

# GRUPPO CARIGE

*Obbligazioni Bancarie Garantite: Investor presentation*



*15 October 2013*



# Executive Summary

## Banca Carige OBG Programme

- ✓ Italian legislative covered bond: Obbligazioni Bancarie Garantite (“OBG”)
- ✓ Estimated rating of the new OBG to be [Baa1] by Moody's and [BBB+] by Fitch Ratings Ltd
- ✓ Benefits from 22% currently committed over-collateralisation

## Banca Carige

- ✓ Traditional retail bank established in 1483 with current ratings of B2 Moody's, BB Fitch Ratings Ltd., B+ Standard and Poor's
- ✓ Among the top 10 Italian banking Groups
- ✓ Announced recapitalisation with target Common Equity Tier 1 of 7% by 1Q2014
- ✓ Excellent / long standing mortgage origination and servicing history
- ✓ Consolidated presence as OBG issuer with more than € 4.8 billions publicly and privately issued

## Italian Mortgage Market

- ✓ Low level of indebtedness by households
- ✓ High home ownership of the Italian households
- ✓ Property values' volatility much lower than in other European countries
- ✓ Low defaults compared to other European peripheral countries

## Collateral Characteristics (31<sup>st</sup> July 2013)

- ✓ 93.4% Italian prime residential mortgages, 6.6% Italian commercial mortgages all originated by Gruppo Carige: average balance of € 81,955
- ✓ Eligible mortgage loans, as per Italian OBG law
- ✓ All loans are performing with no defaults
- ✓ High concentration in the north of Italy (73%)
- ✓ Highly seasoned portfolio (57 months weighted average seasoning)
- ✓ WA LTV: 49.9% (Residential) and 31.9% (Commercial)



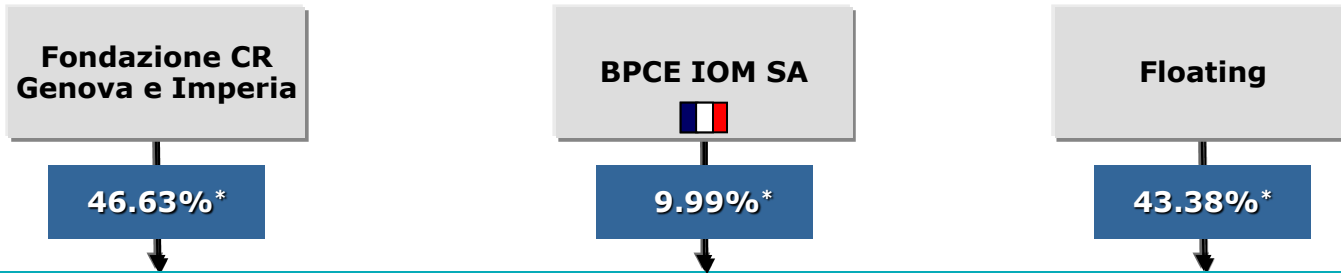
## Carige Group at a glance

### Financial Highlights

### Banca Carige OBG Programmes

#### Annexe:

- Gruppo Carige's Residential and Commercial mortgage business
- Cover Pool
  - OBG 1
- Italian OBG Law



## Banca Carige SpA Cassa di Risparmio di Genova e Imperia

### Banking

- Banca Carige
- Banca Carige Italia
- CR Savona
- CR Carrara
- BM Lucca
- B. Cesare Ponti

### Insurance

- Carige Vita Nuova (life)
- Carige Ass.ni (non life)

### Finance

- Carige AM SGR\*\*
- Creditis (Consumer credit)

### Trustee

- Centro Fiduciario

*Main Companies Only*

**5,855  
EMPLOYEES**

**1.9 M CUSTOMERS**  
(1.2 M BANKING; 0.7M ASSURANCE)

**678 BRANCHES &  
401 INSURANCE OUTLETS  
927 CONSULTANTS**

**EQUITY  
3.8 € BILLION**

\*Holding calculated on the basis of ordinary shares

\*\*On 2 August 2013 Carige signed a contract of transfer of Carige AM SGR to ARCA SGR



# An increasingly diversified network

## The network today

- 678 branches, 401 insurance outlets: 10<sup>th</sup> Italian group by number of branches
- Currently 25% of Banca Carige's network is in Liguria, 59% in Northern Italy

### Liguria network

### Extra-Liguria network

#### History

- **Historical presence** in Liguria region **for over 500 years**
- **Mature** network and **stable number of branches** (207 at date)

- **Significant presence** in the territory **outside Liguria** only **from early '90s**
- **"Young" network, develop in the last 15 years** through branches acquisition and new openings (from 40 branches in 1998 to the actual 353)

#### Market share and coverage

- **High market share** (over 20% in terms of branches and deposits)
- **Diffuse coverage**, based on branches proximity, close to each other

- **Improving market share** (below 1.5% in all the regions of presence except Piedmont, Sicily and Sardinia)
- **Low coverage** (few, distant branches to cover larger territory)

#### Productivity

- **Higher productivity by branch**, thanks to **high number of clients** per branch
- **Higher volumes per client**

- **Increasing volumes per client** vs. Liguria network (-40%) but higher profitability

#### Customer base

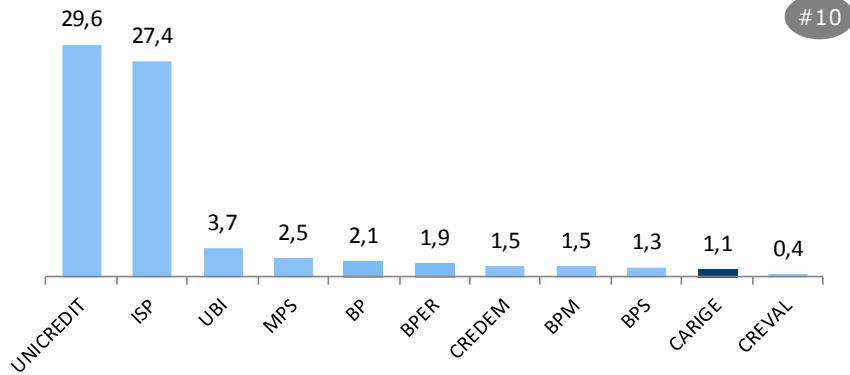
- **More balanced portfolio in terms of customer segments vs. Extra Liguria**, with Mass Market representing ~63% of total customer base
- Customer base on average **older** than Liguria's, with relevant portion of clients in the **senior age bands**

- **Customer base** on average **younger** than Liguria's



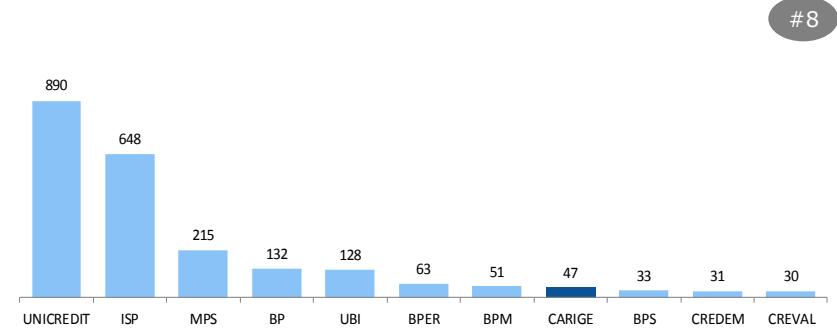
# Among the main Italian banking groups

Market cap<sup>1</sup> (€bn)

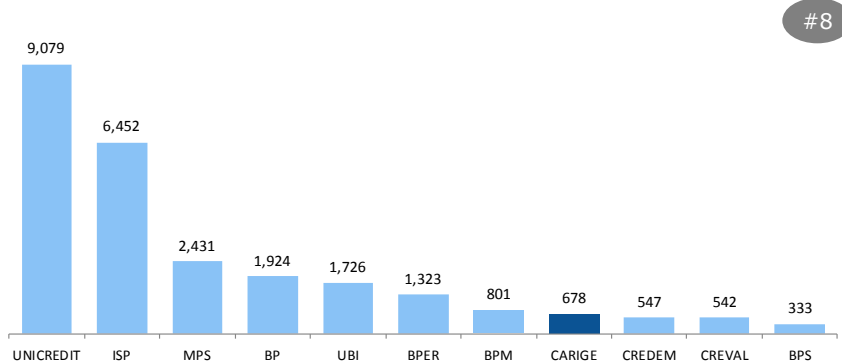


Note (1): Data as at 3 October 2013 (Source: Il Sole 24 Ore)

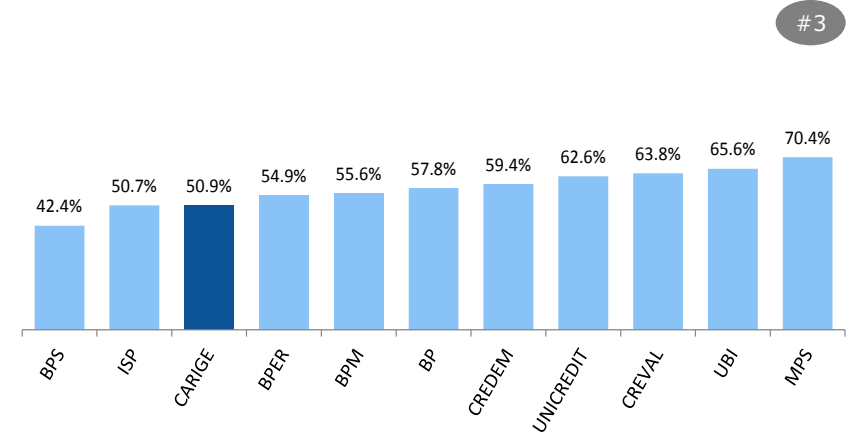
Total assets



Branch network (#)



C/I (%)



