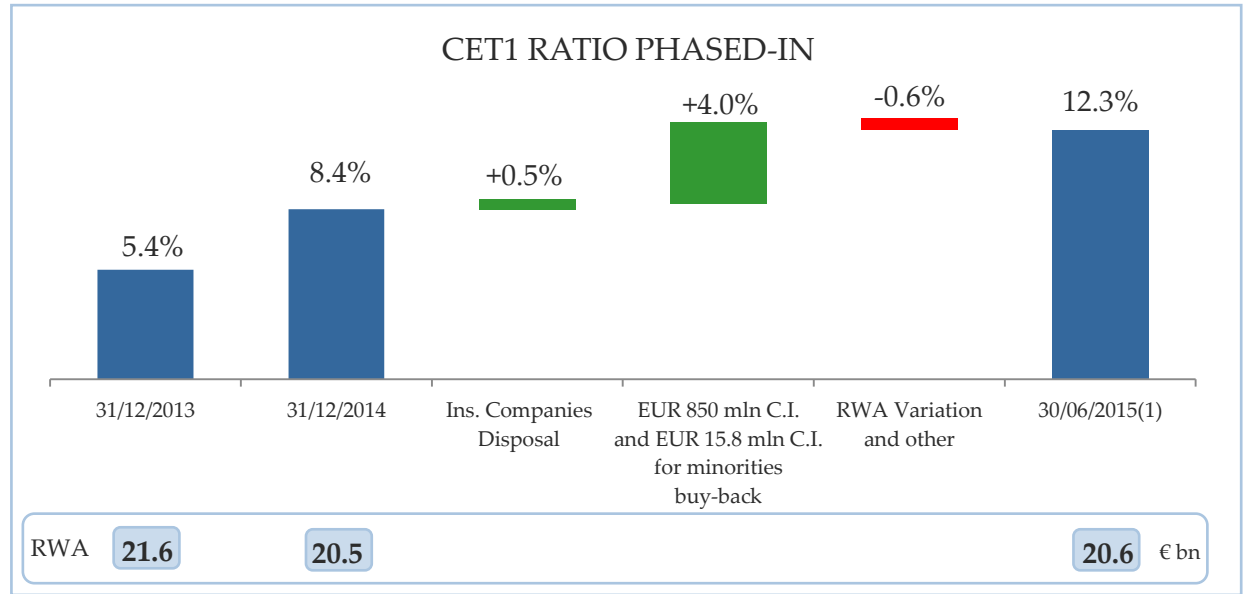
✓ CAPITAL INCREASE

- 99.83% of Capital Increase subscribed during the Offering Period
- Unexercised rights sold out on first trading day

✓ CLOSING OF INSURANCE COMPANIES DISPOSAL

⚠ NEGOTIATIONS WITH APOLLO FOR CREDITIS DISPOSAL

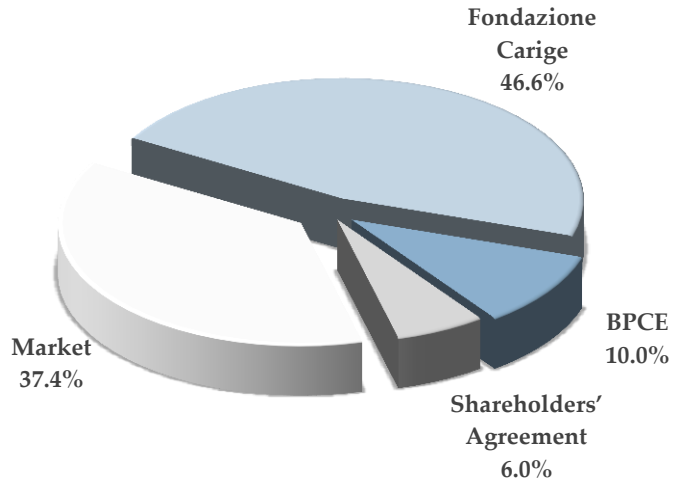
⚠ MERGER BY ABSORPTION OF CR SAVONA AND CR CARRARA



▪ CET1 ratio among the highest in the Italian Banking System, significantly higher than the 11.5% target level which the ECB had required the bank to attain

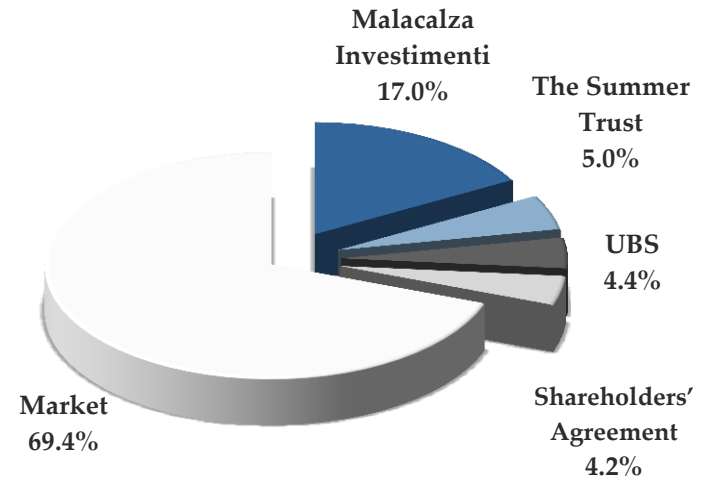
(1) Ratio estimated on the basis of operational data, pending official reporting
 (2) Intesa (1H15), BPM, BP Sondrio, Desio, BPER, UniCredit, Banco Popolare, MPS, Creval, Credem and UBI (1Q15), Vicenza and Veneto Banca (FY14); the darker parts of the histograms reflect the percentage of the p.f CET1r as disclosed by the banks in the sample.

