



2016-2020 Strategic Plan Update

Accelerating delivery on strategic priorities

Genoa, 28 February 2017

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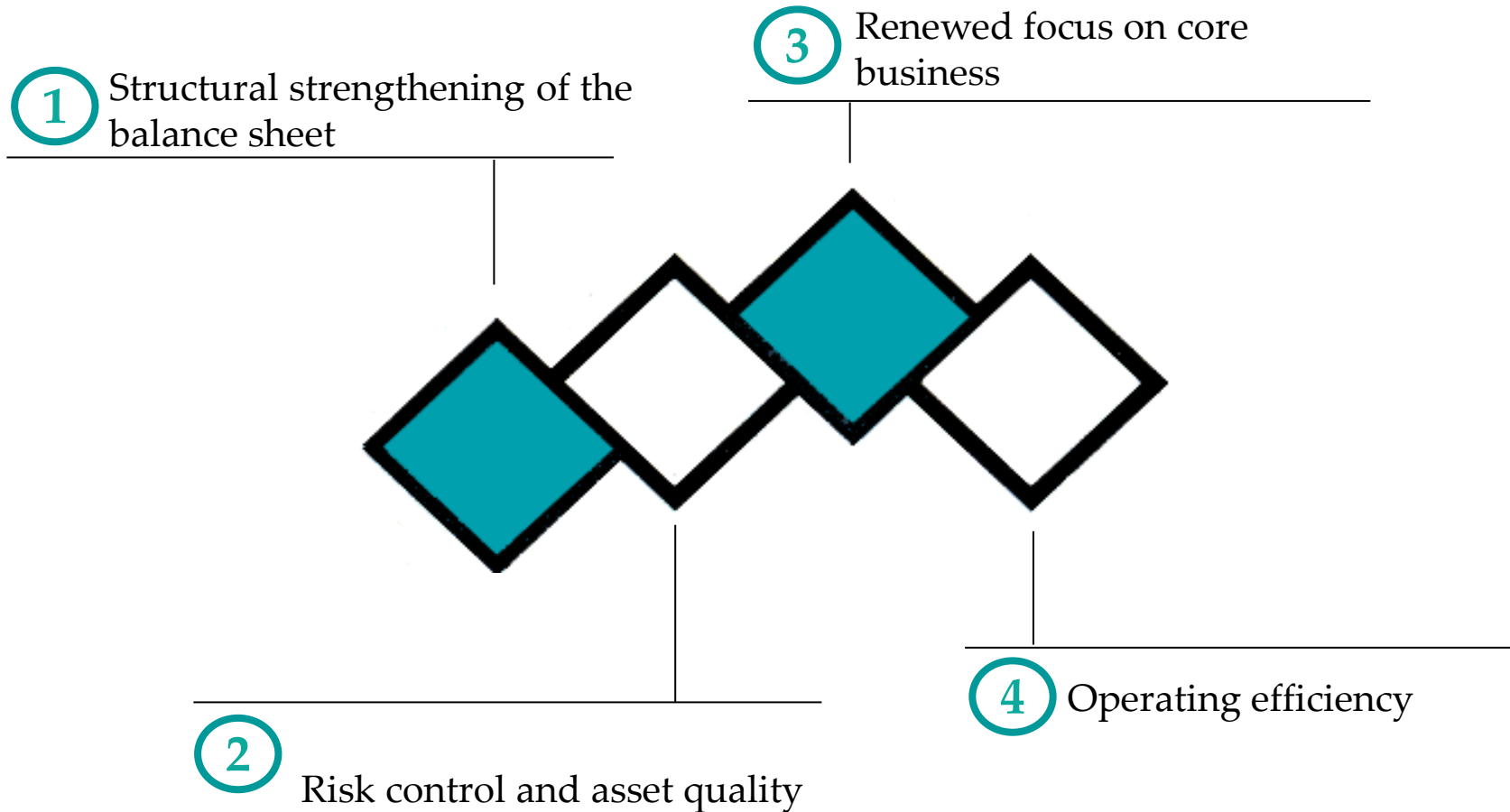
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Section 1

Accelerating delivery on strategic priorities

The pillars of Carige's strategy

Carige has reviewed its strategic priorities for 2020, consistently with the targets of the previous Strategic Plan



Review of strategic priorities

Proactive approach to allow for a prompt structural strengthening of the balance sheet...

- Structural solution to the NPLs to reduce risk and improve asset quality
- Capital base adjusted to allow for a radical solution to Bad Loans (“Sofferenze”)
- Full compliance with regulatory targets
- Renewed focus on the Bank’s core business
- Stronger cost management discipline

...generating value for the Bank’s shareholders and other stakeholders

Carige intends to keep fueling its strategic objectives by reviewing the actions foreseen in the 2016-2020 Plan presented in June 2016

Strategic initiatives	Levers
1 Structural strengthening of the balance sheet	1.1 Separation of Bad Loans portfolio 1.2 Accelerated achievement of ECB's NPL targets 1.3 Stronger capital position 1.4 Rebalanced funding mix and reduced cost of funding
2 Risk and asset quality control	2.1 Focus on the management of the remaining UTP and PD portfolios 2.2 New model for NPL management 2.3 Stronger operating capacity
3 Renewed focus on core business	3.1 Refocus on Carige's core footprint 3.2 New commercial model 3.3 Return to growth
4 Operating efficiency	4.1 Further branch rationalization 4.2 Organizational review with lower operating costs 4.3 Optimization of the cost base

The strategic objectives will be achieved by means of a series of well-defined initiatives

Strategic initiatives	Levers
1 Structural strengthening of the balance sheet	1.1 Separation of Bad Loans portfolio 1.2 Accelerated achievement of ECB's NPL targets 1.3 Stronger capital position 1.4 Rebalanced funding mix and reduced cost of funding
2 Risk and asset quality control	
3 Renewed focus on core business	
4 Operating efficiency	

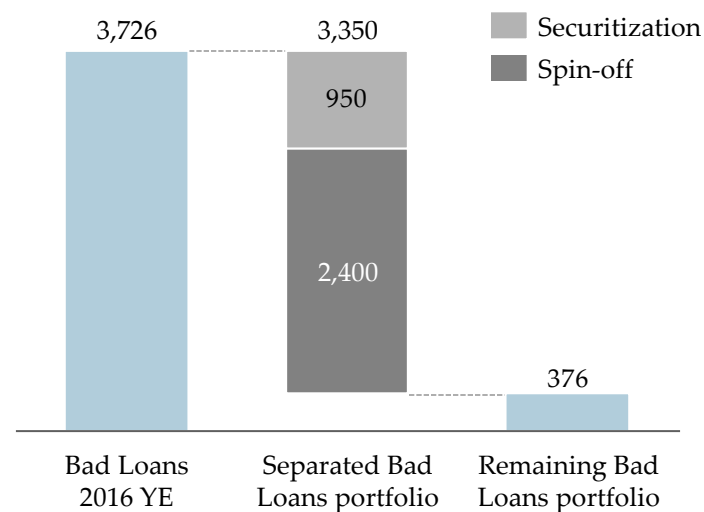
① Structural strengthening of the balance sheet

