



GRUPPO BANCA CARIGE

Carige's Transformation Programme

November 2017

LEGACY FROM THE PAST

- The NPE Stock, a legacy of the past
- Unsustainable Cost / Income ratio

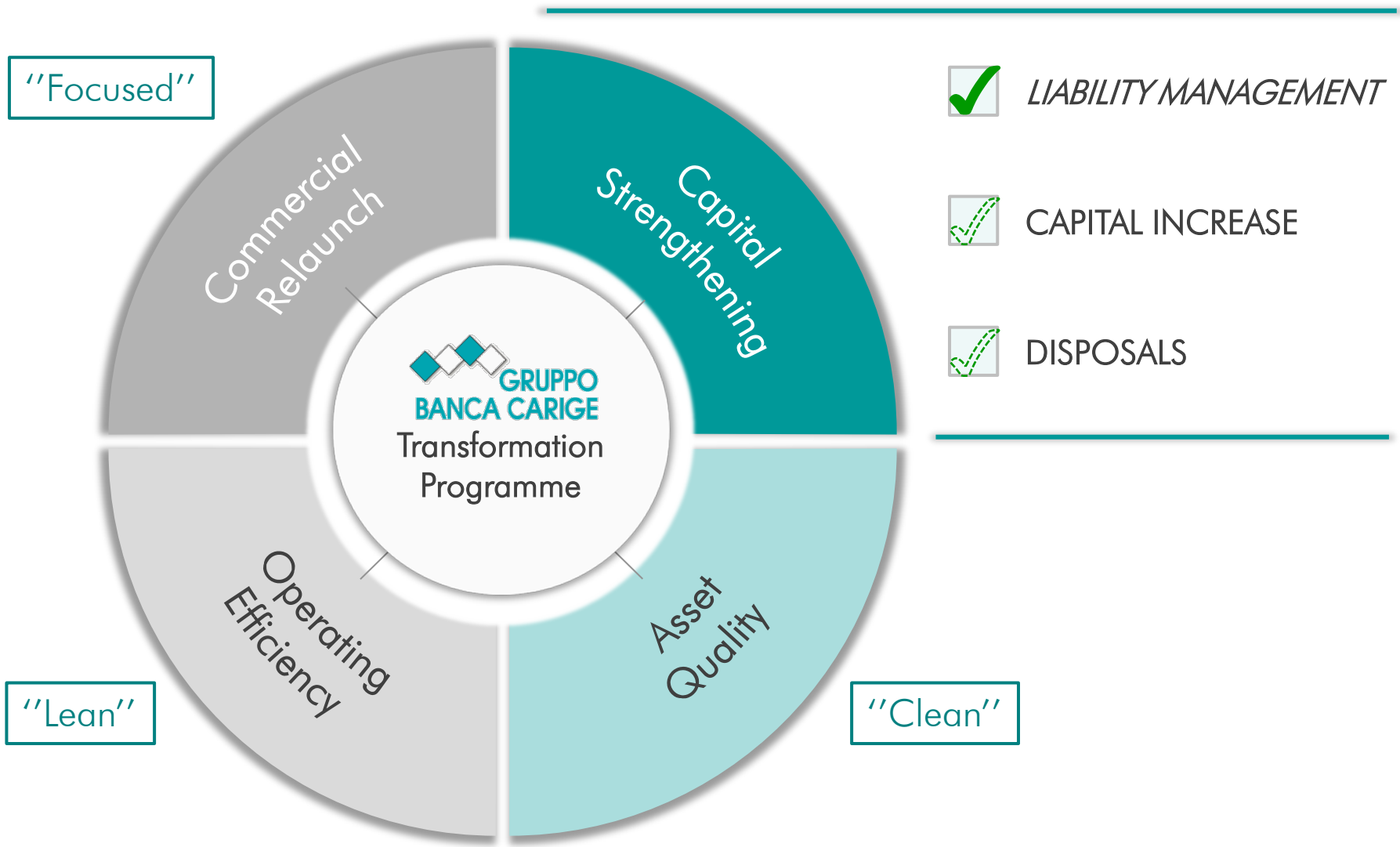
BASIS FOR RELAUNCH

- **Local roots + DNA of a Retail and Small Business bank** + resilient and loyal customer base
- Good potential for improving **commercial effectiveness** and **operating efficiency** vs benchmark through
 - **Headcount reduction** by ~1,000 and **closure of ~120 branches**
 - Strategic management of ICT and the Back Office
 - **EUR 100 mln worth of investments** to support Group's business turnaround

KEY FIGURES

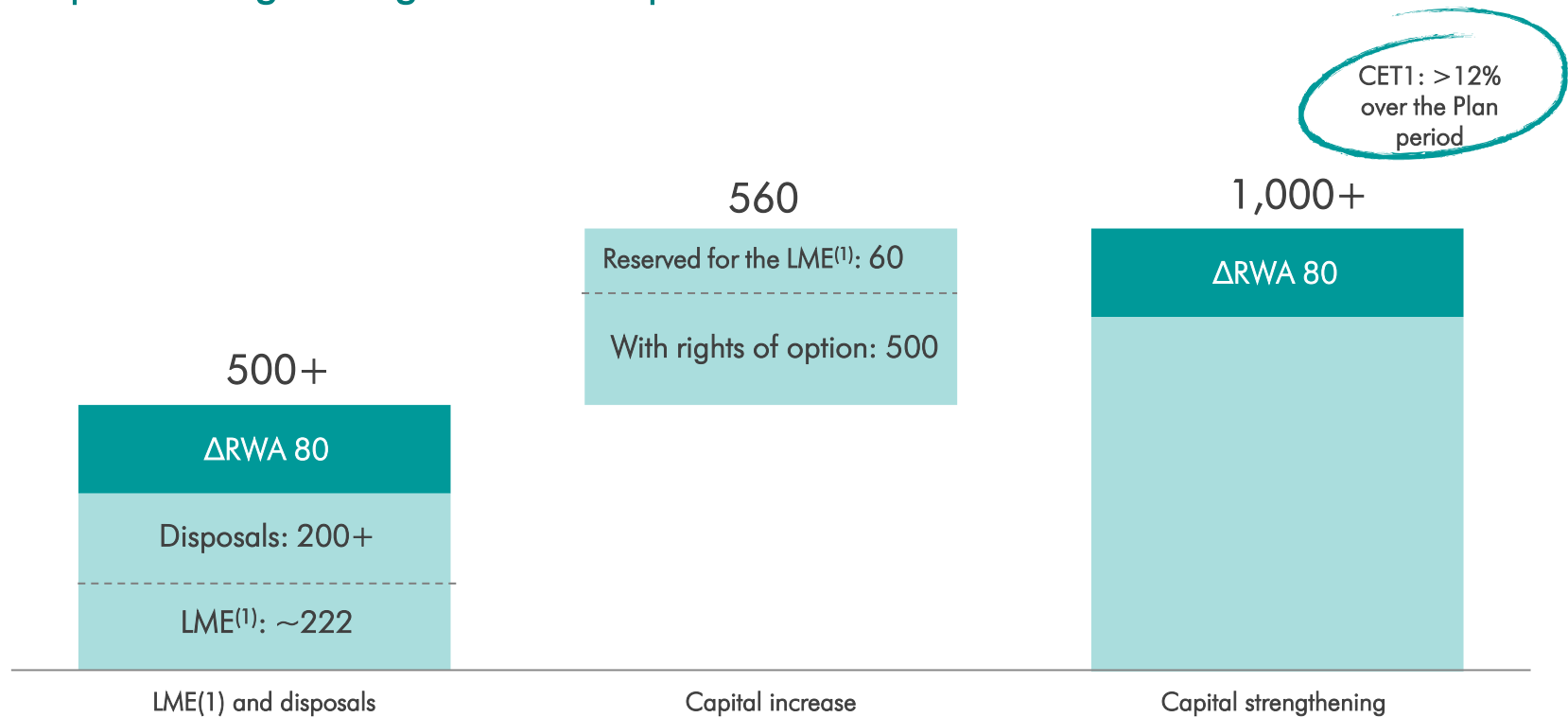
- **Over EUR 1 bn capital strengthening including the Liability Management Exercise, share capital increase and asset disposals**
- -54% of NPE stock as early as by end-2018, -58% by 2020 thanks to
 - **Disposal of ~EUR 1.2 bn worth of bad loans (sofferenze)** in addition to the GACS-backed securitisation recently completed (~EUR 0.94 bn)
 - **Proactive management of UTPs**
 - New NPL management model
- -23% operating expenses and +48% commercial productivity 2020 vs. 2016

We prepared a Transformation Programme resting on four pillars, which will require the contribution of all of the Bank's current stakeholders (bondholders, shareholders, ...)



EUR 1 bn capital strengthening for "clean up" actions





EUR mln



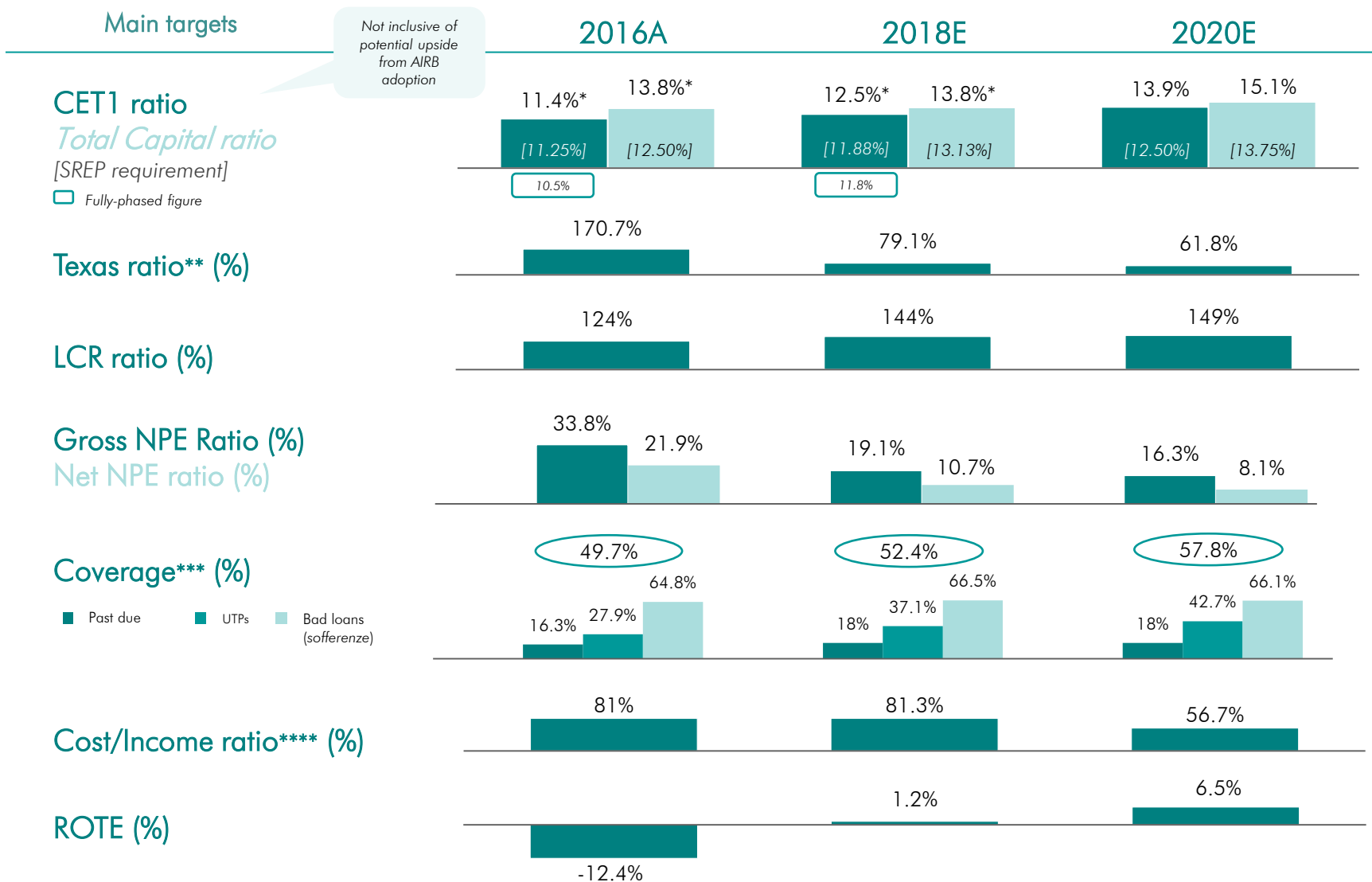
- Capital generated by the Liability Management Exercise and asset disposals (currently well on track), including the NPL management platform, prestigious real estate properties, Creditis and the Merchant Book
- EUR 500 mln cash call, plus one potential tranche of EUR 60 mln possibly to be reserved for one or more categories of investors taking part in the separate Liability Management transaction

