



1H 2014 Results

Chief Executive Officer
Piero Luigi Montani

Genoa, 4 August 2014



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The manager responsible for preparing the company's financial reports, 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 press release corresponds to the document results, books and accounting records.

It is noted that:

- effective as of the half-year condensed consolidated financial report as at 30 June 2014, the assets, liabilities and profit & loss items concerning the Insurance Group have been classified and measured under IFRS 5 (Non-current Assets Held for sale and Discontinued Operations);*
- some comparative data reflect corrections made as a result of restatements of prior period balances in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors), mainly for the purpose of taking account of the contents of Consob ruling no.18758 of 10 January 2014 concerning (i) the impairment test on goodwill for the CGUs, Banca Carige Italia and Banca del Monte di Lucca, (ii) valuation of the stake held in the Bank of Italy and (iii) application of the IFRS 5.*

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

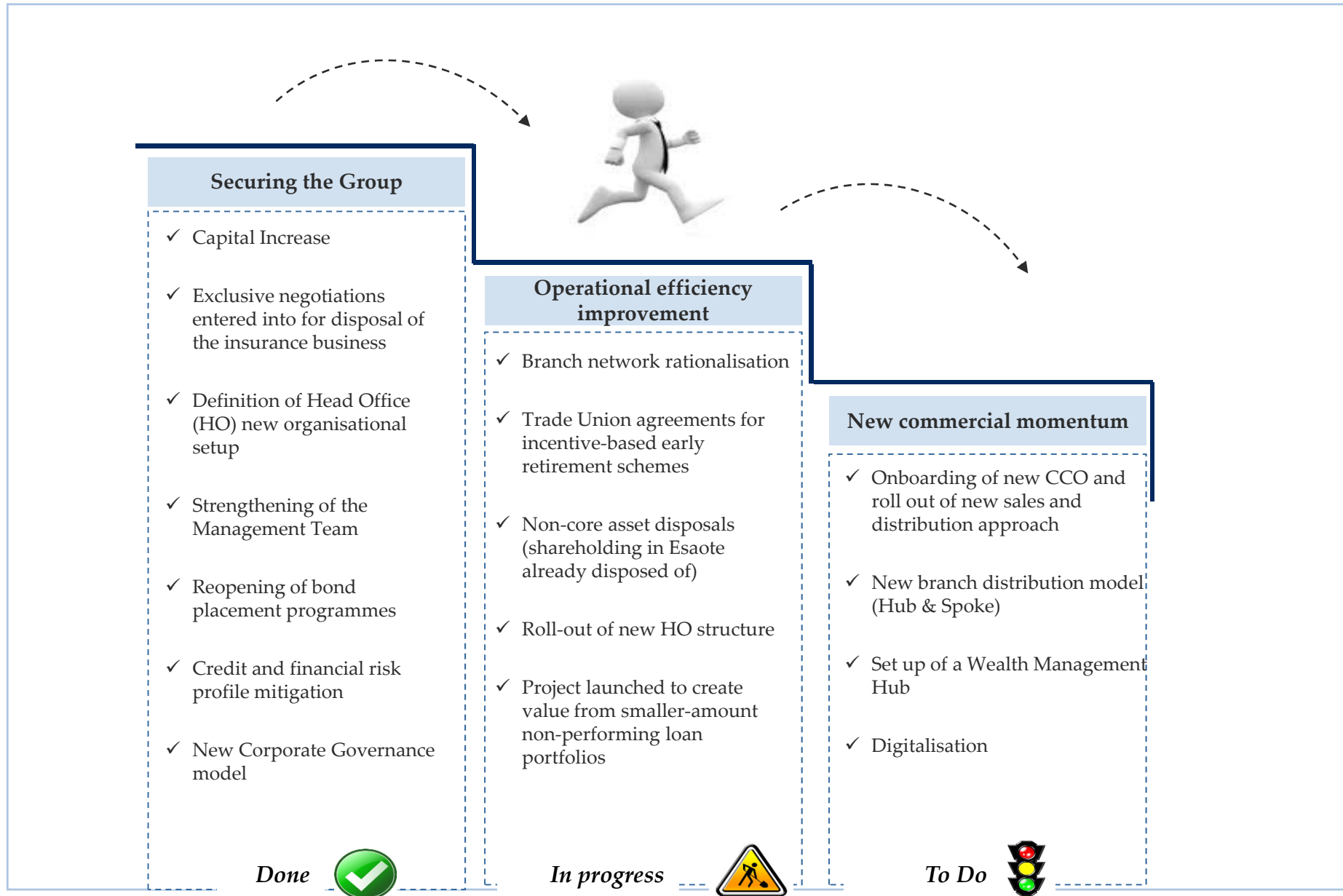


- **Highlights**

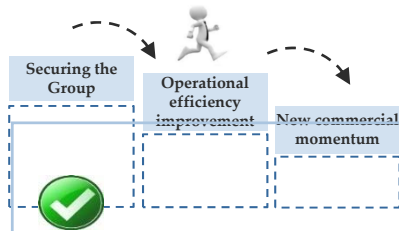
- **1H 2014 Results**



First phase of Business Plan completed



Capital Increase successfully completed



CAPITAL INCREASE

- 99.9% of Capital Increase subscribed during offering period
- Unexercised rights sold out on first trading session of the Public Offering
- Around 20% subscribed by customers of Carige branch network

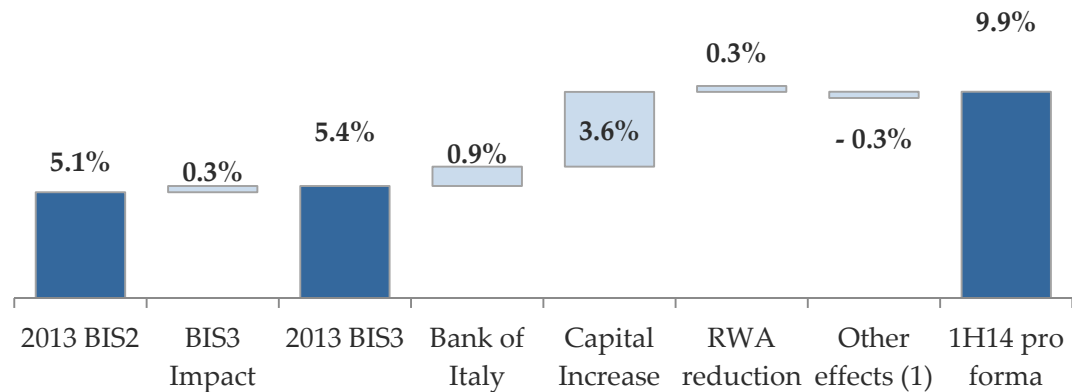
RWA OPTIMISATION

- RWAs EUR 22.0 bn as at 30/06/2014 vs EUR 23.6 as at 31/03/2014: - EUR -1.6 bn

EXCLUSIVITY OF NEGOTIATIONS FOR DISPOSAL OF THE INSURANCE BUSINESS

- With Apollo Management Holdings Lp until 30/09/2014

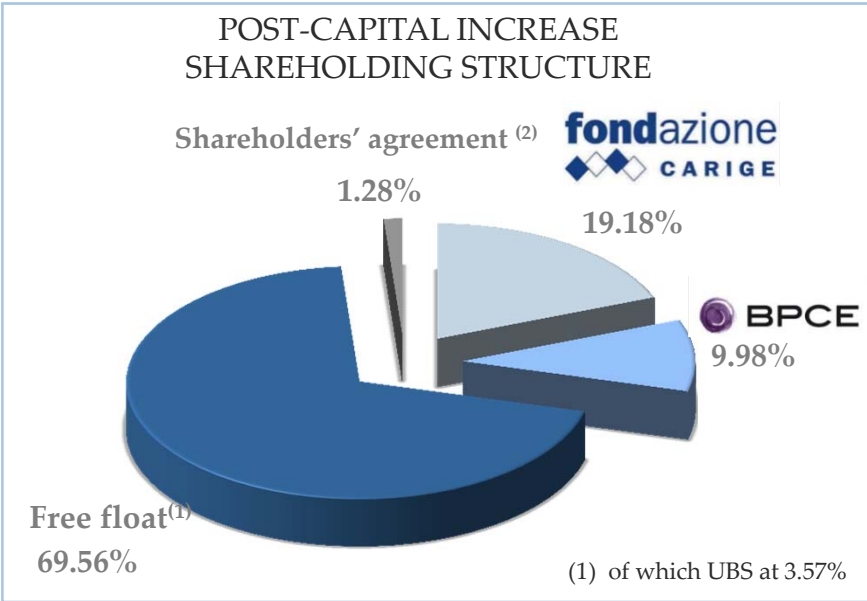
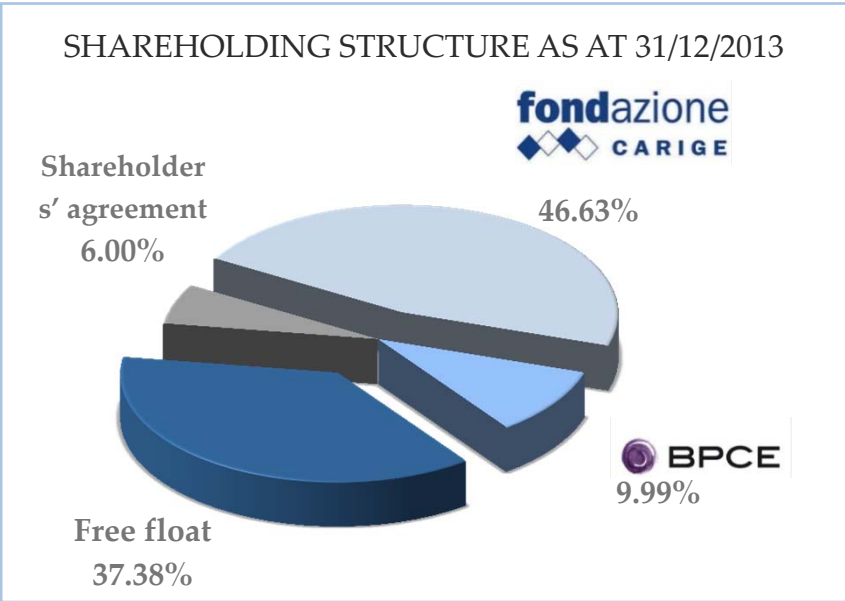
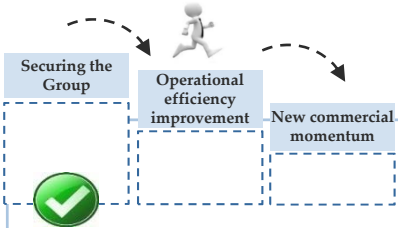
CET1 RATIO PHASED IN