END 2013



- Fondazione Carige held over 46% of the Group's share capital
- The market - excluding the stakes held by BPCE and by a Syndicate of shareholders - owned less than 40%

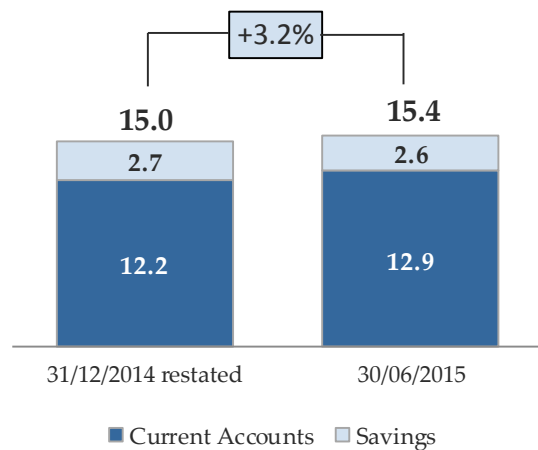
TODAY



- The 'Malacalza Investimenti' Company joined the shareholders with a 17.0% stake
- Fondazione Carige reduced its stake to less than 2% of the Group's share capital, binding its shareholding to a Shareholders' Agreement with the 'Malacalza Investimenti' Company
- Coop Liguria, Talea, Fondazione CR Savona and Fondazione CR Carrara entered into a Shareholders' Agreement on 4.2% of the Group's capital
- BPCE announced stake lowering to less than 2%

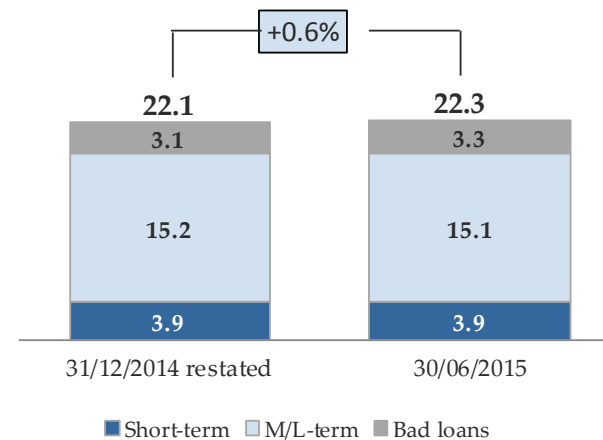
CORE FUNDING

€ bn



LOANS TO CUSTOMERS⁽¹⁾

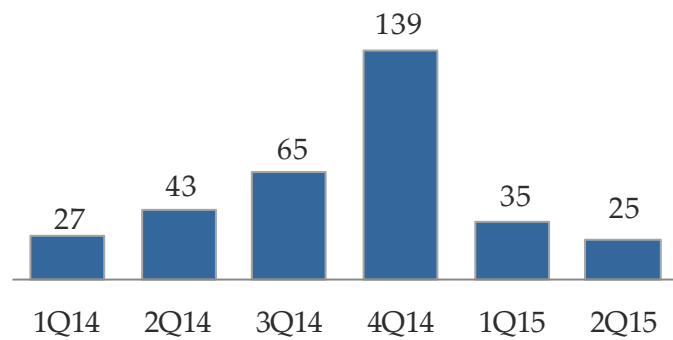
€ bn



(1) Institutional component not included

COST OF CREDIT⁽¹⁾

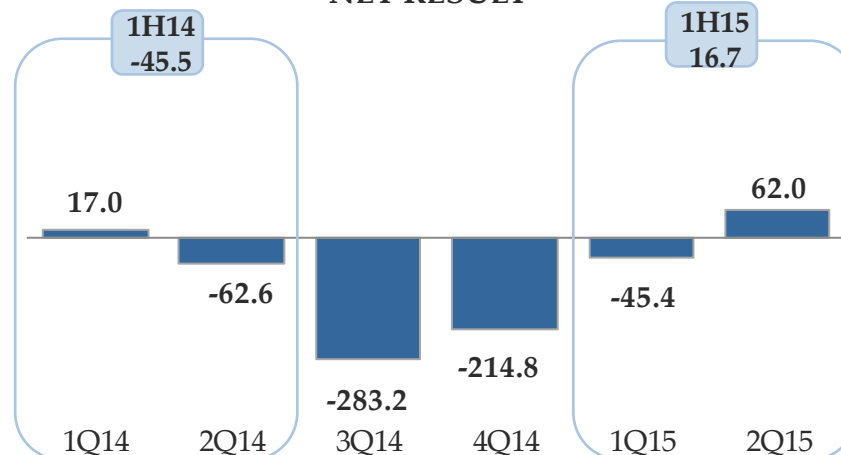
bps



(1) Ratio of LLPs and net loans to customers

NET RESULT⁽¹⁾

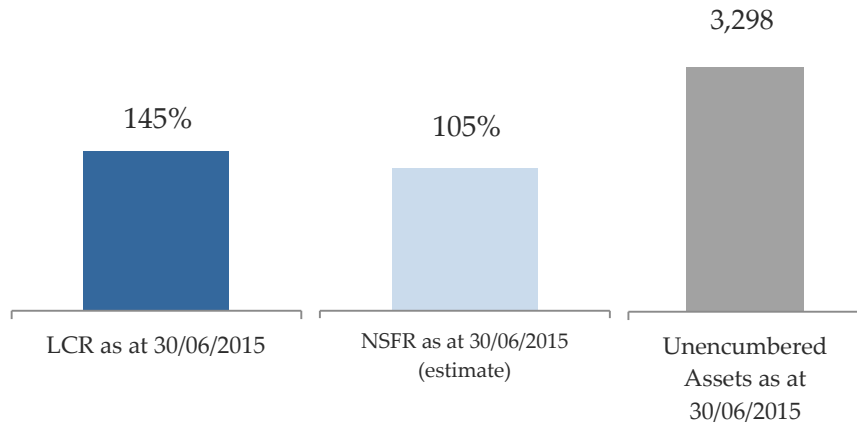
€ mln



(1) 1H15 result includes the EUR 68 mln positive effect from disposal of the Insurance Group, mainly arising from the reversal to profit or loss of the positive valuation AFS reserves