(1) consisting in the exchange of certain subordinated instruments issued by the Bank with the Bank's newly issued senior financial instruments offered as consideration

Update on disposals

Actions	Description	Progress status
Real estate assets	<ul style="list-style-type: none"> • First cluster identified of 8 “readily marketable” real estate assets • For the building located in C.so Vittorio Emanuele, Milan: <ul style="list-style-type: none"> • Preliminary Sale and Purchase Agreement signed • Notarial deed signed 	
<i>Merchant book business</i>	<ul style="list-style-type: none"> • Disposal of the P.O.S. transactional business and distribution of debit cards • Sales process underway • Closing expected by the end of the year 	
Creditis	<ul style="list-style-type: none"> • Disposal of the 100% equity investment and signing of the related distribution agreement • Non-binding offers received from various counterparties • Binding offers received from various counterparties • Identification phase for the bidder with which entering into exclusive negotiations 	
NPL portfolio and NPL management platform	<ul style="list-style-type: none"> • Non-binding offers received from various counterparties • Binding offers received form various counterparties • Entered in exclusive negotiations with Credito Fondiario 	

The objective is to go back to being a sound and profitable Bank



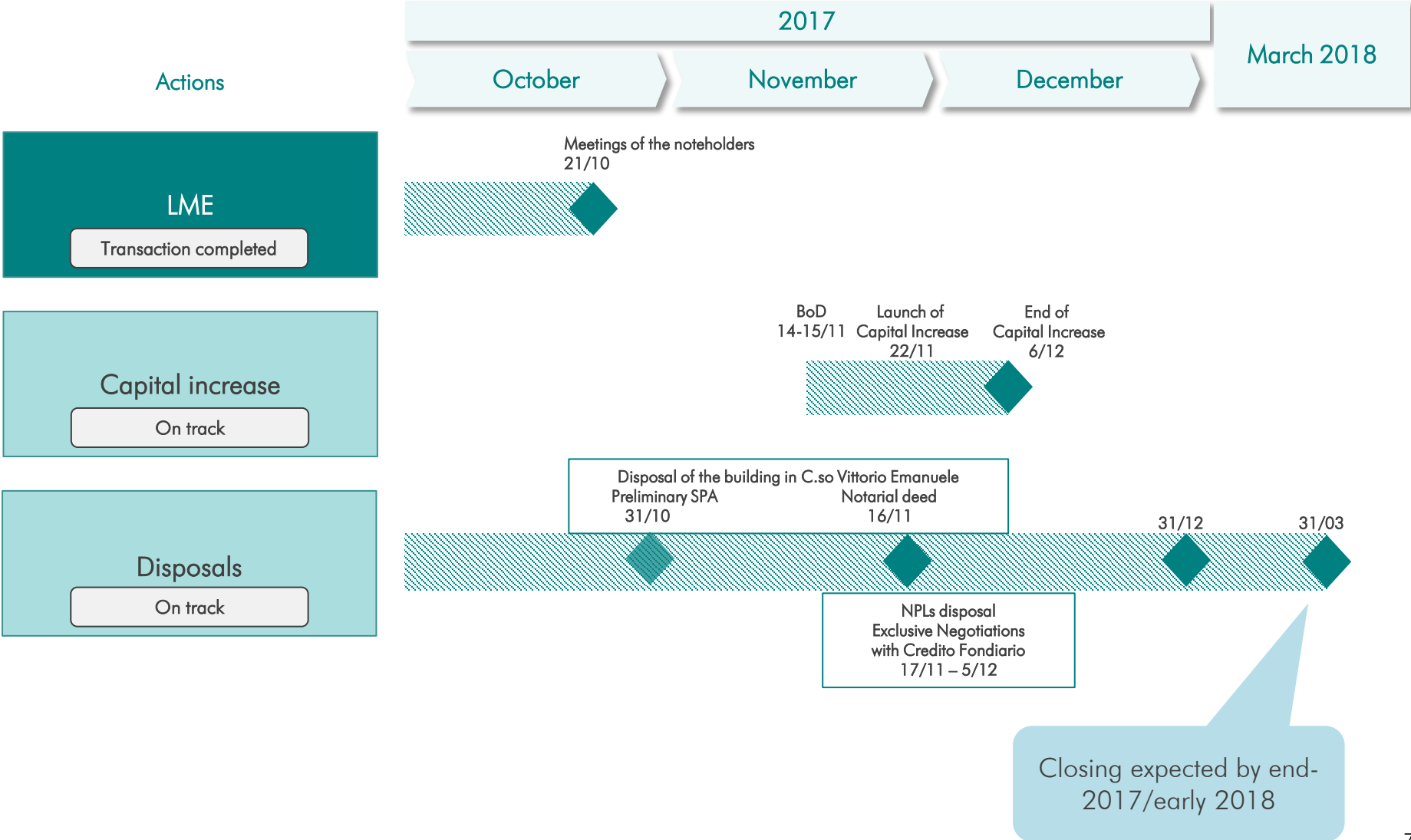
(*) Phased-in figure

(**) Calculated as Net NPL divided by Net tangible equity (net of profit (loss) for the year and non-controlling interests)

(***) Including write-offs

(****) Calculated on Reclassified Income statement data. If calculated on non-reclassified items, the ratio would be 91.3% as at 2016 and 59% as at 2020

Transactions timeline

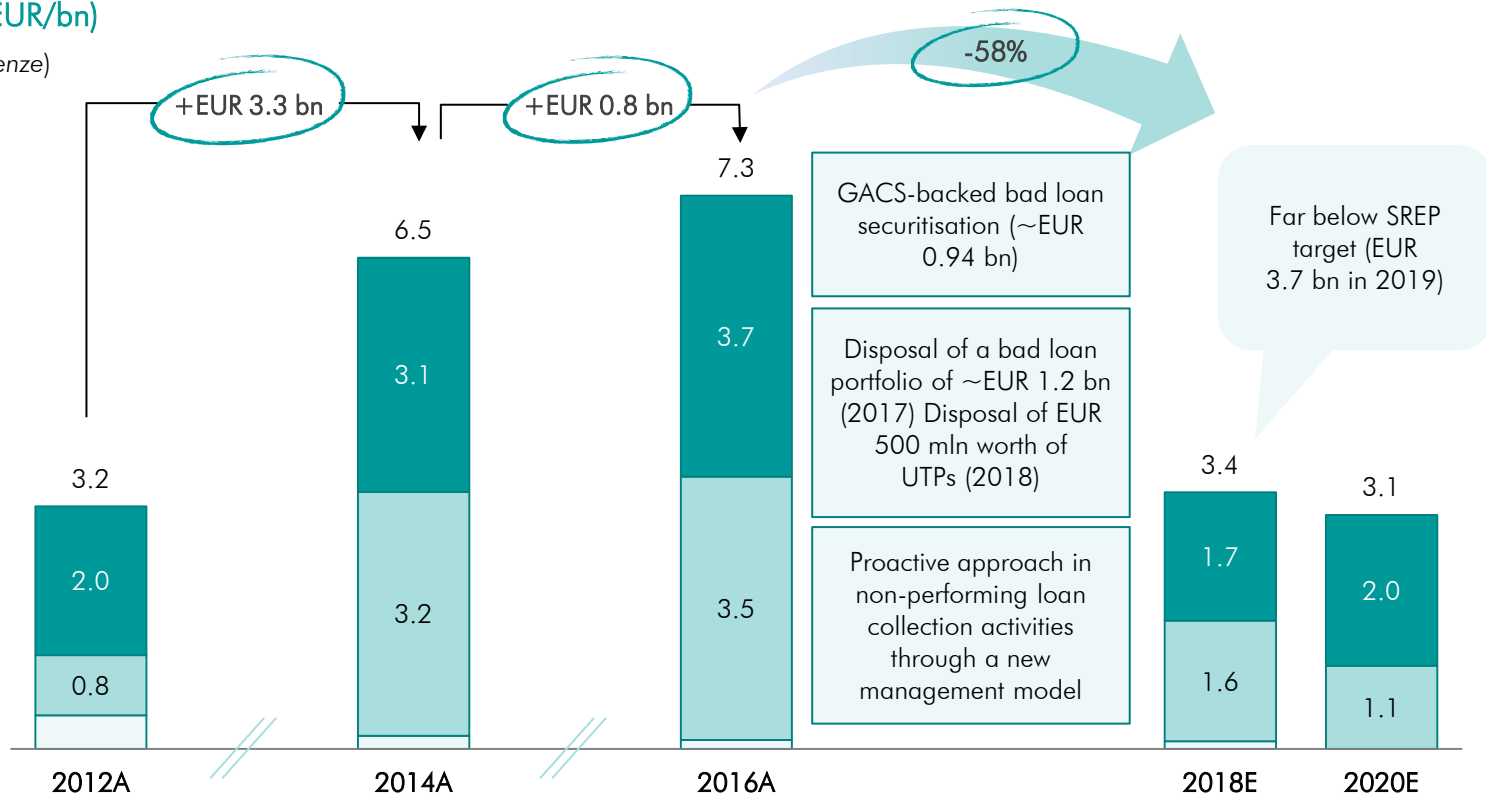


Result: superior asset quality

Trend in non-performing exposures

Gross volumes (EUR/bn)

- Bad loans (*sofferenze*)
- UTPs
- Past Due



Total loans (EUR/bn)

31.3

27.1

21.7

17.6

18.9

Texas Ratio (%)

