

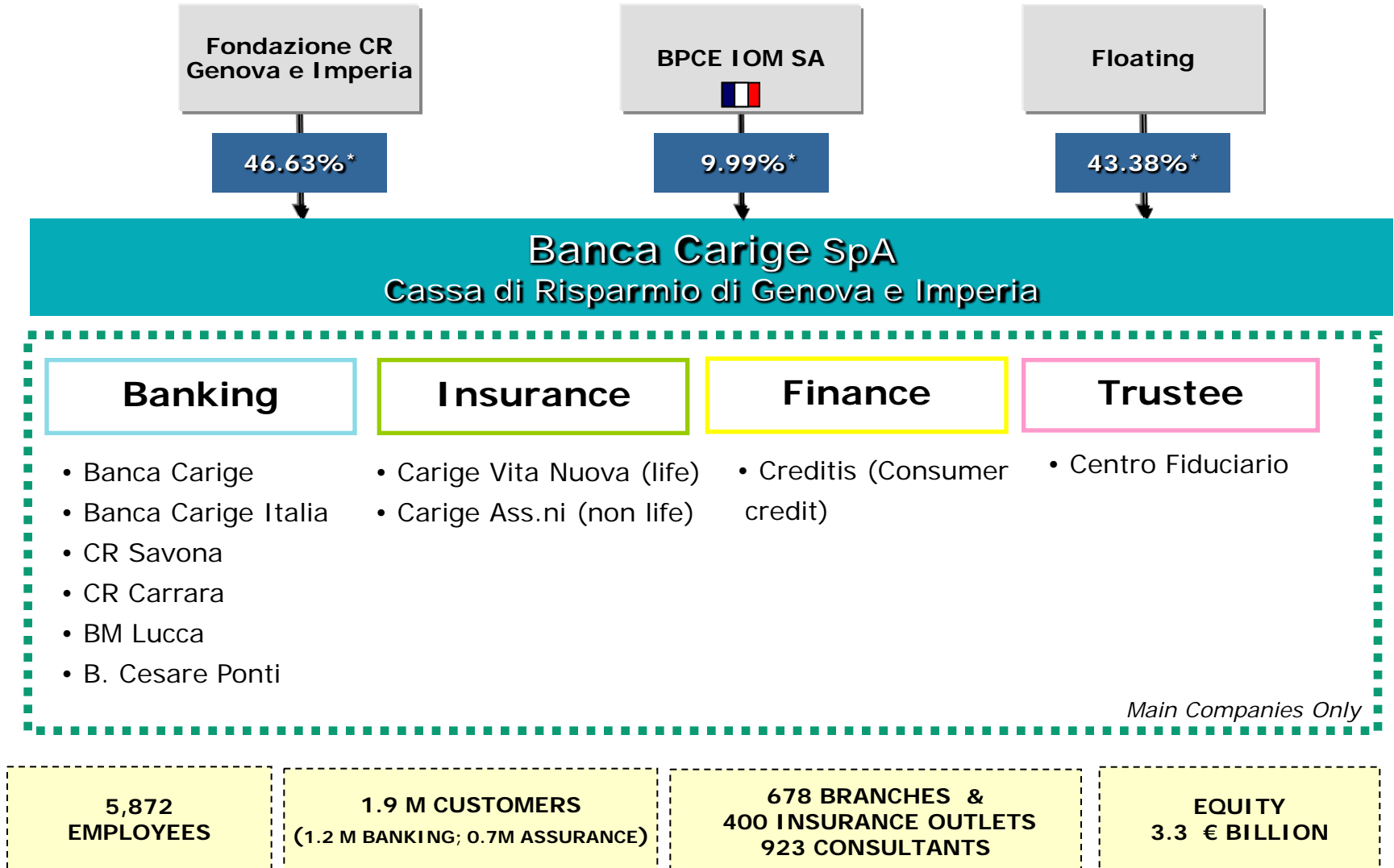
# GRUPPO CARIGE

***Company presentation***

***UBS Conference, Milan - January 2014***



- Carige is an **Italian commercial bank** with a traditional operating model:
    - **Customer base** mostly **Retail**, with an important Deposit share
    - **Balanced** and improving **ALM structure** with a strong role played by stable Medium-Long Term retail deposits as key source of funding
  - The **Carige portfolio loan** is characterized by:
    - Relevant weight of Mid-Long term vs. Short term lending but **much more collateralized than the peers**
    - **Good level of diversification** with a wide client base
  - **Share of NPLs in line with Italian banking system, with a recent increase of new flows of non performing exposures** – harshened by the present crisis – focused on a limited number of large corporates and set of specific industries (i.e. shipping, building and real estate)
- 
- The **distribution is focused through branch network**, mainly concentrated in North West, with a historical presence in Liguria – a region traditionally wealthier and with a lower risk level than the average of the Italian banking system
  - On **differentiated Corporate approach between**:
    - **Large corporate** (over 50 EUR million yearly turnover), centrally managed by 3 teams composed by a consultant and a commercial assistant
    - **Other corporates**, locally managed in the territorial areas
- 
- After the recent peak of new flows of non performing exposures, the Bank presents a **resilient and less concentrated performing customer base**
  - Carige is **implementing several strategic initiatives, in discontinuity from the past**, aiming at **improving credit risk control** and **strengthening its capital base** through capital injection and disinvestments of non-core assets, already started in 2013 with Carige A.M. SGR (moreover there are discussions about Insurance companies and the stake in a toll motorway)

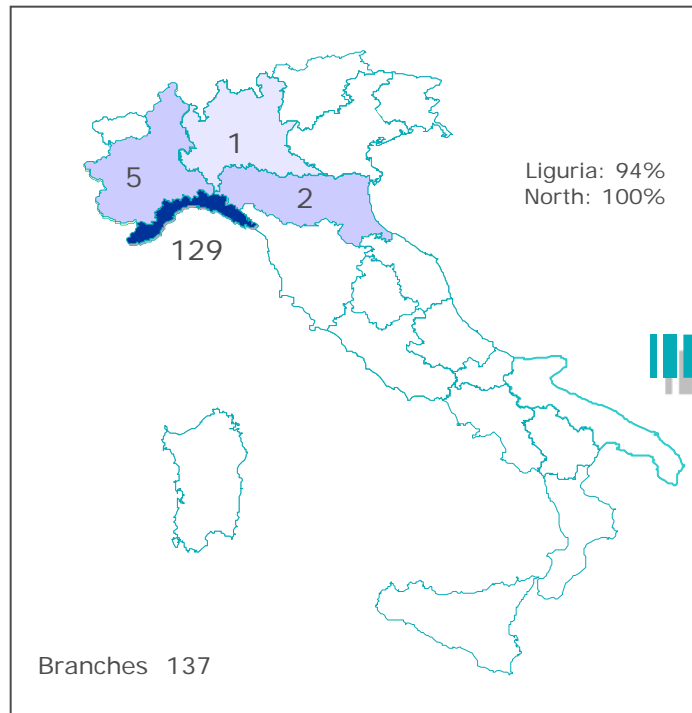


\*Holding calculated on the basis of ordinary shares

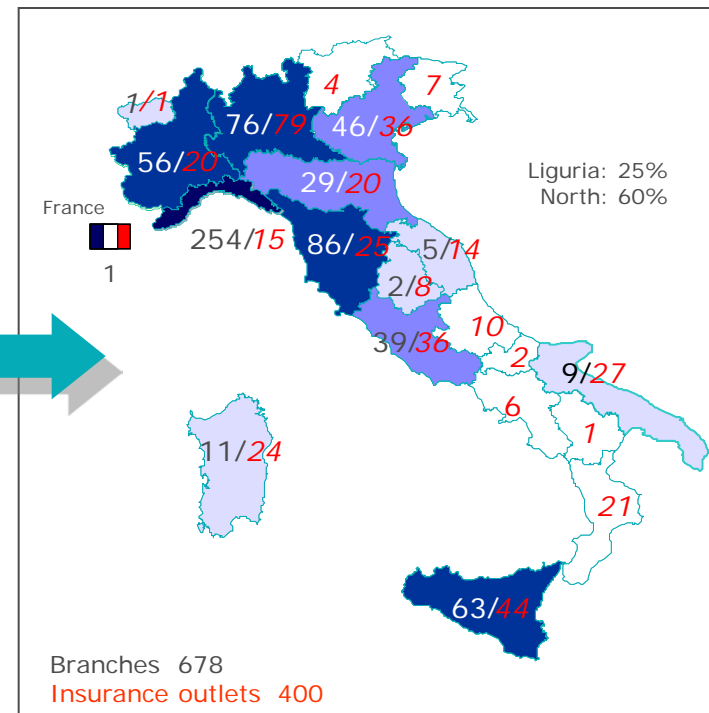


# A diversified network

## The network in 1989



## The network today



## Liguria network

- **Historical presence** in Liguria region **for over 500 years**
- **Mature network** and **stable number of branches** (207 at date)
- **High market share** (over 20% in terms of branches, deposits and loans)
- **High productivity by branch**, with **high number of clients** per branch
- **More balanced portfolio** in terms of customer segments vs Extra Liguria