LIQUIDITY

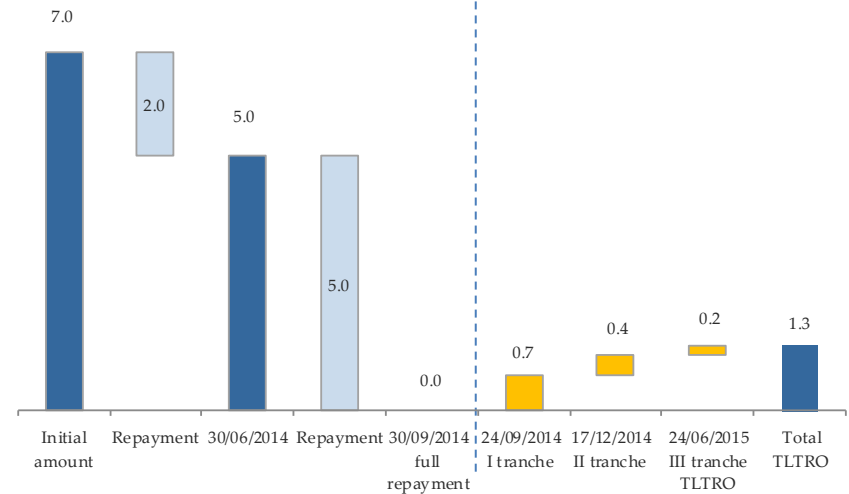
%, € mln



LTRO

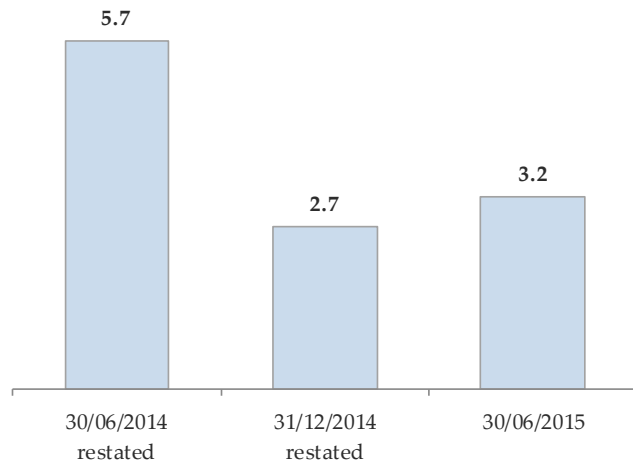
T-LTRO

€ bn



ITALIAN GOVERNMENT BONDS PORTFOLIO

€ bn

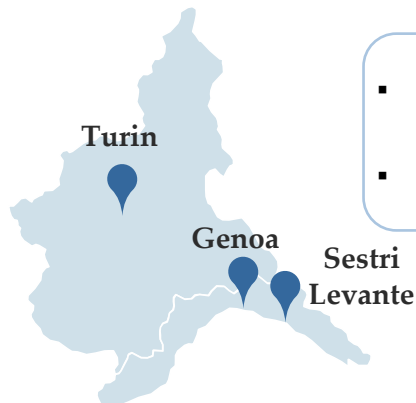


Avg. term to maturity **1.8** **1.9** **2.3** years

- Structural increase of the short and medium-term liquidity ratios, already above the full compliant regulatory targets
- T-LTRO funding further up to EUR 1.3 bn
- EUR 3.3 bn unencumbered assets as at 30/06/2015
- The increase in the securities portfolio is a consequence of additional liquidity generated by the Capital Increase, by Insurance Companies disposal and new T-LTRO funding

FIRST GOALS ACHIEVED

Launch of the Pilot Project for new Hub&Spoke distribution model in 3 micro-markets



- 9 branches
- 50 employees involved

New Segmentation

- New methods of segmentation and allocation of customers to relationship managers, in order to seize full customer potential

NEXT STEPS

New commercial roles

- Re-deployment of ~450 resources dedicated to commercial roles (i.e. managers, developers and contact center)

Roll out

Phase I

By 4Q2015

- 294 branches involved
- 35 to become Hub branches
- 63 to become Spoke branches
- 79 Cashless / Cashlight