Source: 1H13 Companies' reports



Carige Group at a glance

Financial Highlights

Banca Carige OBG Programmes

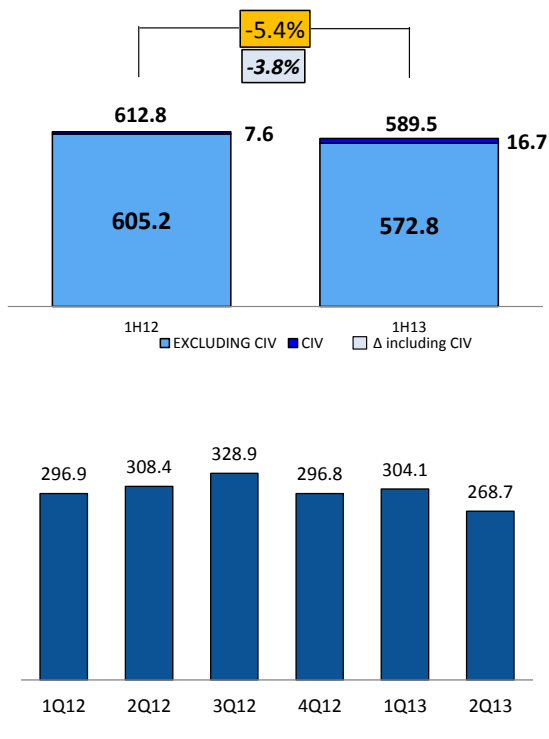
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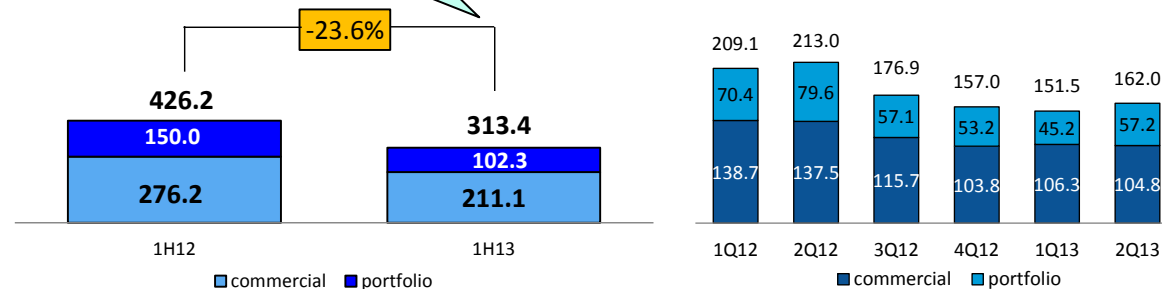
€m

## GROSS OPERATING INCOME

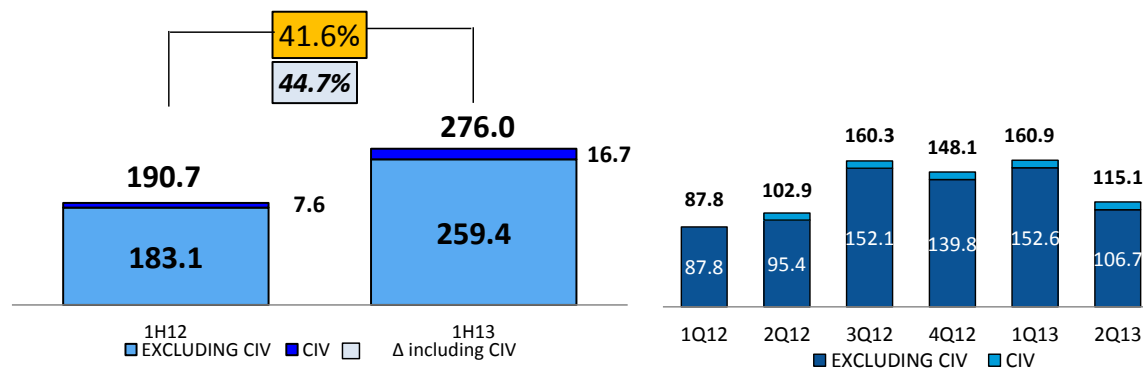


Rate effect:  
-146.6M  
Quantity effect:  
+33.9M

## NET INTEREST INCOME



## REVENUES FROM SERVICES



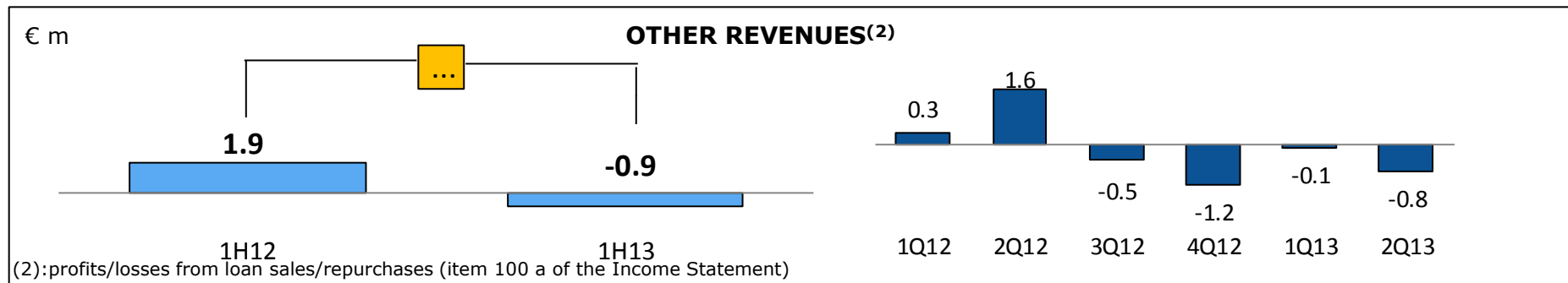
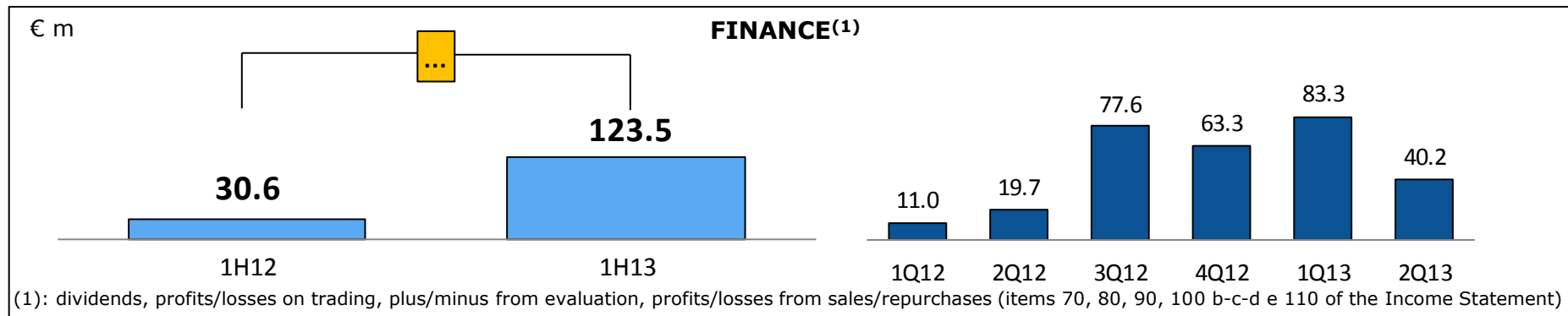
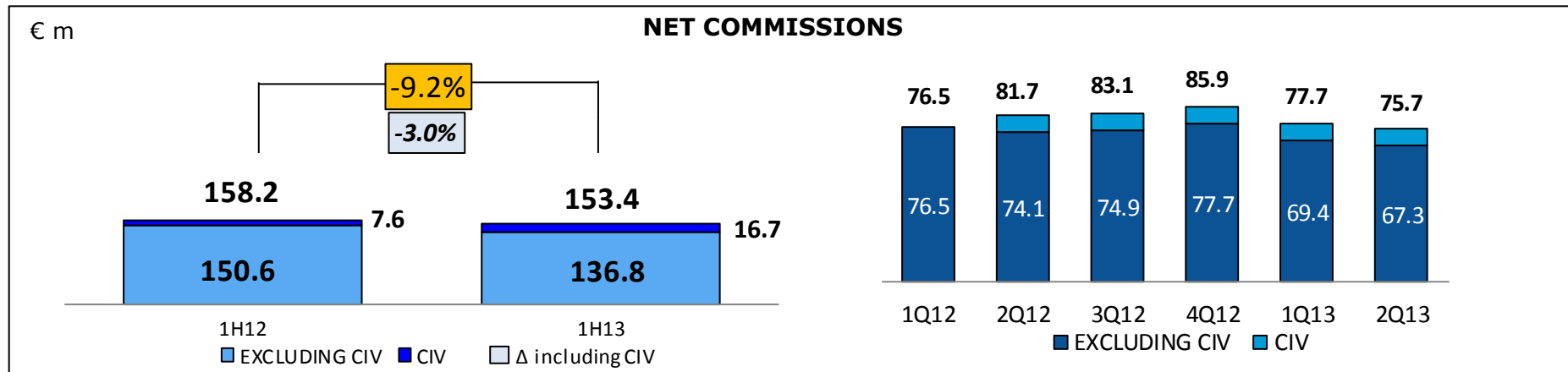
(1) Dividends, profits/losses on trading, plus/minus from evaluation, profits/losses from sales/repurchases (items 70, 80, 90, 100 b-c-d and 110).

(2) profits/losses from loan sales/repurchases (item 100 a).