116

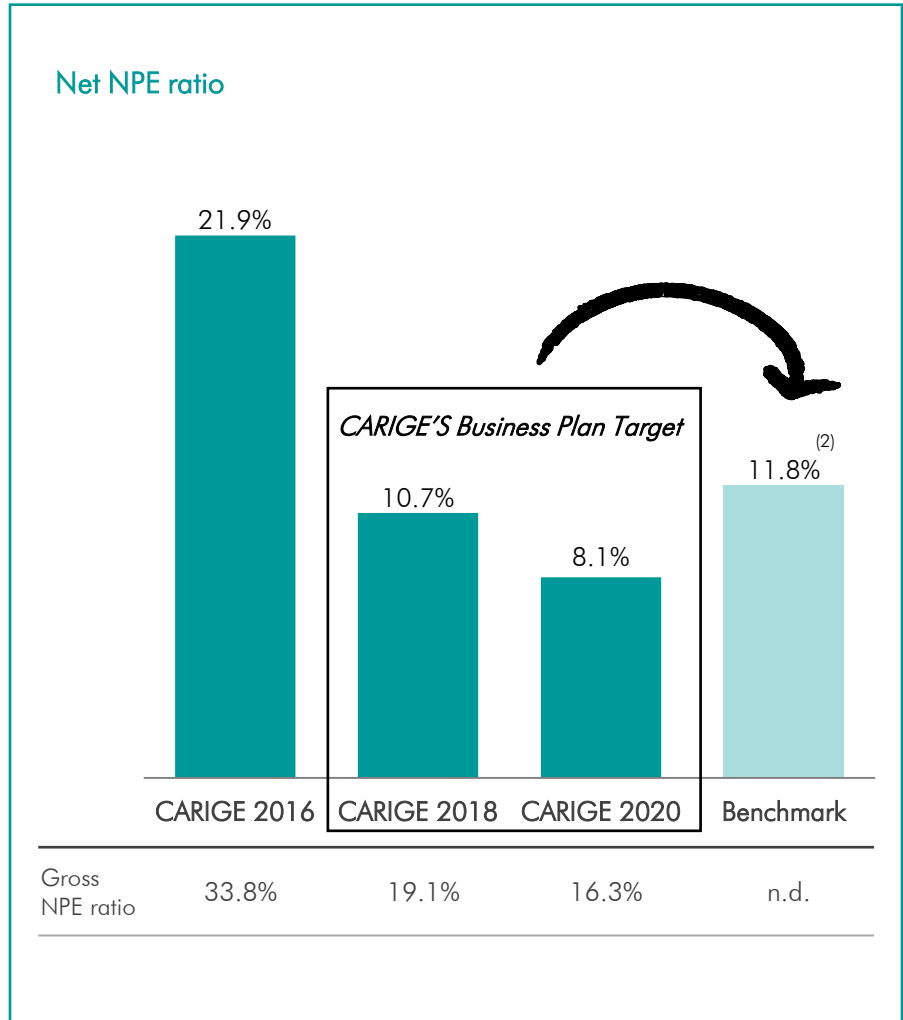
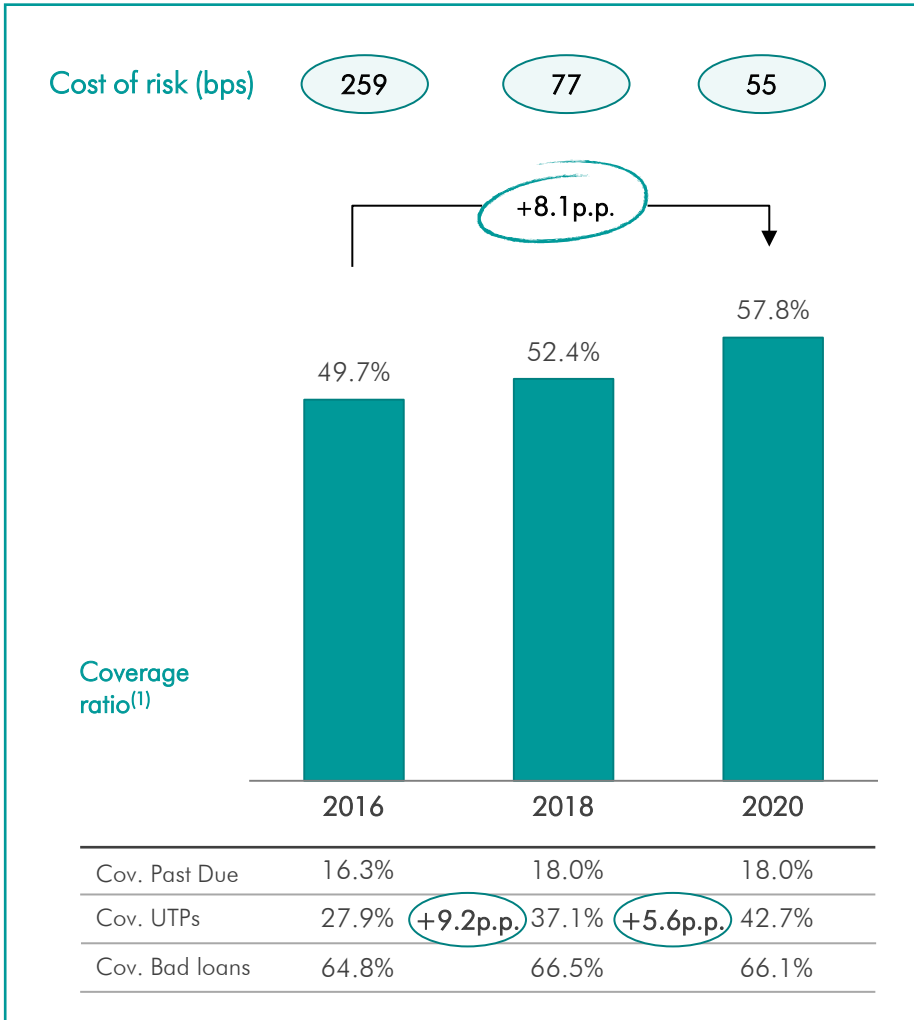
178

171

79

62

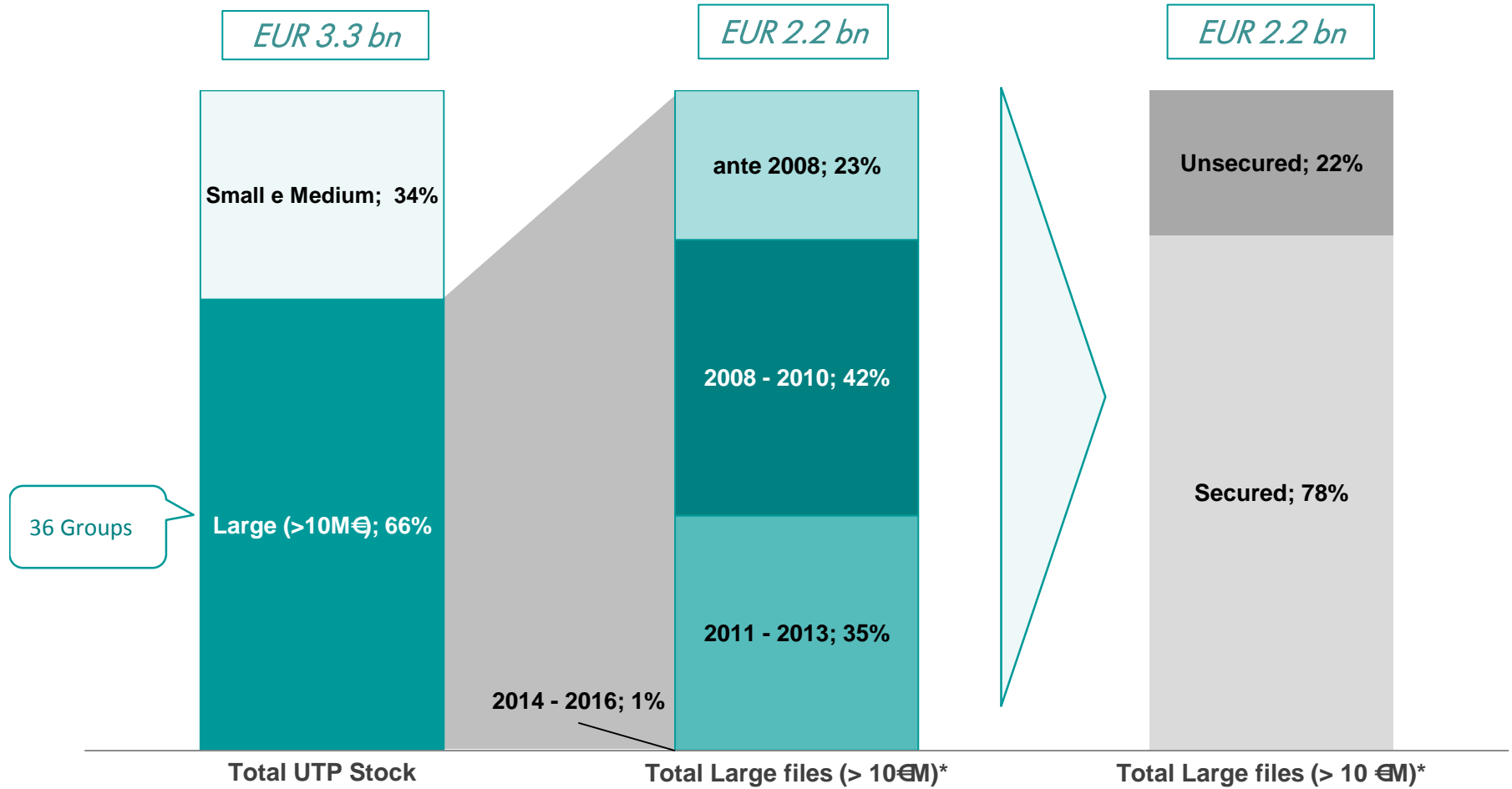
Result: superior asset quality (cont'd)



(1) including write-offs.

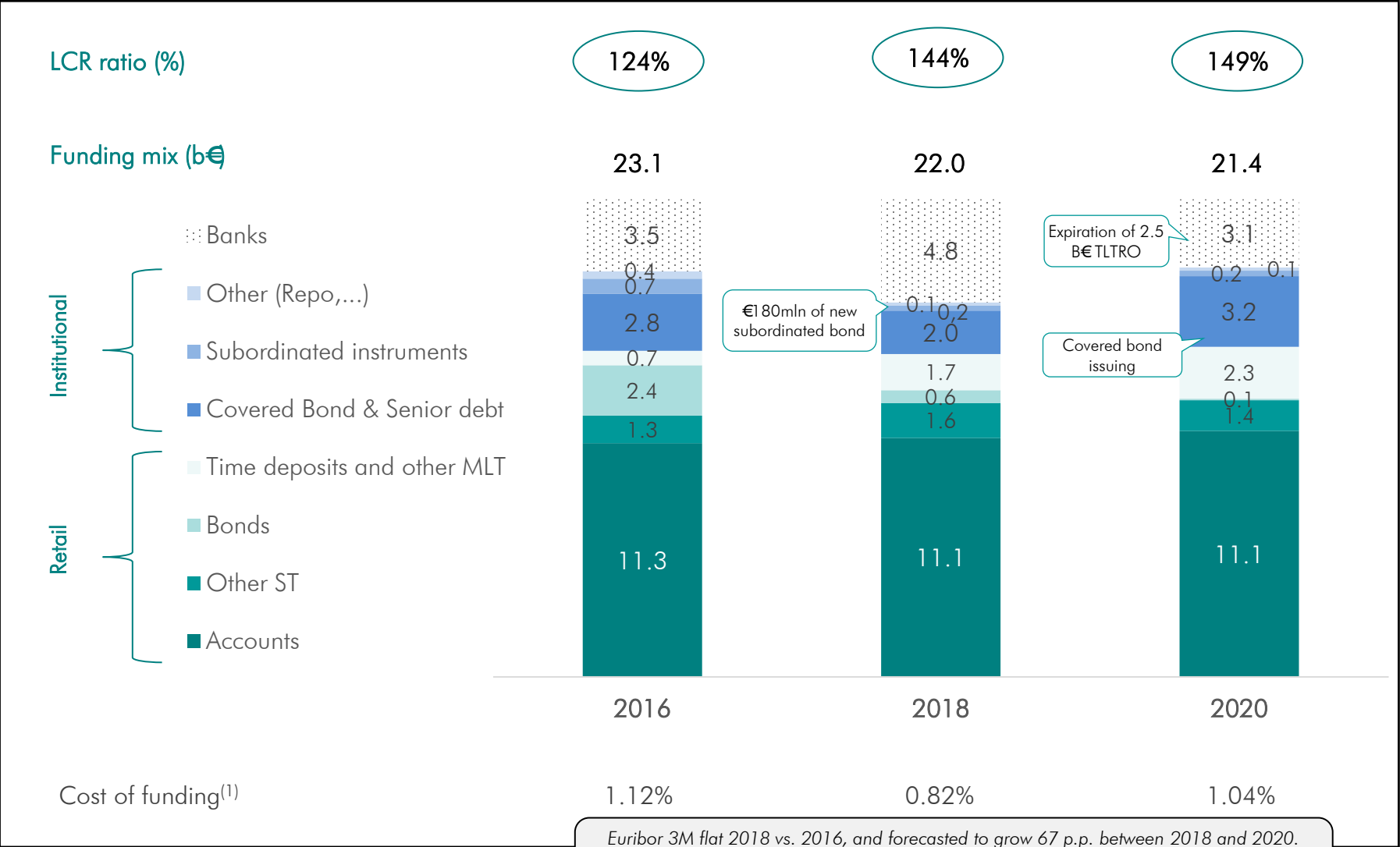
(2) Refers to the average of the net NPE ratio (i.e., Total net impaired loans / Total net loans) of the benchmarking players panel (i.e., MPS, CREVAL, BBPM, BPER, UBI, BNL, ISP, GCRP e UCG). Data obtained from companies' financial statements as of 31/12/2016

