GRUPPO BANCA CARIGE

Company presentation

Mediobanca's 4th Italian CEO Conference

First positive results from action undertaken on strategic levers

1 Sales and distribution relaunch focusing on core segments with a U-turn in revenues

2 Revision of key processes to recover sales and distribution effectiveness and operating efficiency

3 Strict cost management

Positive result for 1Q18

after five years of losses

4 Cost-of-risk mitigation

5 Finalisation of the one-off transactions set out in the MYP

1Q2018 results on track

Does not include potential benefits from adoption of the internal rating model (AIRB)

CET1 ratio[1]
Total Capital Ratio
[SREP target, including P2 guidance]

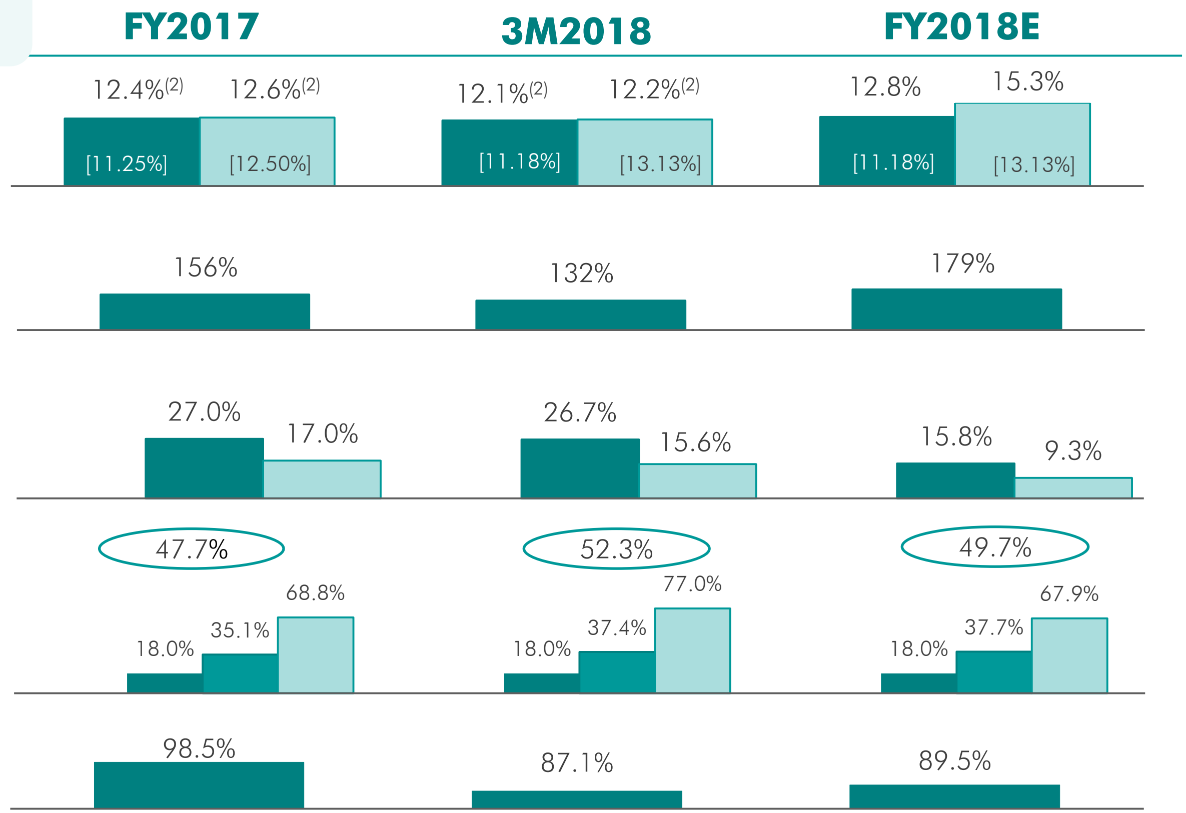
LCR (%)

Gross NPE Ratio (%)
Net NPE Ratio(%)

Coverage[3] (%)

Past due · UTPs · Bad loans (sofferenze)

Cost/Income ratio[4] (%)

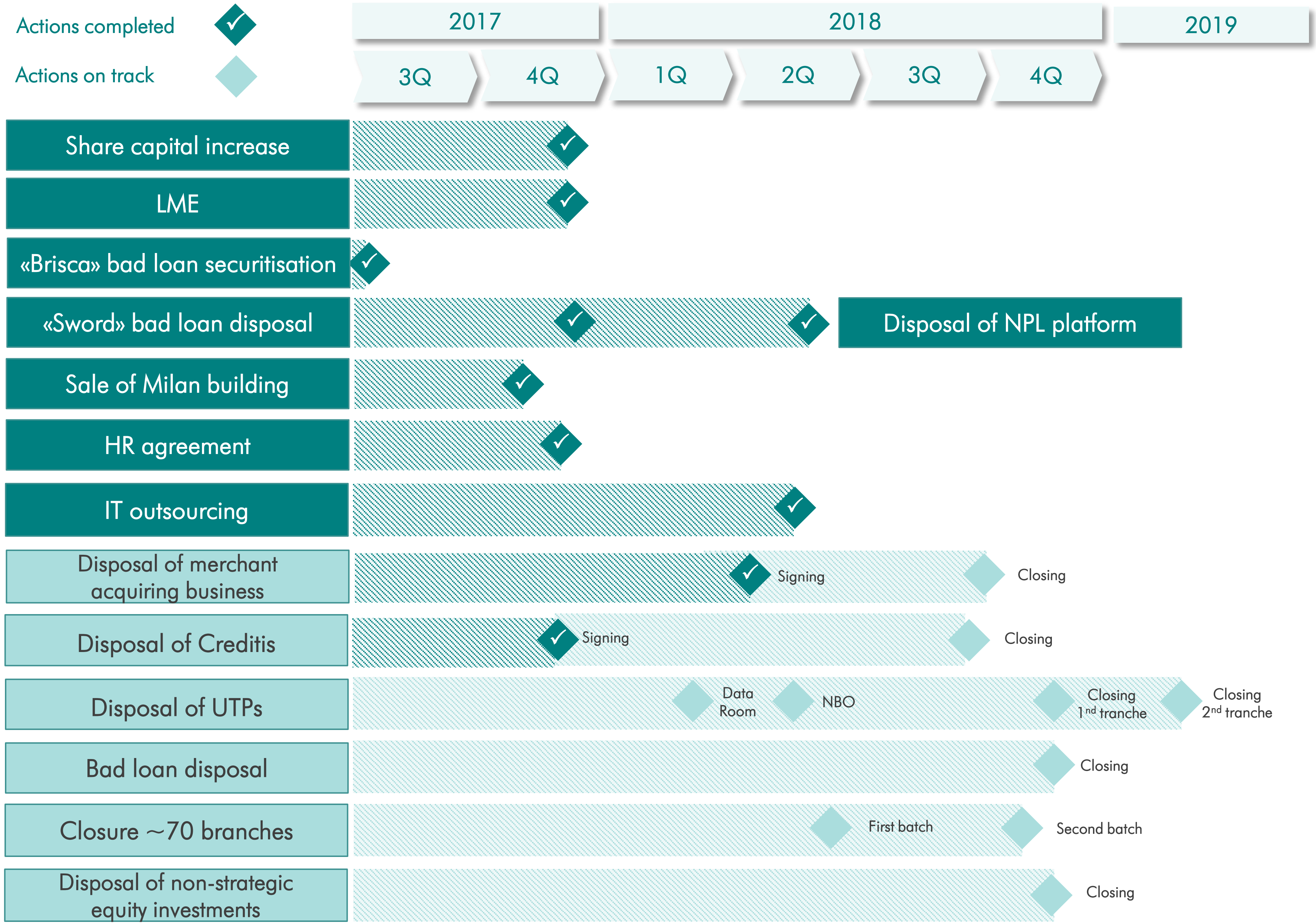


Net result

(1) 2018 targets aligned to 2018 budget revised on 11/5/2018
(2) Phased-in figure
(3) Including write-offs
(4) Calculated on Reclassified Income statement data