# Revenues from services





€ m

## LOAN PROVISIONS AND OTHER ASSETS

93.5

74.0

1H12

Loans provisions

252.7

246.3

1H13

AFS impairment securities

1.0

1Q12

18.5

2Q12

0.4

3Q12

135.9

331.6

4Q12

0.5

1Q13

5.9

191.1

2Q13

Loans provisions

AFS impairment securities

1.05%

0.11%

1Q12

0.16%

2Q12

0.15%

3Q12

0.17%

1Q13

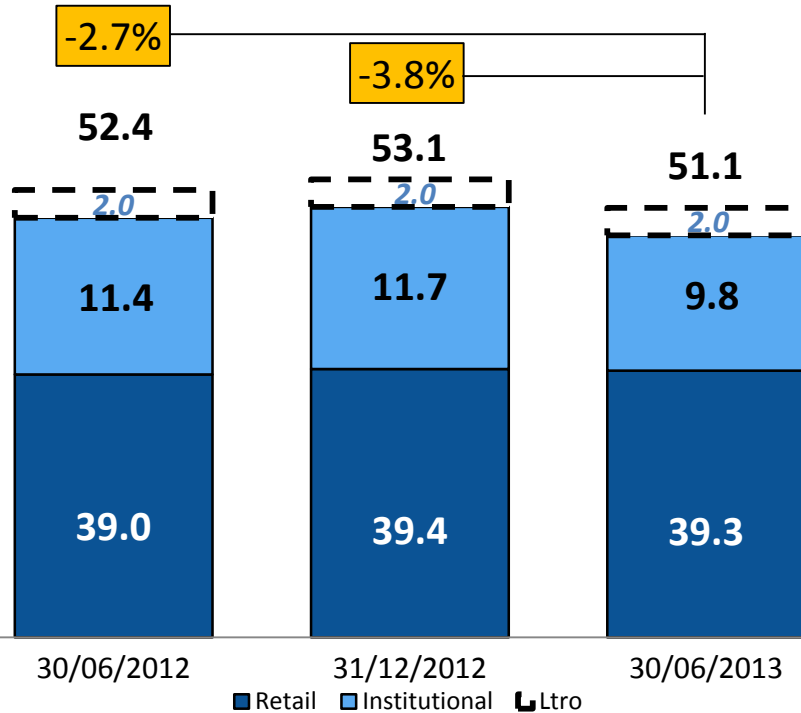
0.66%

2Q13



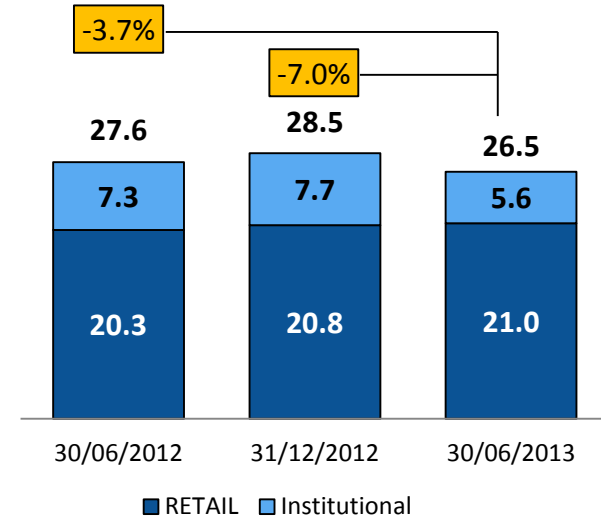
€ b

## TOTAL DEPOSITS



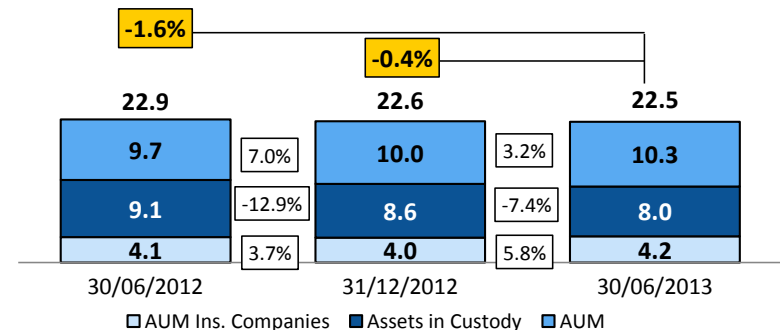
Institutional deposits include: EMTN, subordinated loans, Debt v/ AM2, repurchase agreements and AUM of the Insurance Companies.

## DIRECT DEPOSITS



- Currently 57.4% short term, 42.6% M/L term
- Retail: 65.8% short term, 34.2% M/L term
- Institutional (ex LTRO): 28.8% short term, 71.2% M/L term

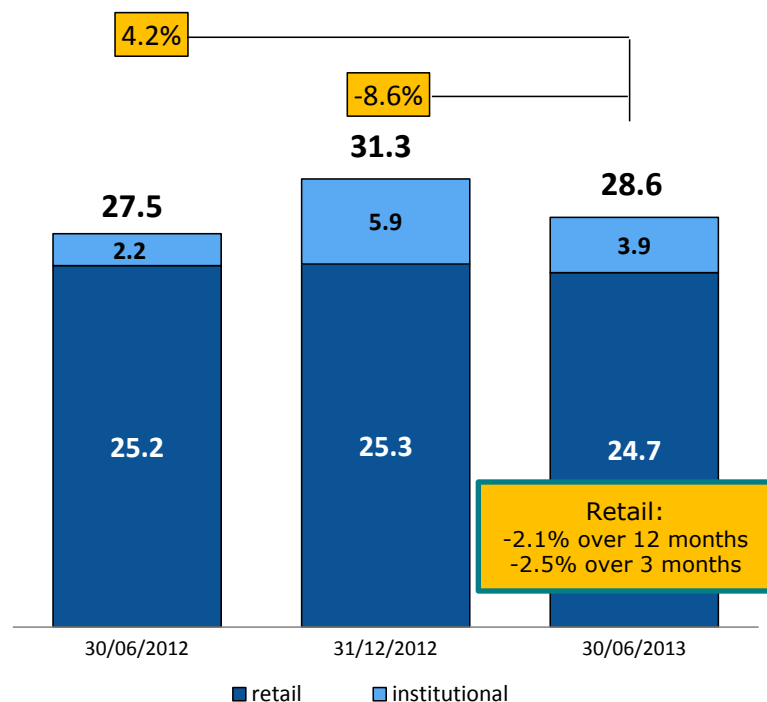
## INDIRECT DEPOSITS





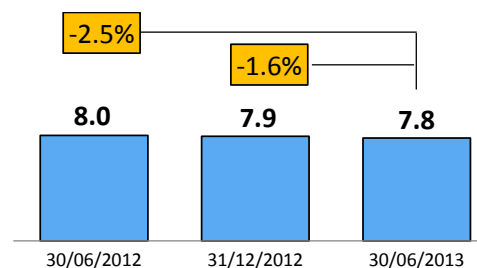
€b

## LOANS TO CUSTOMERS

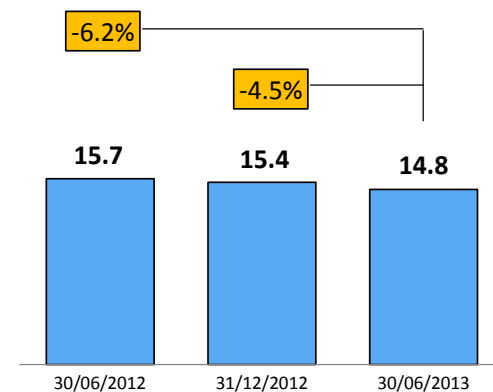


Institutional loans include repurchase agreements with financial companies, interest-earning post office bonds and other loans.

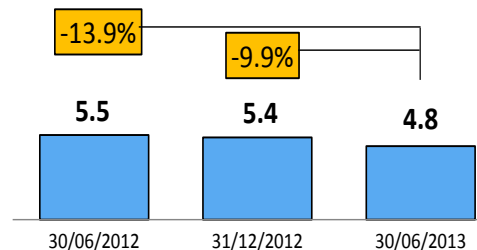
## HOUSEHOLDS<sup>(1)</sup>



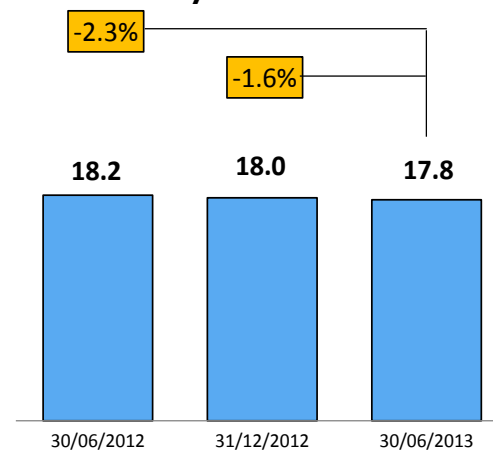
## CORPORATES<sup>(1)</sup>



## SHORT TERM<sup>(1)</sup>



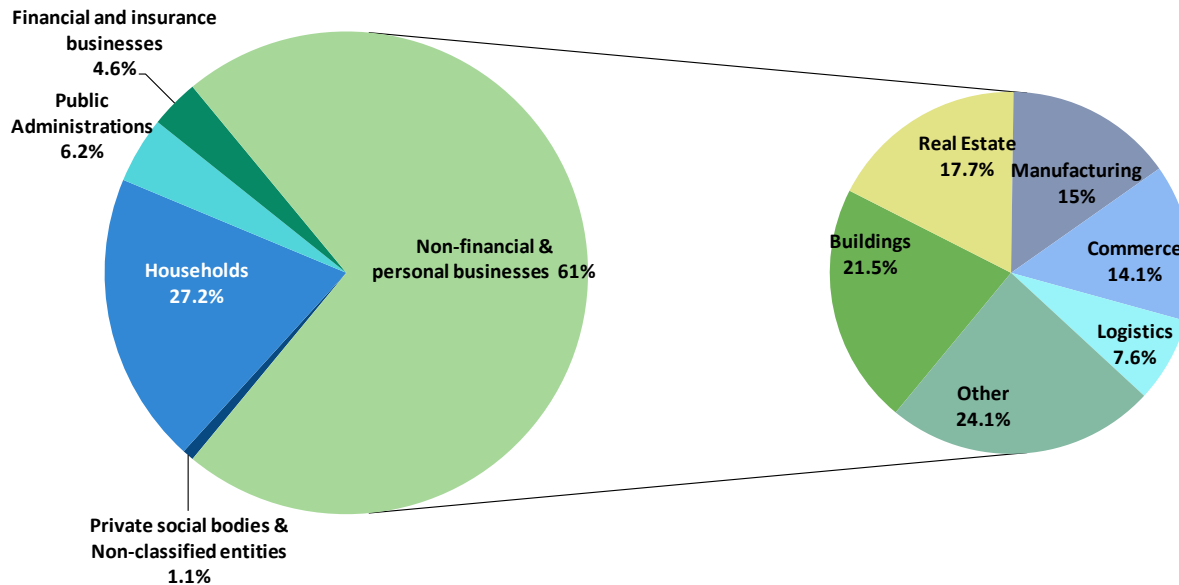
## M/L TERM<sup>(1)</sup>



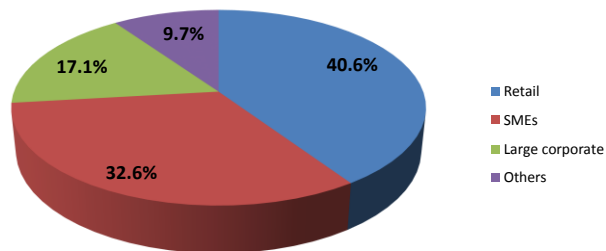
(1) Net of institutional and NPL



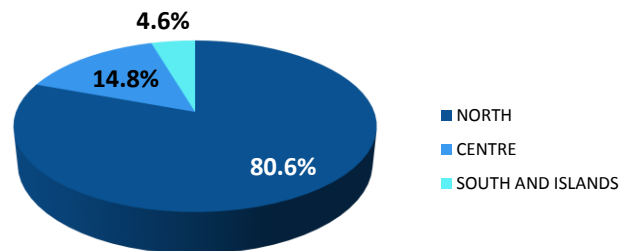
## LOAN BOOK BREAKDOWN BY BUSINESS SECTOR