Phase II

By 1Q2016

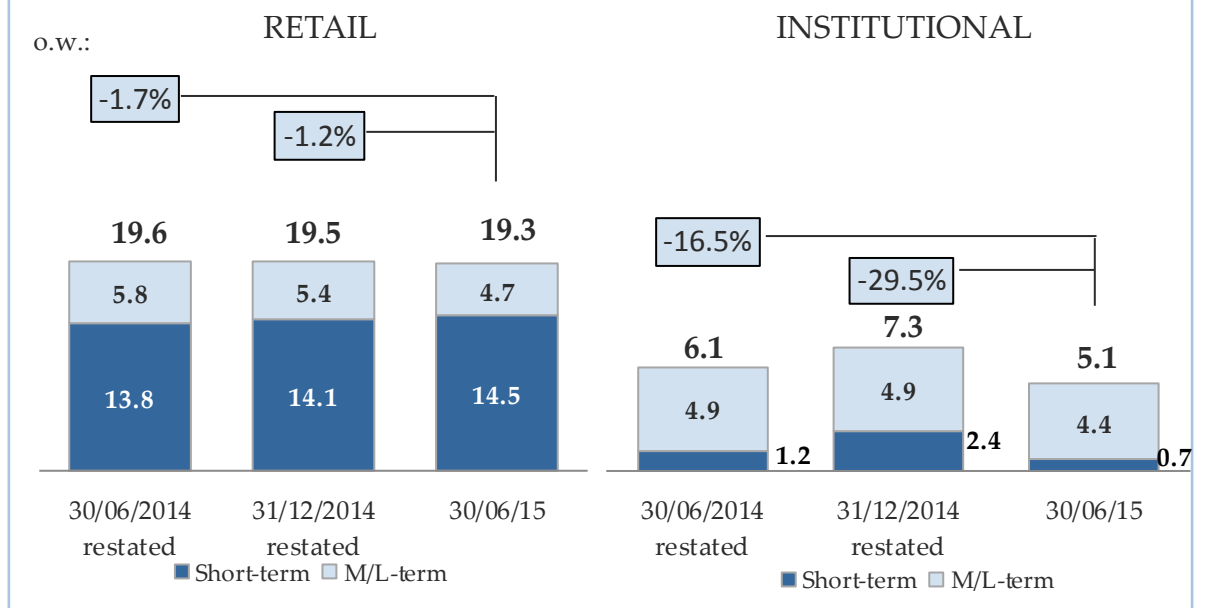
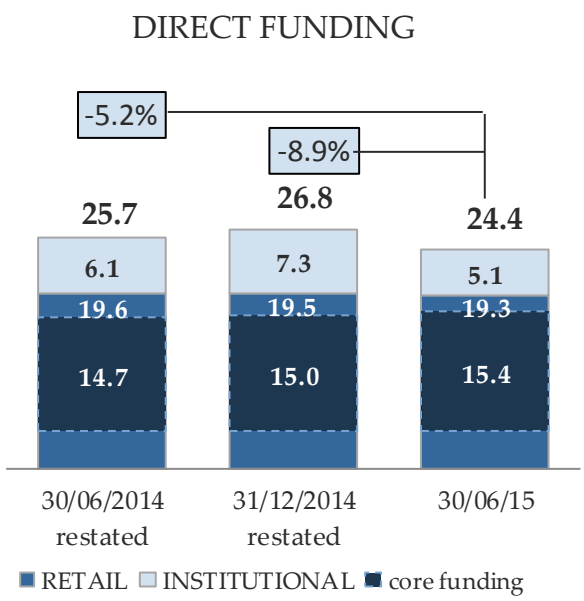
- 315 branches involved
- 74 to become Hub branches
- 127 to become Spoke branches
- 73 Cashless / Cashlight



Highlights

1H15 Consolidated Results

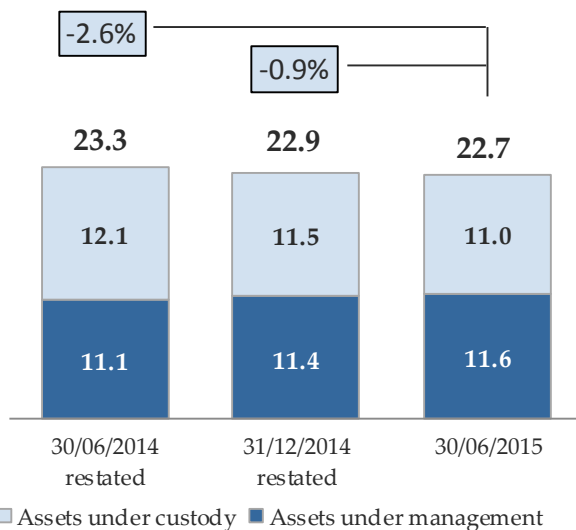
€ bn



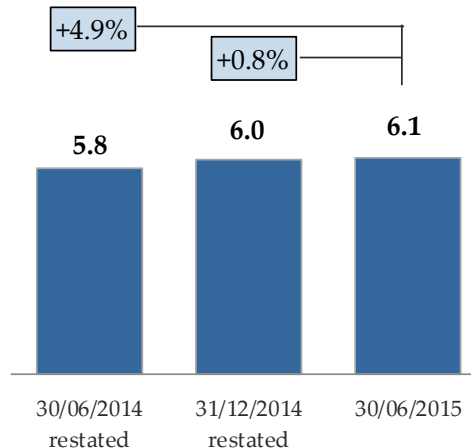
- Direct retail funding (net of institutional funding) was substantially stable in the six-month period (-1.2%) although its “core” component shows a 3.2% growth to EUR 15.4 bn, driven by the upswing in current accounts (+5.2%). Funding from bonds placed with retail customers (EUR 3.5 bn) was down 16.6%, due to large amounts coming to maturity in the first months of the year (EUR 1.3 bn worth of bonds), and partly to the Group's will to give priority to other funding sources
- Direct funding was down overall by 8.9% in 1H15, mainly as a result of the downturn in the institutional component (-29.5% to EUR 5.1 bn), reflective of a reduction in sell/buy back REPOs (similar to that in ‘buy/sell back’ REPOs) coupled with a senior covered bond (EUR 800 mln) and a covered bond (EUR 500 mln) issuance coming to maturity in March