(1) Including capital increase of the Insurance company

THE EUR 800 MLN CAPITAL INCREASE AND FUTURE DISPOSAL OF THE INSURANCE SUBSIDIARIES ALLOW FOR THE BUILD UP OF AN ADEQUATE CAPITAL BUFFER

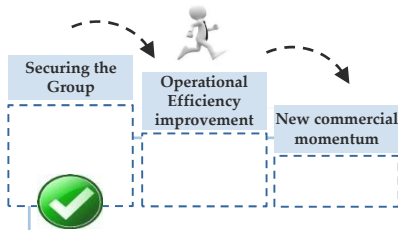
The capital increase has opened the Bank to the market



Figures updated as per evidence from Shareholders Register and latest notifications received

(2) The shares subject to the shareholders' agreement have not changed in number after the Capital Increase, given that the additional shares that may have been subscribed by each member of the shareholders' agreement at the time of the capital increase are not to be considered; however, their percentage has changed, as it is calculated on the new ordinary share capital; therefore, the overall shareholding subject to the shareholders agreement has dropped to 1.28%, making the Shareholders' agreement no longer relevant under the terms of art. 122 of the Consolidated Law on Finance.

Policy of further risk mitigation continues

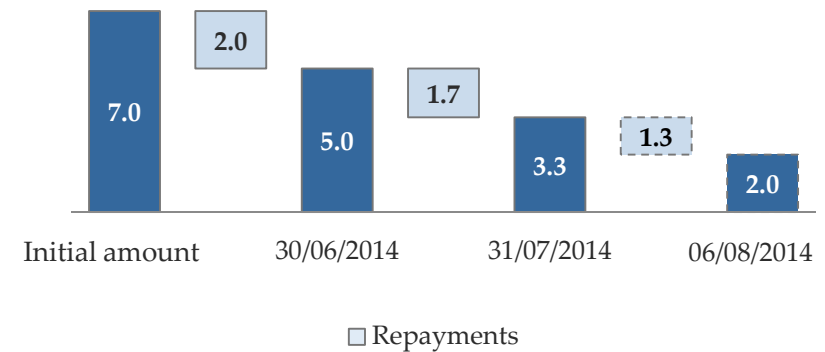


COVERAGE

Coverage %	6/2013	12/2013	6/2014	30/06/2014 including write-offs	Avg regional peers ⁽²⁾
Total NPLs	32.1%	36.0%	36.9%	39.2%	35.2%
Bad loans	49.7%	56.3%	57.0%	60.3%	52.3%
Substandard	17.7%	20.3%	19.6%	19.6%	19.5%
Rescheduled	9.3%	13.1%	16.0%	16.0%	13.7%
Past Due	3.8%	9.6%	14.0% ⁽¹⁾	14.0%	7.1%
Performing	0.5%	0.9%	0.7%	0.7%	0.5%
Total Loans	5.2%	8.1%	9.0%	9.8%	n.d.

LTRO

€ bn

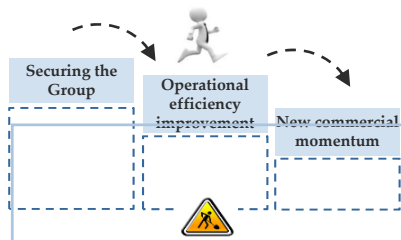


- The coverage ratio for NPLs has been further improved and remains in line with Italian peers' highest levels
- By 6 August over 70% of the LTRO will be repaid ahead of schedule
- In parallel, downsizing of securities portfolio from EUR 6.2 bn as at 31/12/2013 to EUR 4.6 bn as at 31/07. On 6 August, it will amount to EUR 3.3 bn

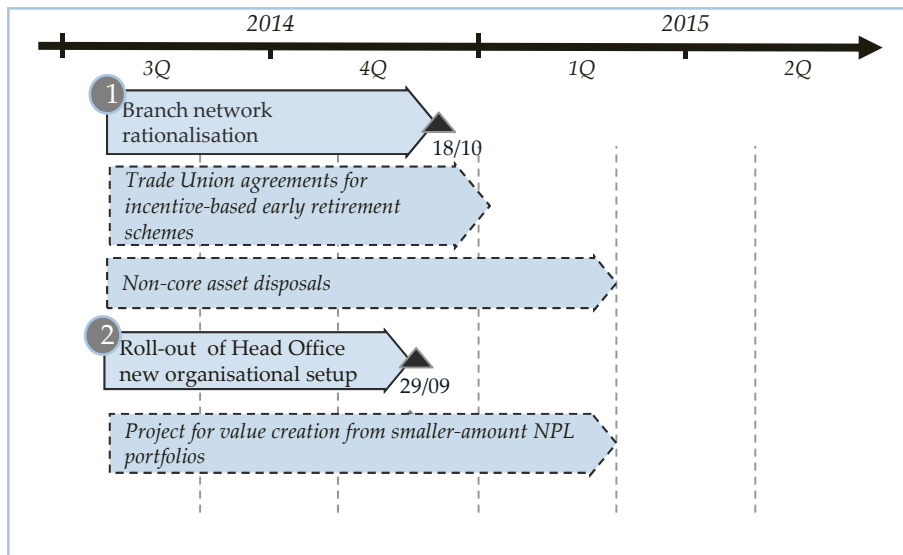
(1) On a like-for-like basis (including Insurance companies) the figure is stable on 0.9%, while excluding REPOs with the clearing house 'Cassa Compensazione e Garanzia', coverage is up to 0.8%

(2) Figures as at 31/03/2014 updated as per latest available information

Operational efficiency: improvement underway

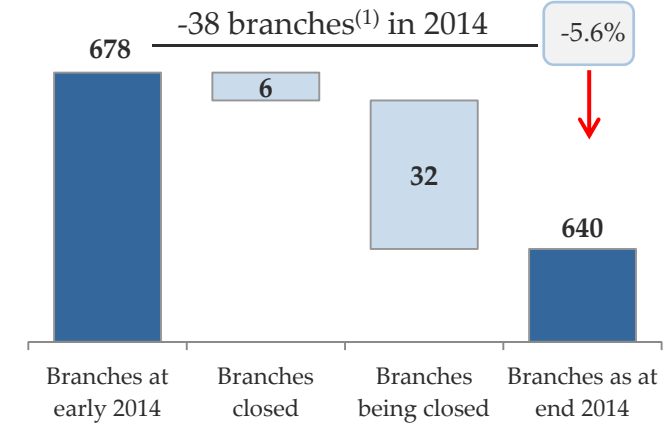


ACTION PLAN FOR NEXT STEPS



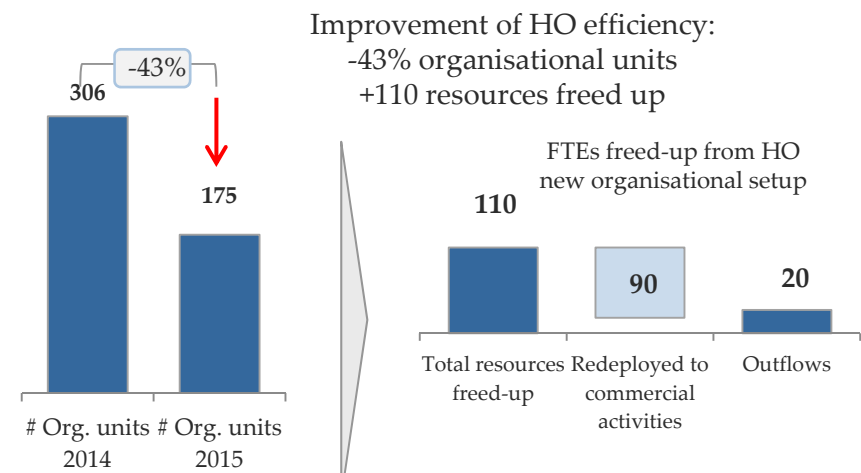
- Incentive-based early retirement (upon attainment of minimum age) for about 600 resources
- Feasibility study for Leasing and Factoring disposal initiated
- Opening of negotiations for disposal of smaller-amount NPL portfolios
- ~50% of the branch rationalisation process completed