## Extra-Liguria network

- **Significant presence** in the territory **outside Liguria from early '90s**
- **"Young" network**, developed through branches acquisitions and openings
- **Low coverage** and **low market share**
- **Lower volumes per client** and **number of clients** vs. Liguria network
- **Customer base lacking** of the most wealthy class of customers (private, affluent)

### History

### Market share and coverage

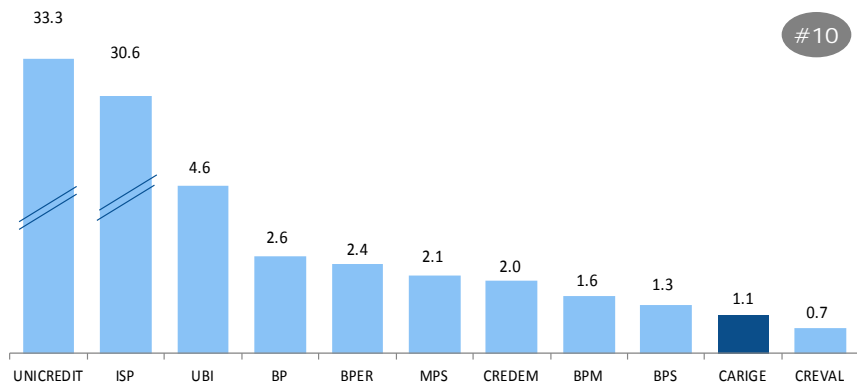
### Productivity

### Customer base



# Among the top 10 Italian banking groups

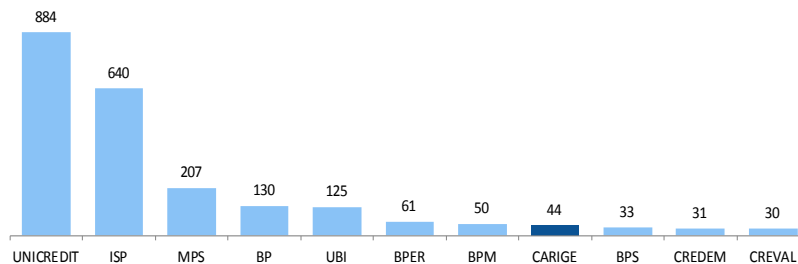
Market cap<sup>1</sup> (€bn)



#10

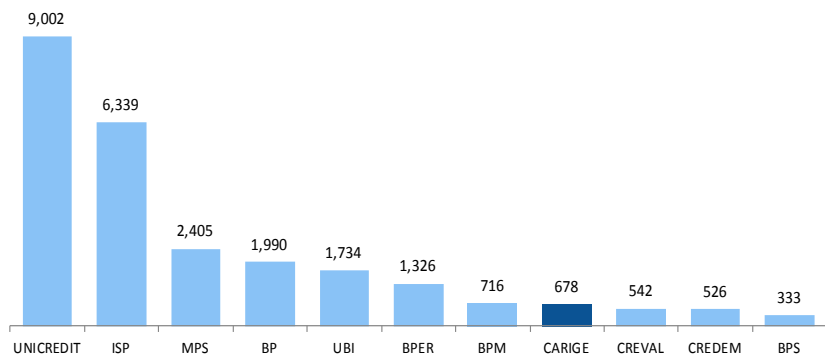
Note (1): Data as at 8 January 2014 (Source: II Sole 24 Ore)

Total assets



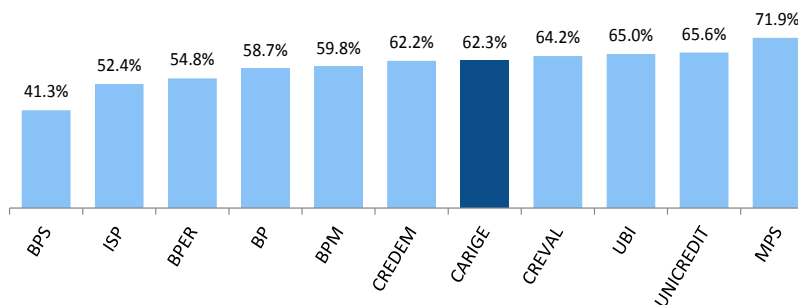
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Branch network (#)



#8

C/I (%)

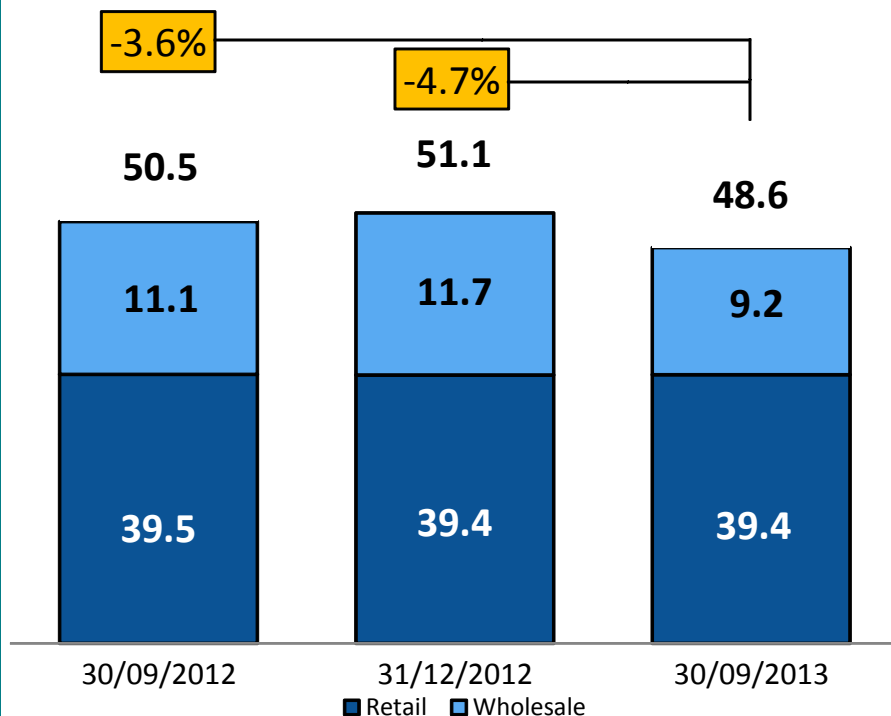


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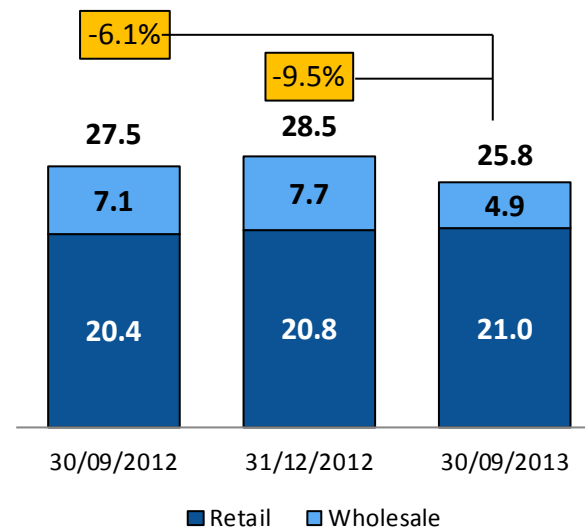
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## TOTAL DEPOSITS



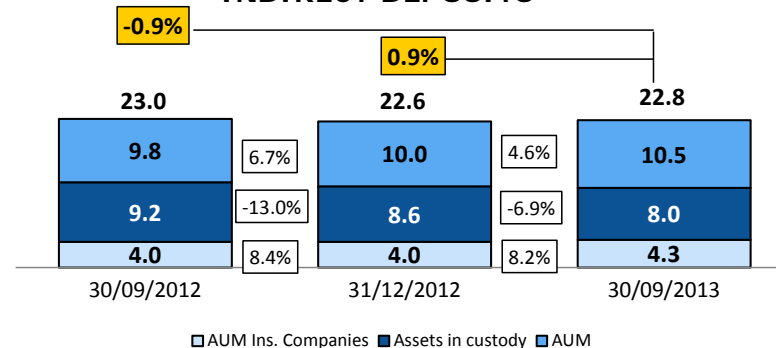
- Stable retail deposits
- Decline in wholesale component (for maturing 750 senior bonds in April 2013 and 550 covered bonds in September 2013)