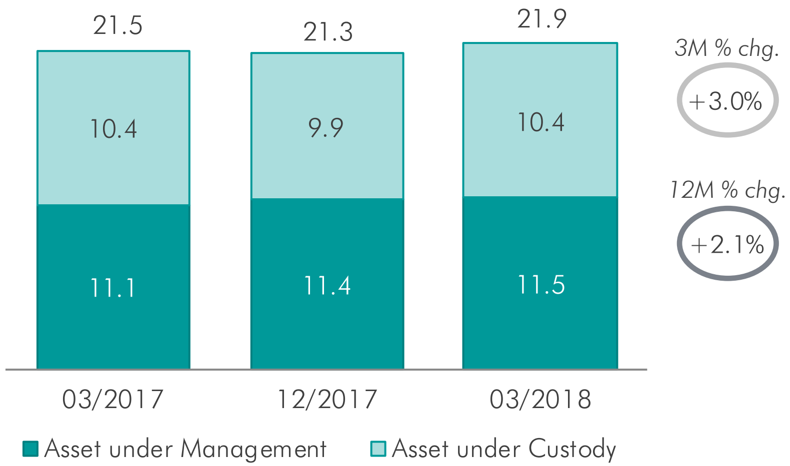
P&L	U-turn in revenues, which have started to rise again in the core components: net interest income +5.3% and net fee and commission income +6.7% compared to last quarter of 2017
	Cost management discipline, with structural reduction in: personnel (-5.7%) and core administrative (-13.5%) expenses compared to the first quarter of 2017
Credit quality	Cost-of-risk normalisation, benefiting from the intense derisking activity conducted in the second half of 2017, with loan loss provisions drastically reduced to eur 12.9 mln and the NPE coverage rising to 52.3%
Execution	Business plan execution progresses: • Industrial partnership entered into with IBM for Group it system outsourcing • Agreement signed for disposal of the merchant acquiring business to Nexi • Competitive bidding in progress for disposal of UTP positions • Process for derecognising a bad loan portfolio under the Italian government guarantee scheme (Gacs) underway • Process completed for disposal of the bad loan management platform to Credito Fondiario

Business plan execution progresses



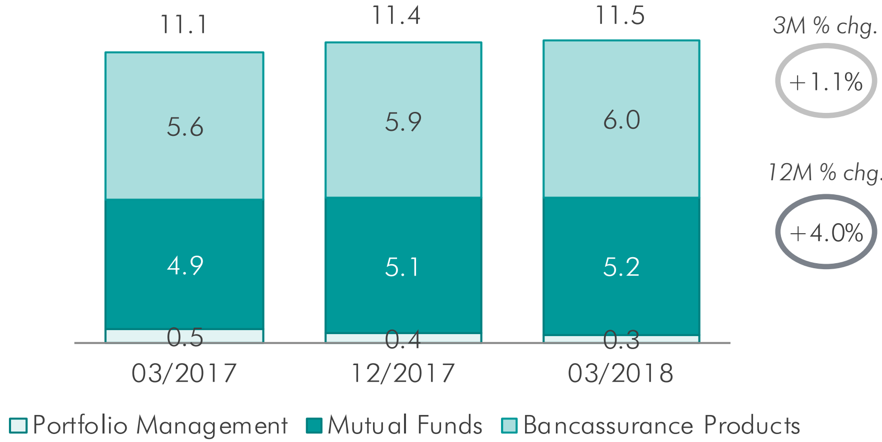
Growth in higher-return sources of funding from customers

Indirect funding



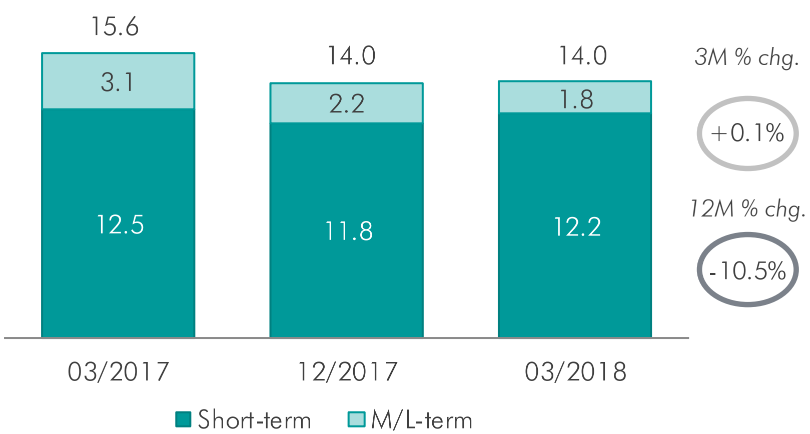
o.w.: Asset Management

EUR bn



Direct funding from Retail and Corporate customers

EUR bn



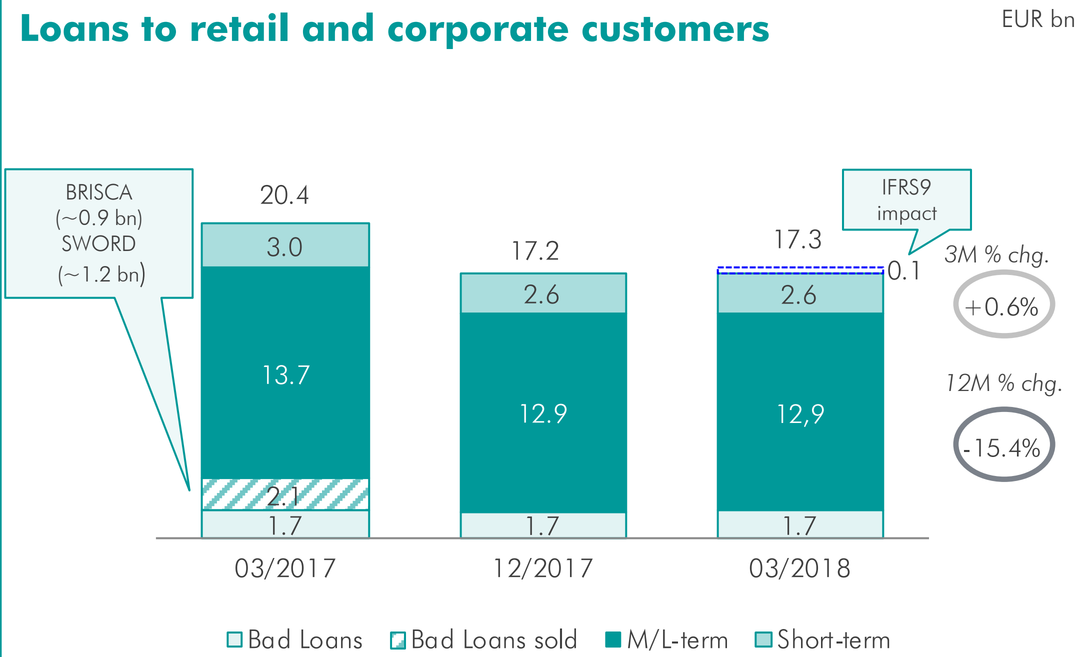
Positive performance in indirect funding both Q/Q (+3.0%) and Y/Y (+2.1%), with a shift of indirect funding towards AuM (+4.0% Y/Y and +1.1% Q/Q)