Separation of Bad Loans portfolio

Main initiatives

- Spin-off of Bad Loans¹ to a management vehicle
- Complementary securitization (about 950 €MM)
- Maximization of recoveries on Bad Loans with the aim of creating value for shareholders and other stakeholders
- Market placement of the vehicle's debt and potential opening to third-party investors
- Separation from Banca Carige's scope by 2017

Breakdown of Bad Loans portfolio, €MM



1. Excludes Bad Loans BML, leasing, factoring and other

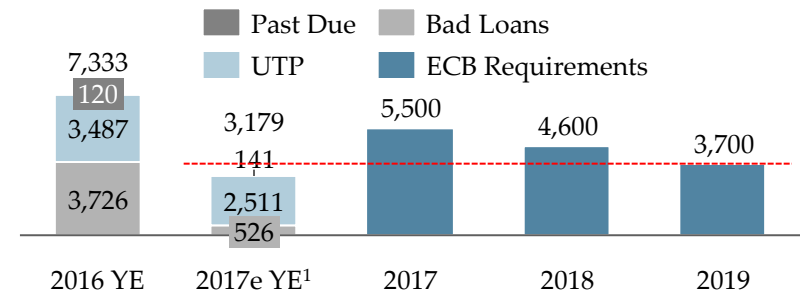
① Structural strengthening of the balance sheet

Accelerated achievement of ECB's NPL targets

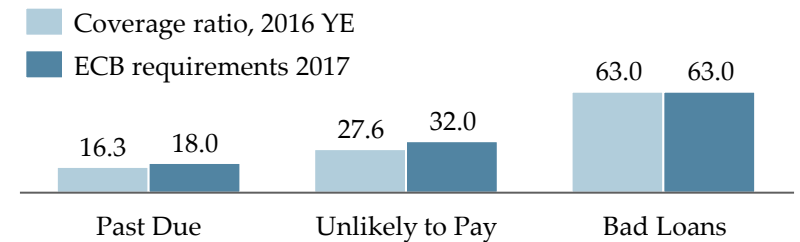
Main initiatives

- Accelerated achievement of ECB's NPL targets (3.7 €BN by 2019)
- Coverage ratio adjusted for remaining NPL portfolio by 2017, including in consideration of ECB guidance
- Increased efficiency of the internal management platform to maximize NPL recoveries and cure rate
- NPL ratio aligned to market level

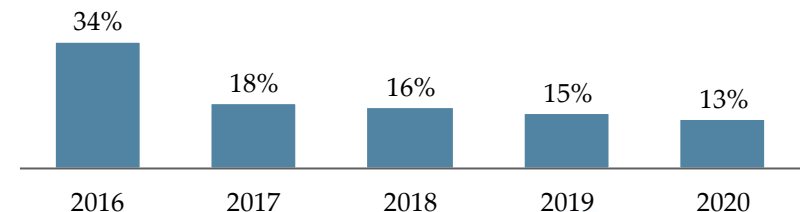
Achievement of 2019 ECB's target in 2017, €MM, approximate values



Coverage rates, p.p.



Improvement in gross NPL ratio, %



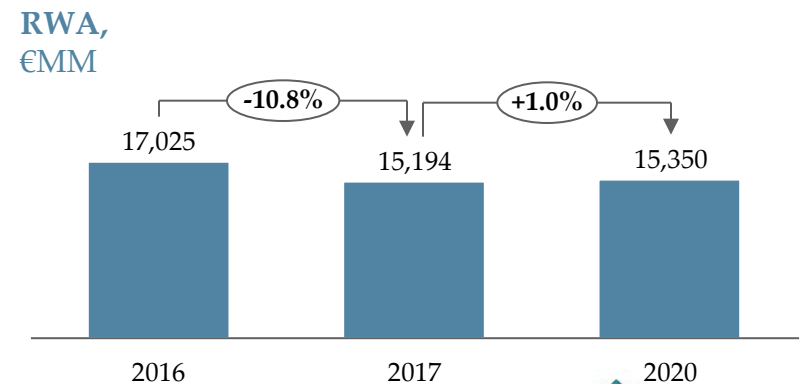
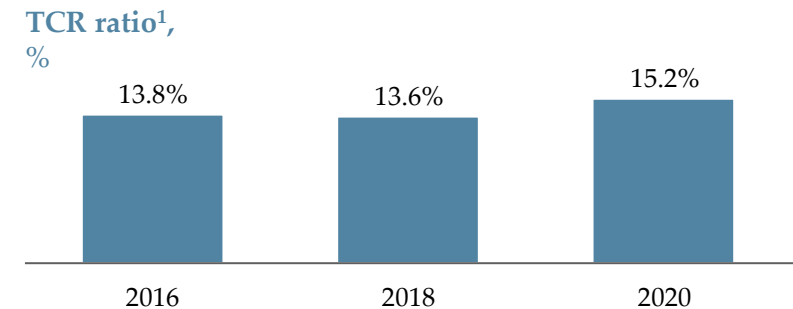
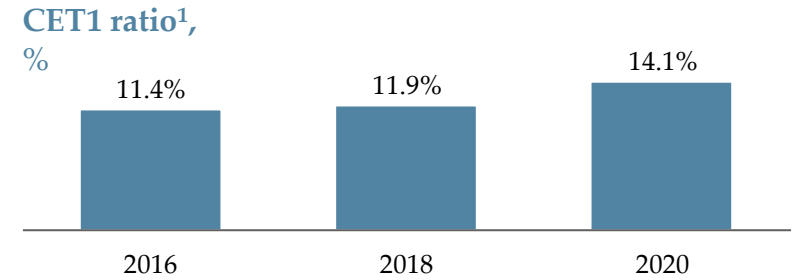
1. 2017 forecast post separation

① Structural strengthening of the balance sheet

Stronger capital position

Main initiatives

- Capital increase up to 450 €MM to:
 - Strengthen the balance sheet and capital position
 - Revamp the core business
- Capital support to the spin-off project, aimed at managing Bad Loans without value dispersion
- Potential LME action for further strengthening of the capital position