€ bn

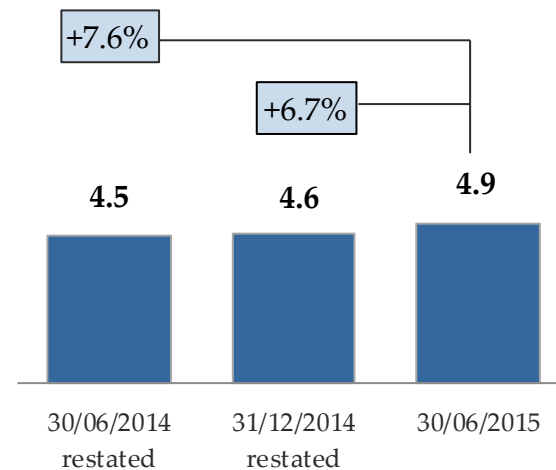
INDIRECT FUNDING



MUTUAL FUNDS



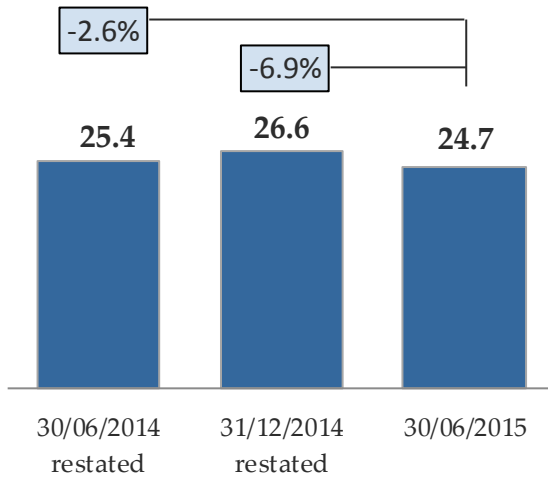
BANCASSURANCE PRODUCTS



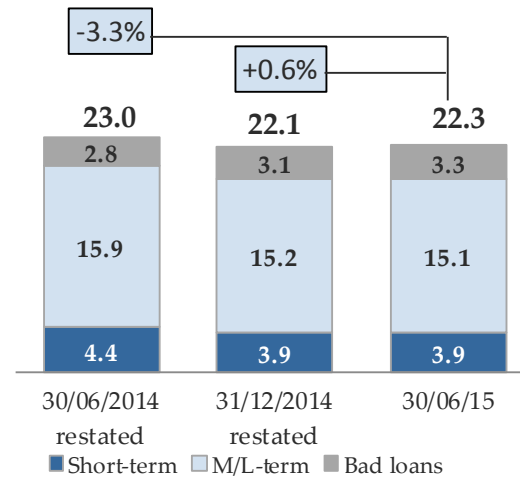
- Indirect funding amounted to EUR 22.7 bn and decreased by 0.9% in the six-month period despite a good performance in Assets under Management (+2.4% to EUR 11.6 bn), which came to account for more than 50% of total indirect funding in H1
- As part of Asset Management, mutual funds amounted to EUR 6.1 bn (+0.8% on the year-end balance), growing particularly in the segment of flexible funds (+2.5% to EUR 2.6 bn), which are overperforming compared to the commitments entered into with the asset management company Arca SGR (whose funds amount to EUR 4.1 bn, growing by 4.3% in 1H15)
- Bancassurance products grew by 6.7% to EUR 4.9 bn: the portion covered by the distribution agreement with the new insurance partner amounts to EUR 4.4 bn (+6.9%), with EUR 477.8 mln premiums underwritten in 1H15 (EUR 639.9 mln in 2014), on average in excess of the commitments undertaken with Apollo

€ bn

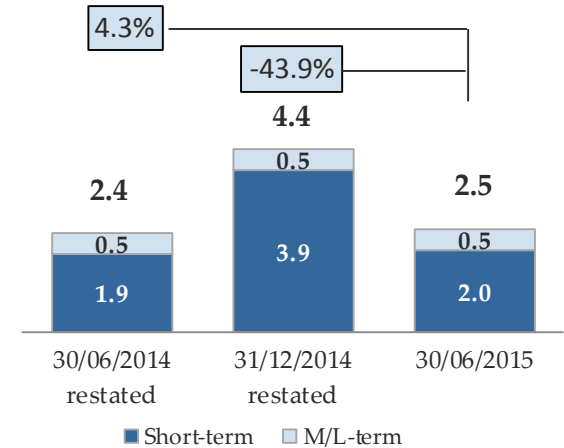
GROSS LOANS



o.w.: CUSTOMER LOANS



INSTITUTIONAL⁽¹⁾



- Customer loans (retail and corporate) have further reversed their downward trend (+0.6% in 1H15 to EUR 22.3 bn); loans to the corporate segment showed an increase (+0.2% to EUR 11.9 bn) against the decrease in loans to retail customers (-2.1% to EUR 6.5 bn)
- The overall decrease in gross loans in 1H15 (-6.9%) was related to the drop in the institutional component (-43.9% to EUR 2.5 bn) which is mainly composed of 'buy/sell back' REPOs (temporarily used for investing treasury liquidity) and by interest-bearing postal bonds
- A growth was observed in loans *eligible* for T-LTRO funding, which enabled access to an additional EUR 160 mln worth of funds in June

(1) Includes interest-bearing postal bonds, REPOs with financial institutions and other loans