## DIRECT DEPOSITS



- Total: 58.8% short term, 41.2% M/L term
- Retail: 67.2% short term, 32.8% M/L term
- Wholesale: 29.6% short term, 70.4% M/L term

## INDIRECT DEPOSITS

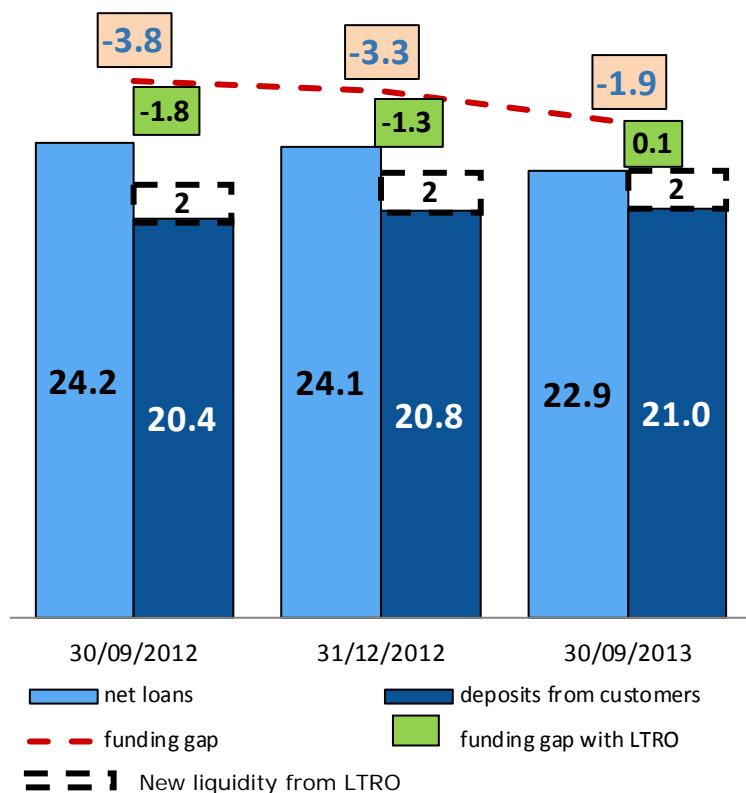


- Indirect deposits are basically stable, since the growth in assets under management offsets the decrease in assets in custody



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## NET LOANS/RETAIL DEPOSITS



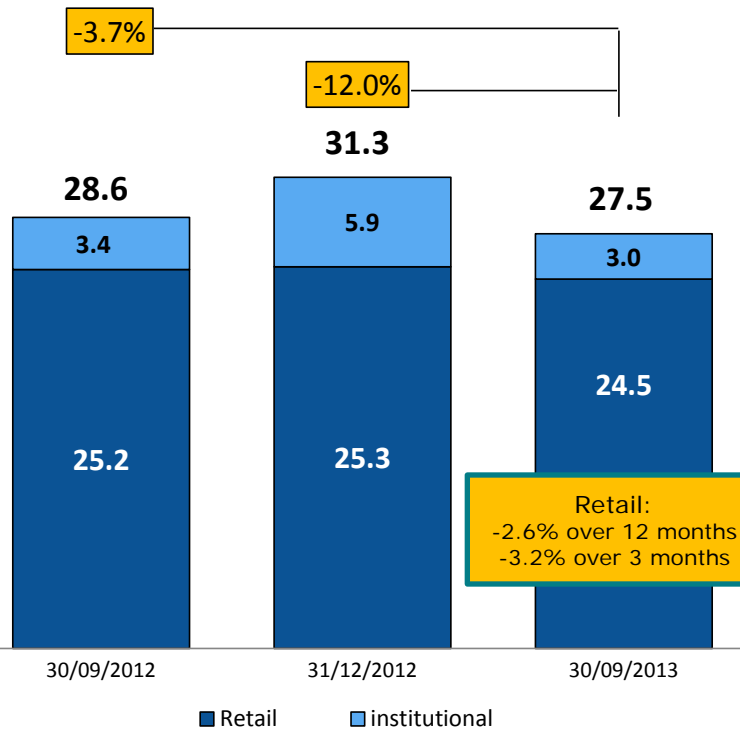
- Net funding gap amounts to 1.9 billion net, down from 3.3 billion in December and 3.8 billion in September 2012
- The funding gap is offset by 2 billion of new liquidity from LTRO
- Funding gap (%) on net loans = 8.5% vs 15.6% Italian Banking System<sup>(1)</sup>
- Loan to deposits ratio from 119% to 109% over the year

(1) Source: Bank of Italy (Financial stability Report No. 6, November 2013)



€b

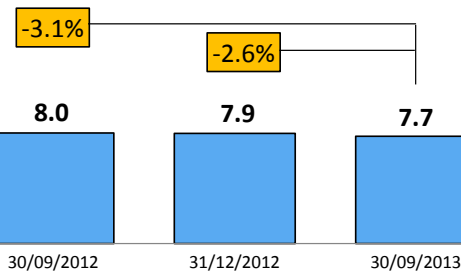
## GROSS LOANS TO CUSTOMERS



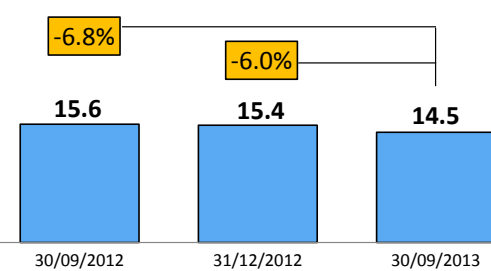
- Reduction in retail loans in line with the System (- 3.6%<sup>(\*)</sup>)
- Decrease sharper for corporates, compared to households