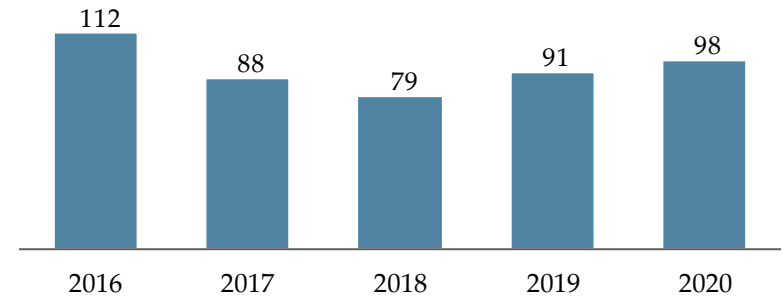
① Structural strengthening of the balance sheet

Rebalanced funding mix and reduced cost of funding

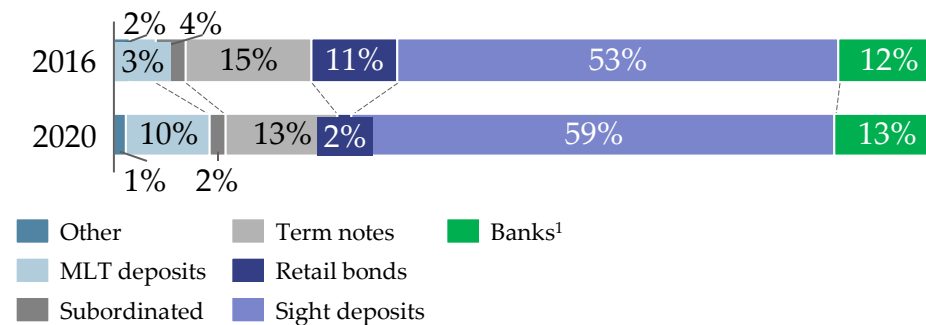
Main initiatives

- Reduce cost of funding thanks to a better credit rating
- Target LCR well above regulatory requirement over the Plan horizon

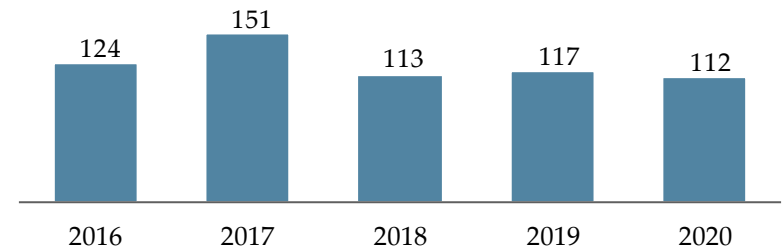
Average cost of funding, Bps



Funding mix composition, %



Liquidity coverage ratio, %



The strategic objectives will be achieved by means of a series of well-defined initiatives

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1 Structural strengthening of the balance sheet	2.1 Focus on the management of the remaining UTP and PD portfolios 2.2 New model for NPL management 2.3 Stronger operating capacity
2 Risk and asset quality control	
3 Renewed focus on core business	
4 Operating efficiency	

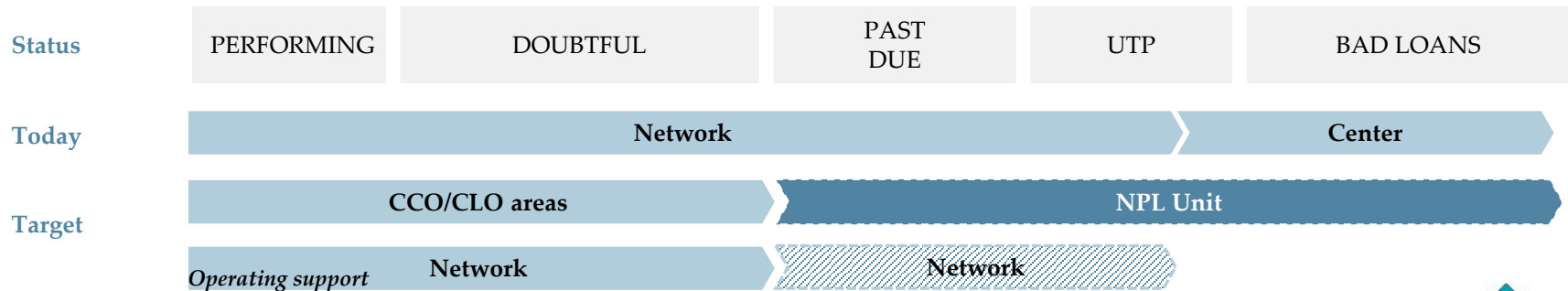
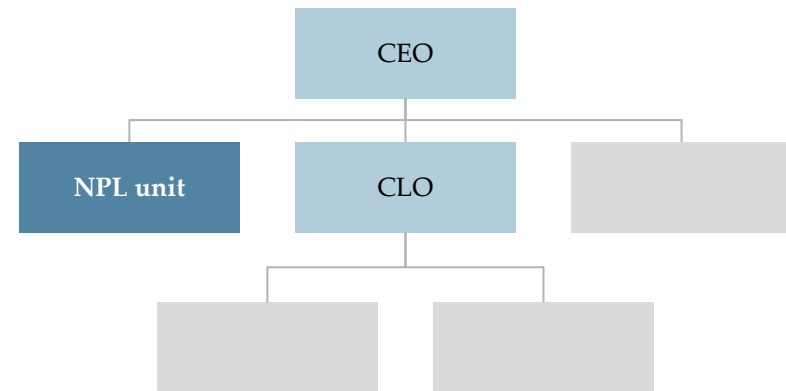
② Risk control and asset quality

Focus on the management of the remaining UTP and PD portfolios

Main initiatives

- Segregation of credit origination from NPL management through the setup of an internal independent unit directly reporting to the CEO
- Control over the NPL dynamics to minimize the generation of new NPLs
- Increased recoveries through the operational strengthening of the internal NPL management platform