+60% in mutual funds and +67% in insurance products underwritten Y/Y

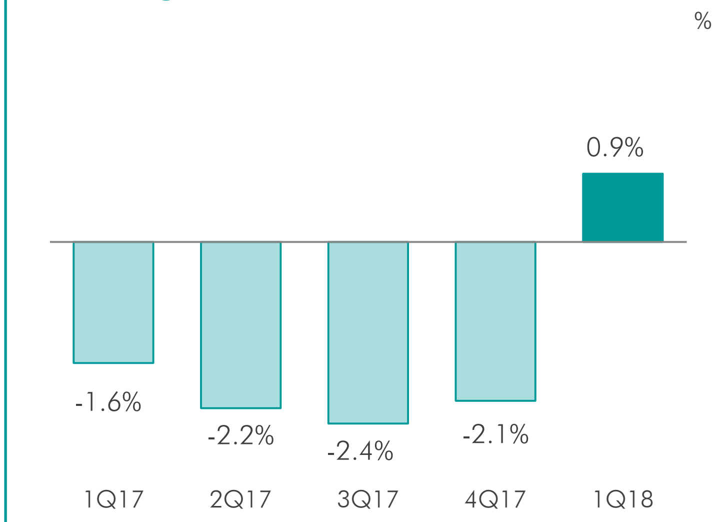
Direct funding from customers (retail and corporate) in line with end-2017 levels

Trend reversal in loans to customers

Loans to retail and corporate customers



Q/Q trend in interest-bearing loans
Excluding bad loans



Trend reversal in loans to retail and corporate customers after four quarters thanks to the relaunch of sales and distribution activities

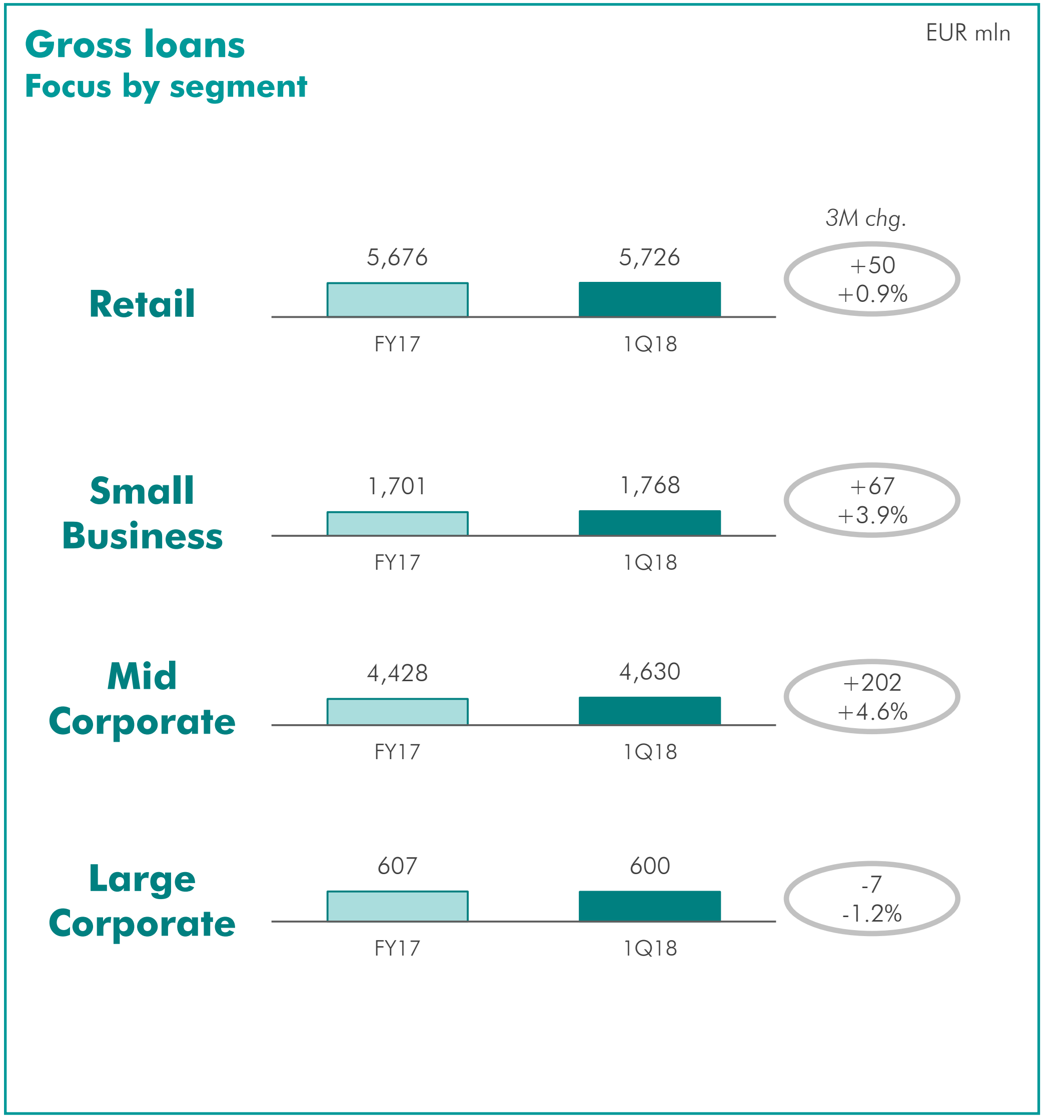
New network-centred service model: 191 new Branch Managers appointed and decision-making powers revised (20% to 70% increase in credit decisions taken by the Network compared to 1Q17)

New loans predominantly to standard/good and excellent rating borrowers

Fast customer response and lending lead-time: +40% in new loans granted during the quarter compared to 1Q17