The UTP portfolio, highly concentrated on 36 Large Files originated before 2014 and are mostly secured



Note: figures as at 30/06/2017. Secured/unsecured loan breakdown calculated at NDG account identifier level by a 'prevalence' criterion (secured exposure >50% of NDG exposure)
 (*) Large Files identified as of March 2017

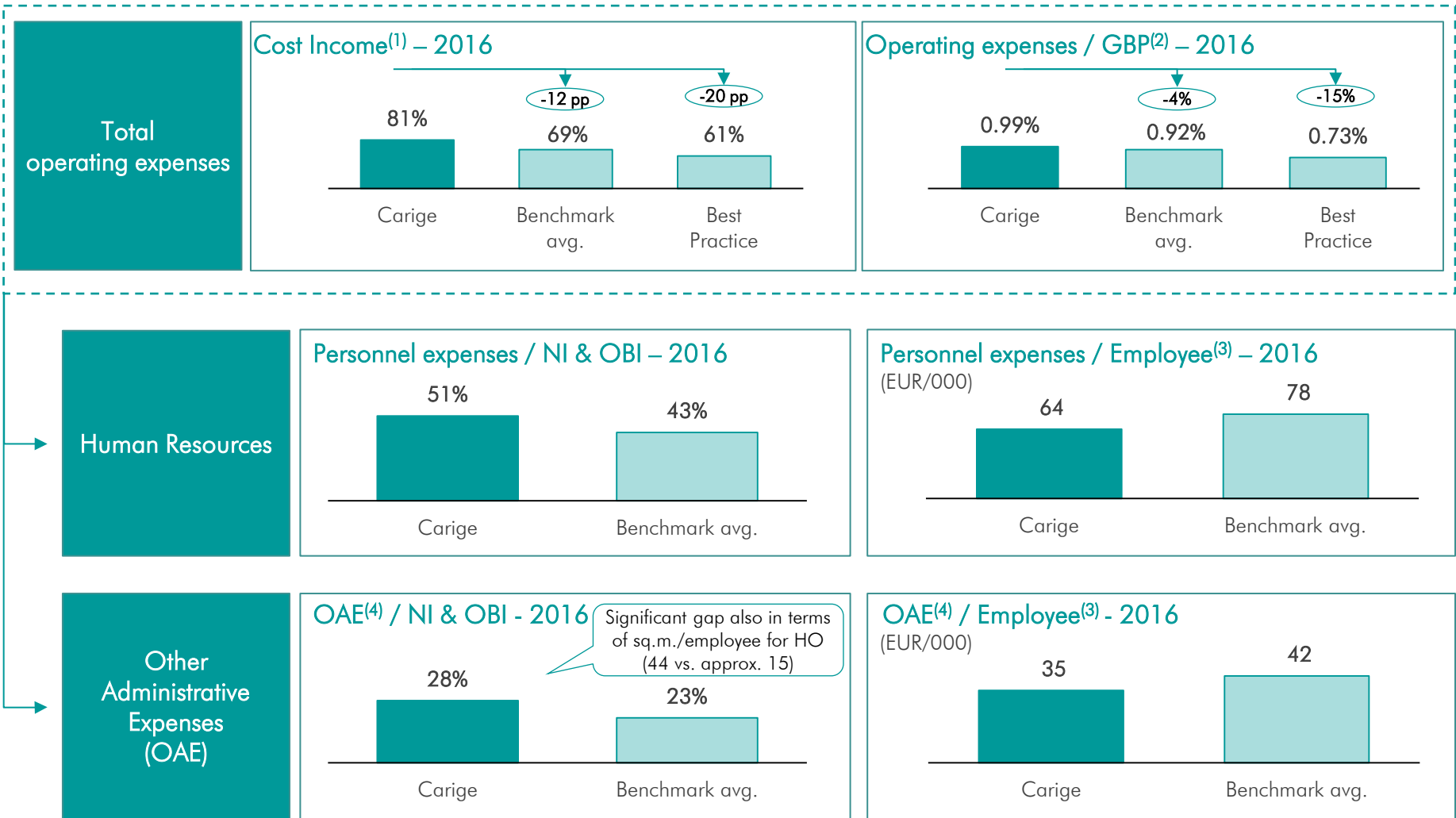
Liquidity and cost of funding



Euribor 3M flat 2018 vs. 2016, and forecasted to grow 67 p.p. between 2018 and 2020. The cost of funding will decrease by 30 p.p. 2018 vs. 2016, and increase by 22 p.p. 2020 vs. 2018, thus always showing better performance compared to Euribor 3M

(1) Average rate on average deposit amount

Notable efficiency gaps can be still observed in Carige today



Source: 2016 FY Reports. Benchmark made of players comparable in sizing and business model (BPER, Creval, CREDEM, Cariparma). Best Practice refers to the best performer in the benchmark.

(1) Calculated on the basis of operating expenses reported in the reclassified income statement

(2) Gross Banking Product calculated as Direct Funding, Indirect Funding (Carige net of Amissima's assets under custody) and Gross Loans to Customers.

(3) Employees average for the year.

(4) OAE net of ECB costs and Indirect Taxes.

Key Operating Levers and Business Plan targets

Area of action Key Operating Levers

Human Resources

- Headcount reduction from one-off deals and "Lean Banking"

Headcount reduced by ~500 compared to old Plan (o.w. ~50 staff of Creditis)

OAE (excluding indirect taxes)

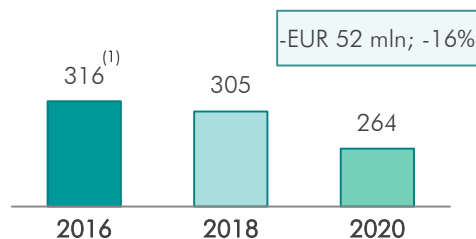
- Optimisation of overhead expenses
- Space Management initiatives
- Decrease in legal costs associated with NPE scope reduction
- ICT: full-scale enhancement of an industrial partnership (advanced negotiations with an international partner)

General-purpose investments

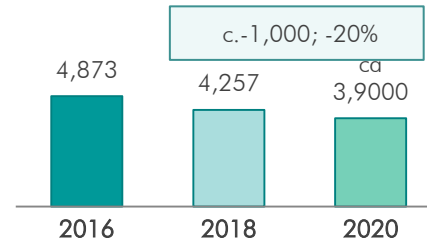
- Investments to support the Group's business turnaround and evolution
- ~EUR 100 mln worth of Investments throughout the Plan period

2018 and 2020 targets

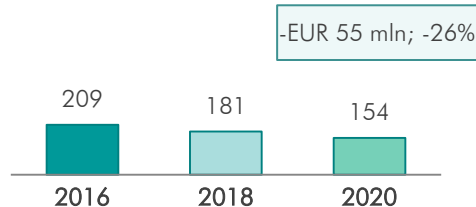
Personnel expenses, EUR/mlin



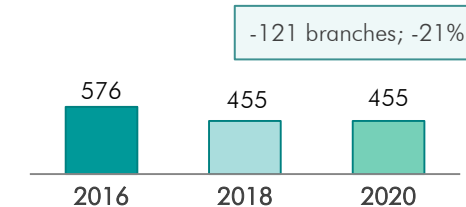
Headcount, [avg. number]



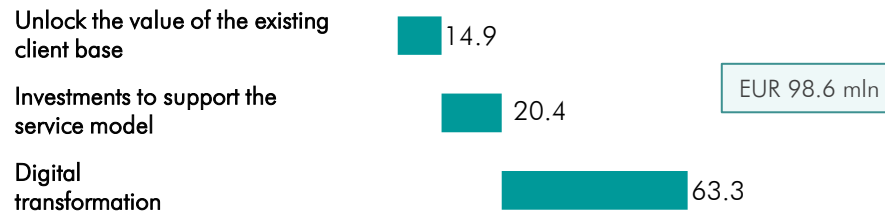
Other administrative expenses⁽²⁾, EUR/mlin



Branches⁽³⁾, #



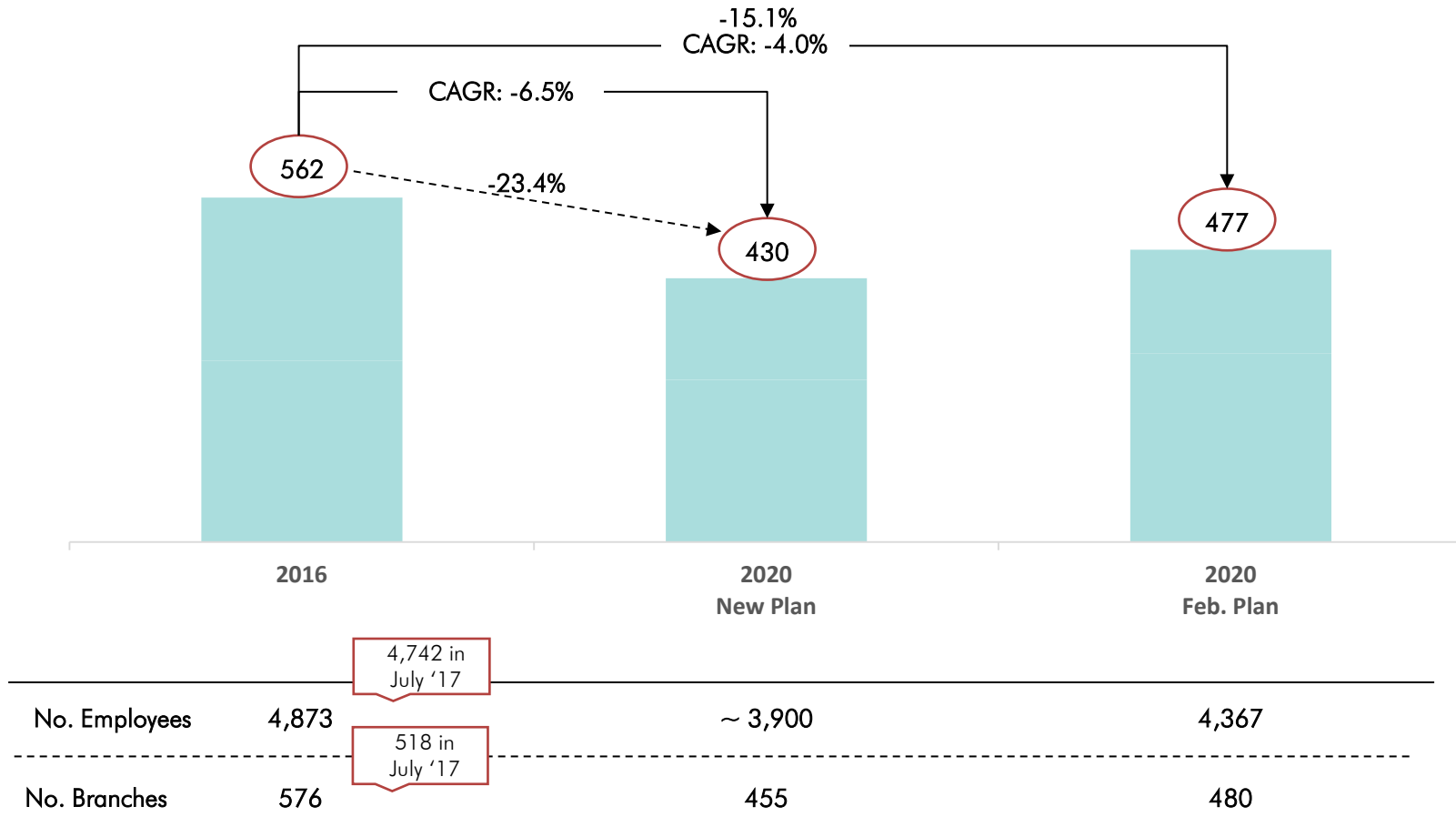
Total investments over the Plan period (EUR/mlin)