€ mln		30/06/2015						Coverage Avg. Regional peers as at 31/03/2015 ⁽²⁾
Loans		Gross	%	Loan losses	Net	%	Coverage	Coverage including write-offs
Bad loans		3,269.6	13.2%	1,913.6	1,356.1	6.2%	58.5%	61.1%
Unlikely to pay		3,282.9	13.3%	768.6	2,514.3	11.5%	23.4%	23.4%
Past Due		236.9	1.0%	36.4	200.5	0.9%	15.4%	15.4%
Non-performing loans		6,789.4	27.4%	2,718.6	4,070.8	18.6%	40.0%	41.9%
Performing loans		17,960.0	72.6%	176.2	17,783.8	81.4%	1.0%	1.0%
Total loans to customers		24,749.4	100.0%	2,894.8	21,854.7	100.0%	11.7%	12.5%

o.w. under work out agreements		31/03/2015 restated						31/12/2014 restated					
Loans		Gross	%	Loan losses	Net	%	Coverage	Gross	%	Loan losses	Net	%	Coverage
Bad loans		3,174.3	12.7%	1,860.4	1,313.9	6.0%	58.6%	3,091.3	11.6%	1,807.2	1,284.1	5.4%	58.5%
Unlikely to pay		3,443.4	13.8%	804.0	2,639.4	12.0%	23.3%	3,228.6	12.2%	760.6	2,468.0	10.4%	23.6%
Past Due		174.9	0.7%	26.6	148.3	0.7%	15.2%	169.4	0.6%	23.9	145.5	0.6%	14.1%
Non-performing loans		6,792.7	27.3%	2,691.0	4,101.7	18.6%	39.6%	6,489.3	24.4%	2,591.6	3,897.6	16.4%	39.9%
Performing loans		18,123.6	72.7%	184.6	17,939.0	81.4%	1.0%	20,081.0	75.6%	206.8	19,874.2	83.6%	1.0%
Total loans to customers		24,916.3	100.0%	2,875.6	22,040.7	100.0%	11.5%	26,570.3	100.0%	2,798.5	23,771.8	100.0%	10.5%

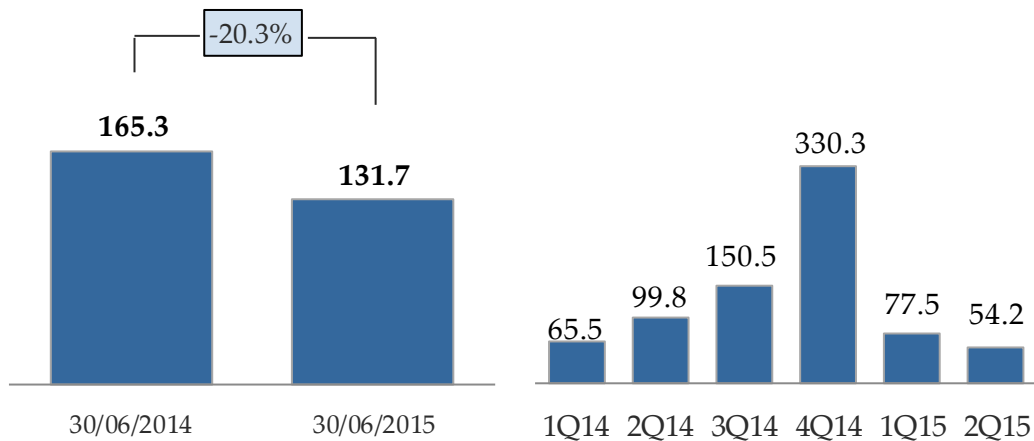
- Stabilisation of NPLs on 1Q15 levels
- Signing of work out agreements for EUR 813 mln worth of exposures previously classified as 'substandard', and maintained in the 'unlikely-to-pay' category; additional EUR 159 mln worth of work out agreements signed after 30 June 2015, and other EUR 648 mln already approved (for an overall amount of EUR 1.6 bn)
- Non-performing loan coverage is essentially stable on end-2014 levels, among the highest for regional banks

(1) Excluding debt securities classified as L&R

(2) Calculated on data disclosed to the public by UBI, Banco Popolare, BPER, BPM, Credem, Creval and BP Sondrio