New lending to core segments

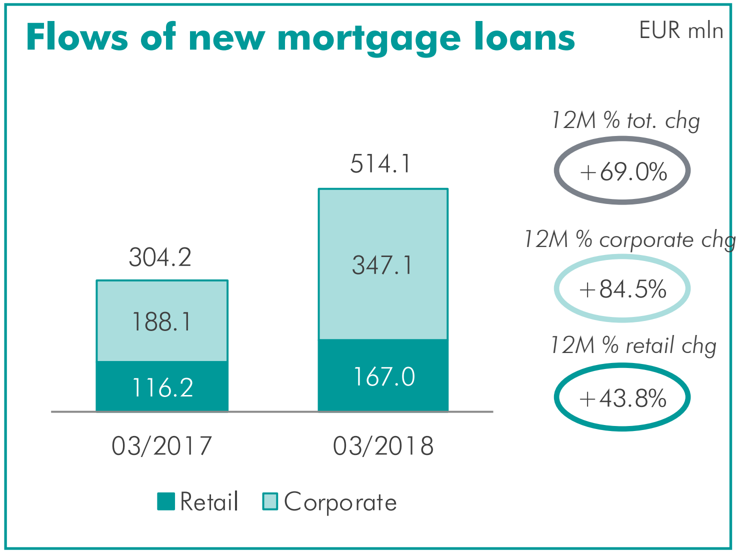
Gross loans
Focus by segment



Focus placed by the sales network on higher-return core segments: Households, Small Market Players, Small Business and Mid Corporate

New mortgage loans to retail and corporate customers: +69% Y/Y, mortgage loans to businesses almost doubled

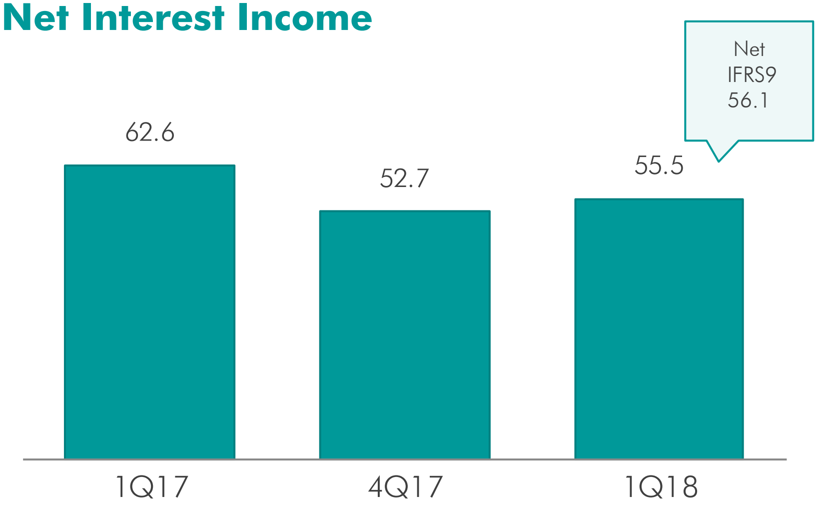
Flows of new mortgage loans



Strong upturn in NII

Net Interest Income

EUR mln



1Q18-4Q17 % chg. net IFRS9

+6.4%

1Q18-4Q17 % chg.

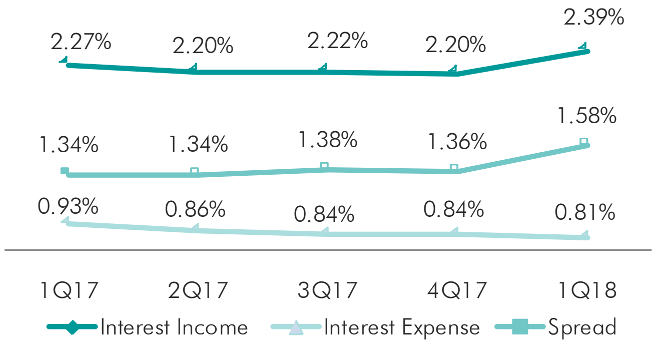
+5.3%

1Q18-1Q17 % chg.

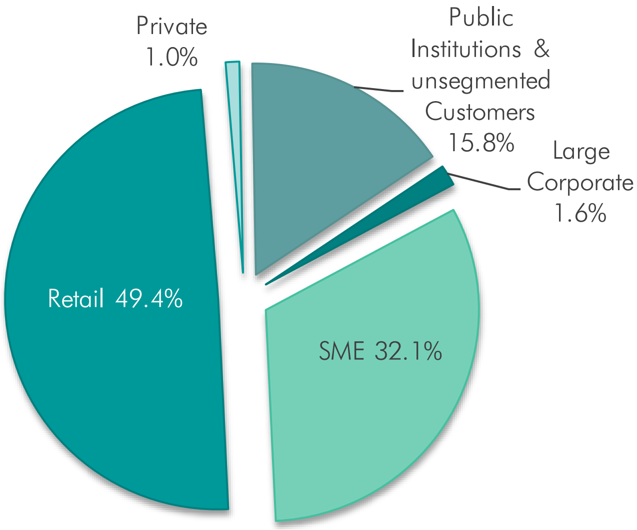
-11.3%

Overall average spread

%



Contribution to NII



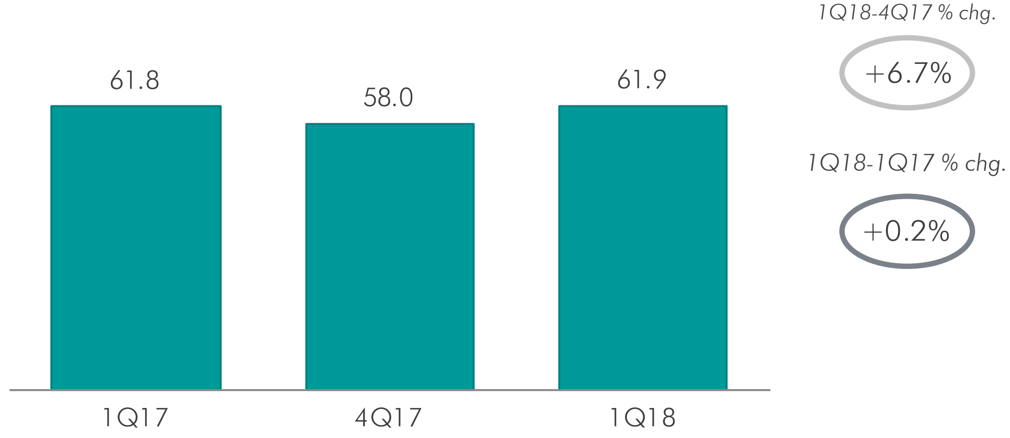
Retail: households, small market players and Small Business (turnover < EUR 2.5 mln;
SMEs: turnover between EUR 2.5 mln and EUR 200 mln;
Large Corporate: turnover ≥ EUR 200 mln

Increase in NII, on the back of growing lending volumes and decreasing cost of funding

The spread between the return on customer loan volumes and the cost of funding from customer is widening again, partly on the back of the derisking activity conducted in the second half of 2017