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

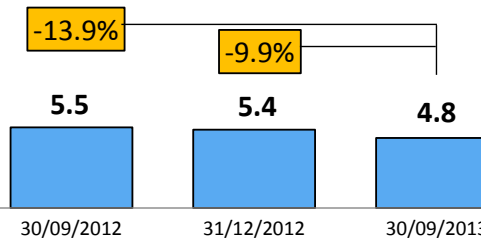
## HOUSEHOLDS<sup>(1)</sup>



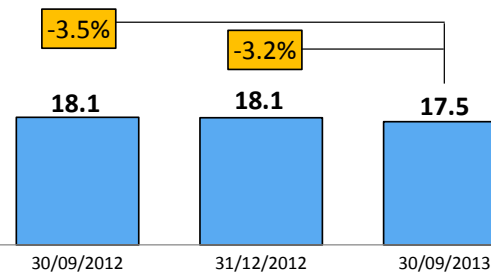
## CORPORATES<sup>(1)</sup>



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



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



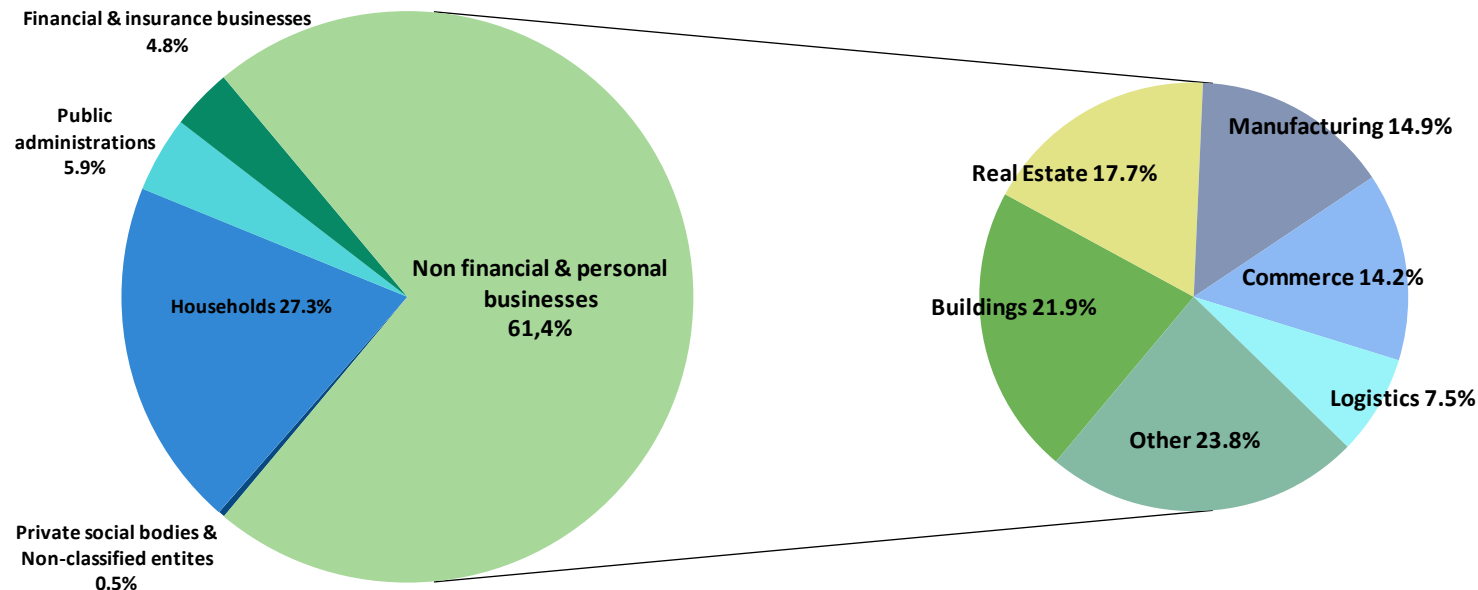
(\*) Source ABI – September 2013

(1) Net of institutional and NPL

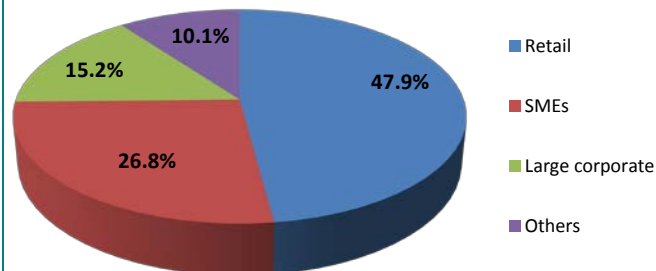




## LOAN BOOK BREAKDOWN BY BUSINESS SECTOR



## LOAN BOOK BREAKDOWN BY SEGMENT

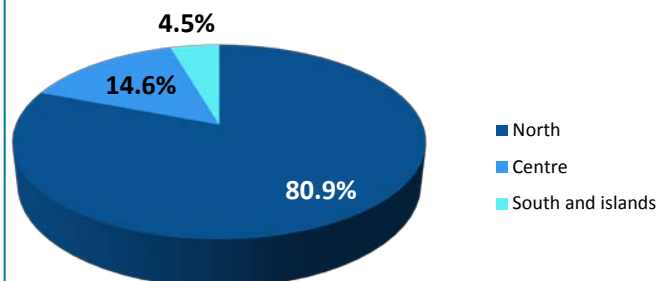


**LARGE:** turnover > 50 mln

**SMEs:** 2.5 mln < turnover < 50 mln or credit line > 1 mln

**Retail:** businesses under SMEs thresholds + private customers

## LOAN BOOK BREAKDOWN BY GEOGRAPHICAL AREA



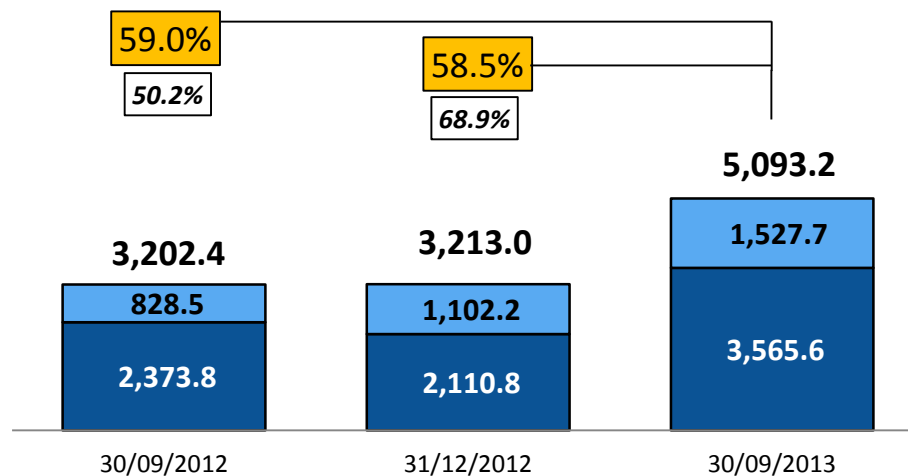
## LOAN BOOK CONCENTRATION

	Top 10	Top 20
30/9/2013	7.4%	9.5%



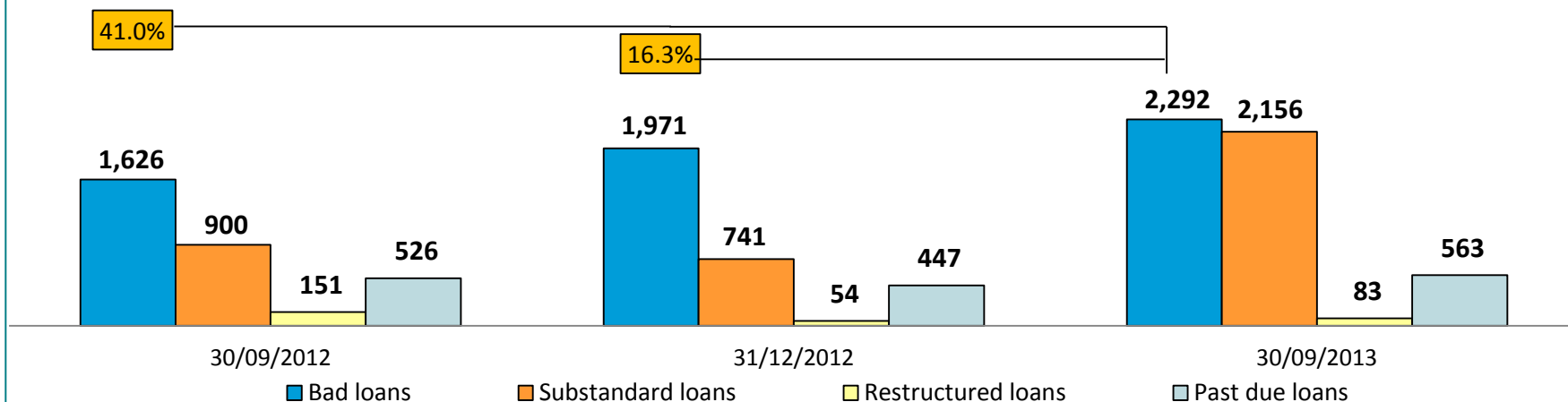
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## NON PERFORMING LOANS



of which:

■ Net ■ Adj. ■ CH. (gross) □ CH. (net)



- The growth of non-performing loans occurred in 2012-2013 was conditioned by the dynamics of the macroeconomic framework of Liguria, where the crisis started later than the other Italian regions (delaying factors - facilities, opening towards foreign countries, long-term contracts - and factors mitigating circumstances - the public sector and retirees)
- Practically accepted all the requests of the Bank of Italy reclassifying 1.1 billion of performing loans (1 billion as substandard loans and 86 million as bad loans)



	Amount		On total loans						Coverage ratio (1)		
	September 2013		September 2013		December 2012		September 2012		September 2013	December 2012	September 2012
	Gross	Net	Gross	Net	Gross	Net	Gross	Net			
Loans to customers	27,534	25,902	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	5.9%	3.9%	3.2%
- performing loans	22,440	22,337	81.5%	86.2%	89.7%	93.0%	88.8%	91.4%	0.5%	0.5%	0.4%
<b>- NPL</b>	<b>5,093</b>	<b>3,566</b>	<b>18.5%</b>	<b>13.8%</b>	<b>10.3%</b>	<b>7.0%</b>	<b>11.2%</b>	<b>8.6%</b>	<b>30.0%</b>	<b>34.3%</b>	<b>25.9%</b>
<i>bad loans</i>	2,292	1,152	8.3%	4.4%	6.3%	3.3%	5.7%	3.3%	49.8%	49.7%	43.9%
<i>substandard loans</i>	2,156	1,795	7.8%	6.9%	2.4%	2.1%	3.1%	2.9%	16.8%	14.6%	10.4%
<i>restructured loans</i>	83	73	0.3%	0.3%	0.2%	0.2%	0.5%	0.5%	11.5%	7.4%	7.2%
<i>past due loans</i>	563	546	2.0%	2.1%	1.4%	1.5%	1.8%	1.9%	2.9%	2.2%	2.1%
(1) Adjustments on gross loans											
Euro millions											