1 BRANCH NETWORK RATIONALISATION



(1) Out of a total of 80-90 in the Plan; the remaining ones are being identified

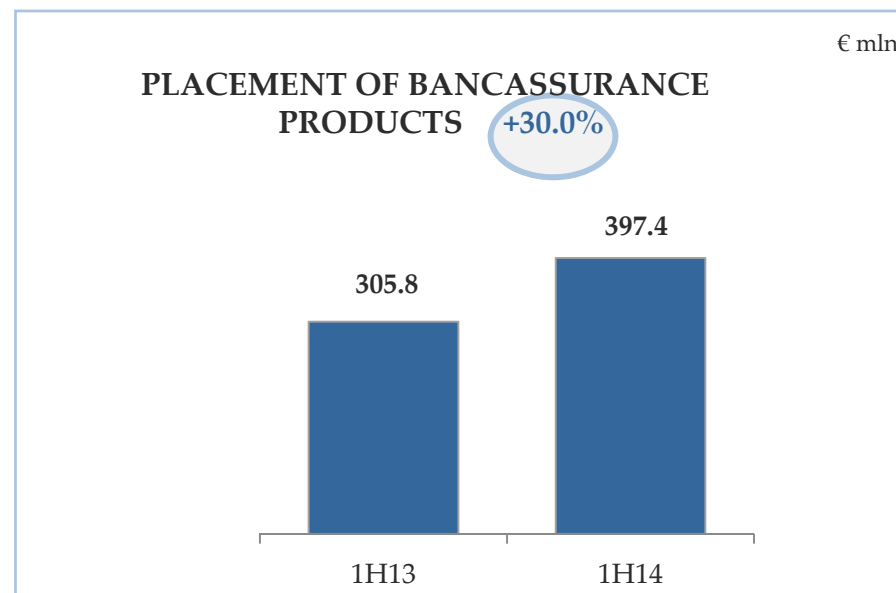
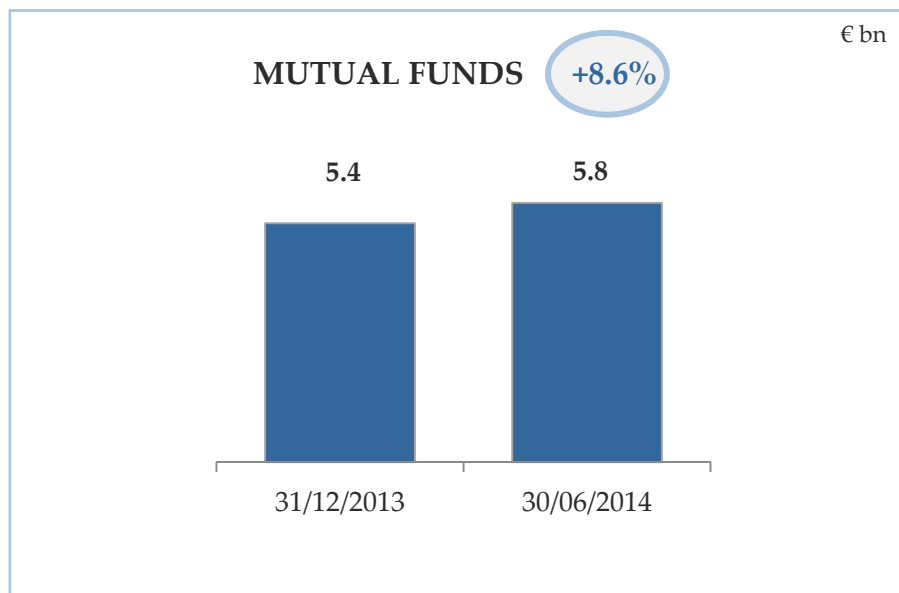
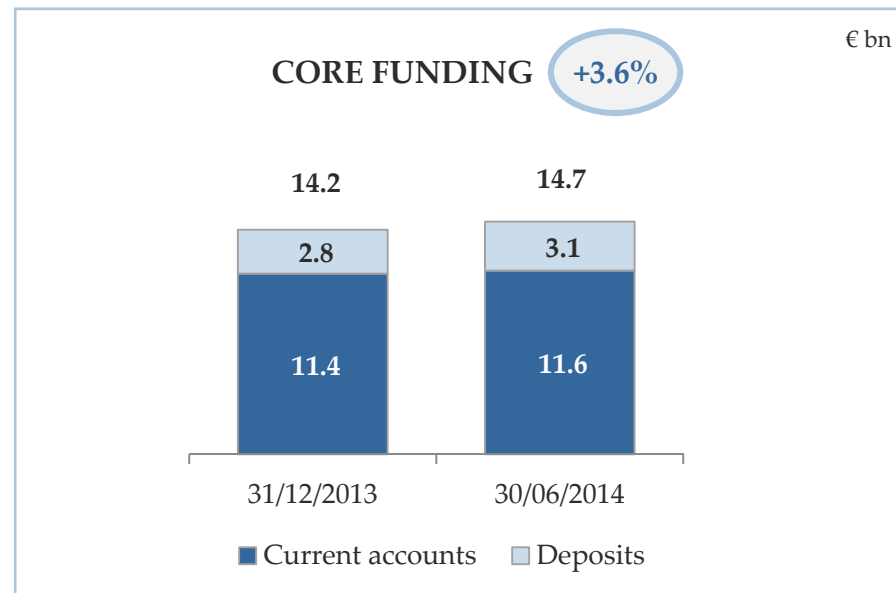
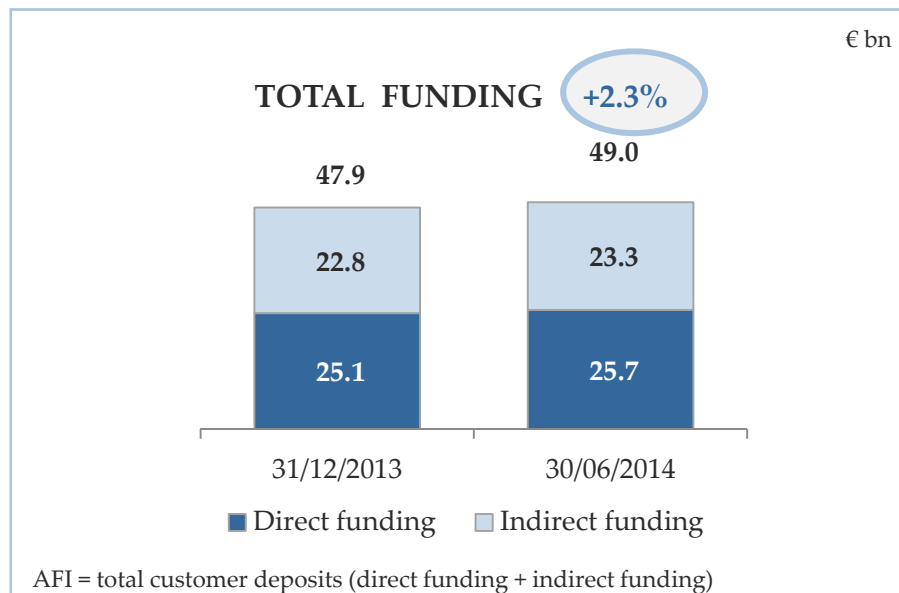
2 ROLL-OUT OF NEW ORGANISATIONAL SETUP