## LOAN BOOK BREAKDOWN BY SEGMENT



## LOAN BOOK BREAKDOWN BY GEOGRAPHICAL AREA



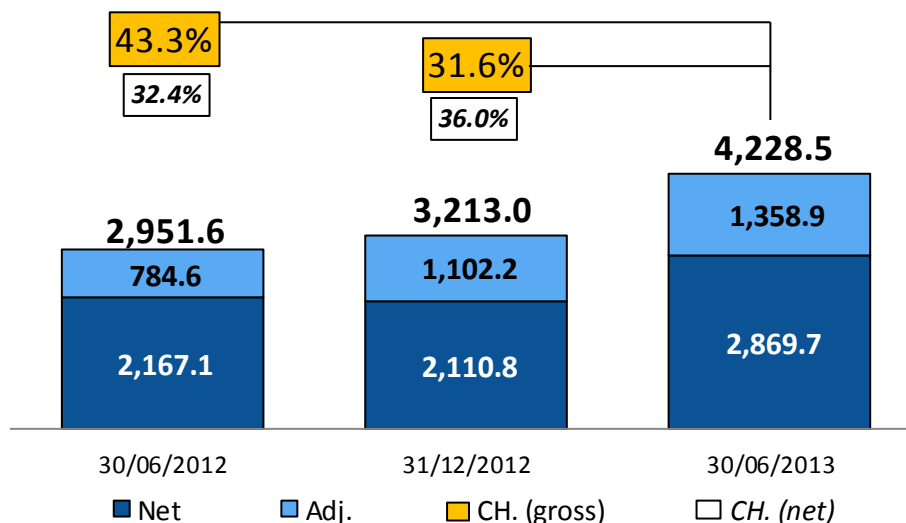
## LOAN BOOK CONCENTRATION

	Top 10	Top 20
1H13	7.4%	10.0%

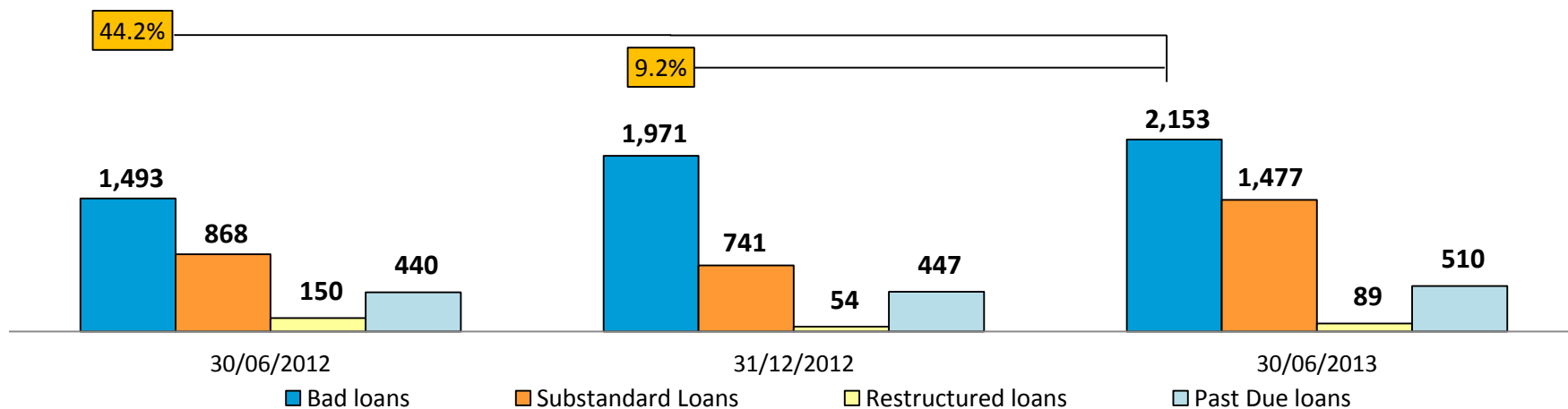


## GROSS IMPAIRED LOANS TO CUSTOMERS

€ M

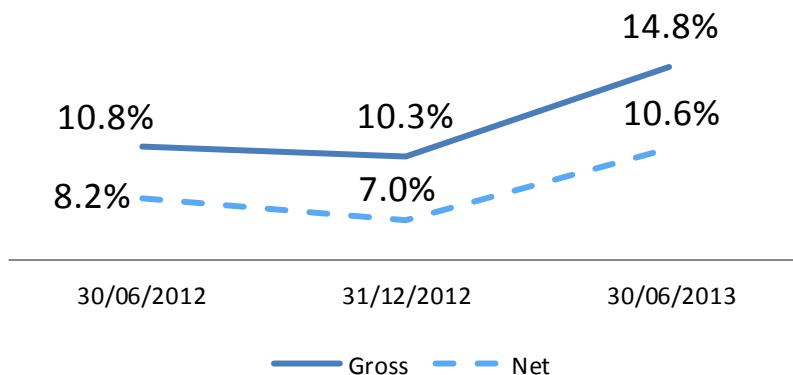


of which:

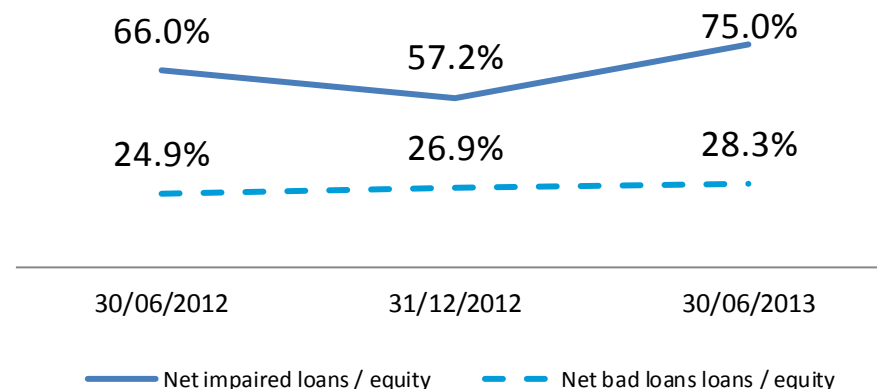




## IMPAIRED LOANS/LOANS

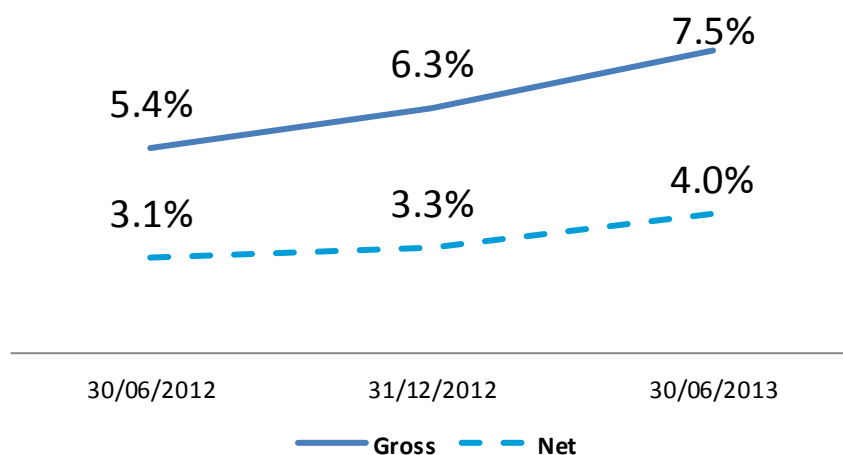


## NET IMPAIRED LOANS AND NET BAD LOANS/EQUITY<sup>(1)</sup>

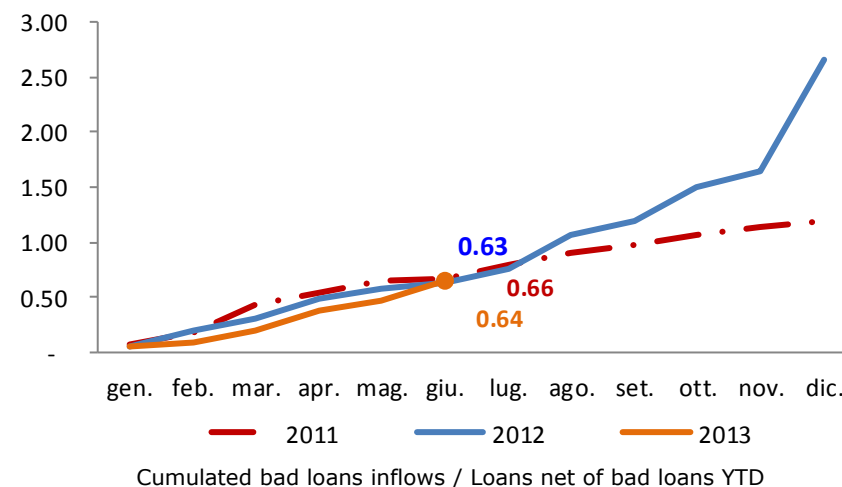


(1) Net of the AFS reserve established against the revaluation of the equity investment in the Bank of Italy; net of the negative government securities AFS reserve