- Coverage of each single category improved compared to September and December 2012
- Decrease of total non performing loans coverage from December 2012 is due to the change in the mix with the growth of less risky components

**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

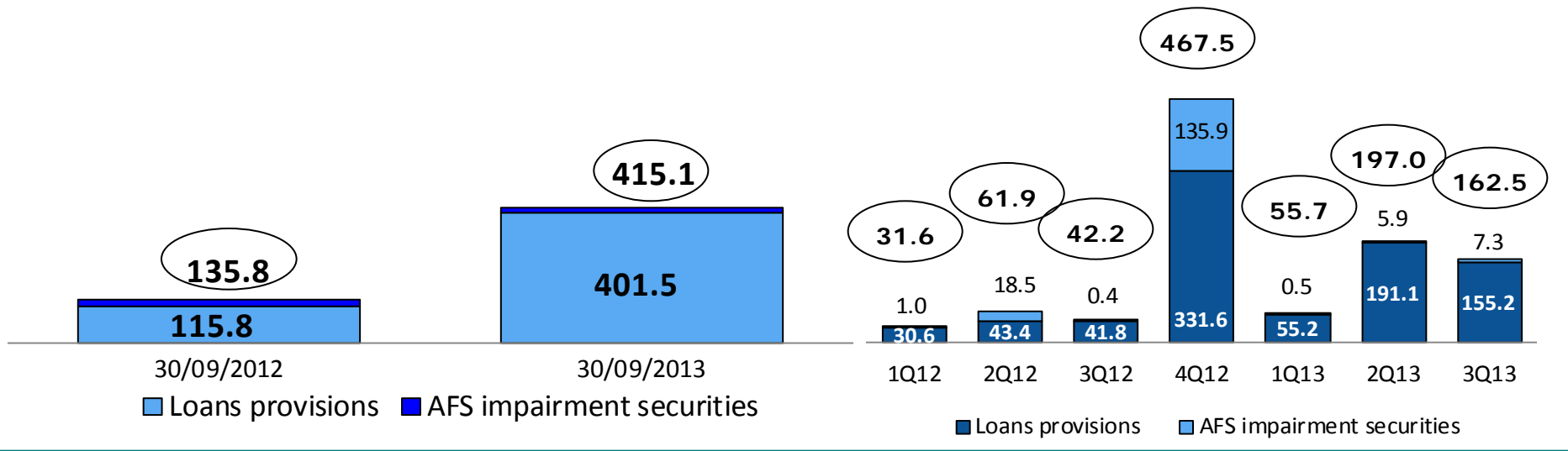
**Restructured loans:** exposures for which a bank agrees to amendments to the original terms and conditions which give rise to a loss

**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



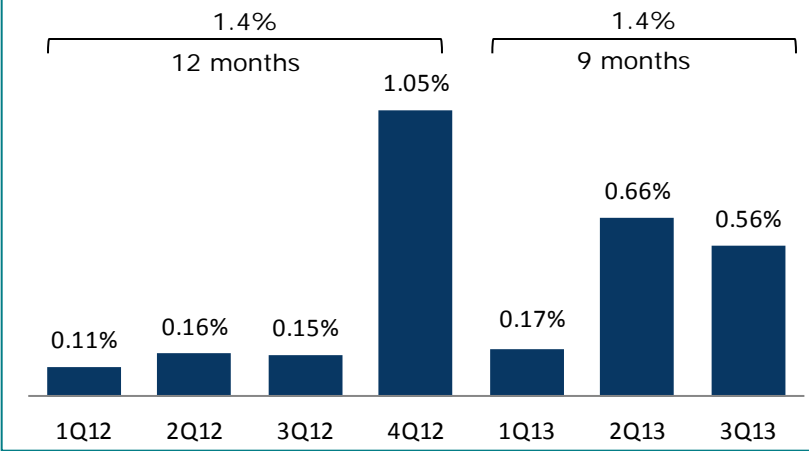
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## PROVISIONS ON LOANS AND OTHER ASSETS



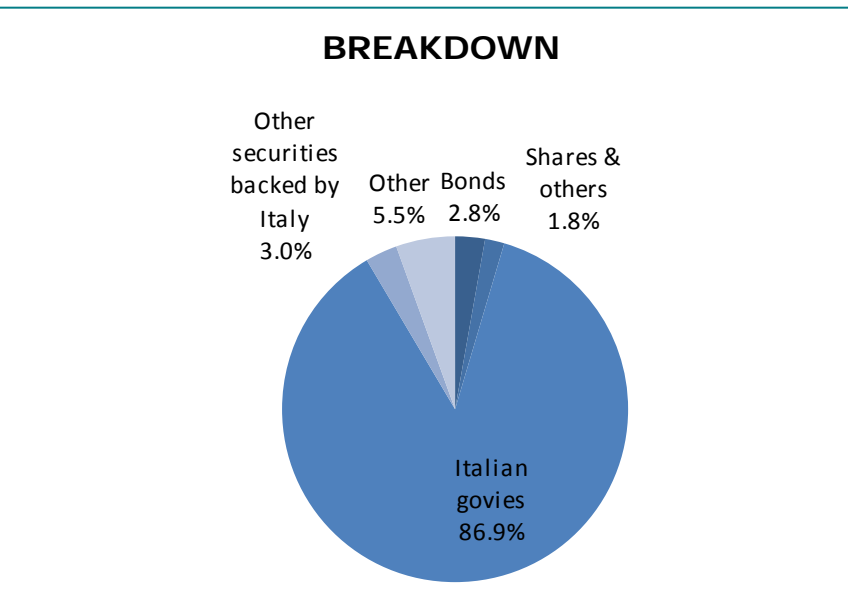
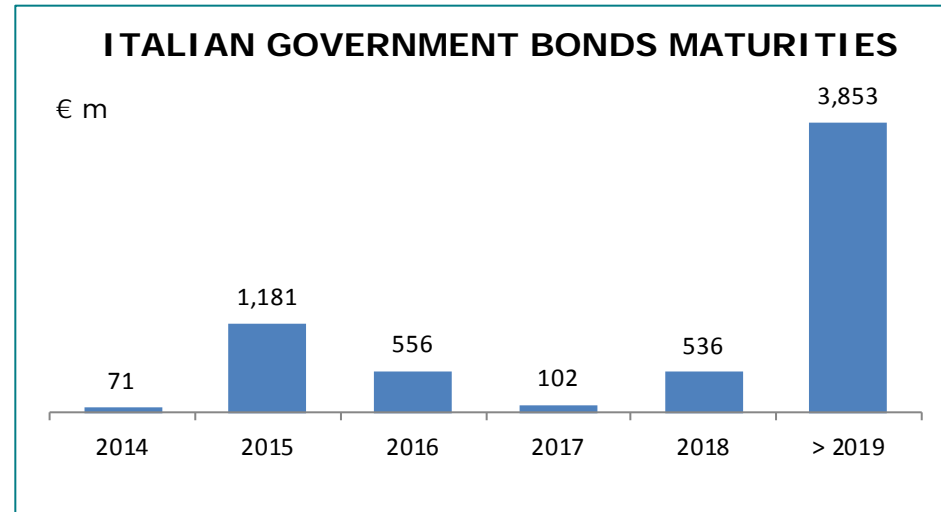
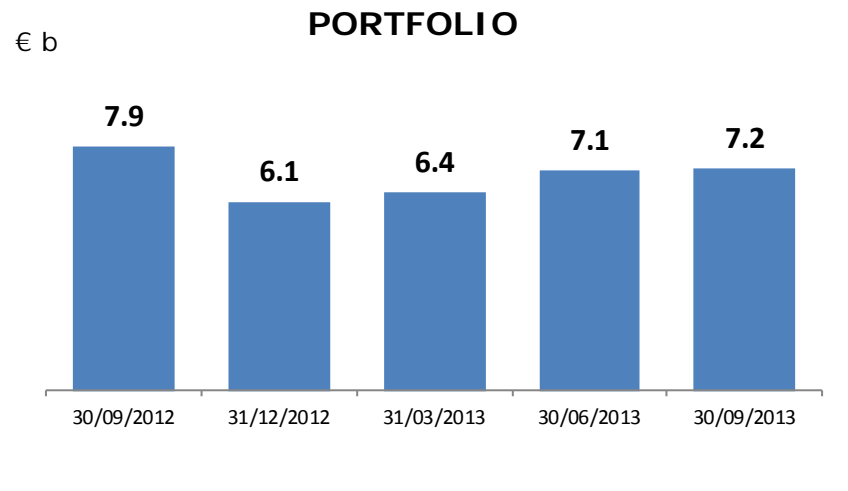
- Loan provisions include almost complete record of the results of the inspection conducted by the Bank of Italy on the performing loan portfolio totalling 190 million (126.7 in the first half and 62.3 million in the 3<sup>rd</sup> quarter)
- On AFS assets are recorded provisions (impairment) for 13.6 million (20 million in September 2012)