(1) In 2016 FY Report: EUR 296 mln in personnel expenses, EUR 20 mln in non-recurring upside
 (2) Excluding indirect taxes
 (3) The number of branches excludes the not fully-operating branches and the branch in Nice

More aggressive plan for reducing operating costs than in February 2017

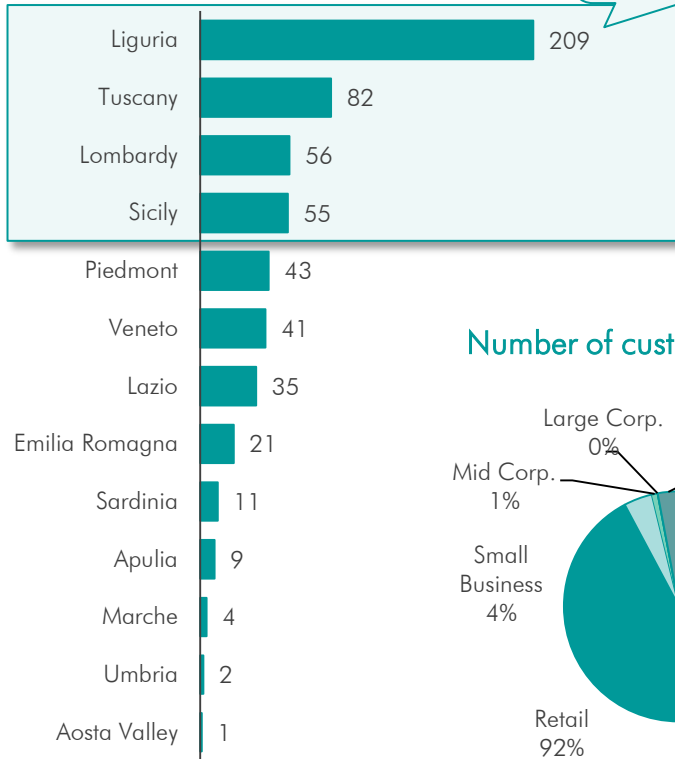
Comparison of 2016-2020 operating costs, New Business Plan vs February Plan 2017, EUR/mln



Note: In 2016 FY Report: EUR 296 mln in personnel expenses, EUR 20 mln in non-recurring upside.
The number of branches excludes the not fully-operating branches and the branch in Nice

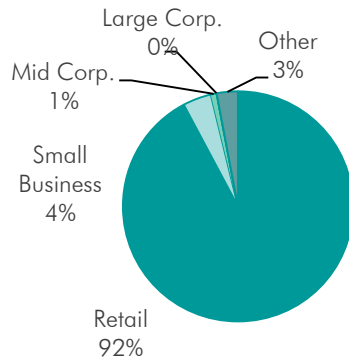
Carige is strongly concentrated in high-potential regions and core customer segments

Number of branches in the domestic market⁽¹⁾, #

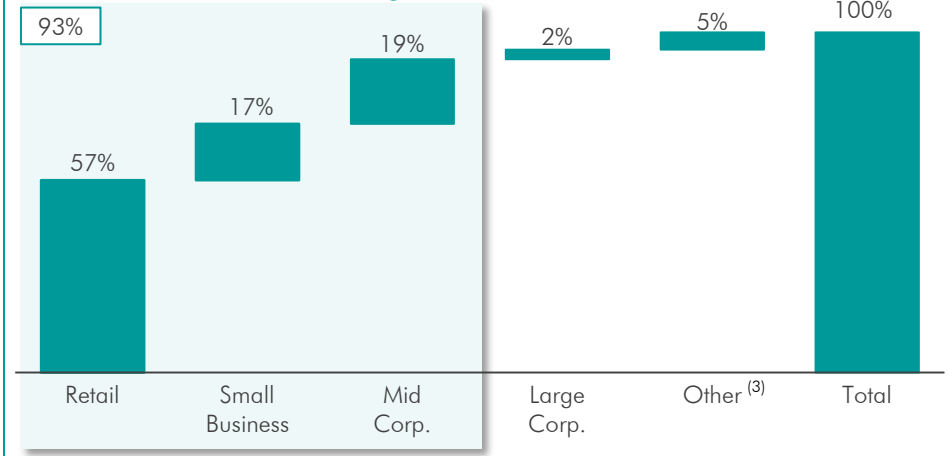


Over 70% of total branches are concentrated in the first 4 regions

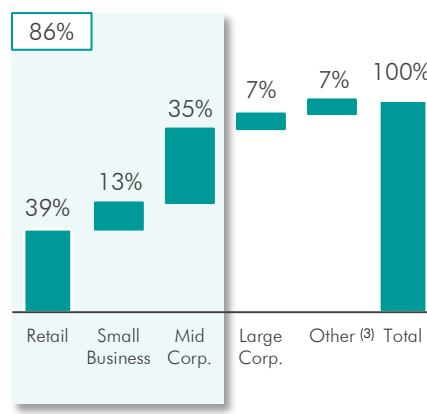
Number of customers⁽¹⁾



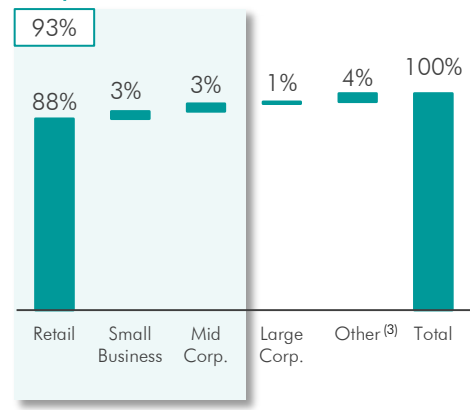
Net Interest & Other Banking Income⁽²⁾



Lending⁽⁴⁾



Deposits, AuM & AuC⁽⁴⁾



Source: 2016 data, refers to commercial customers (excluding the institutional segment); sum of single parts may not equal total due to rounding

(1) As of 31st December 2016. Excluding the branches of Banca Cesare Ponti, the not fully-operating branches and the branch in Nice.

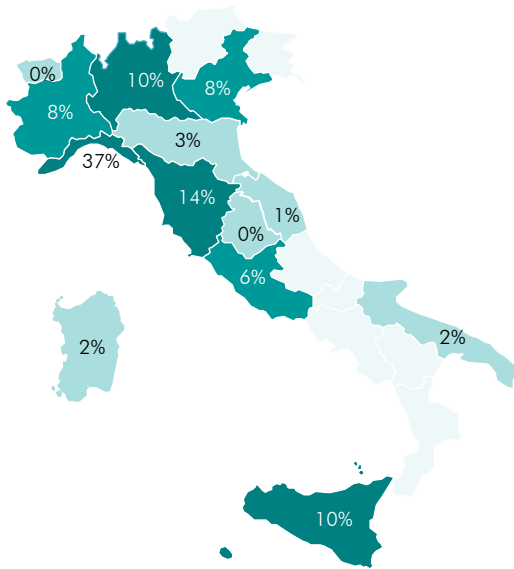
(2) Income from Customers based on managerial view of the Commercial Planning & Marketing division

(3) Includes Institutions and other non-segmented customers.

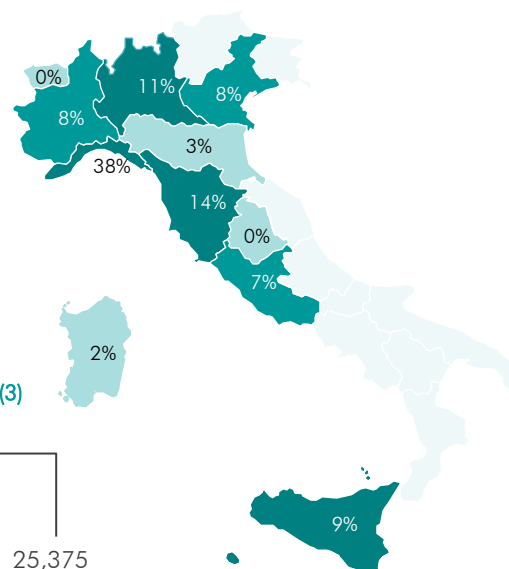
(4) Stock of Lending and Deposits+AuM+AuC from customers (excl. Institutional), Lending net of bad loans.

Branch network rationalisation and business focus on core geographies continues

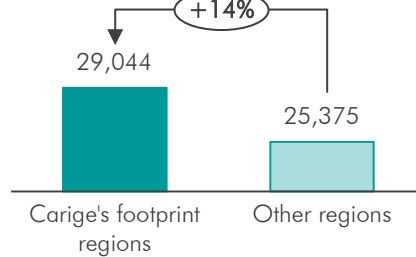
Geographical coverage in 2016
569 branches⁽¹⁾



Target geographical coverage in 2020
455 branches⁽²⁾

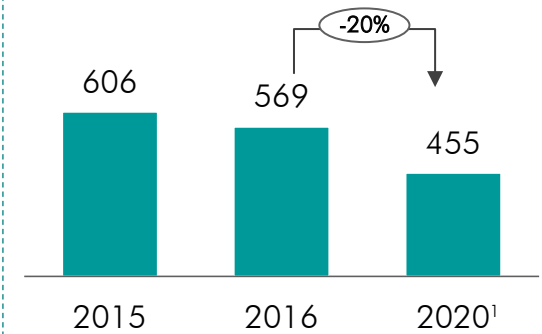


Per capita GDP⁽³⁾
(EUR)



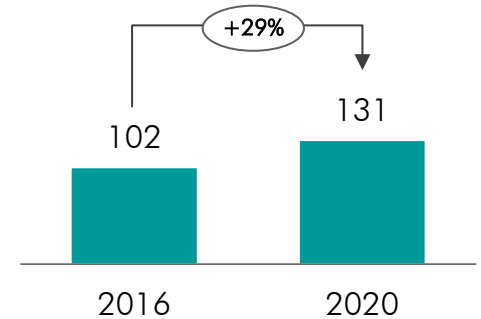
Per capita GDP in Carige's footprint regions is higher than in other Italian regions

Carige's branch network⁽¹⁾, #



Banking business volume
per Branch⁽⁴⁾

(EUR mln)



Source: figures from Carige, Eurostat.