Good trend in fees and commissions

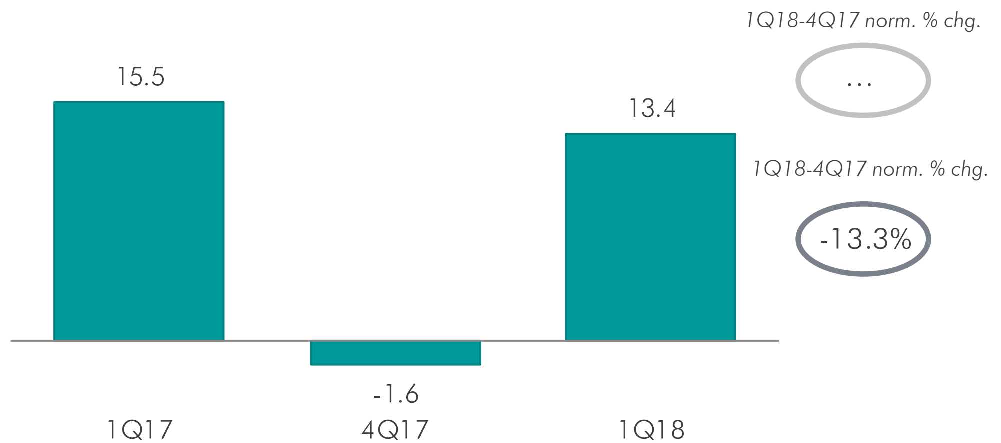
Net fees and commissions



Net fees and commissions are up 6.7% compared to 4Q17

Highest contribution from Assets under Management (bancassurance products and mutual funds in particular)

Core trading(1)



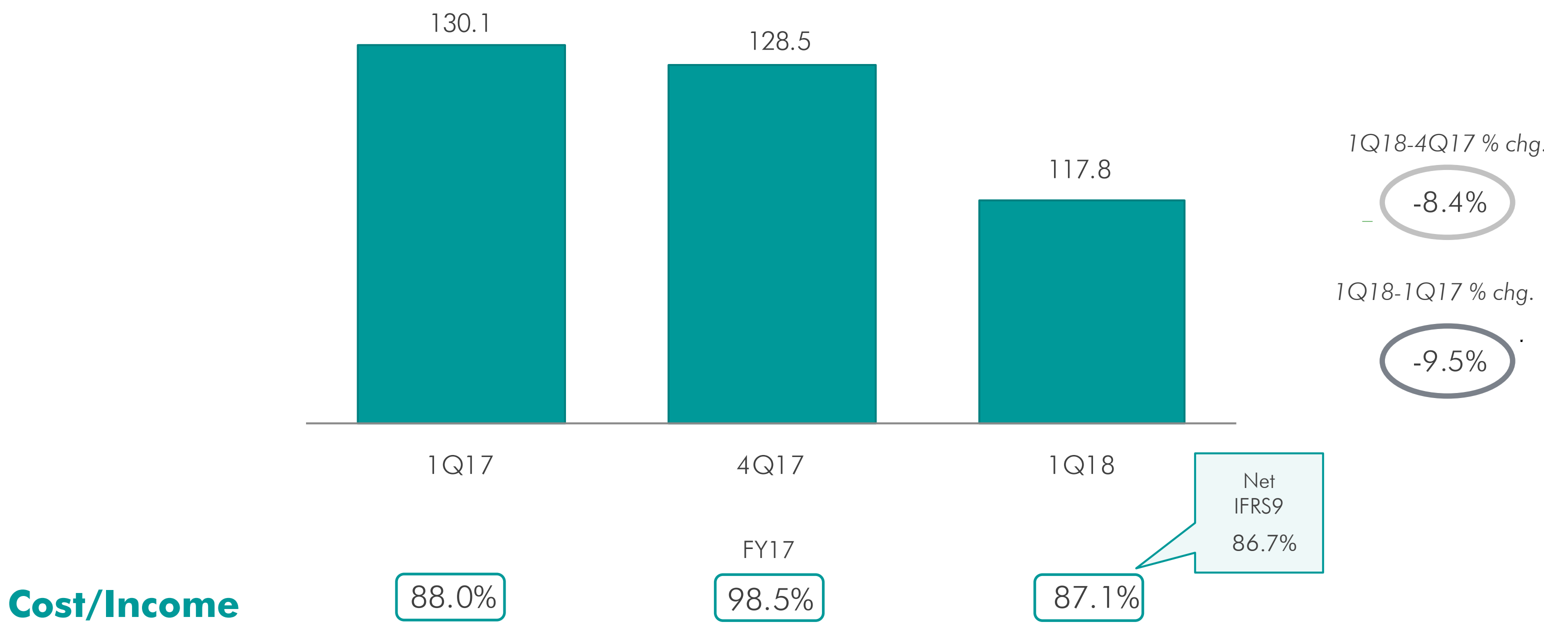
EUR 13.4 mln input from Finance

(1) Includes Income Statement items 70, 80, 90, 100 (except item 100a) and 110 net, in 4Q17, of non-recurring items from FITD's disposal of the stake held in three banks put in resolution under the voluntary scheme (EUR 9.9 mln) and the capital gain arising from the LME transaction (EUR 221.5 mln).

Strict cost management

Core operating expenses[1]

EUR mln



Operating cost discipline and strict cost curbing policies resulted in a significant drop in core costs both Y/Y (-9.5%) and compared to 4Q17 (-8.4%)

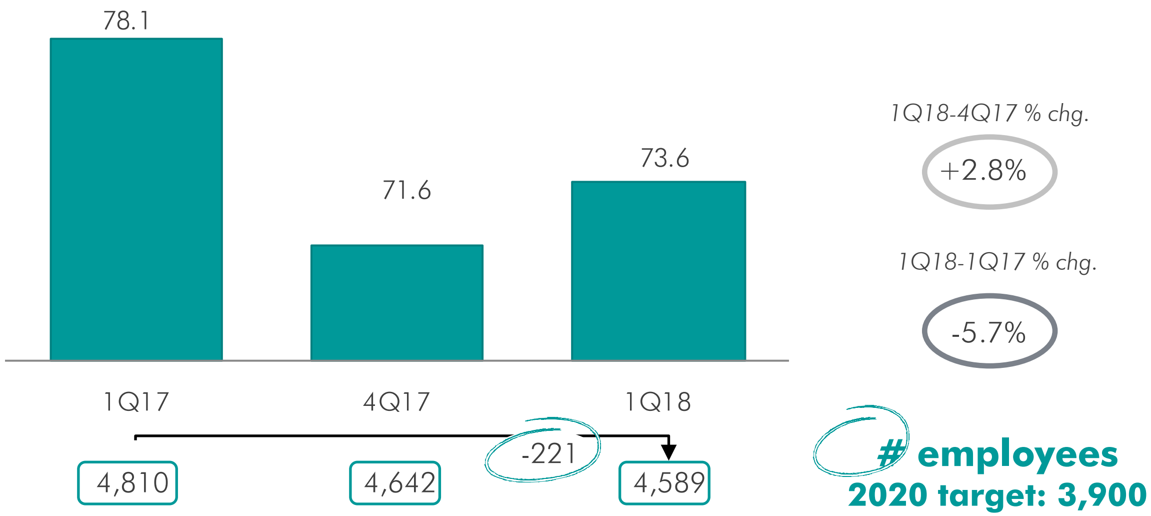
The positive performance in revenues combined with cost-curbing actions allowed to reach a Cost/Income ratio of 87.1% in the quarter, a notable improvement from 98.5% in 2017

(1) Core operating expenses include personnel expenses, net adjustments to/recoveries on property, equipment and intangible assets, and core administrative expenses (see annexed reclassified Income Statement) net of non-recurring items (operational data), contributions and other banking system charges, DTA fees and tax recoveries.
(2) Core operating expenses/Net core operating income. Net core operating income includes Net Interest Income, Net Fee and Commission Income, Core Income from 'Finance' (items 70, 80, 90, 100b, 100c and 110 of the Income Statement) net of non-recurring items and other operating income (see annexed reclassified Income Statement).