Target NPL unit



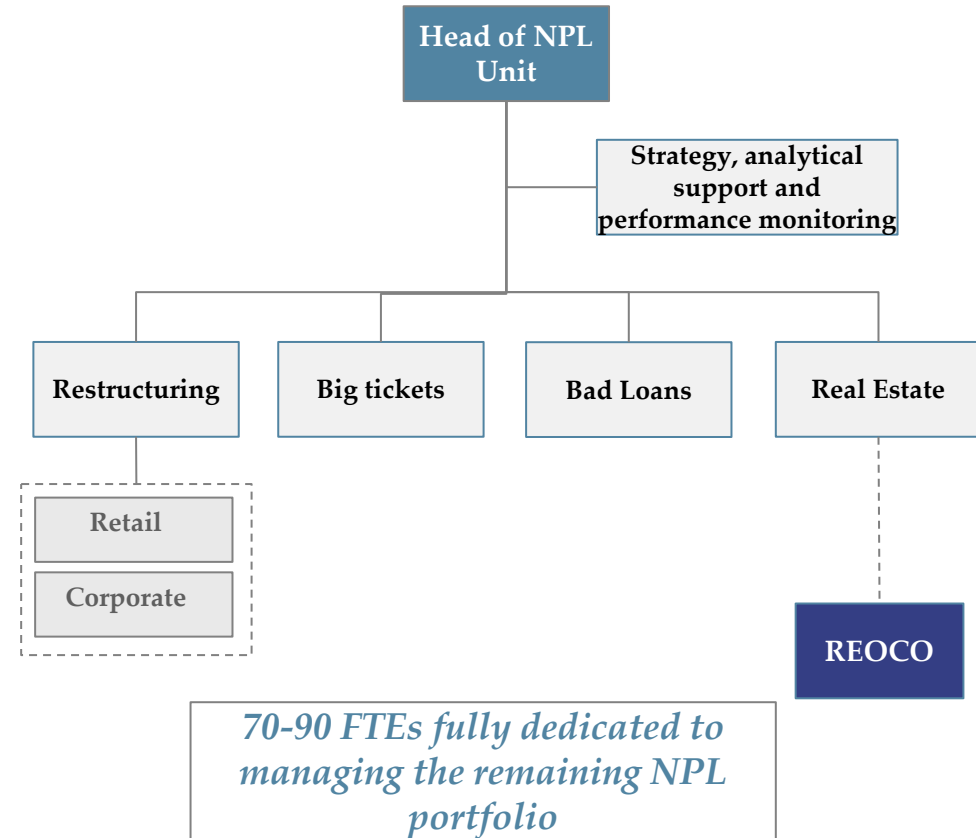
② Risk and asset quality control

New model for NPL management

Main initiatives

- Integrated management of the NPL chain
- Specialization by loan status and borrower type
- Development of new recovery strategies based on transformation of assets (REOCO)
- Direct presence in the commercial network, with proximity to non-performing customers
- Strengthening of the operational capacity through rightsizing

Target NPL unit



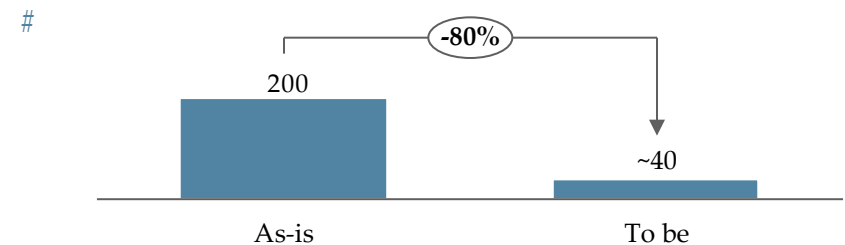
② Risk and asset quality control

Stronger operating capacity

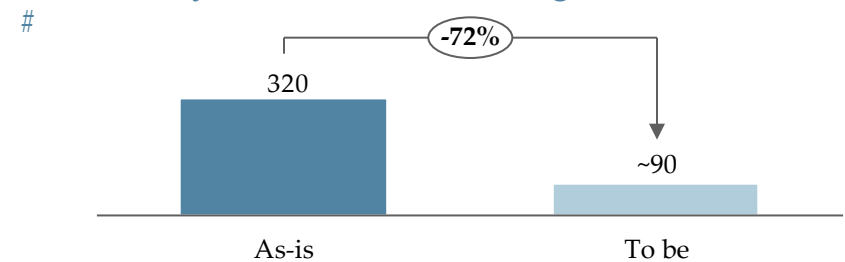
Main initiatives

- Automation of the management processes, differentiated by status/segment, with reduction of judgmental practices
- Analytical viability and affordability tools supporting the decision-making process
- External outsourcers to improve recoverability, and reduce internal workloads through incentive systems
- HR management model linked to the definition of targets and incentives
- Integrated ICT supporting NPL data, related reporting and servicer integration

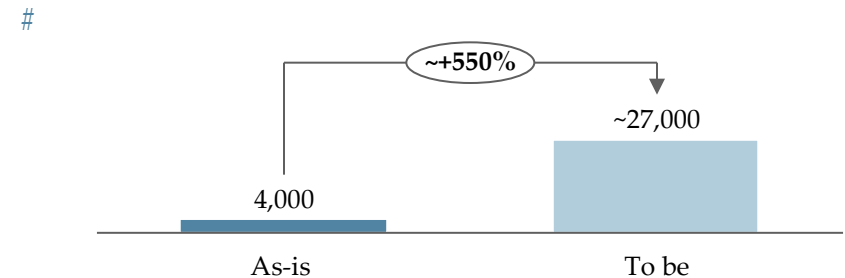
Loan files by FTE dedicated to management of UTPs,



Loan files by FTE dedicated to management of Bad Loans¹,



Loan files managed in outsourcing²,



The strategic objectives will be achieved by means of a series of well-defined initiatives

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1 Structural strengthening of the balance sheet	3.1 Refocus on Carige's core footprint 3.2 New commercial model 3.3 Return to growth
2 Risk and asset quality control	
3 Renewed focus on core business	
4 Operating efficiency	

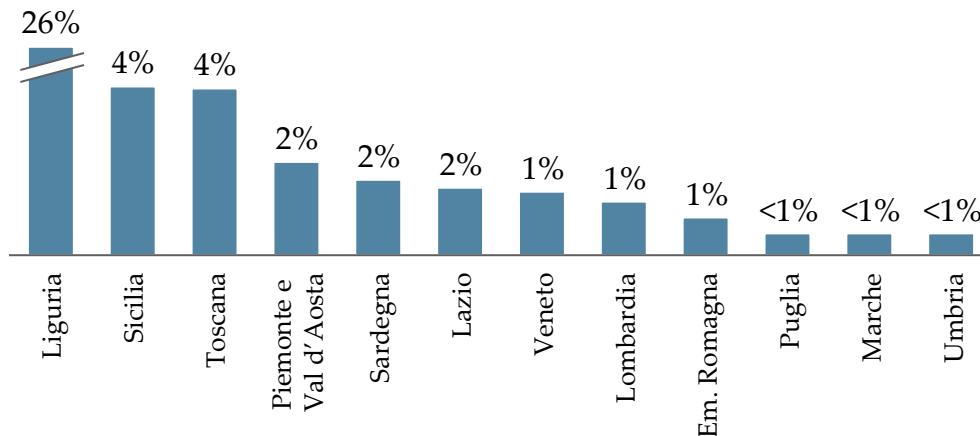
③ Renewed focus on core business

Refocus on Carige's core footprint

Main initiatives

- Strong focus on Liguria and Northern Tuscany, which represent the main client base for Carige
- Renewed focus on Italy's North-Center regions and Isles
- Renewed bank's geographical presence, exiting the non-core regions, based on:
 - Low market share
 - Subr-scale sizing of operations