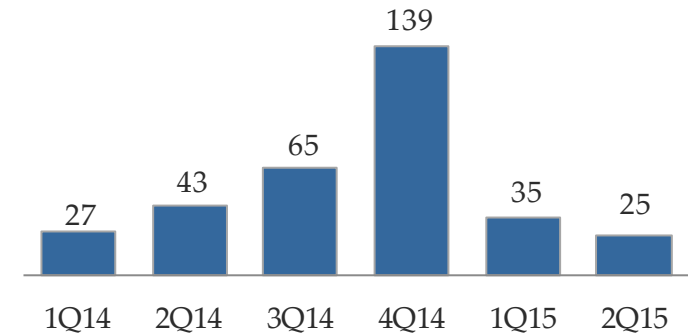
LOSS PROVISIONS ON CASH LOANS

€ mln



COST OF CREDIT⁽¹⁾

bps

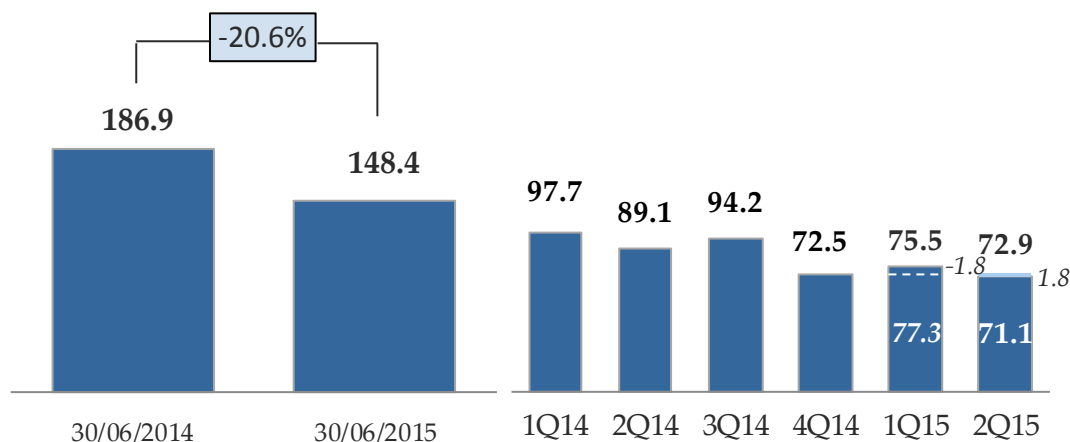


(1) Ratio of loan provisions to net loans to customers

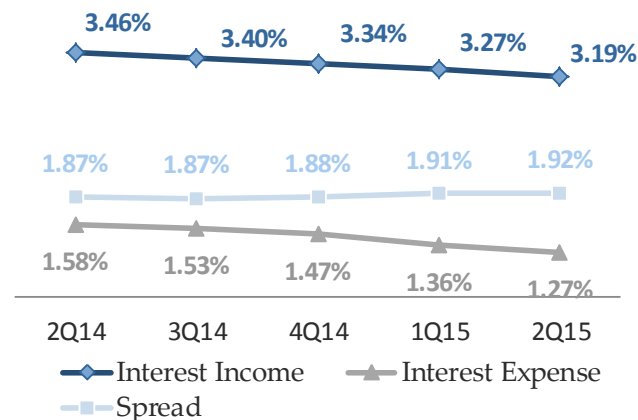
- Loan loss provisions (EUR 131.7 mln) down 20.3% Y/Y, proceeding through the normalisation path outlined in the Business Plan
- In 2Q15, loan loss provisions totalled EUR 54.2 mln vs. EUR 77.5 mln in 1Q15
- Cost of credit is currently at 25 bps, a material reduction with respect to previous quarters

NET INTEREST INCOME

€ mln



CUSTOMER SPREAD⁽¹⁾

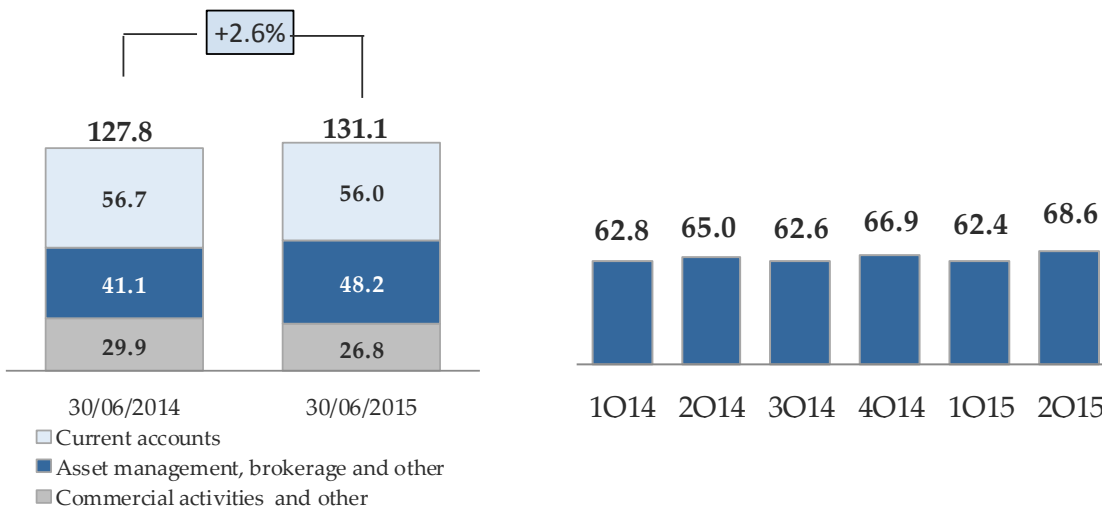


(1) End-of-period customer spread referring only to funding/lending via the distribution network

- Net Interest Income (EUR 148.4 mln) in June was down 20.6% Y/Y, primarily as a result of lower interest-bearing assets, in connection with exposures reclassified to bad-loan status in 2014, and a lower contribution from the Group's securities portfolio
- In addition to the lower input from the Group's securities portfolio (-EUR 1.7 mln), the decrease in net interest income in 2Q15 (-6.2% Q/Q) is largely due to work-out agreements on large-amount non-performing loans - classified as 'unlikely-to-pay' - whose grace period has occasionally had effect on prior interest income accrued. Net of this adjustment (EUR 1.8 mln), net interest income in 2Q15 totals EUR 72.9 mln (-3.6% Q/Q) and customer spread confirms its positive performance