## BAD LOANS/LOANS



## BAD LOANS INFLOWS/LOANS





ITEMS	Loans (1)	Percentage on total loans		Coverage ratio(2)		Percentage on net loans	
	june 2013	june 2013	december 2012	june 2013	december 2012	june 2013	december 2012
Loans to customers	28.571	100.0%	100.0%	5.2%	3.9%	100.0%	100.0%
- performing	24.343	85.2%	89.7%	0.5%	0.5%	89.4%	93.0%
NPL	4.229	14.8%	10.3%	32.1%	34.3%	10.6%	7.0%
- bad loans	2.153	7.5%	6.3%	49.7%	49.7%	4.0%	3.3%
- substandard loans	1.477	5.2%	2.4%	17.7%	14.6%	4.5%	2.1%
- restructured loans	0.089	0.3%	0.2%	9.3%	7.4%	0.3%	0.2%
- past due loans	0.510	1.8%	1.4%	3.8%	2.2%	1.8%	1.5%
(1) Gross loans							
(2) Adjustments/Gross loans							
Euro bilions							

**Bad loans:** exposures to borrowers in a state of insolvency, even if the insolvency is not legally ascertained, regardless of losses forecasted;

**Substandard loans:** exposures to borrowers in a temporary situation of difficulty to be overcome within a reasonable period of time ('subjective' substandard loans): (i) fully collateralised residential mortgages for which the debtor has been notified of encumbrance, and (ii) material consumer credit exposures 150 or more days past due;

**Restructured loans:** exposures for which a bank agrees to amendments to the original terms and conditions which give rise to a loss;

**Past due loans:** exposures (other than those classified as bad, substandard or restructured) that, as of the reporting date, are more than 90 days past due.

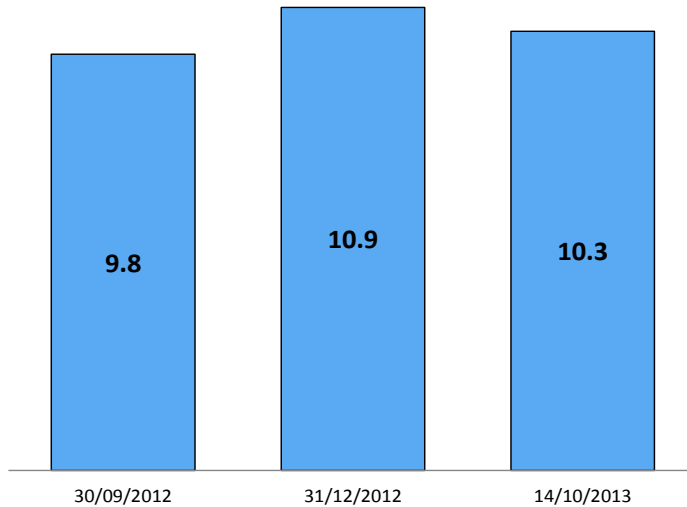




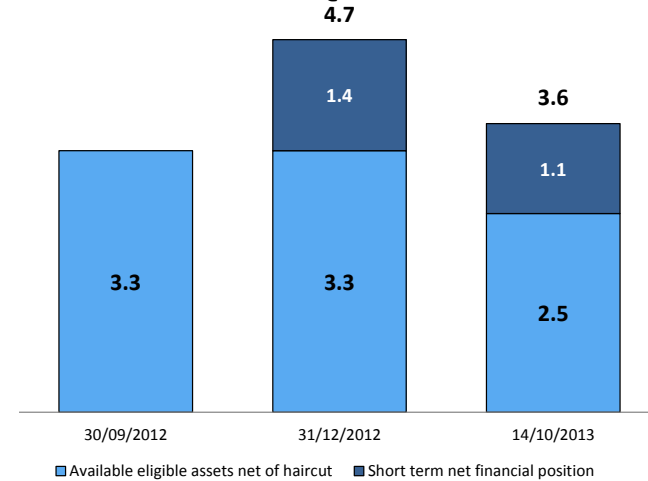
# Liquidity position

€ b

## ELIGIBLE ASSETS

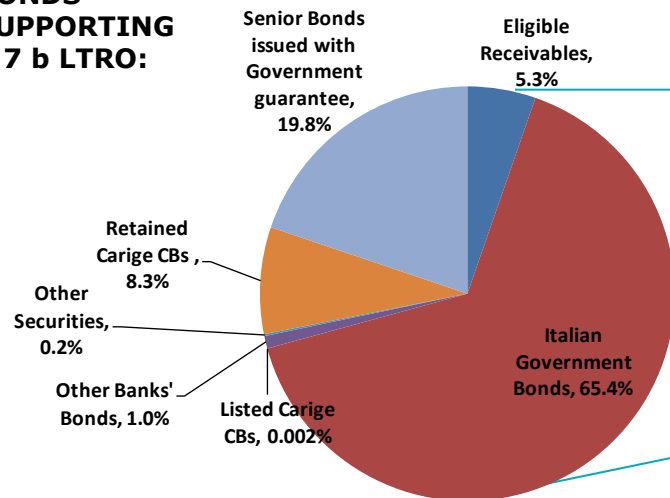


## TOTAL LIQUIDITY



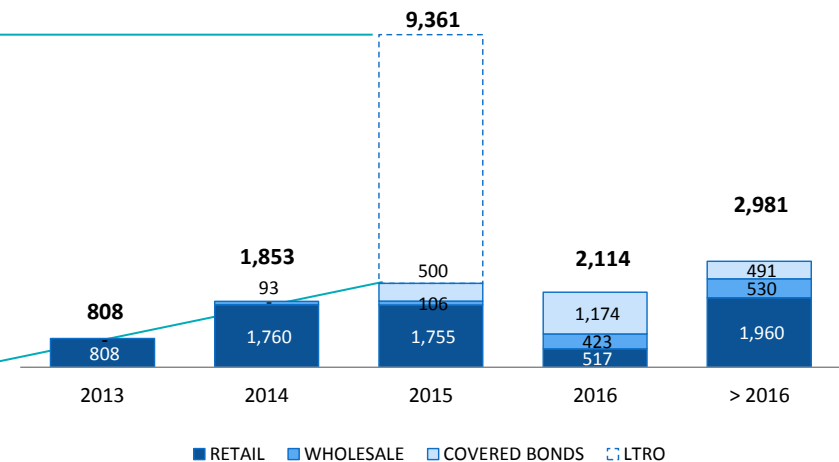
LCR and NSFR in line with the requirements of BASEL 3 2018-2019

## BONDS SUPPORTING € 7 b LTRO:



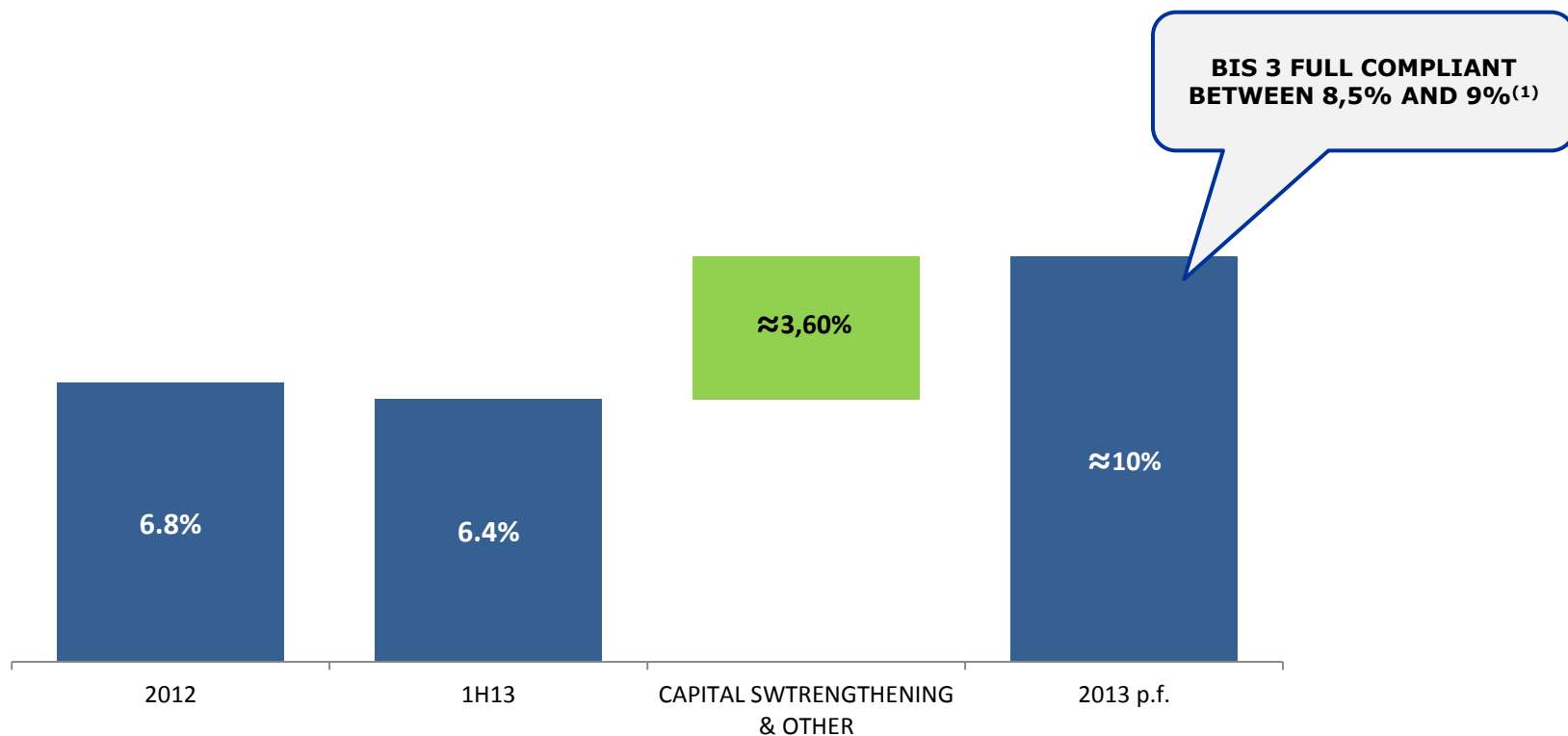
Free bonds for funding transactions € 2.5 b