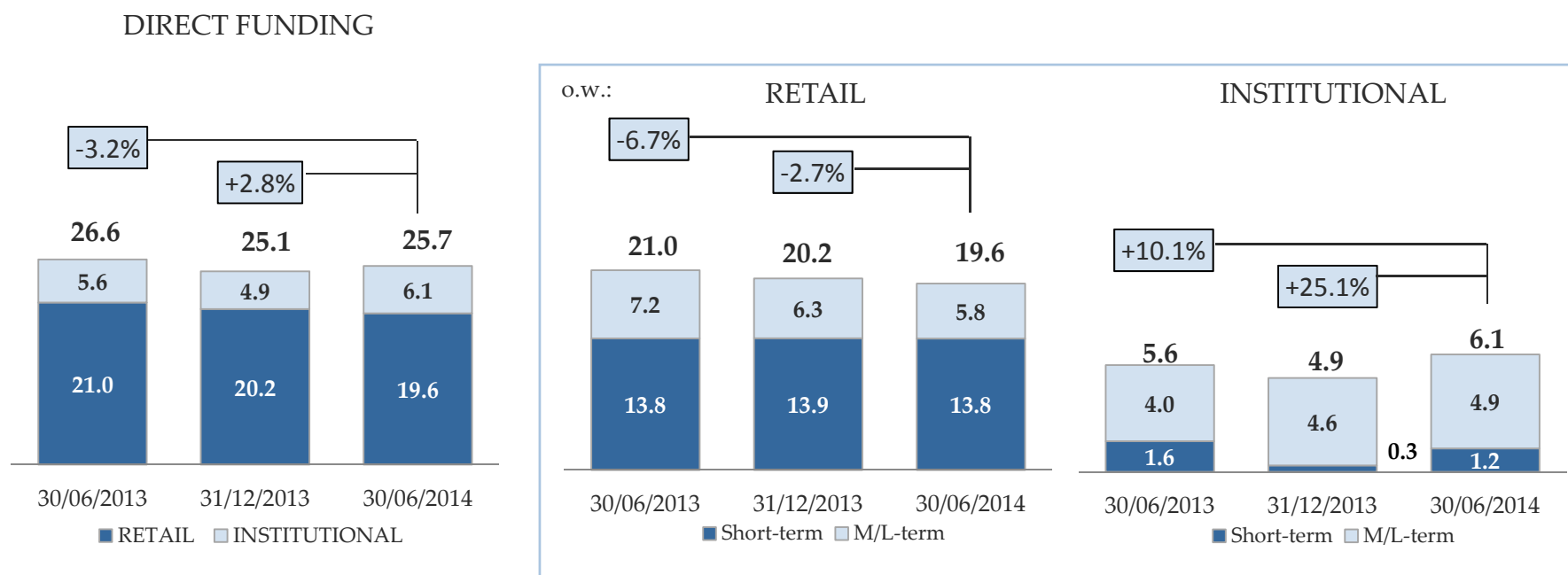
- **Highlights**

- **1H14 results**





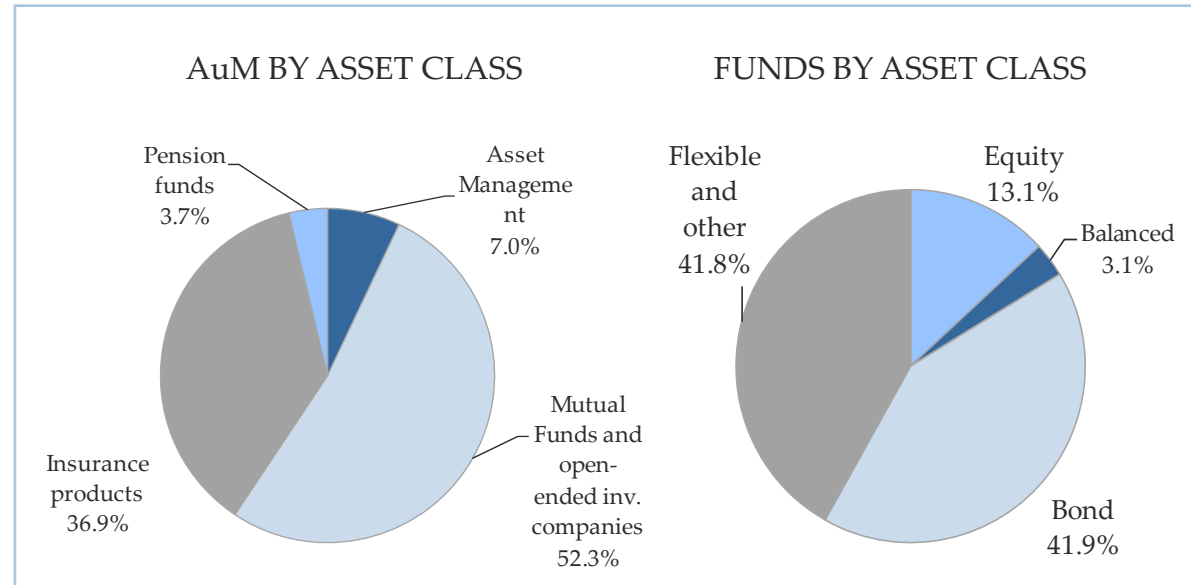
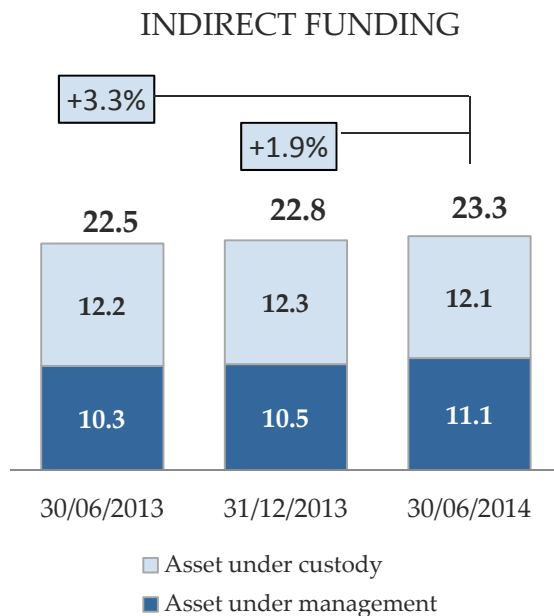
€ bn



- Against the backdrop of a general reduction for the Italian banking system, direct funding was up 2.8% in H1, with its «core» component (current accounts and savings deposits) up 3.6% to EUR 14.7 bn
- The Y/Y decrease in direct funding (-EUR 3.2 bn) was mainly attributable to the retail bond component (-EUR 2.4 bn), which was affected by the temporary suspension of bond issuing by the Parent Company, though partially offset by an increase in M/L-term time deposits (+ EUR 1.1 bn)
- The Y/Y increase in the institutional component was essentially driven by the issuance of EUR 750 mln in covered bonds last October



€ bn

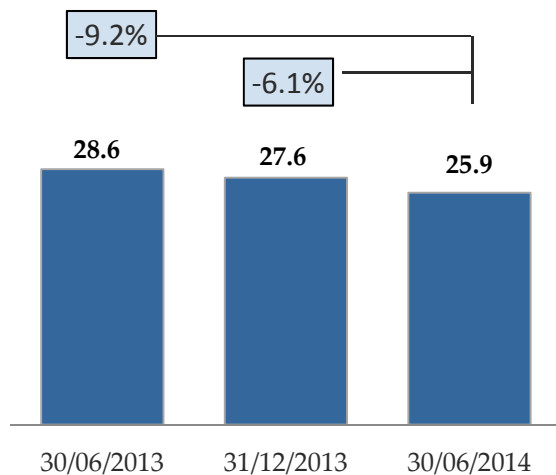


- Indirect funding was up 1.9% in H1 reflecting an increase in AuM (+5.7% to EUR 11.1 bn), driven by mutual funds (+8.6%) and bancassurance products (+3.8%), despite the downtrend in assets under custody (-1.4% to EUR 12.1 bn)
- In particular, during the first half of the year:
 - Mutual funds registered EUR 347 mln in net funding;
 - Bancassurance products placed in H1 2014 amounted to gross EUR 397.4 mln, up 30% on H1 2013 (EUR 305.8 mln)

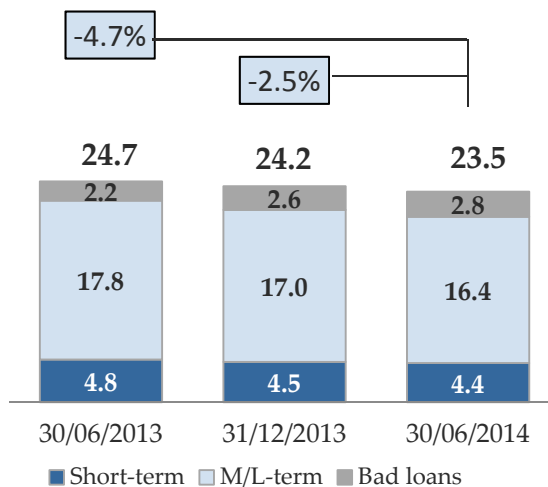


€ bn

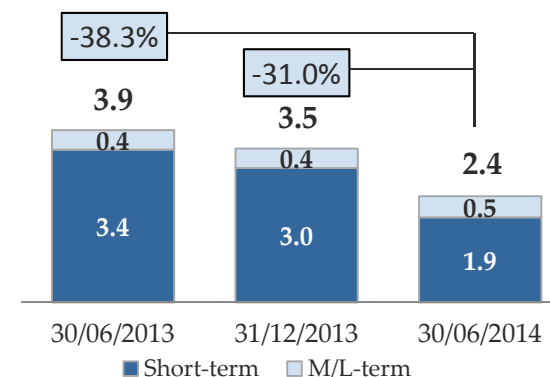
GROSS LOANS



o.w. CUSTOMER LOANS



INSTITUTIONAL⁽¹⁾

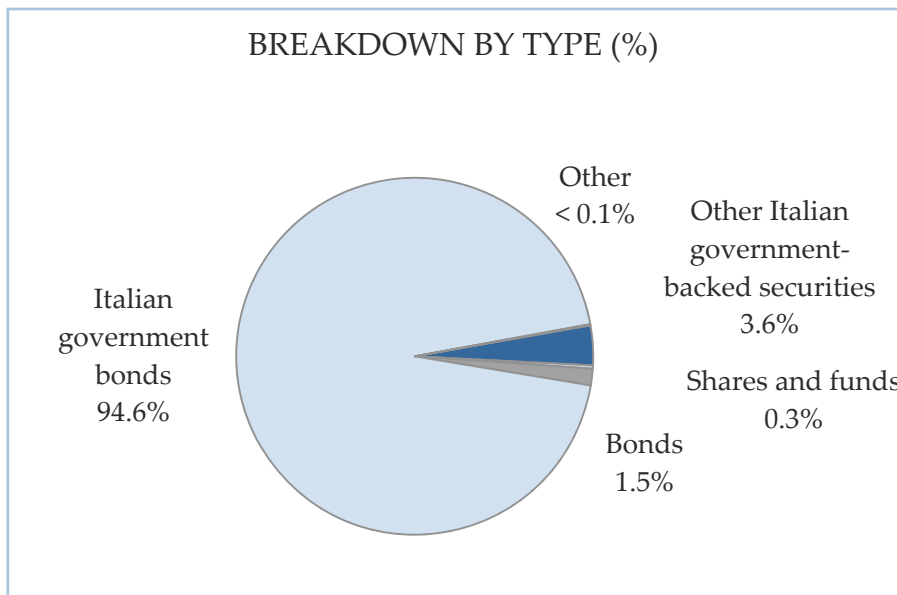
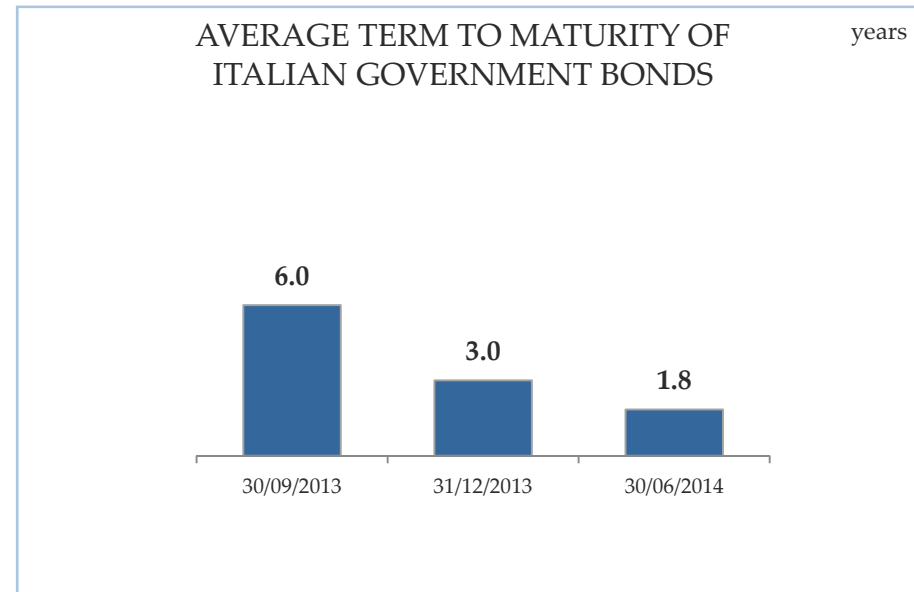
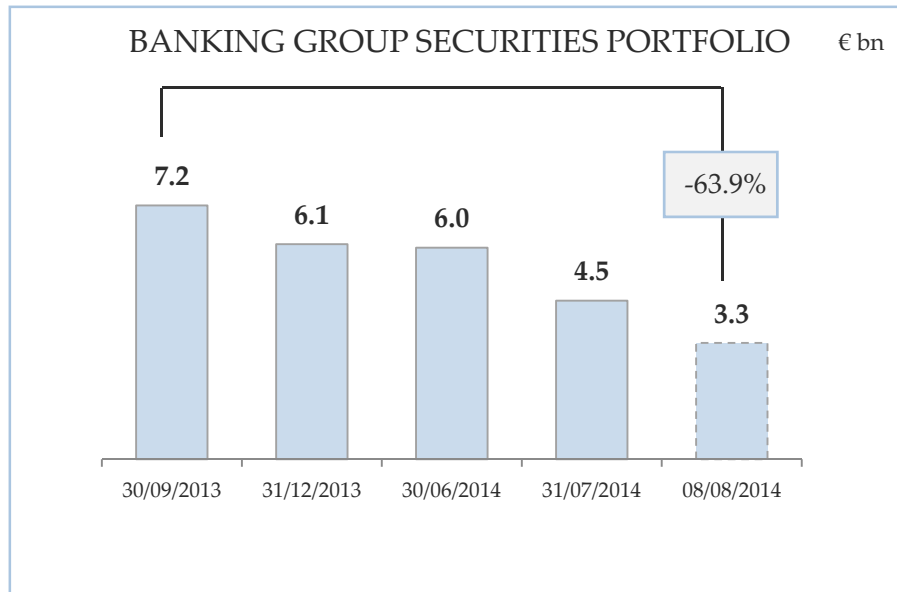