Carige's market share¹ by Region, %



Target geographical presence



Nota: market share based on number of branches; 1. September 2016

③ Renewed focus on core business

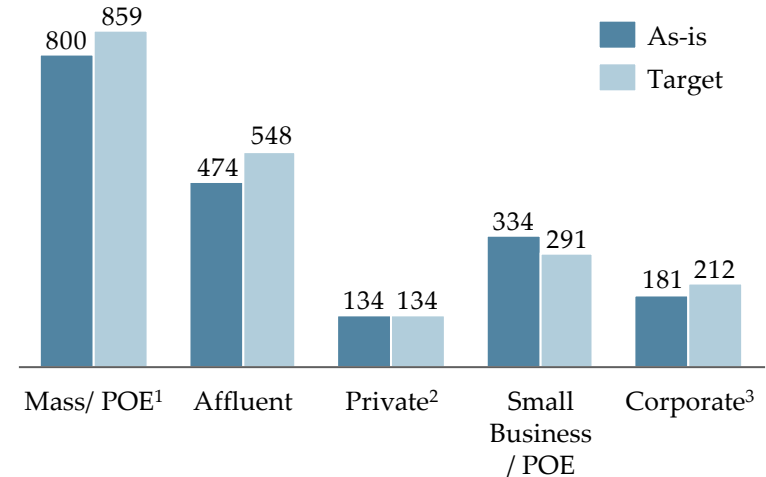
New commercial model

Main initiatives

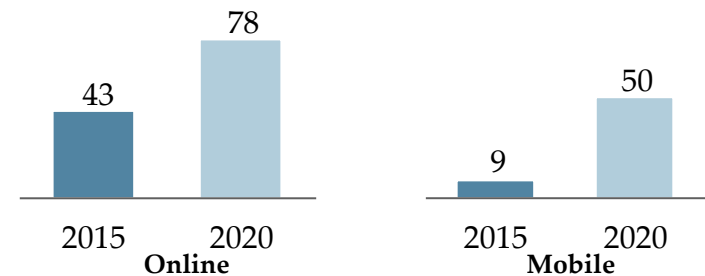
Commercial model

- New distribution model focused on increased branch autonomy
- Strengthening of the roles in the Local Market Areas and Branches, with new delegated powers on credit and pricing
- Increased focus and specialization of the Small Business and POE service model
- Enhancement of Banca Cesare Ponti's brand value including via a merger

Relationship managers' evolution,



Carige's internet & mobile penetration⁴, p.p.



Digital Offering

- Setup of an innovation unit to implement the digital strategy
- Investments of previous Plan confirmed

1. Includes managers and operative support | 2. As a result of the inclusion and divisionalization of Banca Cesare Ponti | 3. Includes Corporate assistants | 4. Only Retail clients

③ Renewed focus on core business

Return to growth

Main initiatives

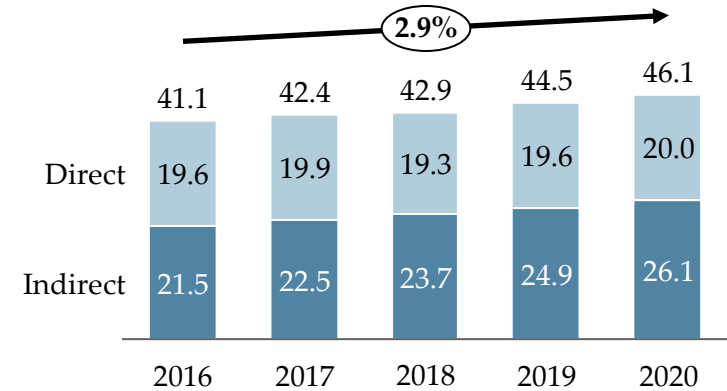
Funding

- Recovery in funding volumes thanks to an improved market's perception of the Bank
- Gradual shift to fee-based products

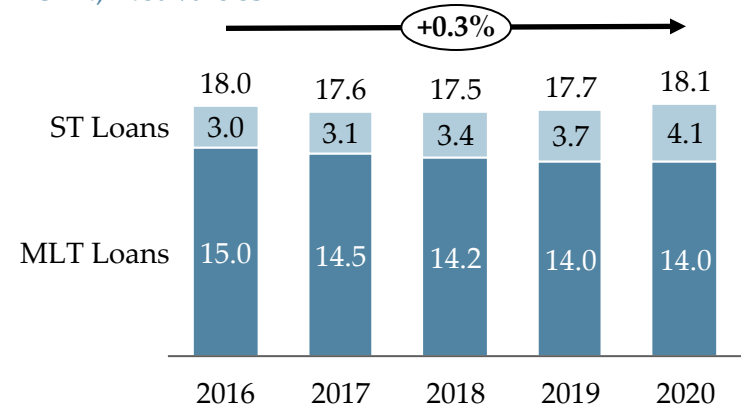
Loans

- Increased penetration in the Small Business segment
- Automatic credit development and process simplification for Small Business and SMEs
- Increased cross-selling
- Higher focus on the Private segment thanks to synergies with the network
- Strengthening of specialist products: consumer credit, leasing and factoring
- Focus on Mid-Cap and run-off of exposures to the Large Corporate segment

FIAs¹ evolution, €BN



Loans evolution, €BN, Net values



1. Financial Intermediation Activities, i.e. AuC, AuM and deposits

The strategic objective will be achieved through a well defined series of actions

Strategic initiatives	Levers
1 Structural strengthening of the balance sheet	4.1 Further branch rationalization 4.2 Organizational review with lower operating costs
2 Risk and asset quality control	4.3 Optimization of the cost base
3 Renewed focus on core business	
4 Operating efficiency	