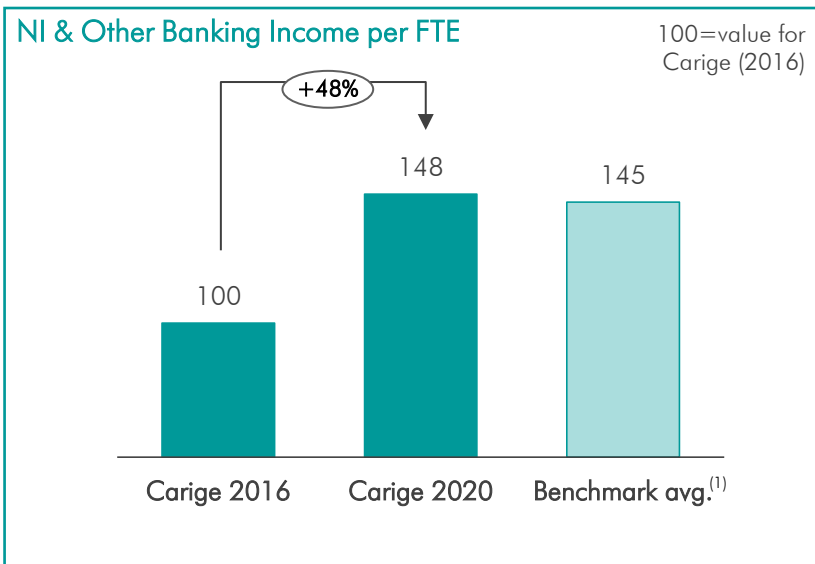
(1) Excluding the branches of Banca Cesare Ponti, the not fully-operating branches and the branch in Nice.

(2) Representation of 480 branches, after 89 branches were closed or identified for closure; an additional 25 branches are being identified out of a selected panel

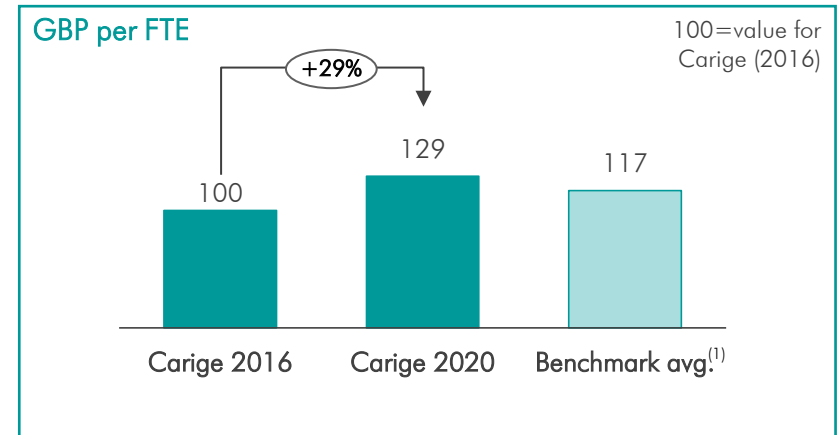
(3) As of 31st December 2015.

(4) Gross Banking Product = Net loans - net bad loans + deposits from customers + AuM + AuC

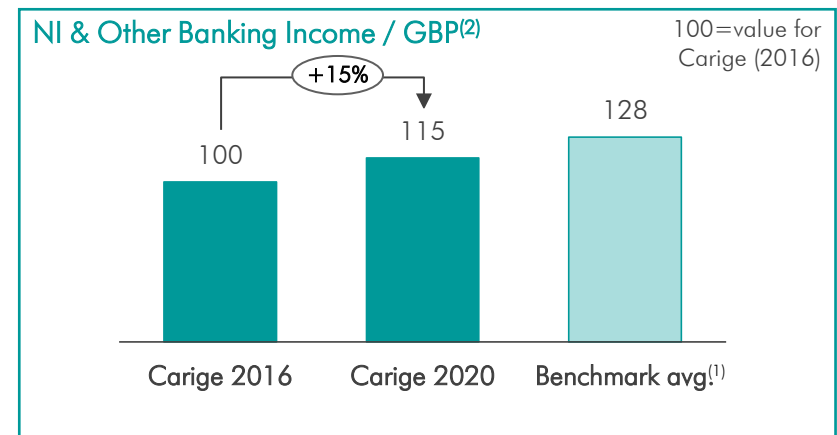
The transformation programme aims to significantly increase Carige's sales and profitability



NI & OBI per FTE up 48% over the Plan period, in line with main Peers' current performance



Partly due to higher "productivity" per FTE (+29%), expected to exceed peers' level



... and higher profitability (in terms of market rates, segment mix, short vs. mid-long term mix,...)

Source: Individual and consolidated financial statements as at 31 December 2016
 (1) Benchmark made of players comparable in sizing and business model (BPER, Creval, CREDEM, Cariparma)
 (2) Gross Banking Product (inclusive of Institutional) = Net loans - net bad loans + total direct and indirect funding

Carige is focusing on its room of improvement in Loans and Commissions

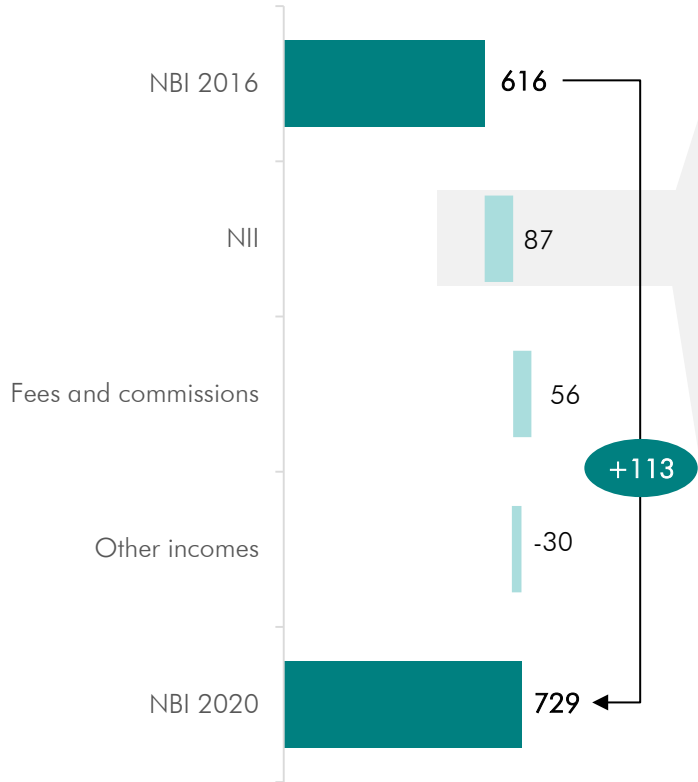
Area of analysis		Rationales for growth
Loans	Medium Long Term loans	<ul style="list-style-type: none"> Room for improvement in processes productivity impacting Customer Experience (e.g. approval time, services offered), which could result in better economic results Intention to re-focus on core clients is expected to generate better results thanks to a higher potential of core clients New service model is allowing to better serve customers in the daily work increasing market share in transactions and in short term financing
	Short Term loans	
	Creditis	
Commissions	AuM	<ul style="list-style-type: none"> Ongoing "switch" from AuC to AuM (improving profitability) not yet completed Potential positive impact of Carige "brand": <ul style="list-style-type: none"> Carige brand could significantly benefit from the Turnaround program Opportunity to leverage on Banca Cesare Ponti brand with a broader group of customers
	Other sources of commission income	<ul style="list-style-type: none"> Potential improvement of Bancassurance offering, currently limited in terms of product range (e.g. Business CPI) and innovation (e.g. Telematics), through a renovated collaboration with Amissima Potential for a broader product/ service offering, that would allow to leverage on the current customer base and customer data

Evolution of Net Banking Income and Net Interest Income in the MYP timeframe

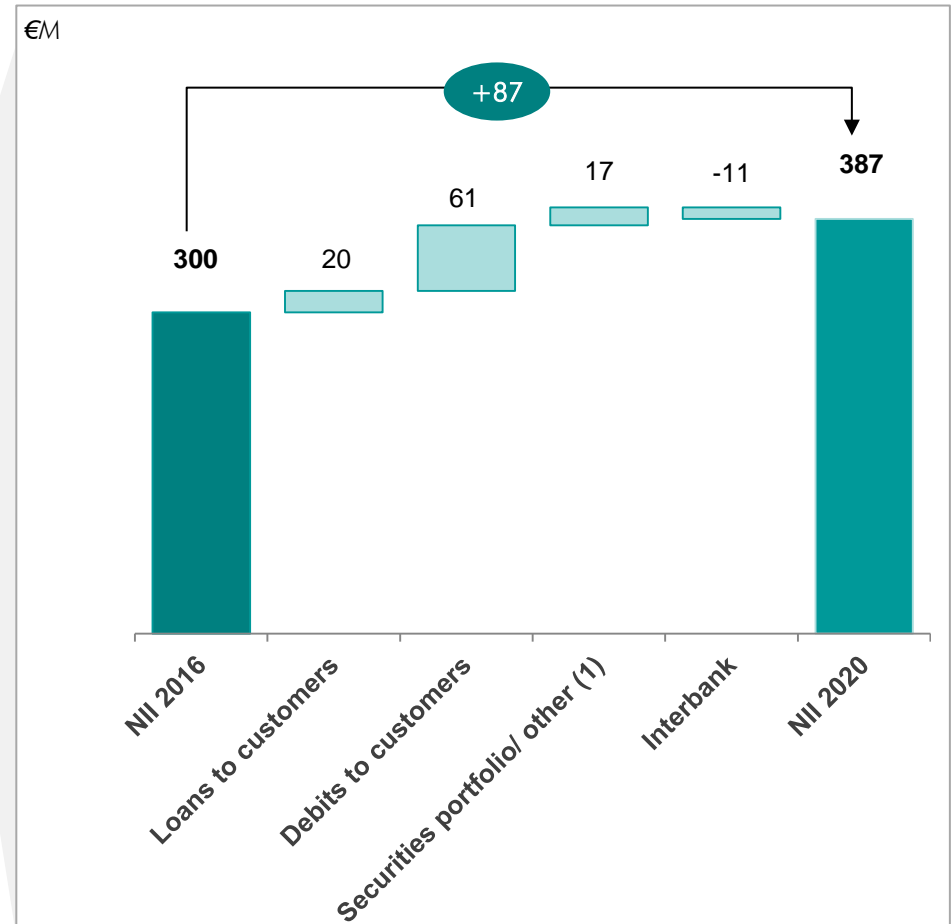
Net interest and other banking income evolution