Structural cost reduction

Core personnel expenses[1]

EUR mln

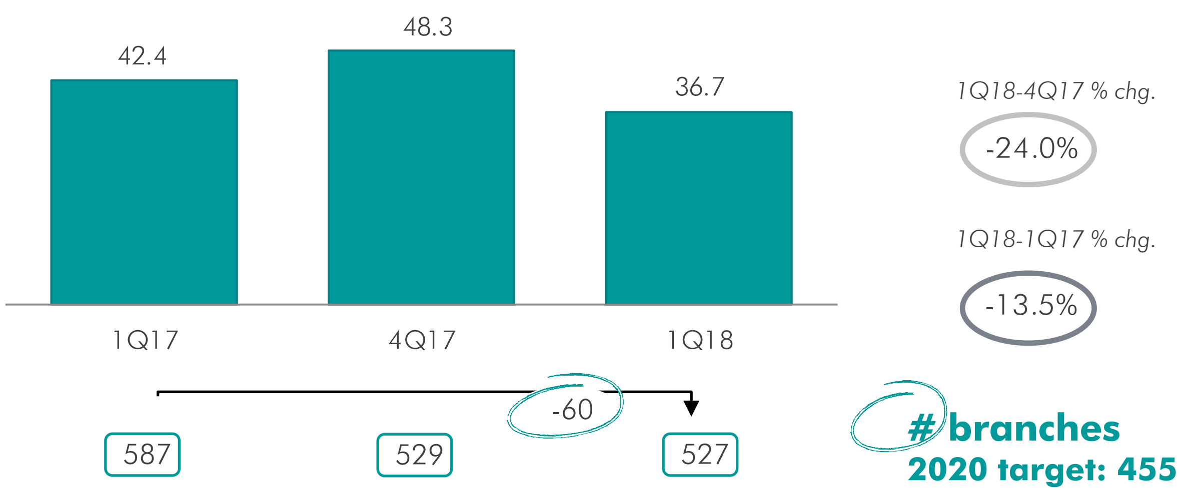


Personnel expenses were down significantly, as a result of the over 200 headcount reduction and labour cost curbing measures set out in the trade union agreement of 16 December 2017

Cost reduction does not include the benefits deriving from the one-off transactions currently underway (approximately 220 FTEs estimated) and the access to the Solidarity Fund (approximately 500 applications received)

Core administrative expenses[2]

EUR mln



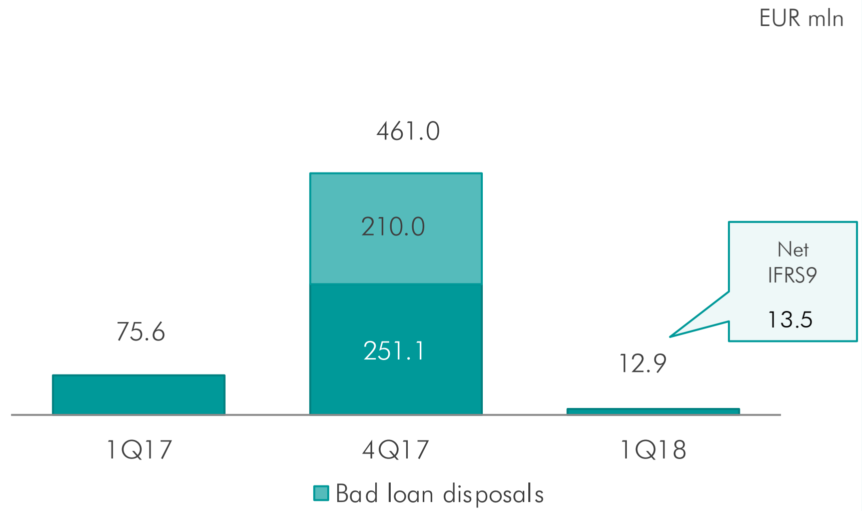
Core administrative expenses on a sharp downturn both Y/Y (-13.5%) and compared to 4Q17 (-24.0%), mainly driven by cost savings in professional services and a rundown in real estate

(1) Item 190(a) (former180a) of the Income Statement normalised in 4Q17 by the one-off component relating to the redundancy Solidarity Fund (EUR 50 mln) and severance agreements (EUR 11.5 mln)

(2) Item 190(b) (former 190b) of the Income Statement net of contributions and other banking system charges (SRF and DGS), DTA fees and tax recoveries In 2017 this item was normalised by EUR 10.4 mln (EUR 6.7 mln in 4Q17) due to non-recurring transactions (operational data) set out in the Plan

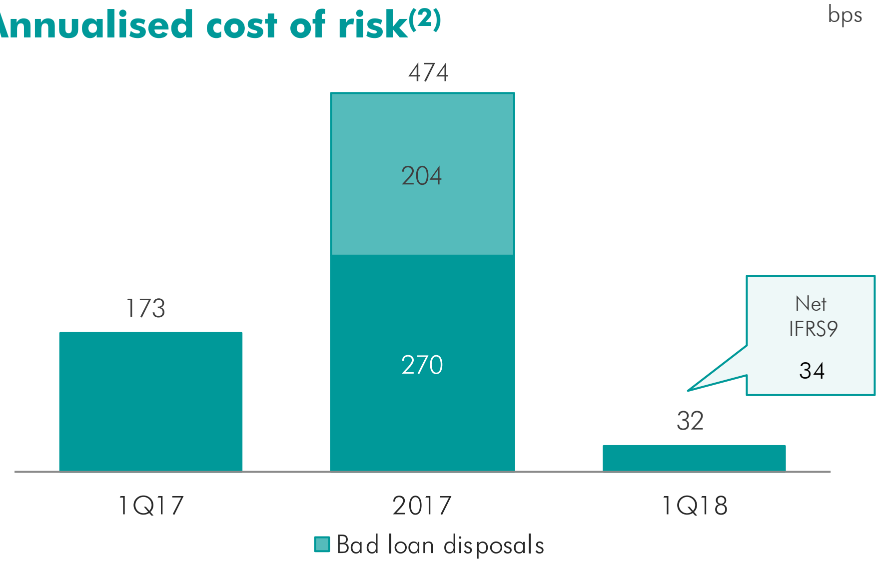
Loan loss provisions drastically reduced

Net impairment losses on loans and losses on disposal[1]



(1) Net impairment losses on balance-sheet loans to customers and losses on disposal of loans

Annualised cost of risk[2]