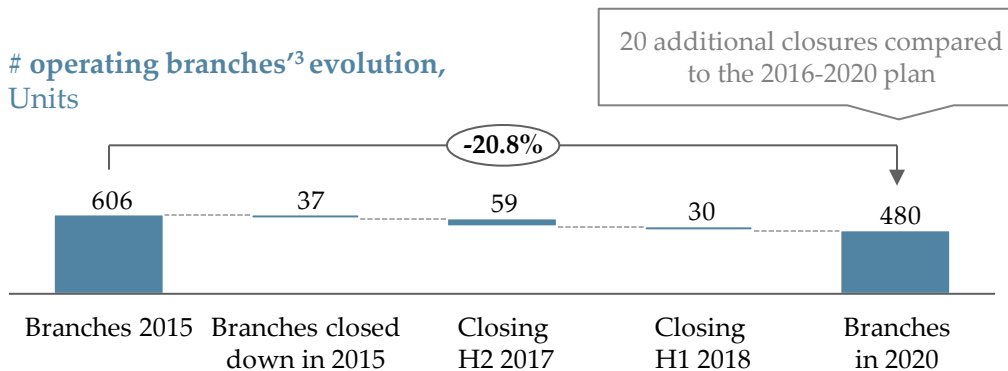
④ Operating efficiency

Further branch rationalization

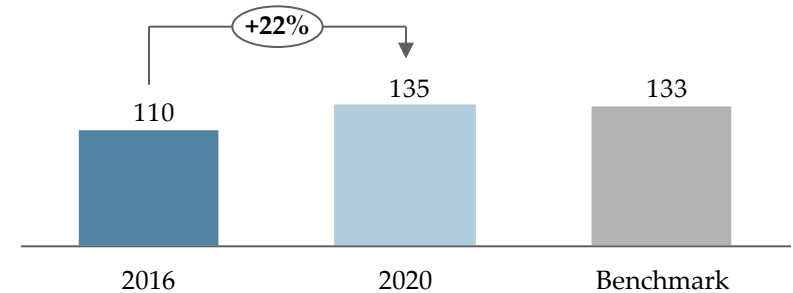
Main initiatives

- 37 branches closed in 2016
- Preliminary identification of additional 89 branches to close down by beginning of 2018
- Further rationalization compared to the 2016 Plan
- Alignment of branch productivity and sizing to market benchmarks

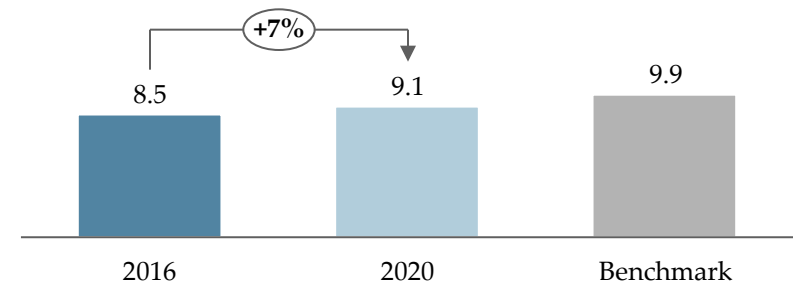
operating branches³ evolution, Units



Gross banking product¹/branch², €MM



Headcount/branch³, Units



1. Referred to 2016's gross banking product | 2. It excludes 11 not fully-operating branches and the Nice's branch | 3. It excludes 11 not fully-operating branches, the Nice's branch and Cesari Ponti's branches

④ Operating efficiency

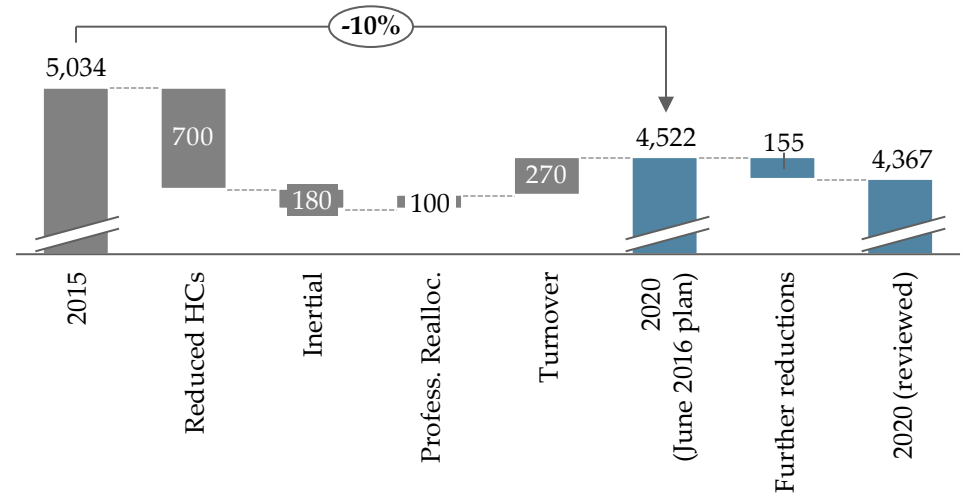
Organizational review with lower operating costs

Main initiatives

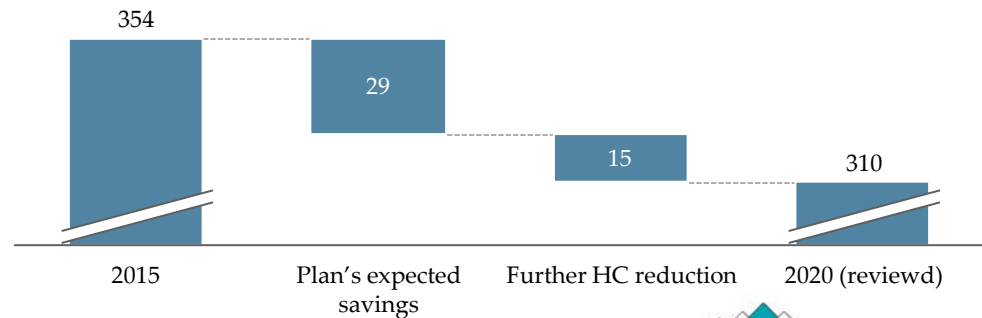
- Further headcount reduction by 155 units through:
 - Radical revision of the commercial network's organizational model
 - Resulting efficiency in the HO-Network ratio, in line with best market practice
 - Back office functions outsourcing
 - Spin-off of the Bad Loans portfolio