- Lending down 6.1% in H1, mainly due to the significant drop in REPOs.
- Customer loans down 2.5% in H1, with a sharper decrease in the corporate component (-4.6%).

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

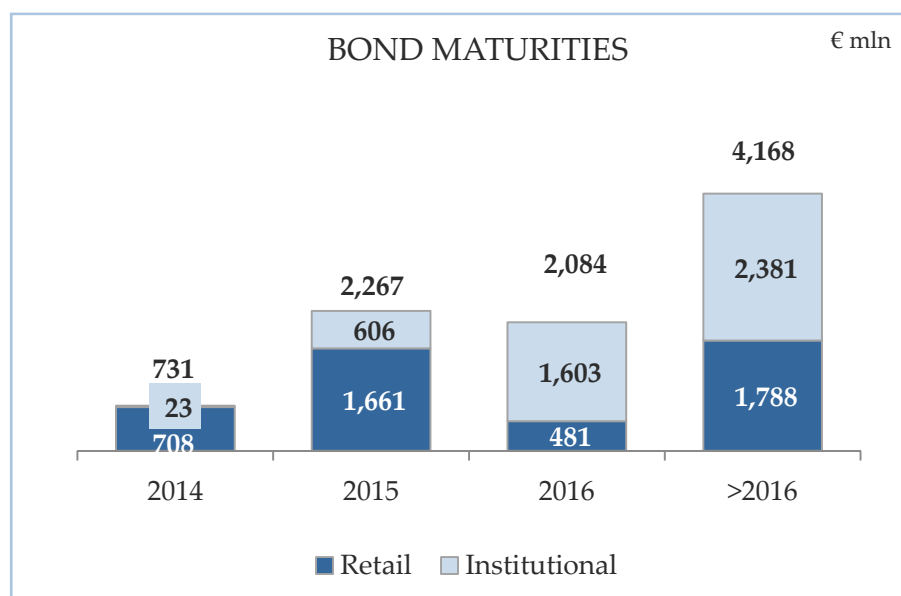
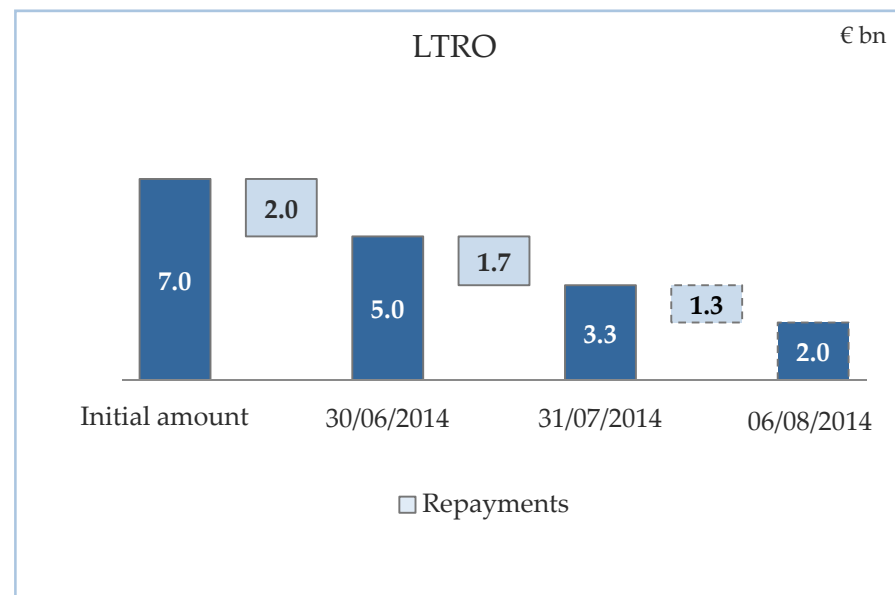
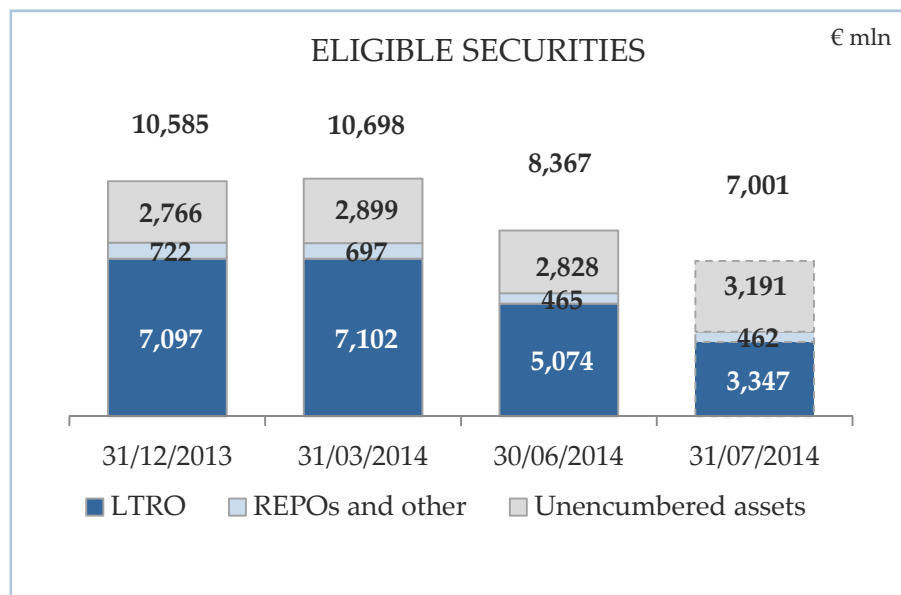


Banking group securities' portfolio

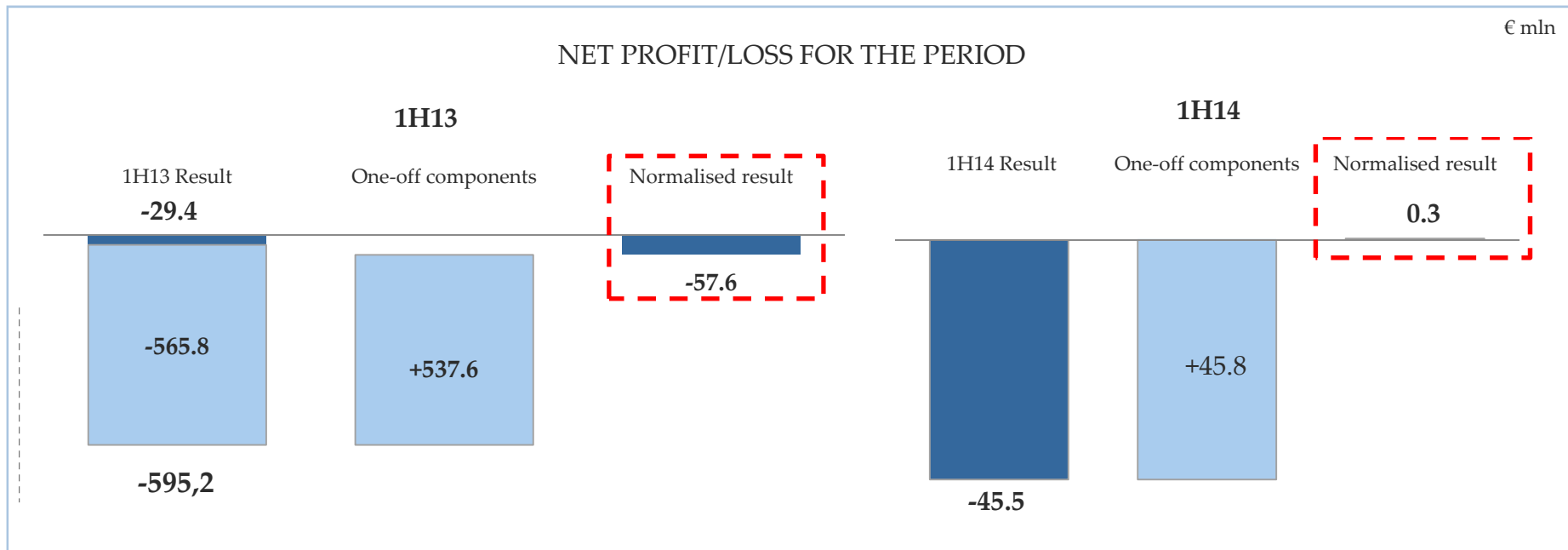


- The Banking Group's securities portfolio amounts to EUR 6.0 bn (BoI equity stake not included)
- The average term to maturity of the Banking group's securities portfolio was further reduced from 3 to 1.8 years in the six-month period, as per guidance in the Business Plan
- Net AFS Reserve amounting to EUR 75.3, of which EUR 14.4 mln for the sole Banking Group
- In July, the securities' portfolio was reduced by EUR 1.5 bn with a view to further mitigating the financial risk profile and repaying an additional tranche of the LTRO