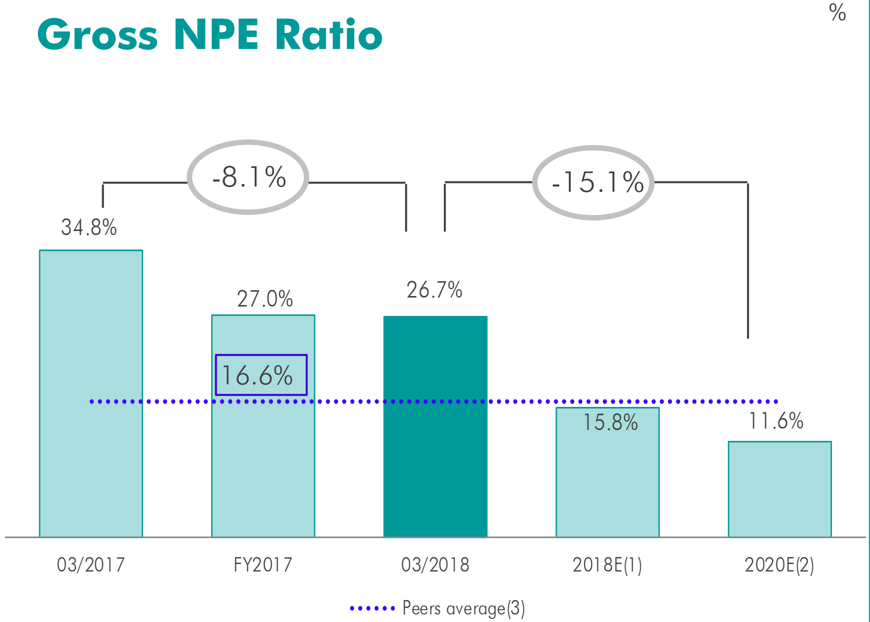
(2) Annualised ratio of net impairment losses on balance-sheet loans to customers and losses on disposal of loans over net loans to customers

Gradual cost-of-credit normalisation: 32 annualised basis points in the first quarter

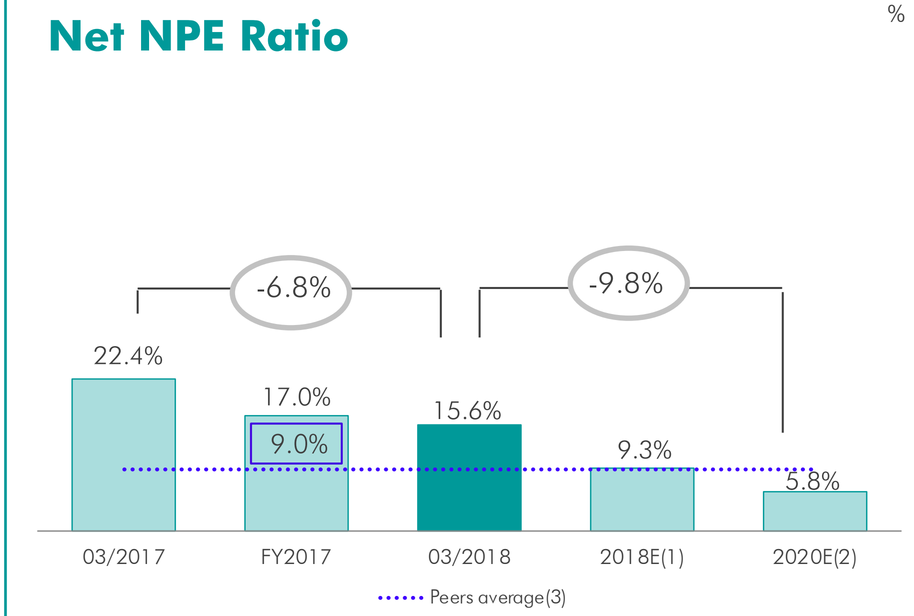
The reduction is the result of the intense derisking activity conducted in the second half of 2017 through the derecognition of EUR 2.1 bn bad loans and the recognition in FY2017 of EUR 749.0 mln in losses on disposal and losses on impairment of loans

Significant improvement in credit quality

Gross NPE Ratio



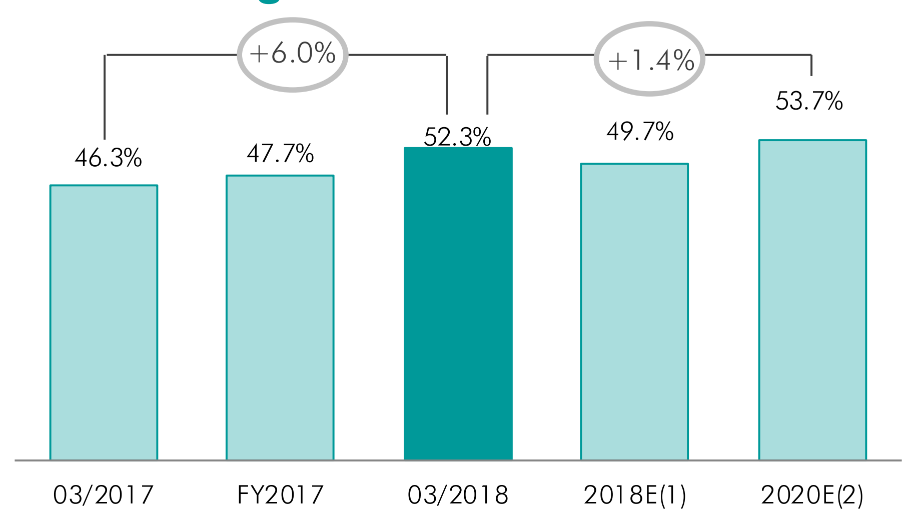
Net NPE Ratio



Activities conducted on the loan portfolio led to a 7 p.p decrease in the net NPE ratio to 15.6%

Overall coverage ratio up to 52.3% including write-offs (49.7% excluding write-offs)

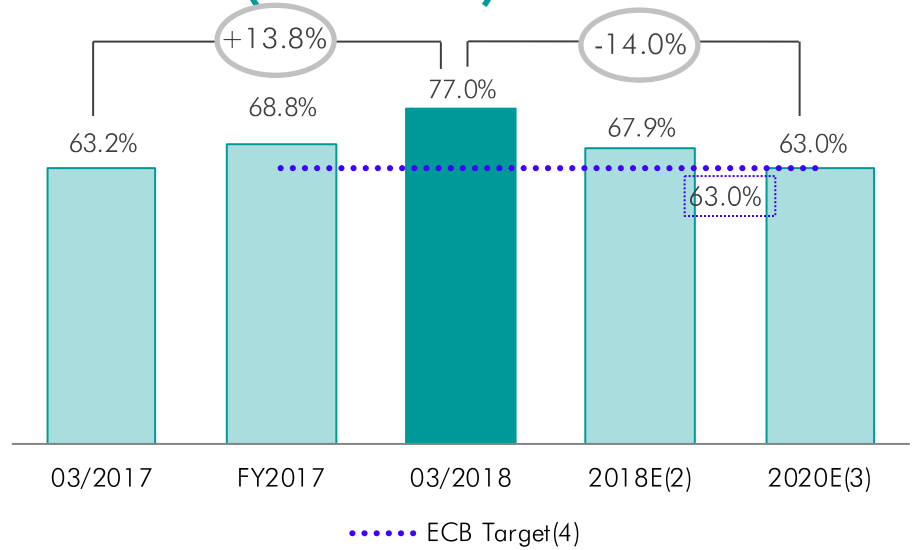
NPE coverage(4)