## FUNDING MATURITIES BREAKDOWN





## EQUITY RATIOS CT1 RATIO (BIS2)



(1) Including AIRB validation effect



Carige Group at a glance

Financial Highlights

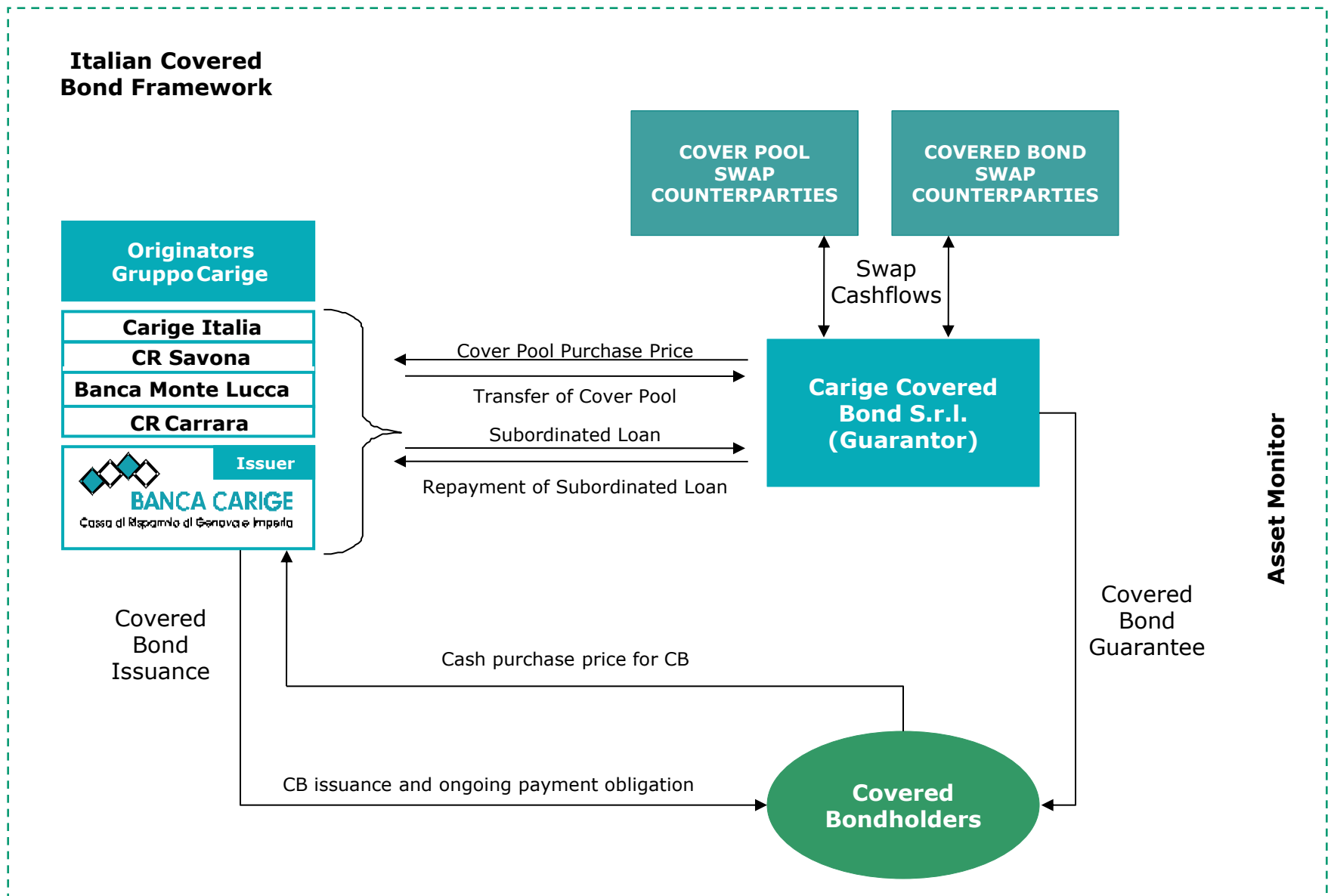
Banca Carige OBG Programmes

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# OBG1 Structural overview





# Monthly public disclosures of cover pool

- Carige is committed to provide the **utmost transparency** to investors and publishes on the website the **Cover pool composition**
- Conforms to Italian national pool transparency template (for ECBC label purposes)

[http://www.gruppocarige.it/grp/gruppo/html/ita/investor\\_relations/covered\\_bonds.htm](http://www.gruppocarige.it/grp/gruppo/html/ita/investor_relations/covered_bonds.htm)



THE GROUP ▾ INVESTOR RELATIONS ▾ GOVERNANCE ▾ PRESS & MEDIA ▾ SOCIAL RESPONSIBILITY ▾

## INVESTOR RELATIONS

- BALANCE SHEET
- PRESENTATIONS
- PRESS RELEASES
- CARIGE SHARES
- BANCA CARIGE CAPITAL INCREASE
- RATING
- CARIGE BONDS ISSUED
- SECURITIZATIONS
- COVERED BONDS
- OTHER INVESTMENTS
- BASEL 2 REPORT - PILLAR 3
- TERMS AND CONDITIONS
- STOCK EXCHANGE
- ANTI MONEY LAUNDERING

[Home](#) > [Investor Relations](#) > Covered Bonds

## COVERED BONDS

**Covered Bonds** are bonded securities issued by Banks characterised primarily by the presence of two forms of guarantee: on one hand, the assets of the issuing Bank under section 2740 of the civil code, on the other, cash flows generated by a credit portfolio of primary quality transferred to a Special Purpose Vehicle.

The presence of **two guarantees** considerably decreases the degree of risk inherent in these securities, making them particularly attractive to investors with a strong aversion to risk.

The lowest level of risk also corresponds to a lower return, so that issuing Covered Bonds is beneficial for Banks, who can use these instruments to differentiate their sources of funds while cutting the cost of obtaining funds.

Covered Bonds have been common on the European market for some time, and were introduced in Italy by **Ministry of Economics and Finance Decree no. 310** on 14 December 2006 as part of the wider-ranging regulations covering securitization of credits (Law no. 130 dated 30.4.1999 and subsequent amendments thereto).

Suitable assets transferred in view of the issuing of Covered Bonds must meet specific quality requirements and must fall within the categories identified in art. 2 of the Decree (mortgage credits with a limit on the ratio between the existing credit and the value of the property used as security, credits granted to Public Administrations, securities issued in view of securitization operations involving credits of this type).

Useful numbers | [Link](#) | [Site Map](#)



## Investor Contacts

Banca Carige SpA

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Fax: +390105792443  
[investor.relations@carige.it](mailto:investor.relations@carige.it)



## Mortgage Portfolio Summary at 30/06/2013

Residential Mortgage	
Total Loan Balance	€ 4.962.971.970
Average Loan Balance	€ 79.734
Number of Loans	62.247
WA Seasoning (in months)	67,85
WA Remaining Terms (in months)	159,81
WA LTV (in %)	49,89%

Commercial Mortgage	
Total Loan Balance	€ 357.440.574
Average Loan Balance	€ 164.476
Number of Loans	2.171
WA Seasoning (in months)	85,25
WA Remaining Terms (in months)	84,54
WA LTV (in %)	32,00%

Total	
Total Loan Balance	€ 5.320.412.544
Average Loan Balance	€ 82.596
Number of Loans	64.418
WA Seasoning (in months)	68,44
WA Remaining Terms (in months)	157,27
WA LTV (in %)	48,68%

## Years to Maturity

Years to Maturity		Total	
Amount	% of Total	Amount	Number
up to 5 yrs	238.222.148	4,48%	10.232
over 5 - 10 yrs	867.278.340	16,30%	14.324
over 10 - 15 yrs	1.111.480.846	24,65%	15.410
over 15 - 20 yrs	1.043.131.788	19,61%	10.197
over 20 - 25 yrs	1.225.055.563	23,03%	9.922
over 25 - 30 yrs	620.433.664	11,66%	4.340
over 30 yrs	14.828.995	0,28%	95
Total	5.320.412.544	100,00%	64.420

## Current Loan to Value

Current Loan to Value		Total	
Amount	% of Total	Amount	Number
up to 10%	124.539.203	2,34%	6.291
over 10% - 20%	382.469.039	7,19%	8.591
over 20% - 30%	586.176.501	11,01%	8.960
over 30% - 40%	729.525.700	13,72%	9.085
over 40% - 50%	856.149.212	16,09%	8.844
over 50% - 60%	836.540.755	15,72%	7.520
over 60% - 70%	840.600.067	15,80%	7.301
over 70% - 80%	891.204.350	16,75%	6.908
over 80%	77.412.746	1,45%	520
Total	5.320.412.544	100%	64.420

Commercial		% of Total	
Amount	% of Total	Amount	Number
up to 5 yrs	56.928.719	15,93%	702
over 5 - 10 yrs	154.958.126	43,35%	909
over 10 - 15 yrs	112.119.105	31,37%	471
over 15 - 20 yrs	27.156.435	7,60%	75
over 20 - 25 yrs	3.918.486	1,10%	10
over 25 - 30 yrs	3.366.703	0,94%	6
over 30 yrs	-	0,00%	-
Total	357.440.574	100,00%	2.171

Commercial		% of Total	
Amount	% of Total	Amount	Number
up to 10%	24.794.455	6,97%	341
over 10% - 20%	59.747.635	16,71%	454
over 20% - 30%	80.213.260	22,44%	465
over 30% - 40%	78.783.465	22,04%	421
over 40% - 50%	61.938.527	17,88%	305
over 50% - 60%	46.332.977	12,96%	179
over 60% - 70%	3.571.517	1,00%	7
over 70% - 80%	76.736	0,02%	1
over 80%	-	0,00%	-
Total	357.440.574	100%	2.171