Figures do not include the stake in the Bank of Italy and interest-bearing postal bonds



- Robust liquidity buffer with EUR 2.8 bn worth of unencumbered assets as at 30/06/2014
- During the year, EUR 3.7 bn of the LTRO were repaid ahead of schedule. As at today, the outstanding debt amounts to EUR 3.3 bn and EUR 1.3 bn is scheduled to be repaid on 6 August (out of the original EUR 7 bn, EUR 2 bn will then be outstanding)
- Funding gap down to EUR 1.6 bn net in H1 (EUR 1.8 bn as at December 2013)
- Use of the T-LTRO programme for an initial amount of approximately EUR 750 mln (as per first estimates)
- Reopening of bond issuing programmes in July

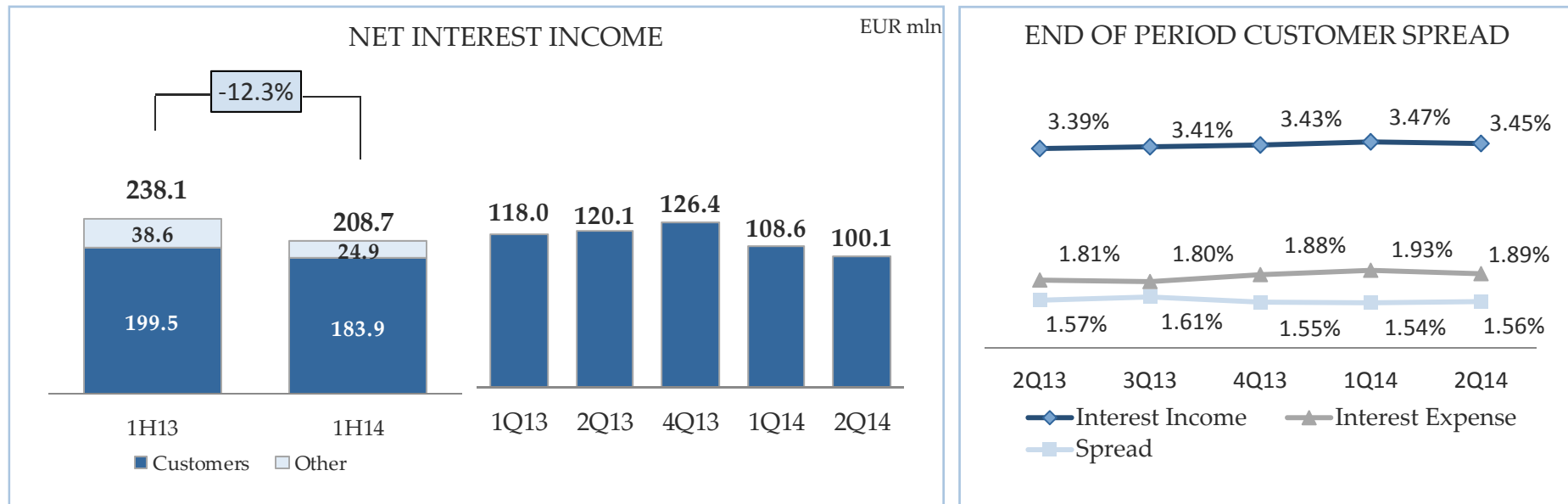


- Net profit/loss for the period is -EUR 45.5 mln and reflects the following main non-recurring items:
 - -EUR 23.2 mln due to loss on impairment of intangible assets owned by the Insurance Group, following treatment of the Insurance Group under IFRS5;
 - -EUR 8.9 mln in reduction in the value of immovable properties owned by the Insurance Subsidiaries and costs associated with planned closure of part of the branches identified by the Group;
 - -EUR 9.7 mln in tax impact⁽¹⁾.
- Net profit/loss for H1 2013 (-EUR 595.2 mln) reflected the following main non-recurring items:
 - -EUR 569 mln and +EUR 3.2 due to restatement as per IAS 8 respectively of goodwill (EUR 795.0 mln) and reinstatement premiums (EUR 4.5 mln);
 - EUR 17.4 mln in revenues associated with adoption of the Fair Value Option;
 - EUR 10.8 mln in one-off revenues from settlement of a legal dispute

(1) Traceable to: higher tax rate on re-valuation of stake held in the Bank of Italy (-EUR 42 mln), tax realignment of immovable properties: (+EUR 39.7 mln), tax realignment of deferred tax assets and liabilities due to a lower IRAP (Tax on Productive Activities) tax rate (- EUR 7,3 mln).



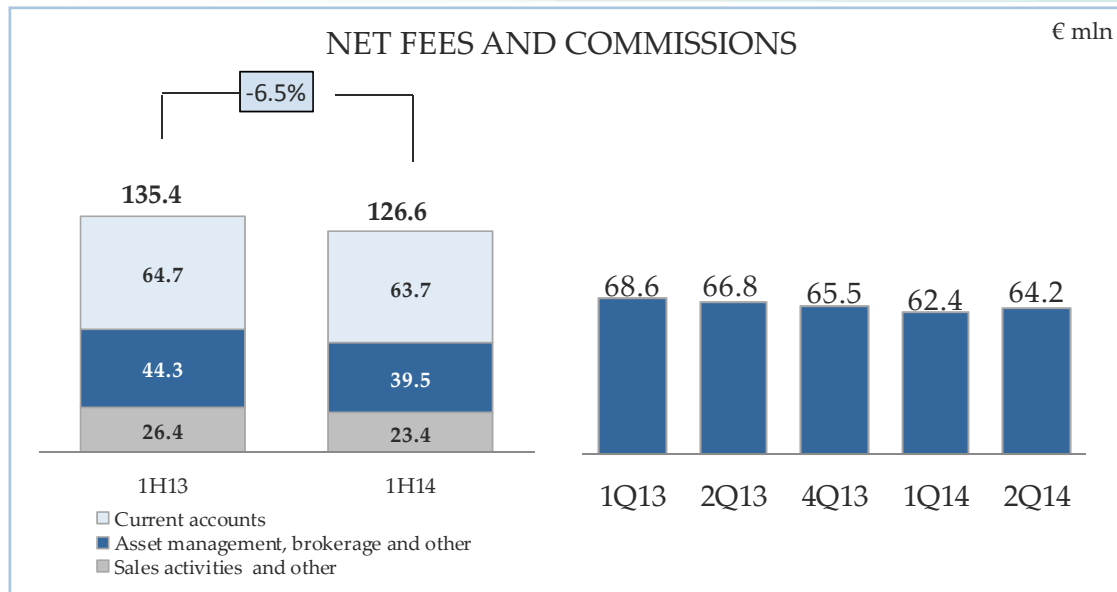
Net Interest Income



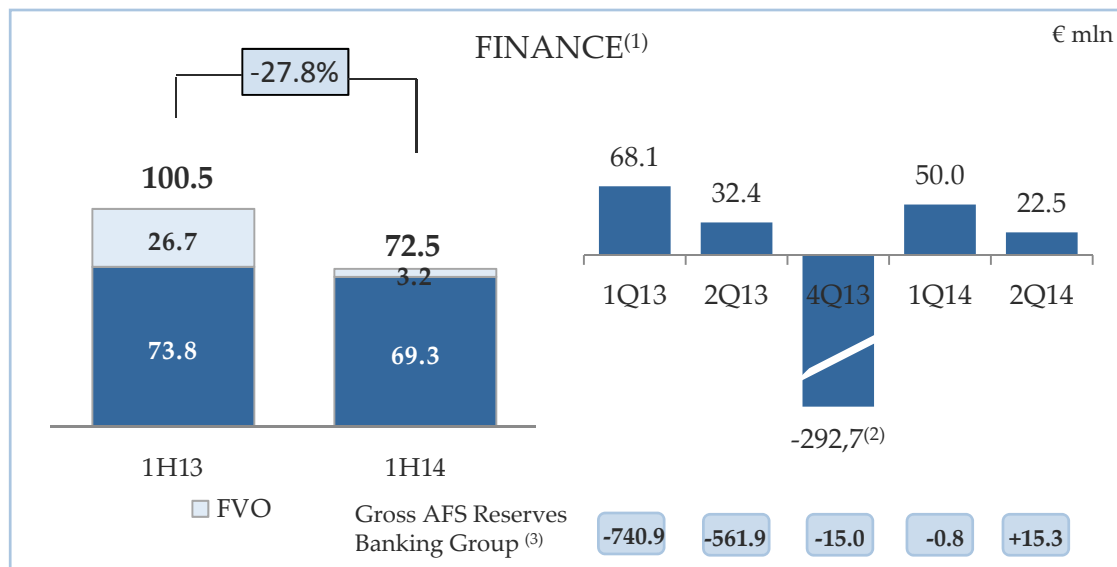
- The downturn in funding/lending volumes and substantial stability of the spreads, still at an all time low, were reflected in the trend of Net Interest Income
- Lower profitability is mainly attributable to the ~EUR 670 mln increase in bad loans in 2013 (-EUR 14 mln) and, partly, to a different composition/average maturity of the securities' portfolio (-EUR 16 mln)
- The contraction in Net Interest Income in 2Q14 is reflective of the drop in short-term loans (-EUR 3.5 mln in interest income) and a lower contribution from the securities' portfolio (-EUR 3 mln)
- In the latest quarter, the customer spread showed a trend reversal, albeit modest, and was up 2 bps on 1Q14