NET FEES AND COMMISSIONS

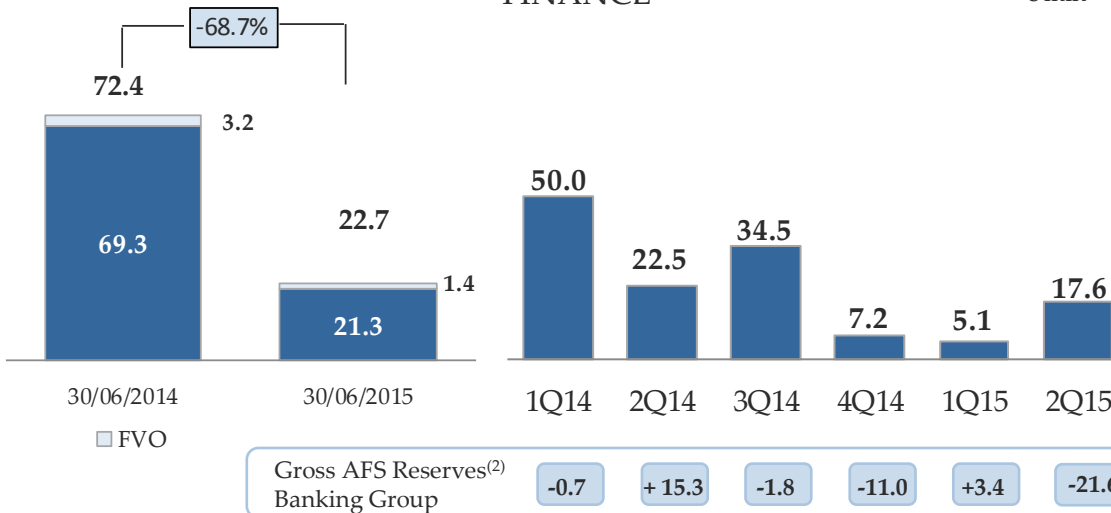
€ mln



- In 1H15, net fee and commission income (EUR 131.1 mln) was up 2.6% with respect to 1H14
- The increase derives from bancassurance and AuM fees and commissions (+EUR 6.6 mln to EUR 31.7 mln) driven by the positive placement of mutual funds and insurance products, albeit partially offset by a decrease in fees on collection and payment services (-EUR 1.8 mln to EUR 31.3 mln) and on c/a recovery fees (-EUR 6.6 mln to EUR 57.5 mln)

FINANCE⁽¹⁾

€ mln



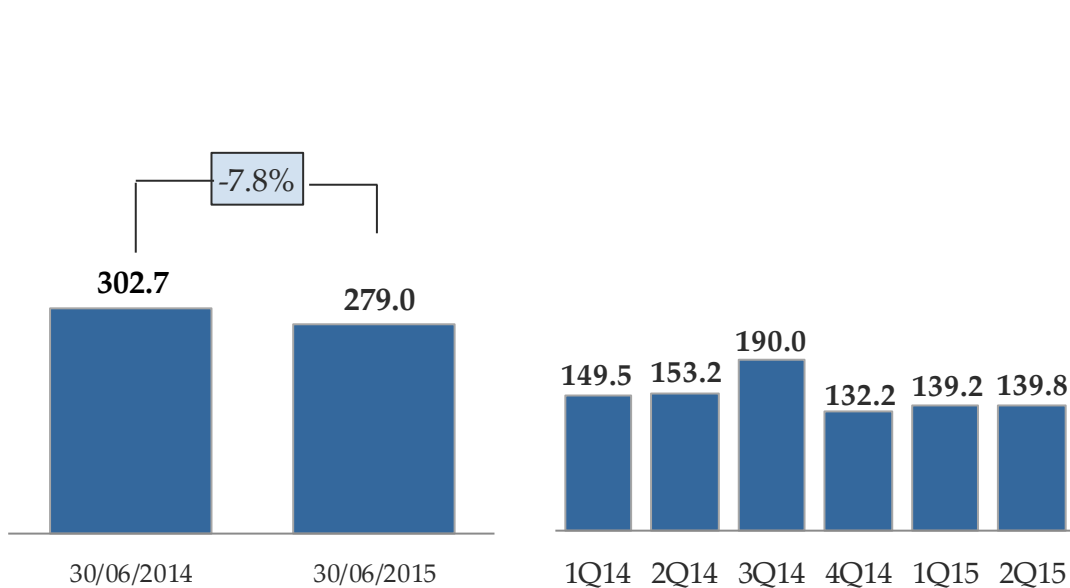
- Income from financial activities is a positive EUR 22.7 mln, compared to a similar result of +EUR 72.4 mln in 1Q14, strongly influenced by the non-recurring divestment of the AFS portfolio
- As at end July the AFS reserves are almost reduced to zero

(1) Dividends, net profit (loss) from trading, gains/losses from valuation

(2) Operational data restated for prior periods

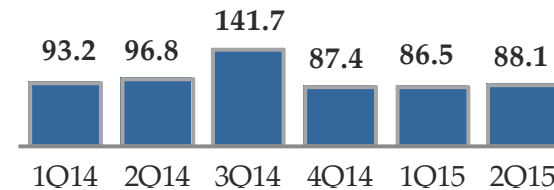
OPERATING COSTS

€ mln

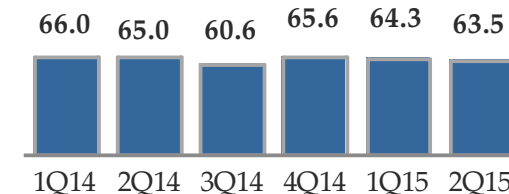


O.W.:

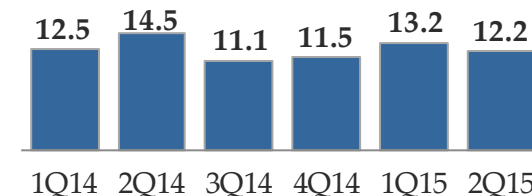
PERSONNEL COSTS



OVERHEAD COSTS



AMORTISATION⁽¹⁾



- Operating costs (EUR 279.0 mln) were down 7.8% Y/Y on the back of cost-containment measures implemented
- Personnel costs (EUR 174.6 mln) were down by over EUR 15 mln from 1H14 (-8.1%) driven by the definition of incentive-based retirement schemes and to Union agreements
- Administrative expenses were similarly on a downtrend (-2.5% to EUR 127.8 mln) driven by the cost-curbing actions introduced under the 'Cost Excellence' programme

(1) Net provisions for risks and charges, net adjustments to/ recoveries on property, plant, equipment and on intangible assets

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