- Development of training initiatives in line with plan initiatives

Headcount over time,
#resources



Reduction of labor costs,
€MM



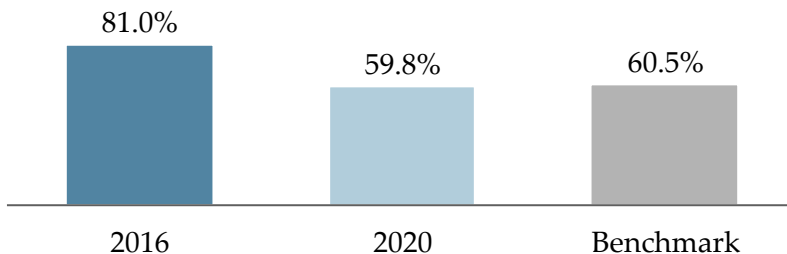
④ Operating efficiency

Optimization of the cost base

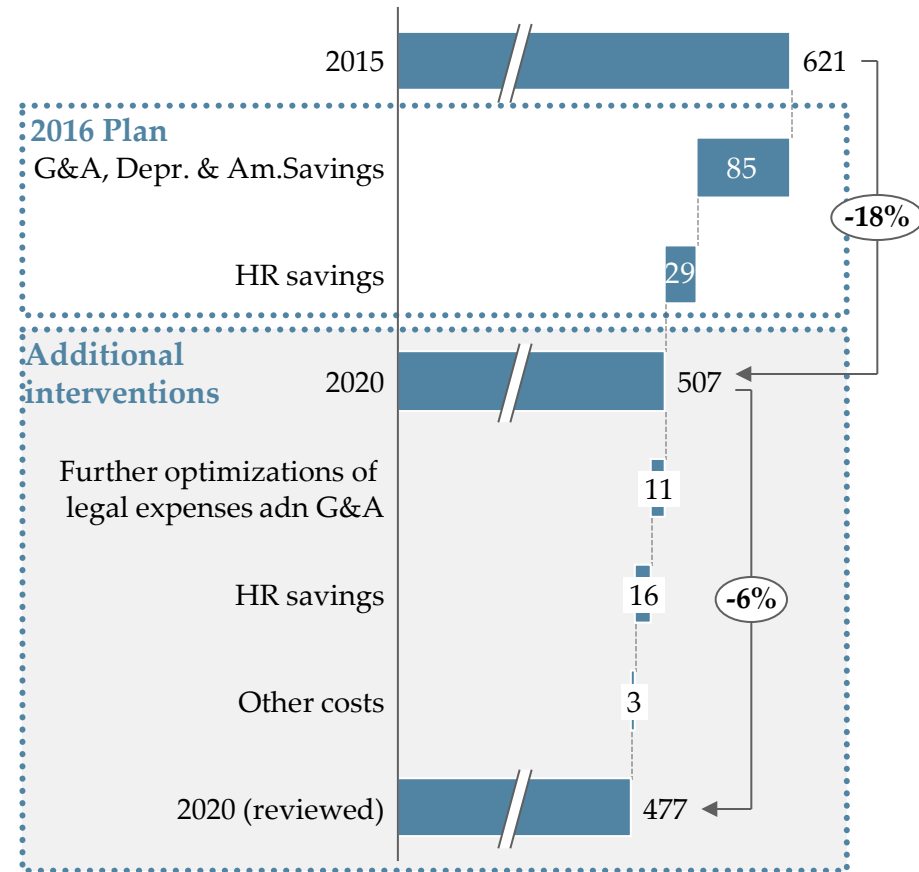
Main initiatives

- Additional G&A cost saving initiatives vs June 2016 Plan:
 - Reduction in legal expenses
 - Space management actions for optimization of headquarter space
 - Re-organization of the distribution network
- Reduction in HR expenses from commercial and back office re-organization and through the spin-off of the Bad Loans portfolio
- Centralized management of other costs