Non-interest income



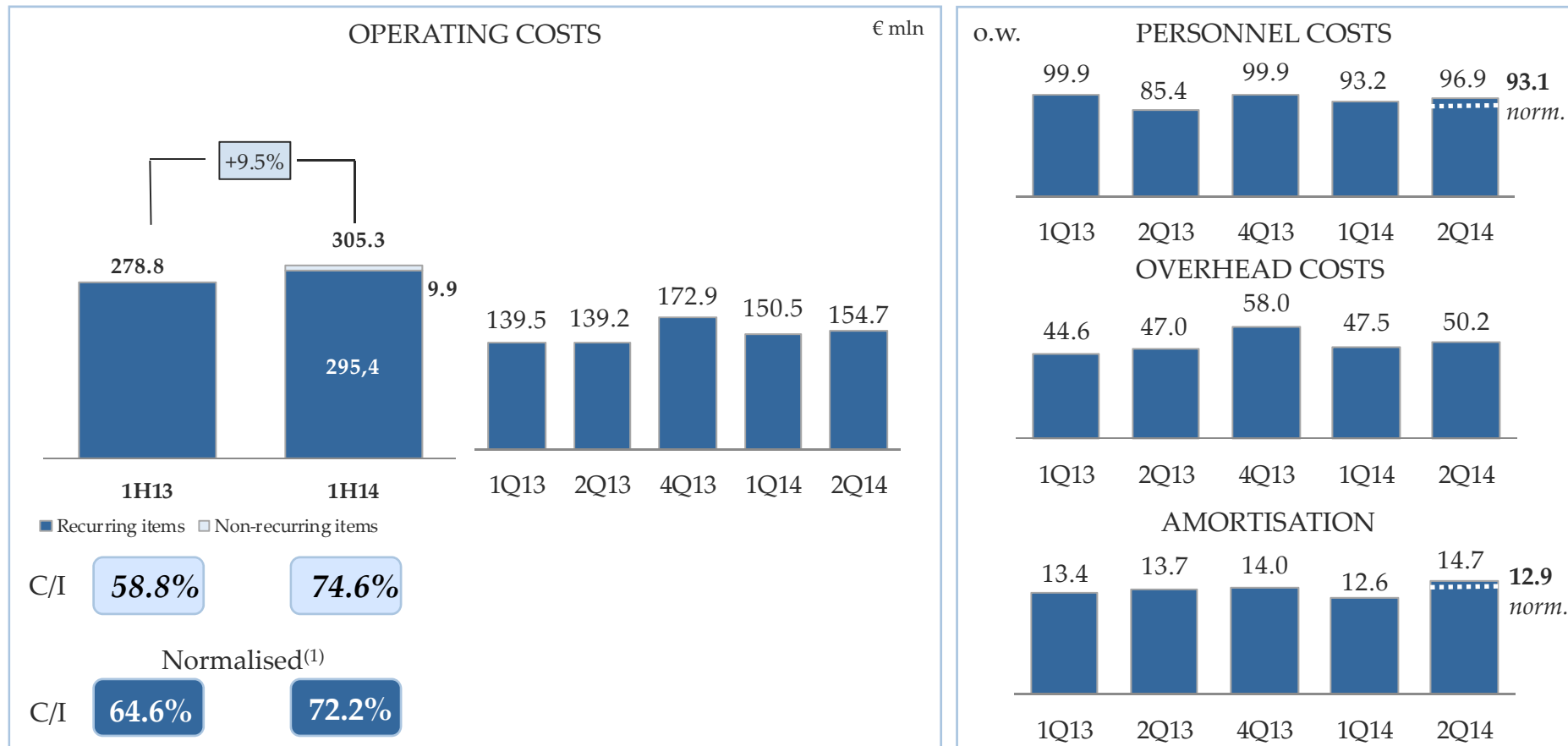
- In Q2 2014 total net fees and commissions were up 2.9% as compared to the previous quarter, showing a trend reversal driven primarily by fees and commissions payable on collection and payment services (+ EUR 1.9 mln)
- The YoY reduction in net fees and commissions (-EUR 8.8 mln; -6.5%) is linked with lower net revenues following disposal of the Group's Asset Management Company and loans granted (-EUR 4.3 mln)
- The disposal of AFS securities in order to complete repayment of the LTRO is estimated to provide a positive contribution in Q3



(1) Dividends, net profit (loss) from trading, gains/losses from valuation of financial assets
 (2) Excluding the re-valuation of the stakes held in the Bank of Italy
 (3) Operational data



Operating costs

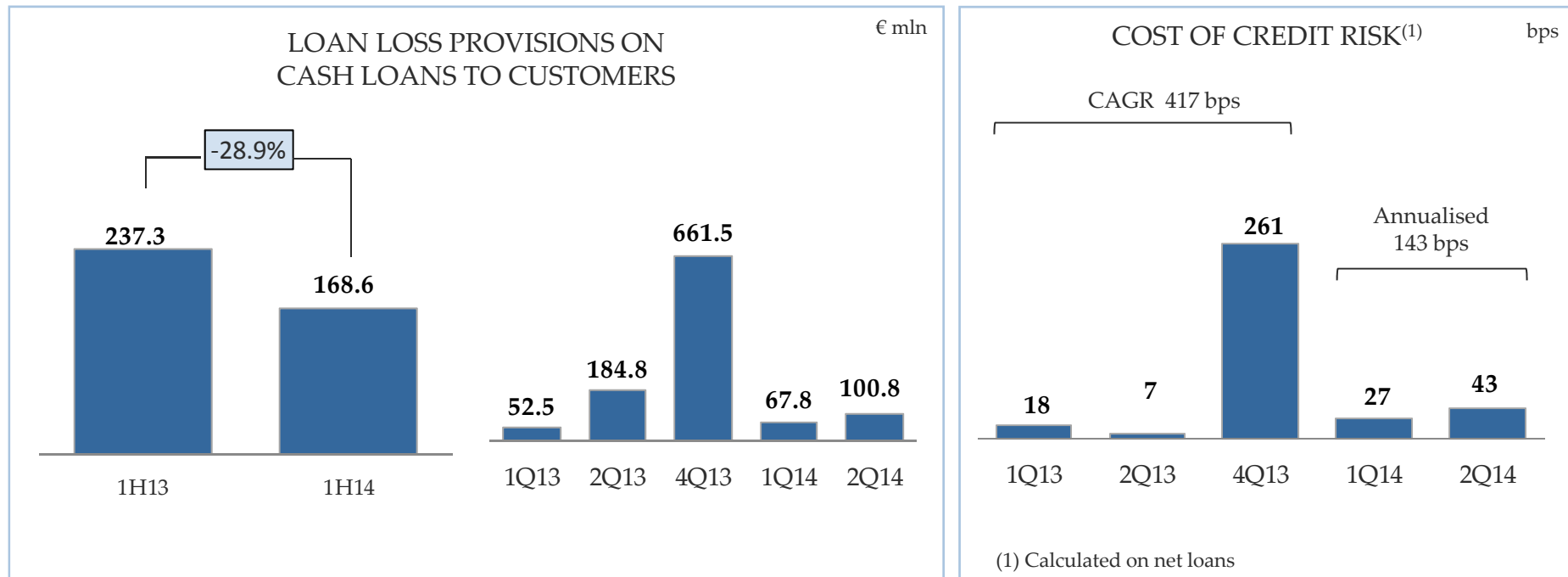


- Total operating costs, amounting to EUR 305.3 mln, were up 9.5% Y/Y; nevertheless, net of non-recurring items⁽¹⁾, costs were up 1.7% (from 290.5 mln to 295.4 mln).
- Normalised cost income, up by 7.6 p.p., is reflective of one-off actions connected with Plan execution.
- Personnel and overhead costs as a whole were up by approximately EUR 10.9 mln Y/Y respectively on account of discount rate adjustments to the Pension Fund and higher costs associated with the planned closure of branches.

(1) Approximately EUR 12 mln in H1 2013 arising from the out-of-court settlement of a legal dispute and approximately EUR 10 mln in H1 2014 due to one-off items arising mainly from the planned closure of identified Banca Carige branches by the end of the year



Loan Loss Provisions



- In H1 loss provisions on cash loans to customers totalled EUR 168.6 mln; the annualised cost of credit is 143 bps
- In Q2, loan loss provisions were posted for an amount of EUR 100.8 mln, an increase compared to Q1 2014
- The trend in loan loss provisions was affected by the persisting weak economic cycle, still having major impact, in spite of the conservative credit management policies in use