## COST OF RISK





# Banking Group securities portfolio



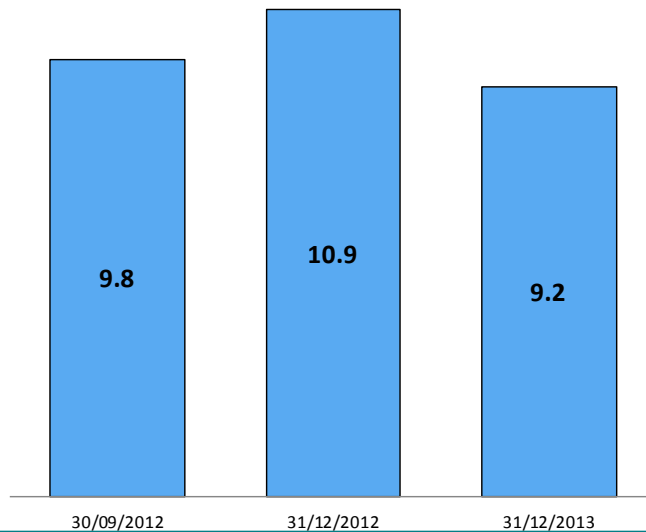
- Almost 90% of the securities portfolio consists of Italian government bonds, with an average duration of approximately 6.5 years (as at 30 September 2013)



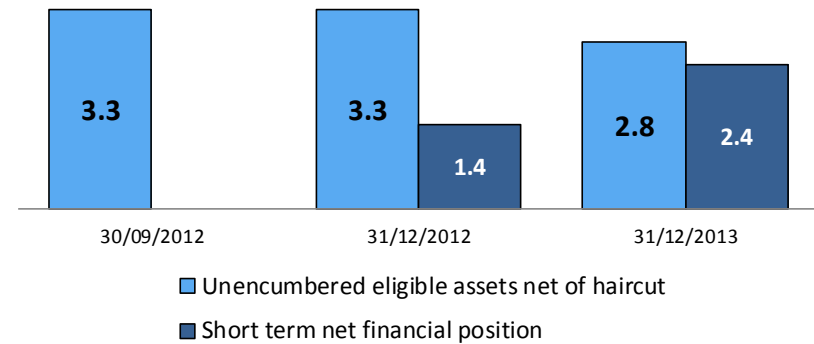
# Liquidity position

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## ELIGIBLE ASSETS



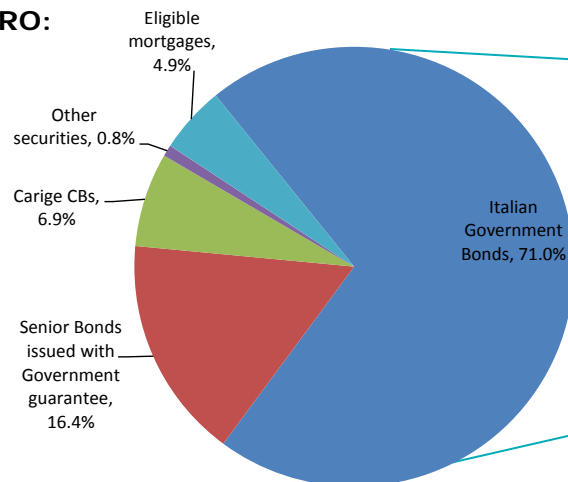
## TOTAL LIQUIDITY



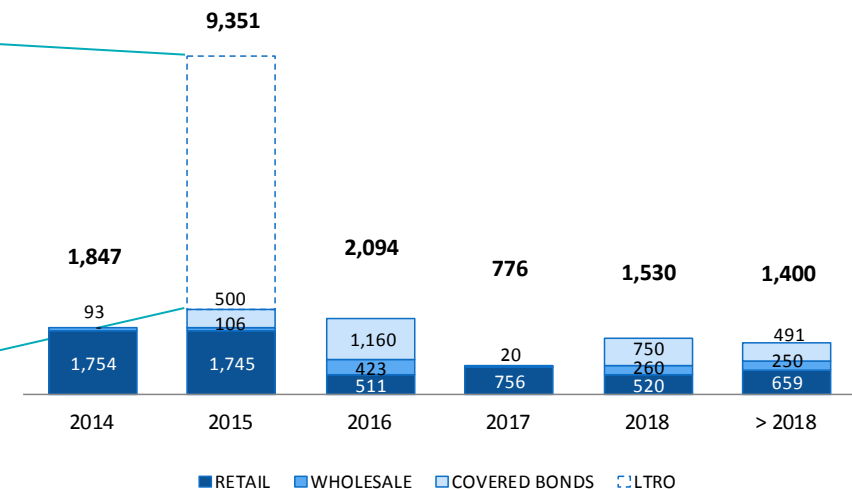
- Liquidity remains satisfactory
- LTRO repayment plan with available liquidity, securities portfolio, issuance of covered bonds and securitisations

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

## COLLATERAL € 7 b LTRO:



## DEBT MATURITY

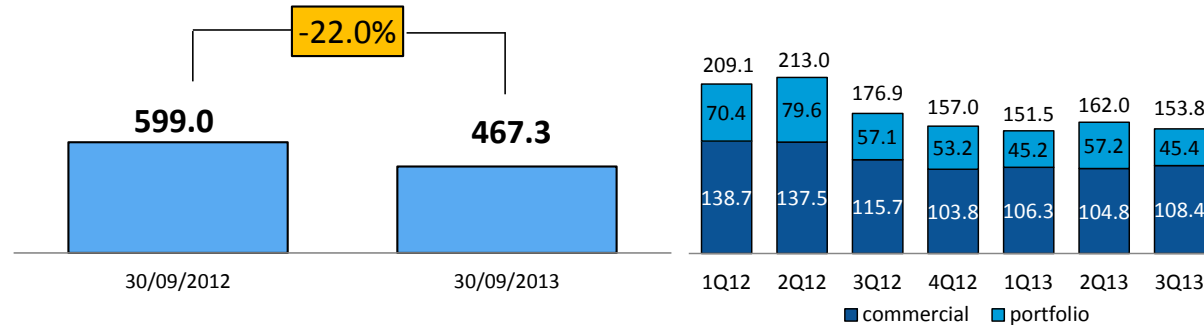




# Revenues from intermediation

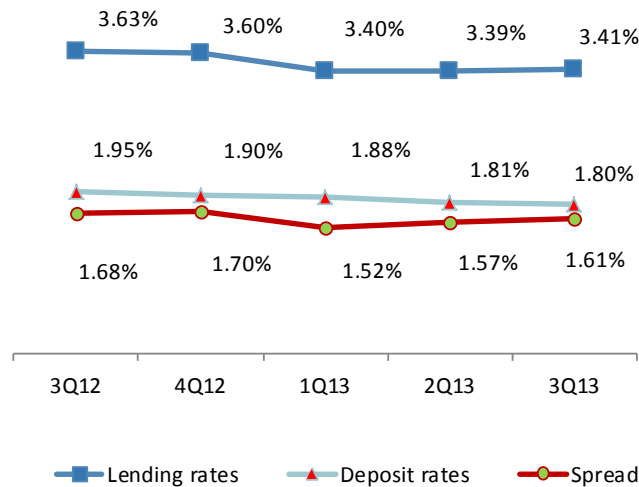
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## NET INTEREST INCOME



- Net interest income decrease over the year is due to the trend in interest rates (negative effect for 162.2 million), only partly offset by volumes (positive effect for 30.7 million)
- In the 3<sup>rd</sup> quarter net interest income amounts to € 153.8 million, decreasing in comparison to the second quarter (162 million), due to the financial component, while the commercial component started growing again