Cost/Income ratio¹, %



Operating costs over time, €MM



1. Net of banking system charges, DTA fees and tax recovered from customers

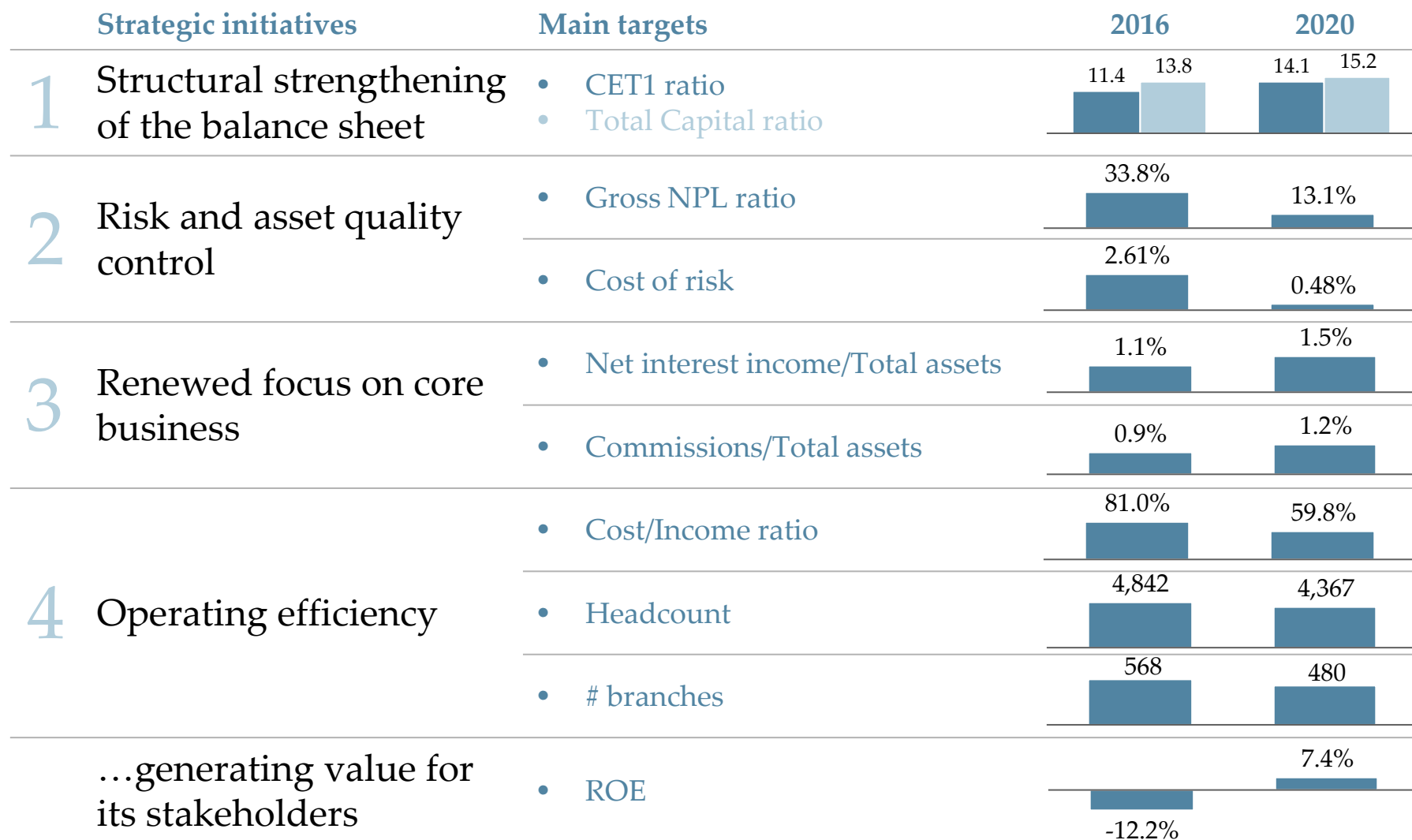
Section 2

Financial targets

The spin-off of the Bad Loans portfolio will allow Carige to focus on the implementation of its new business model...

✓	Stronger balance sheet	<ul style="list-style-type: none">• Structural solution to strengthen the balance-sheet in a short timeframe• Improvement in the loan quality ratios
✓	Cost of funding	<ul style="list-style-type: none">• Increased benefits from reduction in the cost of funding , resulting from the re-rating effect
✓	Clear and identifiable value creation	<ul style="list-style-type: none">• Maximization of the recovery on Bad Loans to create value for shareholders and other stakeholders• Reduction in operational complexity and freeing up of resources to be allocated to the relaunch of the Group

...making it possible for the Bank to get back to profitability with a sounder balance sheet...

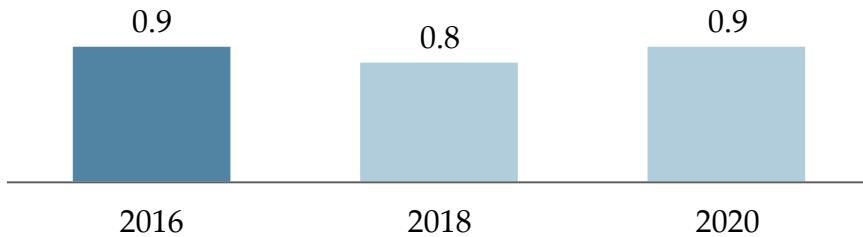


Section 3

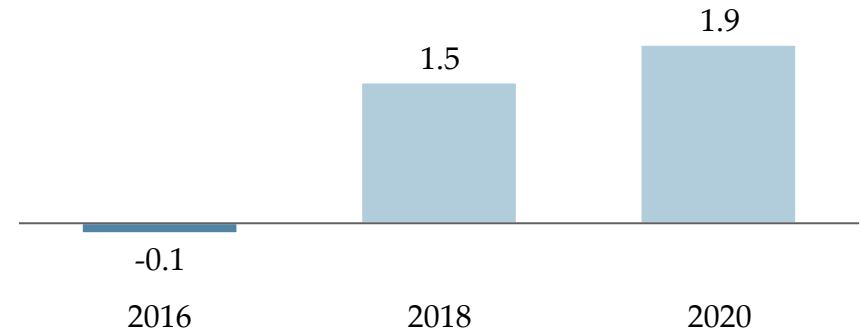
Financial projections

Underlying assumptions for the 2017-2020 Strategic Plan

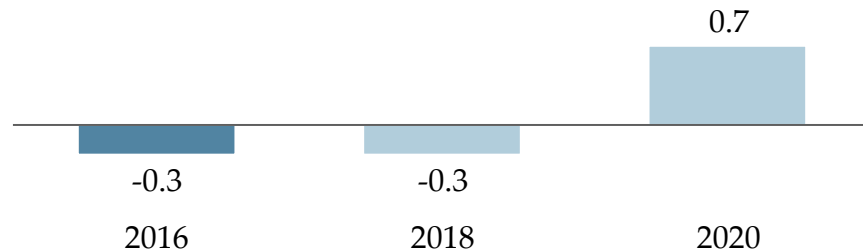
Italian real GDP growth¹,
%, var. YoY



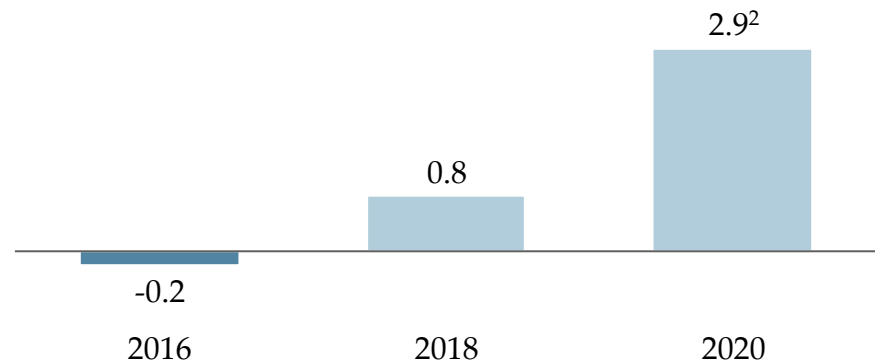
Inflation rate¹,
%



3-m Euribor forecast¹,
%, yearly average



Italian gross loans growth¹,
%, var. YoY



1. Evolution to 2018 from Prometeia, evolution 2020 from Oxford Economics | 2. Assuming inertial growth from 2019. Source: Prometeia "Report bilanci bancari Marzo 2016"; Oxford Economics

Main income-statement & balance-sheet items

€MM, %		2016	2018	2020	Δ2016–2020 CAGR
CE	Net interest income	300	343	392	6.9%
	Net commissions	241	280	315	6.9%
	Other revenues	75	37	50	-9.7%
	Net banking income	616	660	756	5.3%
	Provisions on bad loans	-473	-118	-85	-35.0%
	Operating costs	-562	-521	-477	-4.0%
	Gross income	-431	47	240	n.s.
	Taxes	135	-11	-71	n.s.
	Holding company's net income	-292	36	169	n.s.

€MM, %		2016	2018	2020	Δ2016–2020 CAGR
SP	Net loans-excl. bad loans	17,987	17,537	18,088	0.3%
	Direct funding	19,613	19,272	20,015	0.5%
	Equity	2,401	2,142	2,296	-1.5%



Update of 2016-2020 Strategic Plan

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Genova, February 28th, 2017