Residential		% of Total	
Amount	% of Total	Amount	Number
up to 5 yrs	181.293.429	3,65%	9.530
over 5 - 10 yrs	712.320.215	14,35%	13.415
over 10 - 15 yrs	1.199.371.841	24,17%	14.839
over 15 - 20 yrs	1.015.875.352	20,47%	10.122
over 20 - 25 yrs	1.221.117.077	24,66%	9.912
over 25 - 30 yrs	638.064.961	12,85%	4.234
over 30 yrs	14.828.995	0,30%	95
Total	4.962.971.876	100,00%	62.247

Residential		% of Total	
Amount	% of Total	Amount	Number
up to 10%	99.554.747	2,01%	5.968
over 10% - 20%	322.721.404	6,50%	8.117
over 20% - 30%	506.562.441	10,21%	8.495
over 30% - 40%	651.142.235	13,12%	8.664
over 40% - 50%	792.210.085	15,96%	8.543
over 50% - 60%	790.211.807	15,92%	7.741
over 60% - 70%	837.028.551	16,87%	7.294
over 70% - 80%	891.127.054	17,96%	6.907
over 80%	77.412.746	1,46%	520
Total	4.962.971.876	100%	62.247



## *Tests defined by law*

### **Nominal Value Test**

- Each Calculation Date notional in Cover Pool at least equal to notional of all outstanding Covered Bonds

### **Net Present Value Test**

- Each Calculation Date the NPV of Cover Pool at least equal to NPV of outstanding Covered Bonds (including hedges)

### **Interest Coverage Test**

- Each Calculation Date interest and other revenue from assets in Cover Pool, net of Guarantor costs at least equal to interest and costs due under Covered Bonds (including hedges)

## *Additional safeguard*

### **Asset Coverage Test**

- Cover pool is sufficient to provide minimum overcollateralisation required to support the rating of the notes
- See following page

## *Additional Bank of Italy safeguard*

### **Issuance limits**

- Only banks with minimal size, capitalisation may issue covered bonds
- See following page



# Bank of Italy requirements

- Pursuant to Bank of Italy supervisory regulation (dated 24 March 2010), OBG may only be issued by banks with:
  - minimum consolidated regulatory capital of €500m,
  - minimum Total Capital Ratio of 9%, and
  - minimum Tier 1 Ratio of 6%
- In addition the transfer of assets to the cover pool is subject to certain limits based on the bank's total capital and Tier 1 ratios:

TCR $\geq$ 11%	No limits
T1R $\geq$ 7%	
10% $\leq$ TCR < 11%	Up to 60% of the available eligible assets
T1R $\geq$ 6.5%	
9% $\leq$ TCR < 10%	Up to 25% of the available eligible assets
T1R $\geq$ 6%	

Carige Ratios	FY11	FY12	1H13 <sup>(1)</sup>
T1R	7.4%	7.4%	7.1%
TC R	10.1%	9.9%	9.8%

Sources: Bank of Italy, Banca Carige



# Fully compliant covered bonds

## *Criteria*

<b>UCITS 52(4)</b>	<ul style="list-style-type: none"><li>▪ 'Special regulatory regime to protect the interests of covered bond holders'</li></ul>	✓
<b>Capital Directive</b>	<ul style="list-style-type: none"><li>▪ Must be backed by eligible assets</li></ul>	✓
<b>ECB repo treatment</b>	<ul style="list-style-type: none"><li>▪ At discretion of ECB but category liquidity category 3 (non-Jumbo covered bond) expected</li></ul>	✓
<b>ECBC covered bond label</b>	<ul style="list-style-type: none"><li>▪ UCITS and national transparency template</li></ul>	✓

Transaction expected to conform to all applicable definitions of covered bond, earn preferential treatment for many classes of investor





# Outstanding Issuances

Type of Issue (OBG 1)	ISIN	Size	Issue date	Maturity
Public	IT0004548464	Eur 1,000 mln	5 November 2009	25 November 2016
Private placement		Eur 180 mln	28 October 2010	
Registered	-	Eur 75 mln	20 September 2010	25 September 2030
Registered	-	Eur 20 mln	4 October 2010	25 October 2022
Registered	-	Eur 40 mln	25 October 2010	25 October 2040
Registered	-	Eur 18.5 mln	15 November 2010	25 November 2030
Registered	-	Eur 20 mln	25 November 2010	25 November 2030
Registered	-	Eur 40 mln	27 December 2010	27 December 2030
Public	IT0004700032	Eur 500 mln	10 March 2011	25 March 2015
Registered	-	Eur 30 mln	23 April 2012	23 April 2032
Private placement	IT0004866510	Eur 150 mln	31 October 2012	25 October 2022
Registered	-	Eur 17 mln	2 November 2012	2 November 2032
Private placement	IT0004865900	Eur 50 mln	5 November 2012	5 November 2032
Registered	-	Eur 10 mln	6 November 2012	26 October 2032
Registered	-	Eur 5 mln	16 January 2013	25 January 2023
Registered	-	Eur 5 mln	25 January 2013	25 January 2028
Registered	-	Eur 10 mln	16 January 2013	25 January 2023
Registered	-	Eur 10 mln	29 August 2013	29 August 2033
<b>TOTAL (OBG 1)</b>		<b>Eur 2,180.5 mln</b>		

Type of Issue (OBG2)	ISIN	Size	Issue date	Maturity
Retained	IT0004800089	Eur 800 mln	21 February 2012	28 February 2016



Carige Group at a glance

Financial Highlights

Banca Carige OBG Programmes

Annexe:

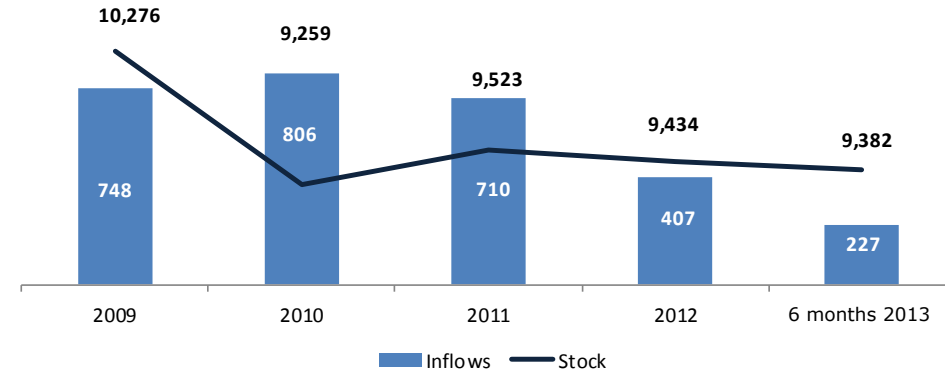
- Gruppo Carige's Residential and Commercial mortgage business
  - Cover Pool
    - OBG 1
  - Italian OBG Law



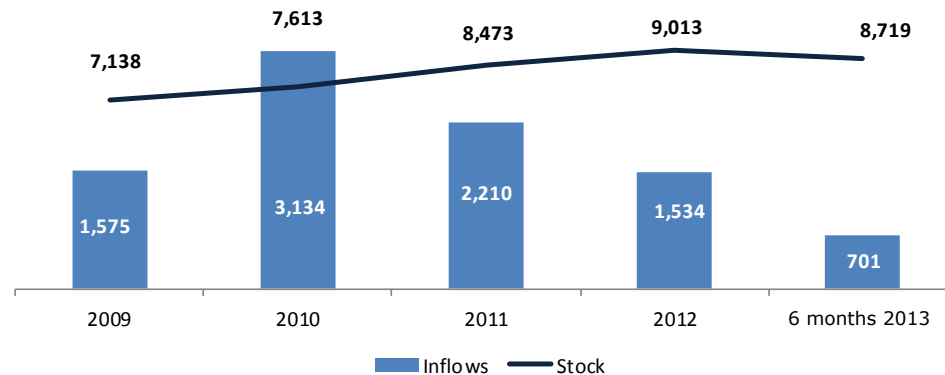
# Origination statistics Carige Group

€m

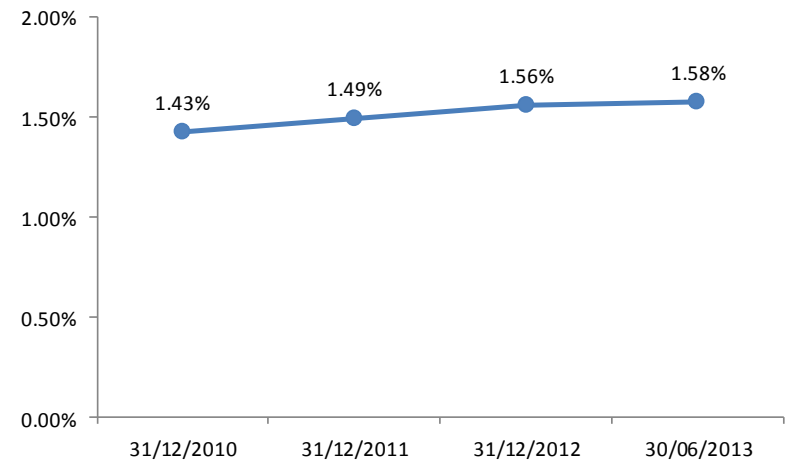
## Group's Residential Mortgage Loan Trend