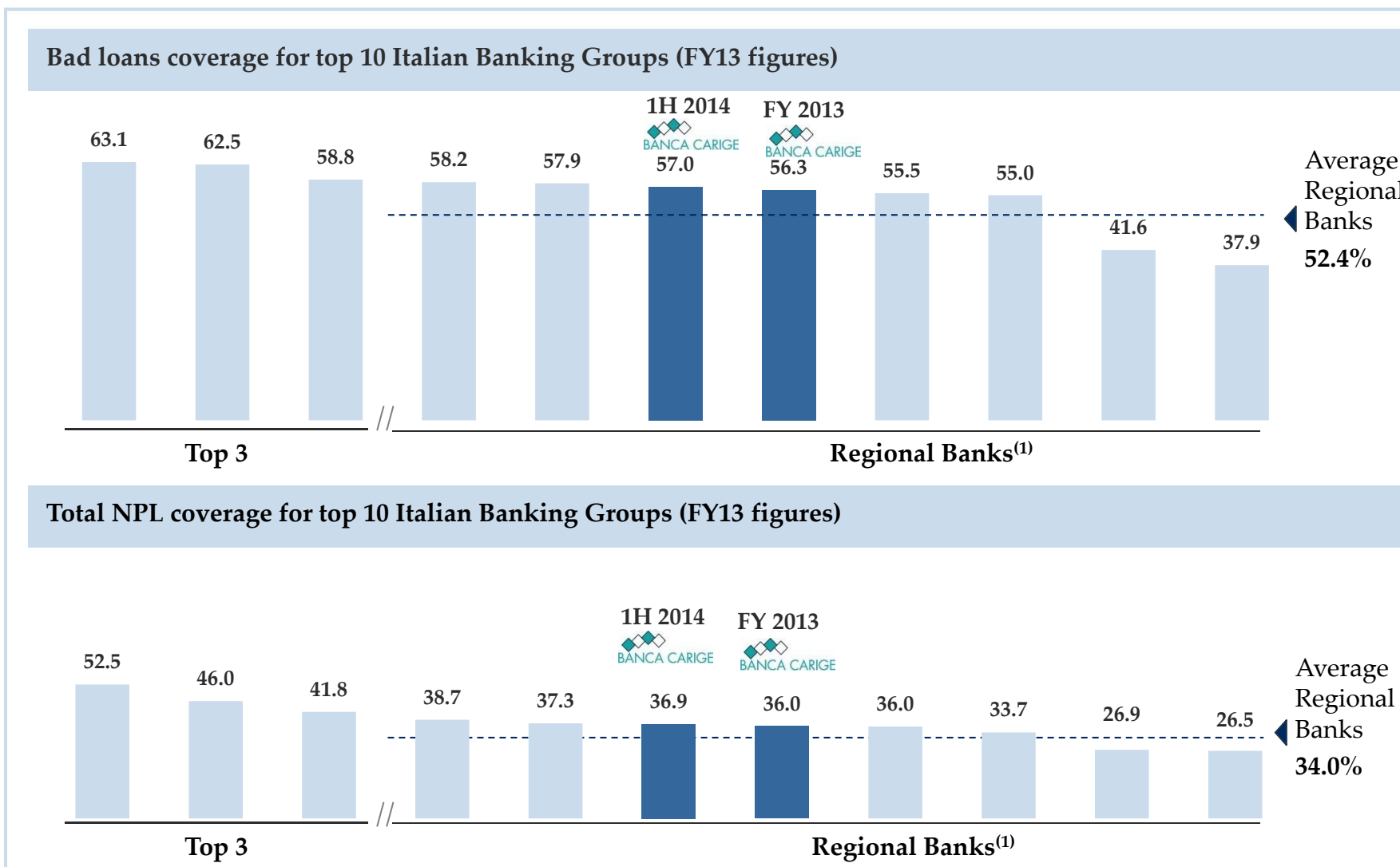


Loans	30/06/2014							31/12/2013						
	Gross	%	Loan losses	Net	%	Coverage	Including write-offs	Gross	%	Loan losses	Net	%	Coverage	Including write-offs
Bad loans	2,795.2	10.8%	1,592.9	1,202.3	5.1%	57.0%	60.3%	2,640.7	9.6%	1,486.7	1,154.0	4.5%	56.3%	59.8%
Substandard	2,799.6	10.8%	550.0	2,249.6	9.5%	19.6%	19.6%	2,430.4	8.8%	492.3	1,938.0	7.6%	20.3%	20.3%
Rescheduled	190.8	0.7%	30.5	160.3	0.7%	16.0%	16.0%	232.4	0.8%	30.5	201.9	0.8%	13.1%	13.1%
Past Due	168.5	0.6%	23.5	145.0	0.6%	14.0%	14.0%	375.8	1.4%	36.1	339.7	1.3%	9.6%	9.7%
Non-performing loans	5,954.2	23.0%	2,197.0	3,757.2	15.9%	36.9%	39.2%	5,679.3	20.6%	2,045.7	3,633.6	14.3%	36.0%	38.5%
Performing loans	19,981.7	77.0%	141.6	19,840.1	84.1%	0.7%	0.7%	21,941.9	79.4%	198.6	21,743.3	85.7%	0.9%	0.9%
Total loans	25,935.9	100.0%	2,338.6	23,597.3	100.0%	9.0%	9.8%	27,621.2	100.0%	2,244.2	25,376.9	100.0%	8.1%	8.9%

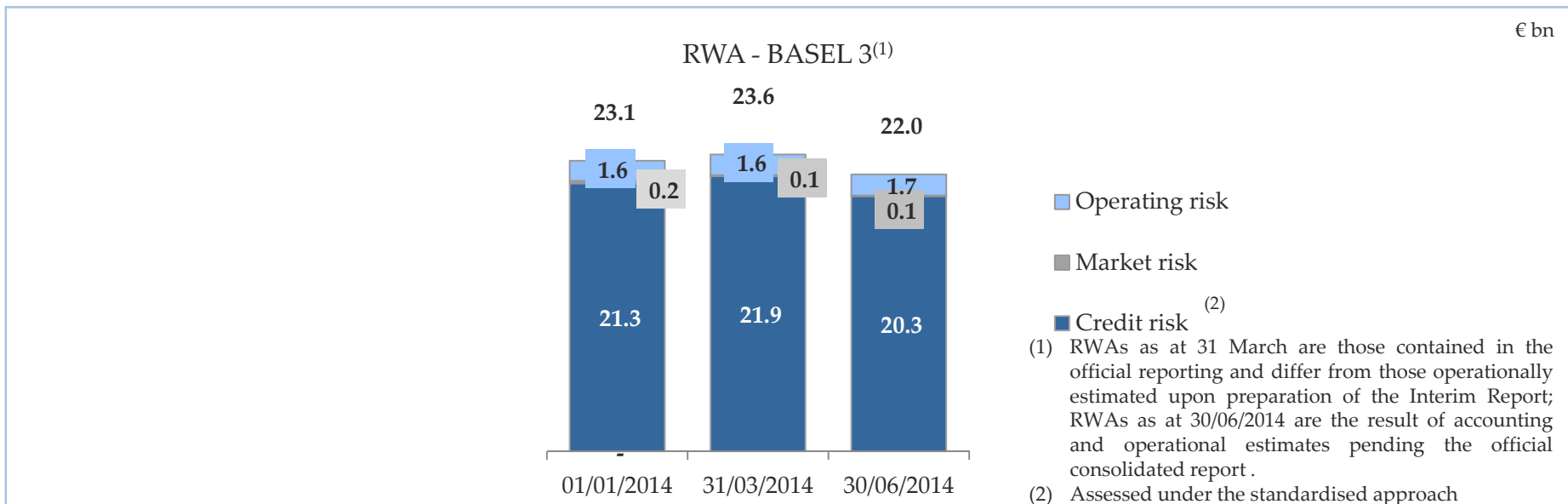
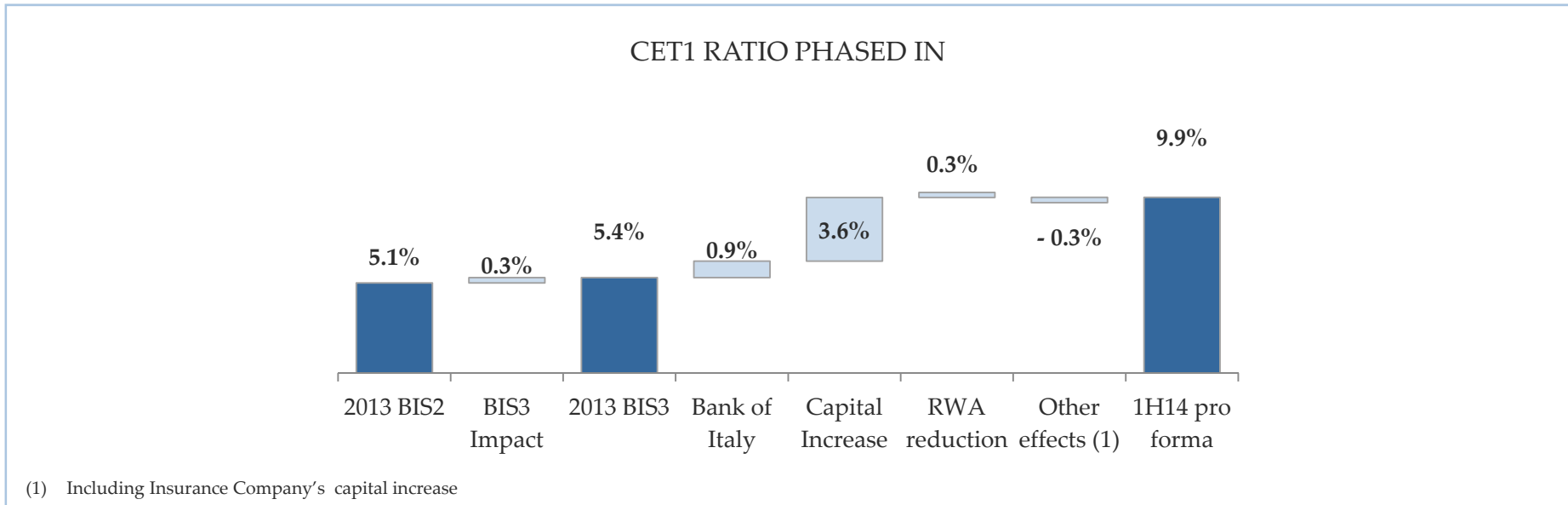
(1) On a like-for-like basis (including Insurance companies) the figure is stable on 0.9%, while excluding REPOs with the clearing house 'Cassa Compensazione e Garanzia', coverage is up to 0.8%

- In the first six months of the year, the deterioration of the loan book risk profile was mitigated by fewer migrations to individual non-performing loan classes as compared to the previous year
- The growth in non-performing loans (+4.8% as of the beginning of the year) is correlated with a continuing upward trend in substandard and bad loans (+15.2% and +5.8% respectively), while a downturn was registered in restructured loans (-17.9%) and Past Due (-55.2 %)
- Coverage for total NPLs has further increased from 36.0% to 36.9% over the first half of the year thus standing at the highest levels reported by regional banks (34.0%)(1)
- Bad loans coverage went up further from 56.3% as at December 2013 to 57.0%
- Including write-offs, bad loans coverage rises to 60.3% and coverage of total non-performing loans reaches 39.2%

(1) Figures as at 31/12/2013



(1) UBI, Banco Popolare, BPER, BPM, Credem, Creval





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1H 2014 Results

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Genoa, 4 August 2014