Net interest income evolution

€M



€M

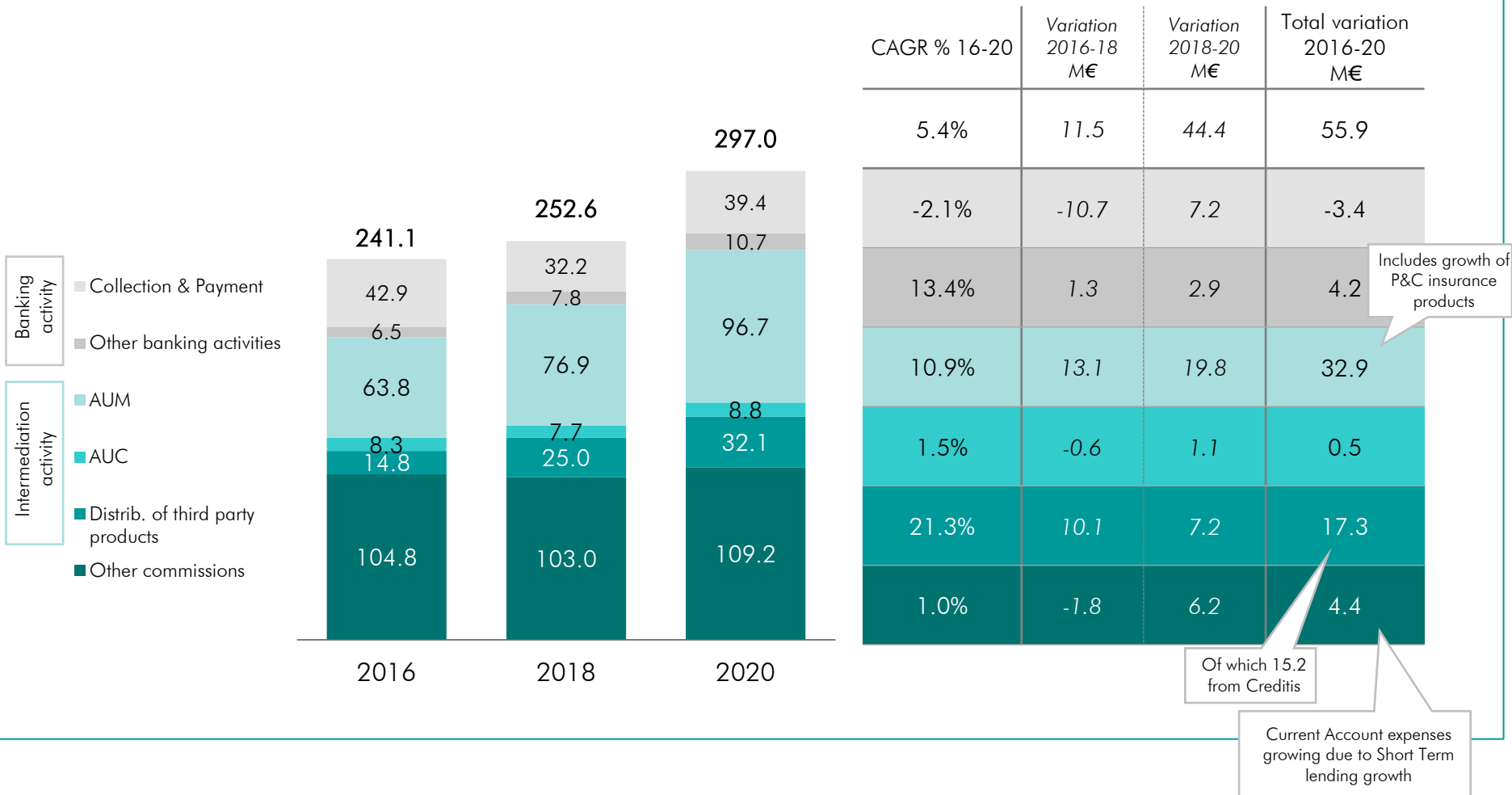


(1) Includes other passive interests

Growth of Net Commissions driven by AuM and Creditis

Net Commissions (M€)

Impacts from Creditis, Merchant Book and NPL Platform included (in 2018 and 2020)



A major transformation plan...

- Over EUR 1 bn capital strengthening
- -54% of NPE stock by end-2018, -58% at 2020
- -23% operating expenses and +48% commercial productivity 2020 vs. 2016

...for a sound and profitable Bank...

- CET1 (2020): 13.9 %
- Texas ratio (2020): 61.8%
- ROTE (2020): 6.5%

... requiring the input of all its stakeholders

- LME – transaction completed
- Capital increase (closing by end-December)
- Execution of disposal transactions (2017-H1 2018)

Business Plan

<i>EUR/mln</i>		2016	1H 2017	2018	2020	Δ 2016–2020 CAGR
P&L	Net Interest Income	300	141	284	387	6.6%
	Net fee and commission income	241	123	253	297	5.4%
	<i>Other revenues</i>	75	19	40	45	(12.0%)
	Net Interest and Other Banking Income	616	282	576	729	4.3%
	<i>Loan loss provisions</i>	(473)	(219)	(122)	(94)	(33.2%)
	<i>Operating expenses</i>	(562)	(283)	(505)	(430)	(6.5%)
	Gross profit	(431)	(225)	8	210	n.s.
	Parent company's net profit	(292)	(155)	25	146	n.s.

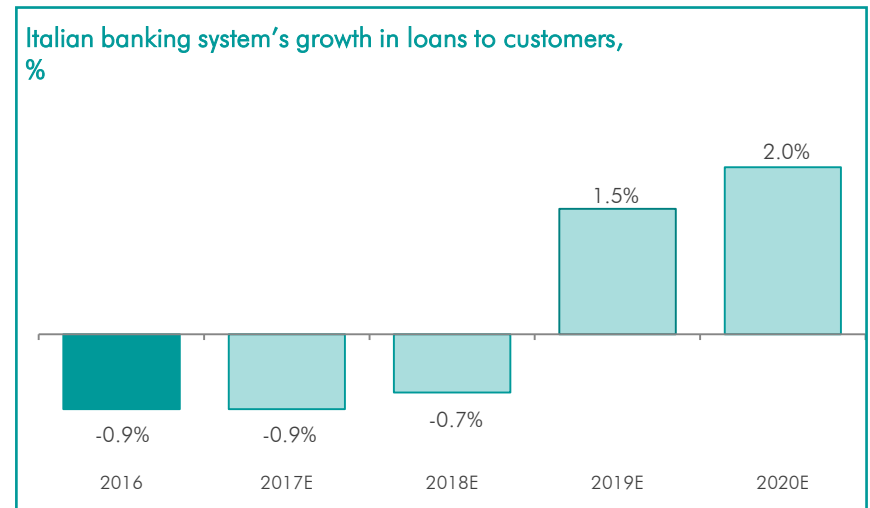
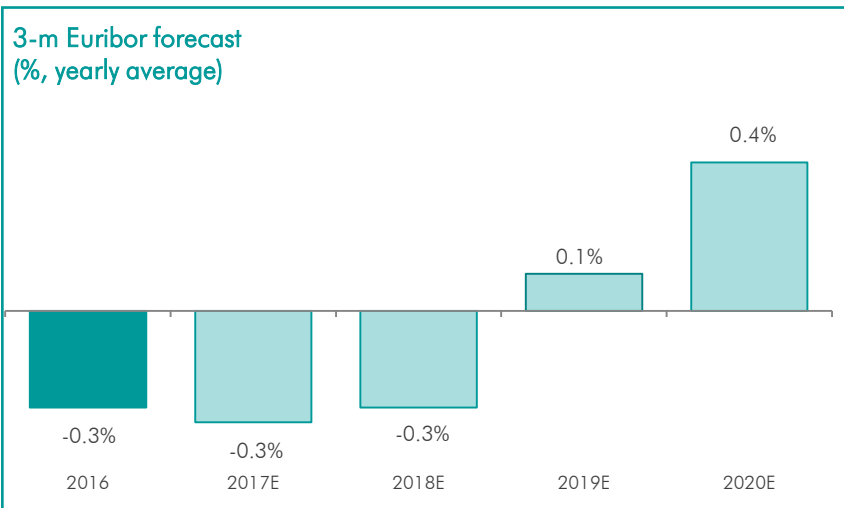
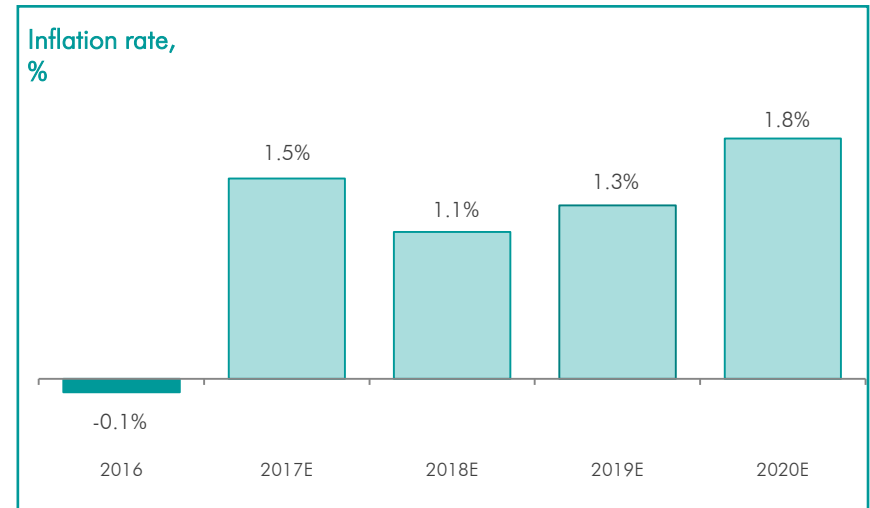
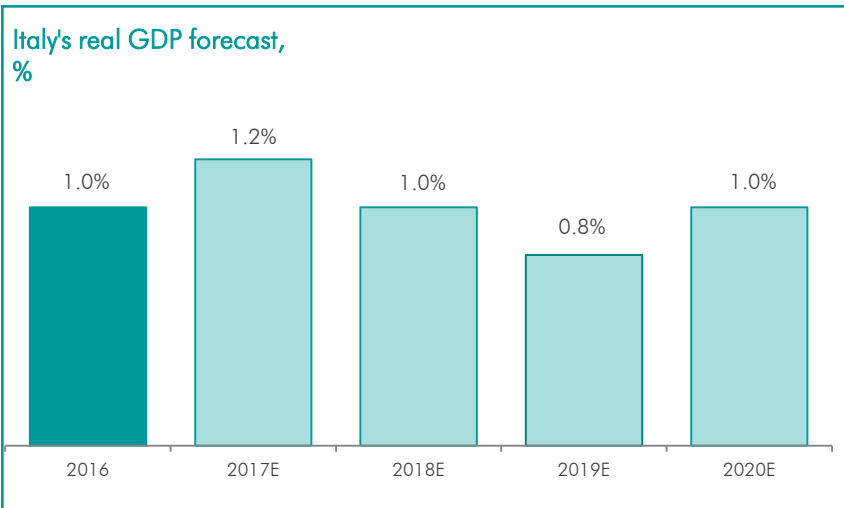
<i>EUR/mln</i>		2016	1H 2017	2018	2020	Δ 2016–2020 CAGR
BS	Net loans to customers	18,246	17,626	15,809	17,047	(1.7%)
	Direct funding ⁽¹⁾	19,613	18,324	17,191	18,359	(1.6%)
	Capital and reserves ⁽²⁾	2,401	2,112	2,181	2,279	(1.3%)
	Net tangible equity ⁽²⁾	2,344	2,064	2,134	2,231	(1.2%)

Note: Classification as per Bank of Italy's template

(1) Deposits from customers, Debt securities issued and Financial liabilities designated at fair value

(2) Excluding net income for the period

The macroeconomic scenario



Performing loans quality

Risk Profile by rating classes

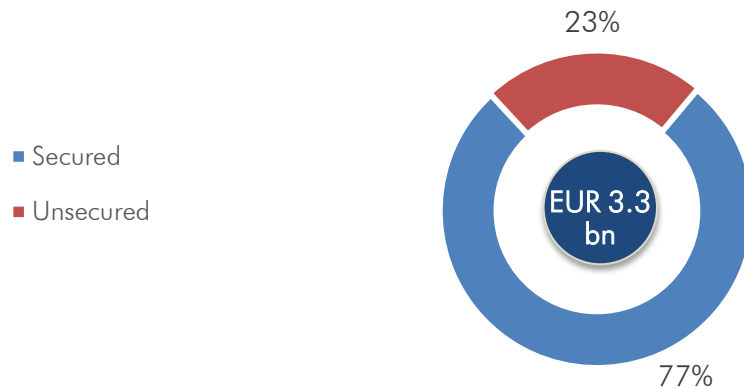
RATING CLASSES	CUSTOMERS	GROSS		NET		COVERAGE
	(K #)	(EUR M)	%	(EUR M)	%	%
UNRATED	27	1,696	12.7%	1,681	12.6%	0.88%
LOW RISK	49	4,663	34.8%	4,658	35.0%	0.11%
AVERAGE RISK	48	5,752	43.0%	5,714	43.0%	0.66%
HIGH RISK	36	1,277	9.5%	1,238	9.3%	3.05%
TOTAL PERFORMING	160	13,388	100.0%	13,291	100.0%	0.72%