## Group's Commercial Mortgage Loan Trend



## Group's Mortgage Market Share Trend





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- OBG 1

- Italian OBG Law



# OBG 1 highlights as at 31 July 2013

Total Portfolio	
<b>Balance (€)</b>	<b>5,247,909,511</b>
<b>Residential / Commercial (%)</b>	<b>93.4 / 6.6</b>
<b>Number of Loans</b>	<b>64,034</b>
<b>Type of loan</b>	<b>100% Fully amortising</b>
<b>Average Current Balance (€)</b>	<b>81,955</b>
<b>Average Current Balance Residential (€)</b>	<b>79,206</b>
<b>Average Current Balance Commercial (€)</b>	<b>161,515</b>
<b>Current Rating (Fitch / Moody's)</b>	<b>BBB+ (neg) / Baa1 (neg)</b>
<b>Committed OC (%) <sup>1</sup></b>	<b>22.0</b>
<b>OC consistent with current rating (%) <sup>1</sup></b>	<b>16.5</b>
<b>Current OC (%) <sup>1</sup></b>	<b>51.9</b>
<b>WA CLTV <sup>2</sup></b>	<b>48.7</b>
<b>WA OLV <sup>2</sup></b>	<b>61.1</b>
<b>WA Seasoning (Years)</b>	<b>4.7</b>
<b>WA Remaining Term (Years)</b>	<b>16.1</b>
<b>Percentage of Floating Rate Mortgages</b>	<b>69.2</b>
<b>WA Margin on Floating Rate Loans (%)</b>	<b>1.62</b>
<b>WA Interest Rate on Fixed Rate Loans (%)</b>	<b>5.55</b>

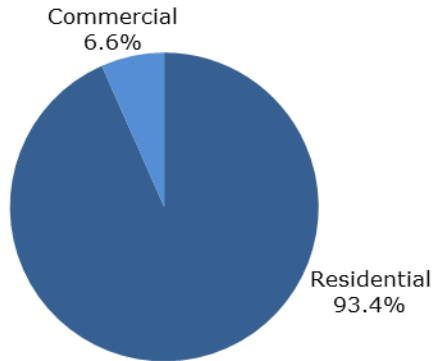
Note: <sup>1</sup> Source Moody's

<sup>2</sup> Property value as at the origination date

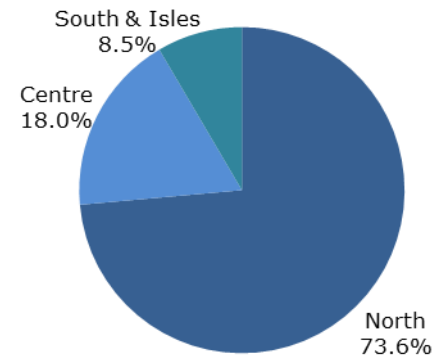


# OBG 1 Total portfolio breakdown

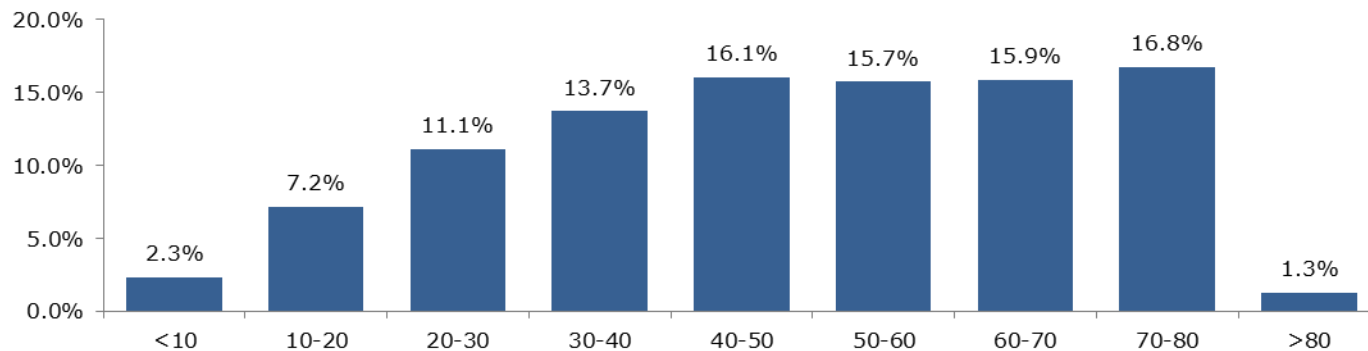
## Commercial/Residential



## Geographical Distribution



## Current LTV

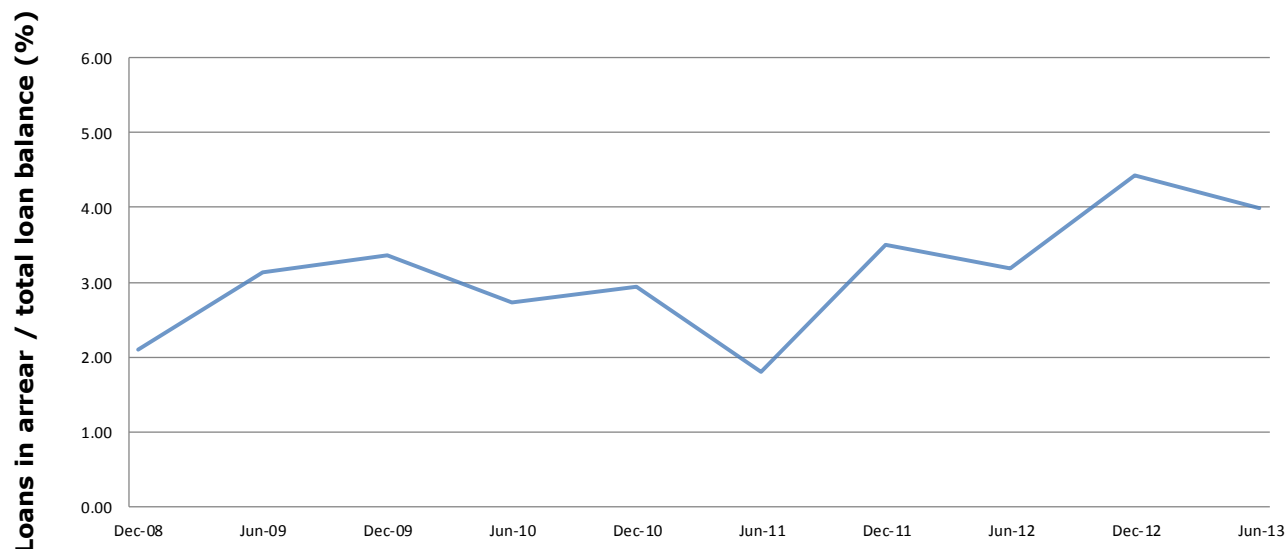


Note: Figures refer to volume of outstanding mortgages – **Data as at 31 July 2013**



# OBG 1 Arrears and buybacks

## Cover pool arrears\*



### Pool Transfer

- September 2009
- July 2010
- February 2011
- May 2011
- October 2011
- January 2012
- June 2012
- June 2013

Note: (\*) Arrears amount includes loans with more than 30 days of arrears and excludes defaulted loans

## Carige's Buybacks

	Non Performing Loans	Other Loans	Total
2009	2,788,696		2,788,696
2010	11,482,694	7,473,725	18,956,419
2011	20,492,596		20,492,596
2012	40,376,228	240,112	40,616,340
2013	38,453,745		38,453,745
	<b>113,593,861</b>	<b>7,713,837</b>	<b>121,307,698</b>



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# Italian covered bond legal framework (1/2)

<b>Name of the instrument (s)</b>	Obbligazioni Bancarie Garantite
<b>Legislation</b>	Law 80 of 14 may 2005, amending Article 7-bis & 7-ter of law 130/1999, Ministry of Economy & Finance regulation 310 dated 14 December 2006 and Bank of Italy instructions issued on 17 may 2007 and on 24 March 2010
<b>Special banking principle</b>	No: any Italian bank fulfilling specific issuance criteria
<b>Restriction on business activity</b>	N/A
<b>Asset Allocation</b>	Cover assets are segregated through the transfer to a separate entity
<b>Inclusion of hedge positions</b>	Hedge position are part of the structural enhancements intended to protect bondholders
<b>Substitute collateral</b>	Up to 15%
<b>Restrictions incl. Commercial mortgages</b>	No
<b>Geographical scope for public assets</b>	EEA states and Switzerland, subject to a maximum risk weighting of 20% and up to 10% of the cover pool Non-EEA states or local authorities subject to a maximum risk weighting of 20%
<b>Geographical scope for mortgage assets</b>	EEA and Switzerland
<b>LTV barrier residential</b>	80%
<b>LTV barrier commercial</b>	60%
<b>Basis for valuation</b>	Market value. The approach needs approval from Bank of Italy and is verified by an independent auditor
<b>Valuation Check</b>	Semi-annual review and annual reporting to the Bank of Italy
<b>Special Supervision</b>	Bank of Italy

# Italian covered bond legal framework (2/2)

<b>Protection against mismatching</b>	The nominal value of the cover pool assets must at all times be at least equal to the nominal value of the OBG outstanding. The net present value (NPV) of the covered pool must be at least equal to the net present value of the OBG issued. Furthermore, the cover pool assets need to accrue sufficient interest to cover interest payment on the OBG outstanding
<b>Protection against credit risk</b>	Sponsor banks may replace non-performing loans or affected loans
<b>Protection against operative risk</b>	Stipulated through contractual rules
<b>Mandatory over-collateralisation</b>	Expected to be subject to an asset coverage test
<b>Voluntary over-collateralisation is protected</b>	Yes
<b>Bankruptcy remoteness of the issuer</b>	No, but all assets are ring-fenced within a specially separated entity
<b>Outstanding OBG to regulatory capital</b>	Depending on Tier 1 and total capital ratios. There is no limit as long as the respective bank maintains a total capital ratio above 11% and a tier 1 ratio above 7%
<b>1st claim in the event of insolvency</b>	All payments are received from the special entity's assets. These payments are expected to be collected in a separate account. Investors continue to receive scheduled payments, as if the issuer had not defaulted
<b>External support mechanisms</b>	In the event of insufficient pool assets proceeds to cover their claim, investors rank pari passu with senior debt holders. There is a simultaneous unsecured dual claim against the issuer and secured against the portfolio held by the specially separated entity
<b>Compliant with UCITS Art. 22 par. 4</b>	Yes
<b>Compliance with CRD</b>	Yes



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The manager responsible for preparing the company's financial reports Ms. Daria Bagnasco, Deputy General Manager (Governance and Control) of Banca CARIGE S.p.A., 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 document results, books and accounting records.



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