## CUSTOMER POINT SPREAD

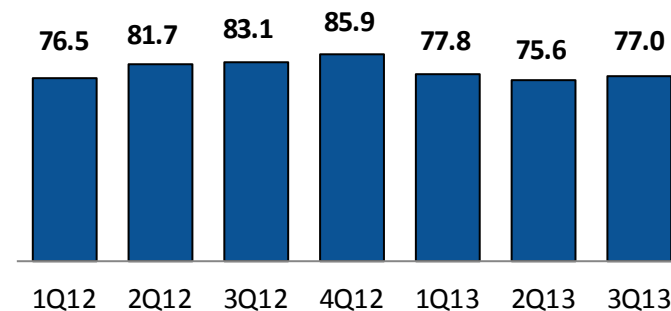
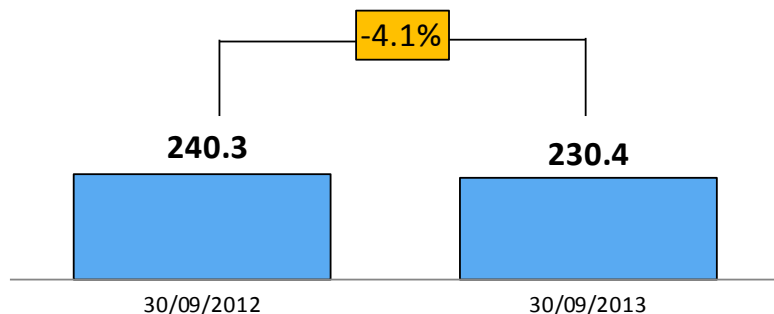


- Rate spread recovery of about 10 bps compared to the beginning of the year and 4 bps compared to June 2013



## NET COMMISSIONS<sup>(1)</sup>

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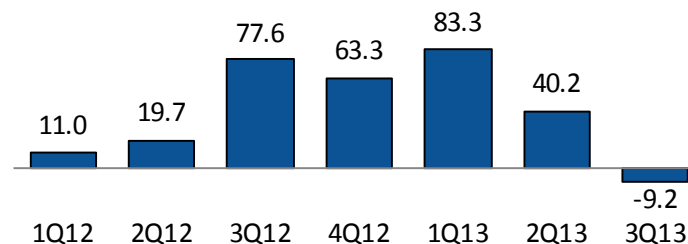
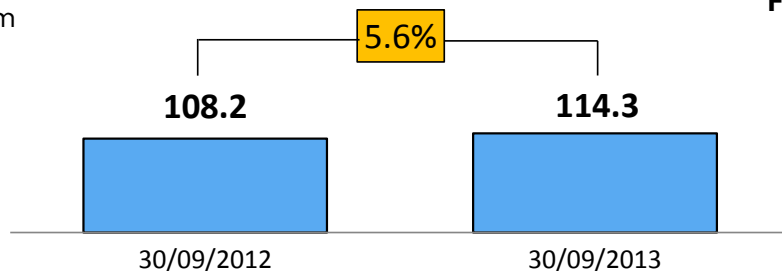


- The 3<sup>rd</sup> quarter record a recovery in comparison to the second quarter of the year, from 75.6 million to 77 million, due mainly to commissions on credit and debit cards

(1) Proforma data: fast credit processing fee reclassified from other operating income to net commission income

## FINANCE<sup>(2)</sup>

€ m



- Net result of financial assets and liabilities at fair value amounts to 40.8 million, as a result of the changes introduced on the fair value measurement of all securities issued by the Bank ("Fair Value Option ")
- Profit on disposal of AFS securities totalled 48.4 million and profits from disposal of HTM securities totalled 21.3 million

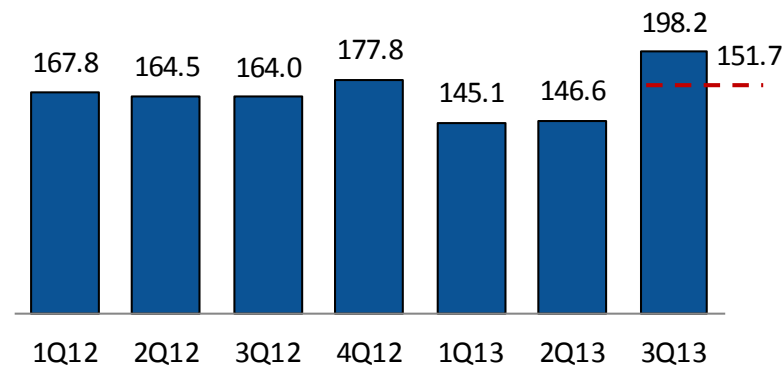
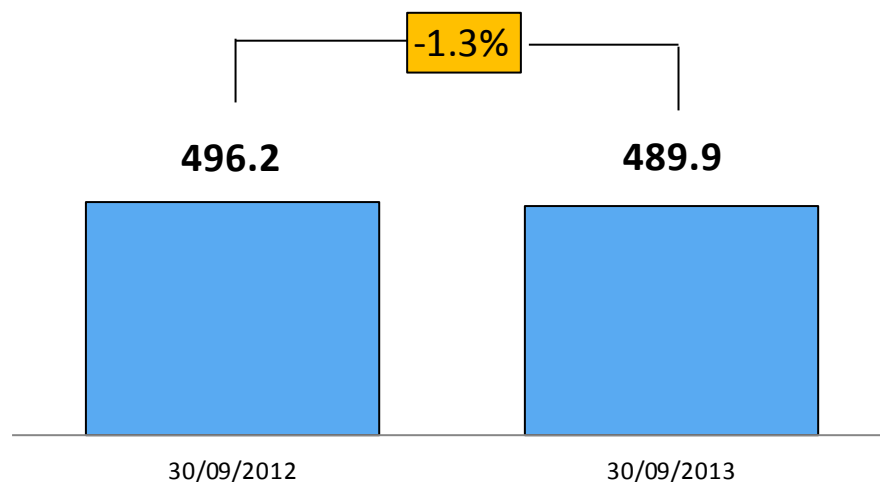
(2) dividends, profits/losses on trading, plus/minus from evaluation, profits/losses from sales/repurchases (items 70, 80, 90, 100 b-c-d and 110 of the Income Statement)





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## OPERATING COSTS



C/I

53.1%

62.3%

C/I <sup>(1)</sup>

53.9%

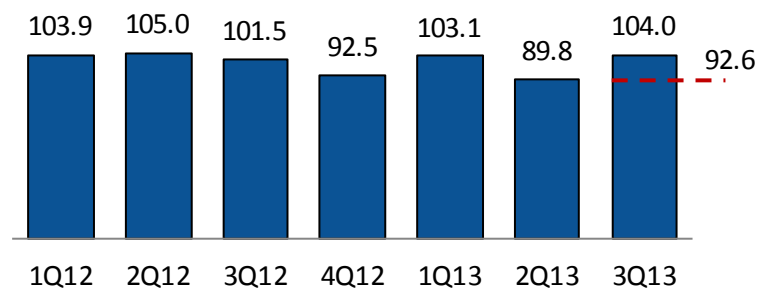
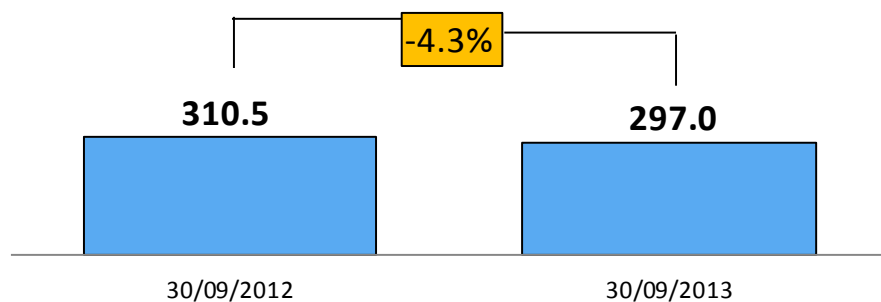
63.4%

- Decrease despite the impairment of the insurance group's property (35.1 million) and extraordinary staff costs (11.4 million) occurred in the 3<sup>rd</sup> quarter