77.8% LOW/AVERAGE RISK

22% (3 EUR Bn) Performing loans are rated by CERVED

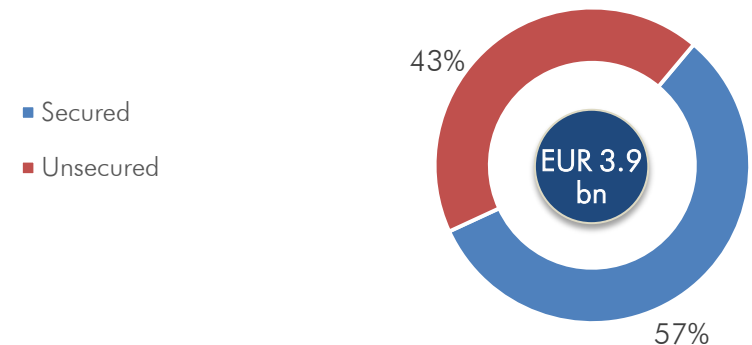
Breakdown of UTP portfolio

Secured / Unsecured loan breakdown

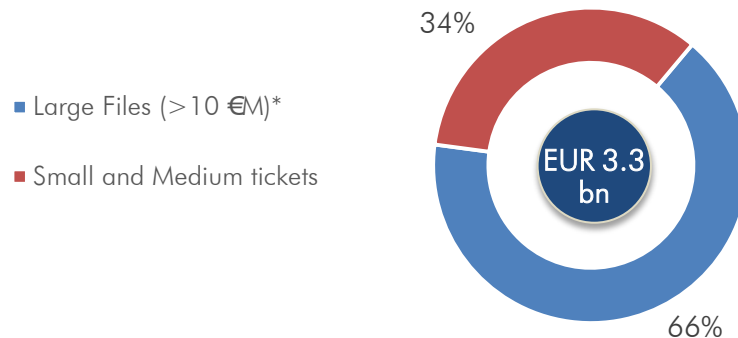


Breakdown of bad loan portfolio

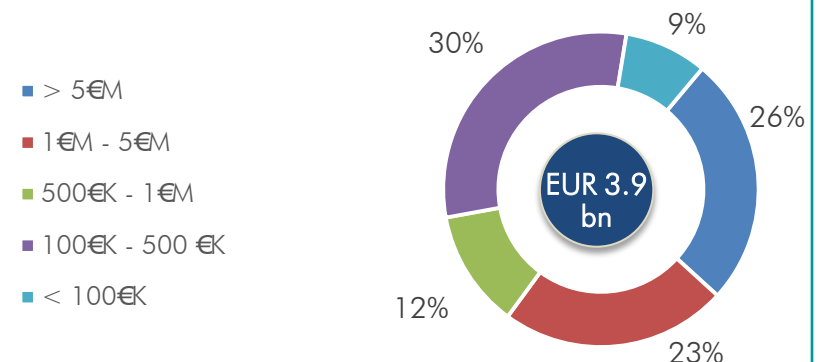
Secured / Unsecured loan breakdown



Breakdown by sizing class



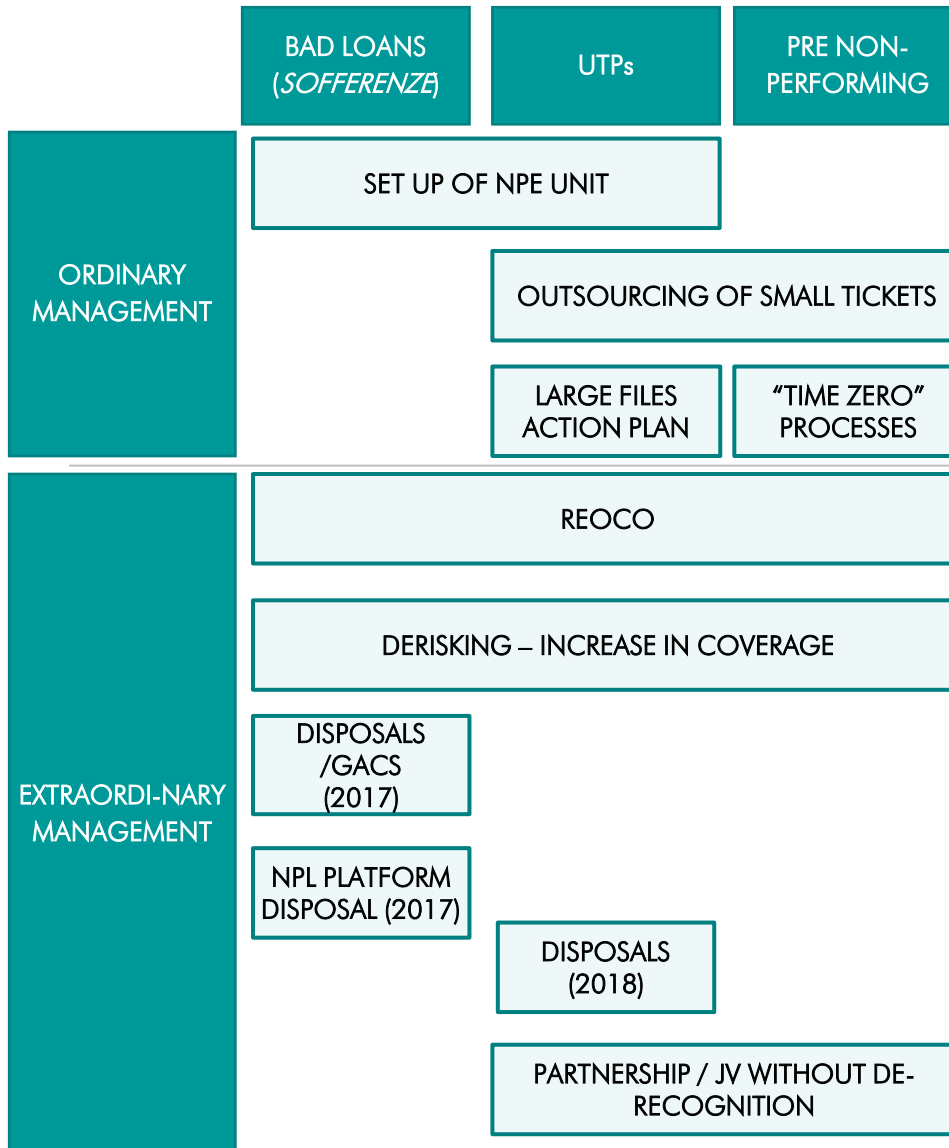
Breakdown by sizing class



Note: figures as at 30/06/2017

Secured/unsecured loan breakdown calculated at SNDG account identifier level by 'presence' criterion (at least one secured credit line present). (*) Large Files identified as of March 2017

New holistic approach for NPE management, with a comprehensive action plan



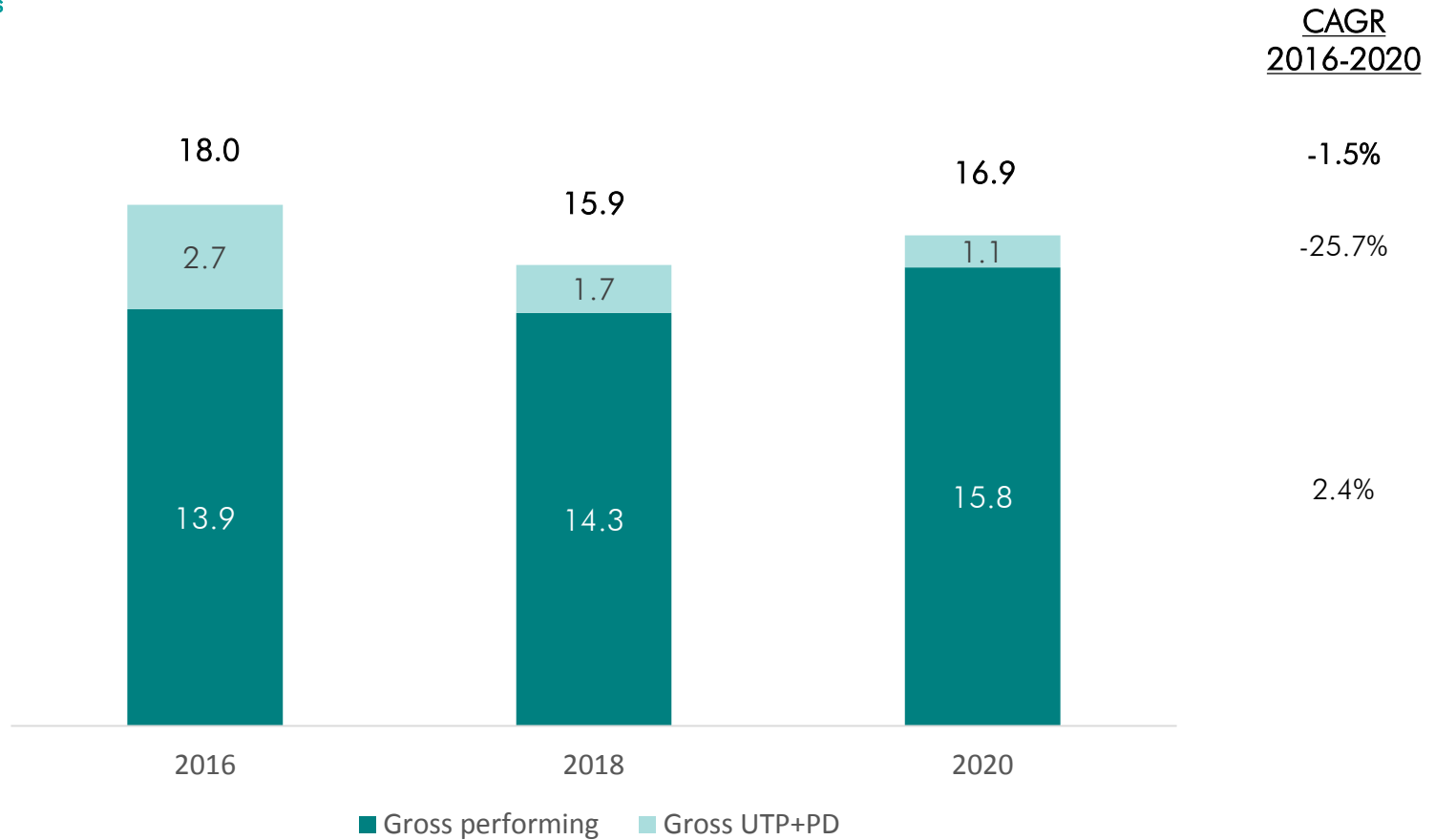
Actions completed - underway - scheduled

- ✓ GACS (EUR 0.94 bn GBV): completed
- ✓ SET UP OF NPE UNIT: Head of the NPE Unit identified, multi-year experience in NPE management
- ✓ SET UP OF REOCO: incorporation of the company and authorisation obtained + key staff identified + exposures requiring intervention identified
- ✓ Disposal of bad loan portfolio (EUR 1.2 bn GBV): underway
- ✓ Disposal of NPL platform: underway
- Disposal of UTPs (EUR 0.5 bn GBV): planned for 2018

Gross loans to customers generating interest will slightly decrease, led by a sharp decrease of non performing loans

Evolution of gross loans to customers

Gross loans to customers
Volumes, B€



Note: UTP include capitalized interests which does not generate interest

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