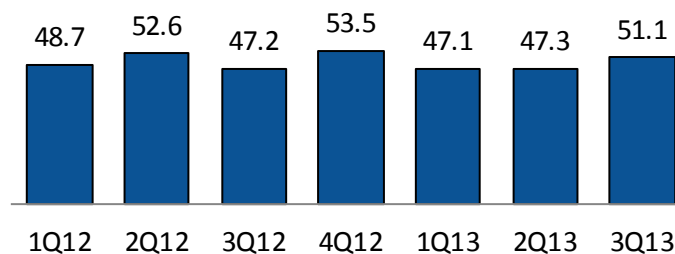
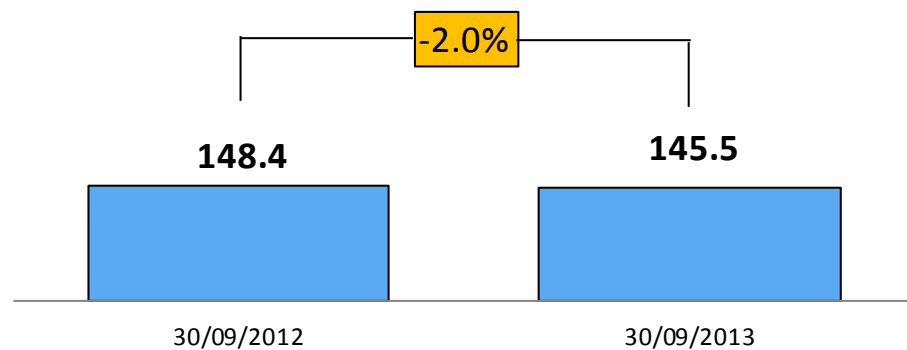


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## STAFF COSTS

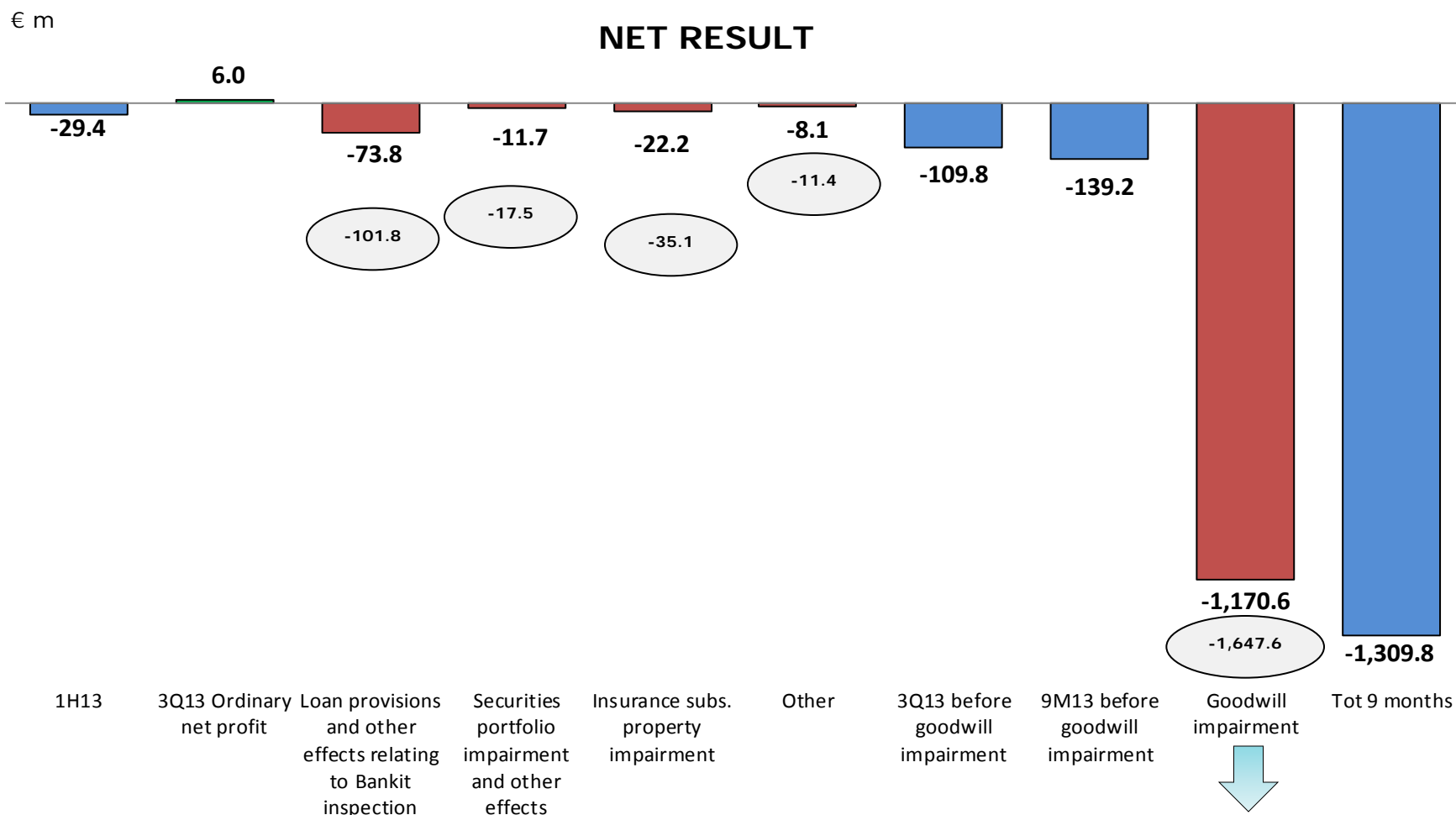


## OVERHEAD COSTS



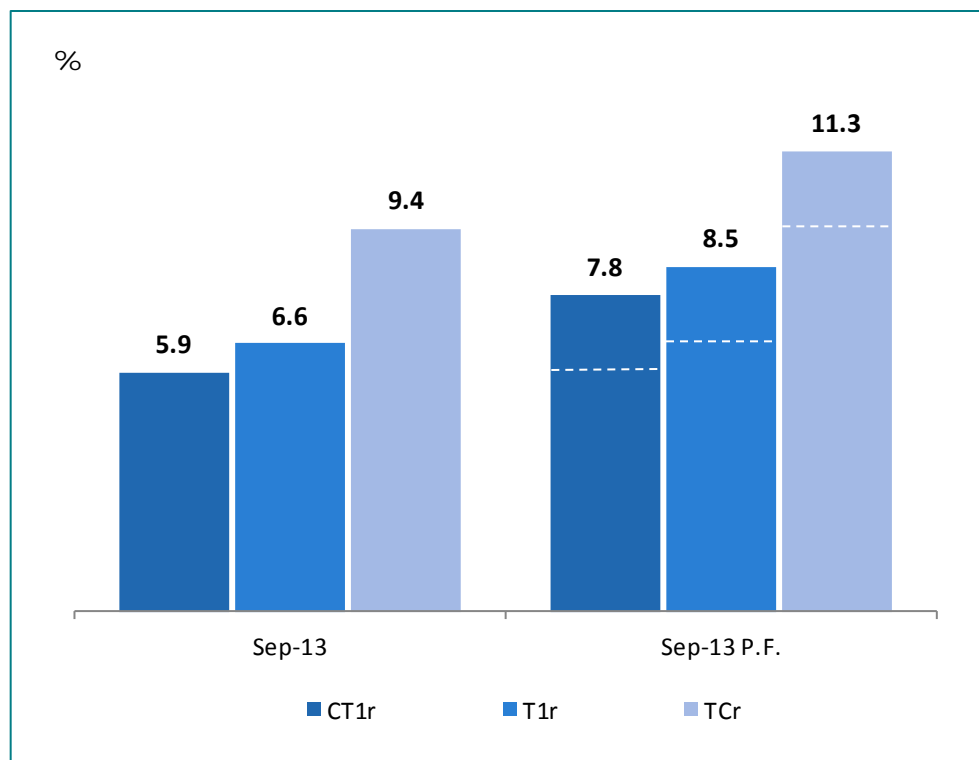


# Net result development



Gross amounts

	Goodwill 30/6/2013	Goodwill impairment	Goodwill 30/9/2013
Banca Carige Italia	1,526.4	-1,526.4	0.0
Other Banks	239.6	-121.2	118.4
Insurance subsidiaries	13.5	0.0	13.5
<b>Total Group</b>	<b>1,779.5</b>	<b>-1,647.6</b>	<b>131.9</b>



€ m

## Regulatory capital

CT1 capital	1,351.2
T1 capital	1,511.1
Total Capital	2,161.9

## RWA

Credit risk	20,936.8
Market risk	179.7
Operating risk	1,889.4
Total RWA	23,005.8

- Benefit of DTA on goodwill: 150 bps
- Sale of Carige AM SGR: 40 bps



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