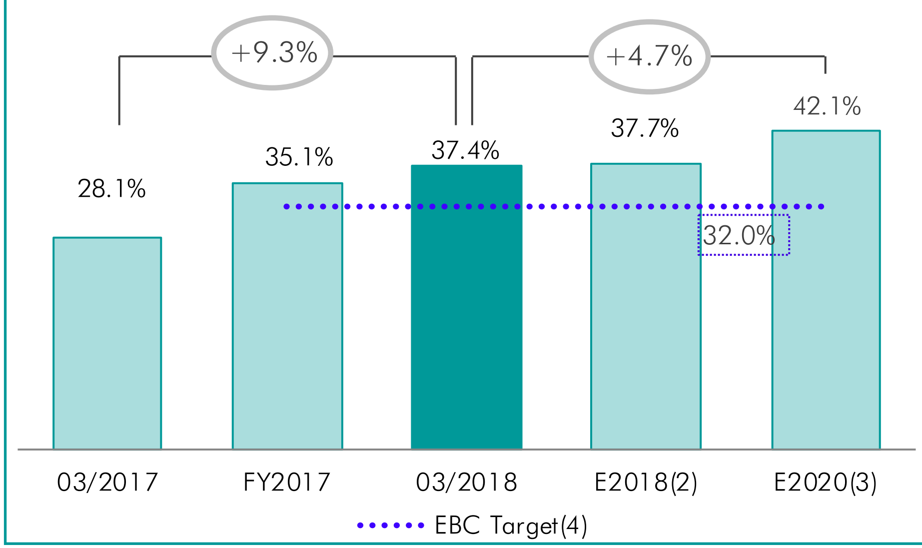
(1) 2018 target aligned to 2018 budget revised on 11/5/2018
(2) NPE Strategy
(3) Source: FY17 report (UCG, ISP, MPS, UBI, BBPM, BPER, Credem, POPSO, Creval and CRParma)
(4) Including write-off; figures as at 2020 do not include write-offs

Coverage(1) in line with the industry's highest levels

Bad loans (*sofferenze*)

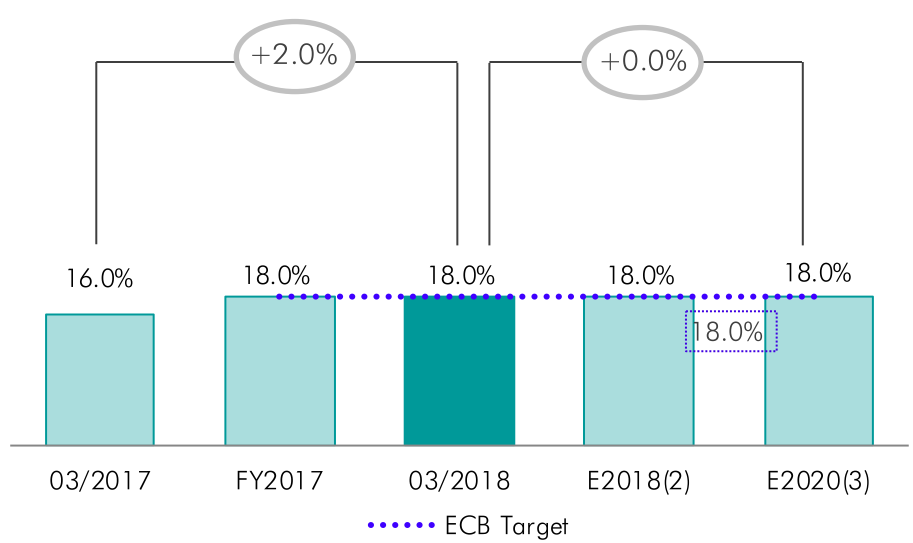


UTPs



NPE coverage in line with the industry's highest levels and well in excess of ECB targets: bad loans at 77.0% vs. 63.0% and UTPs at 37.4% vs. 32.0%

Past Due



The new NPE Strategy will allow to exceed the 2019 ECB targets as early as by the end of 2018 in terms of GBV, with gross NPE stock estimated at EUR 2.7 bn

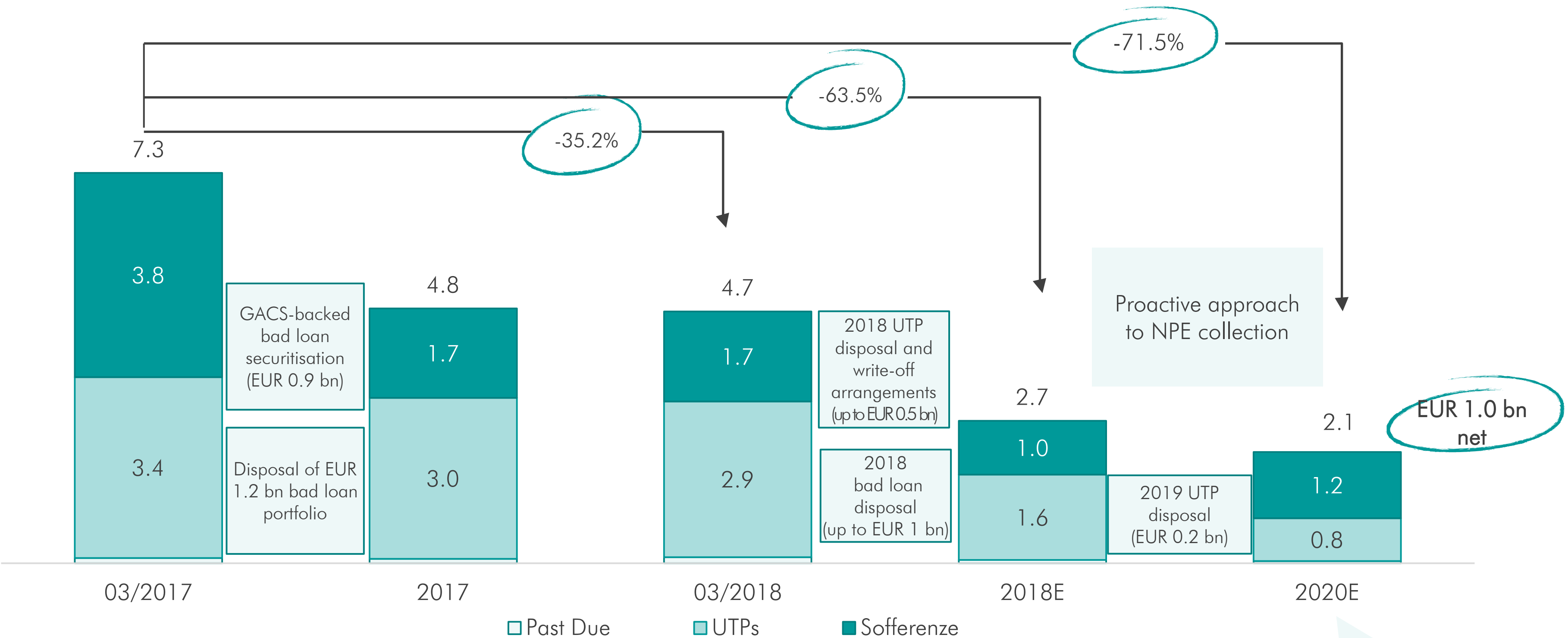
By the end of 2020, the Group's NPE portfolio will approximately amount to gross EUR 2 bn (net EUR 1 bn)

(1) Including *write-off*, figures as at 2020 do not factor in write-off
(2) 2018 target aligned to 2018 budget revised on 11/5/2018
(3) NPE Strategy
(4) Including write-offs

Important boost to deleveraging

GBV trend in NPEs

EUR bn



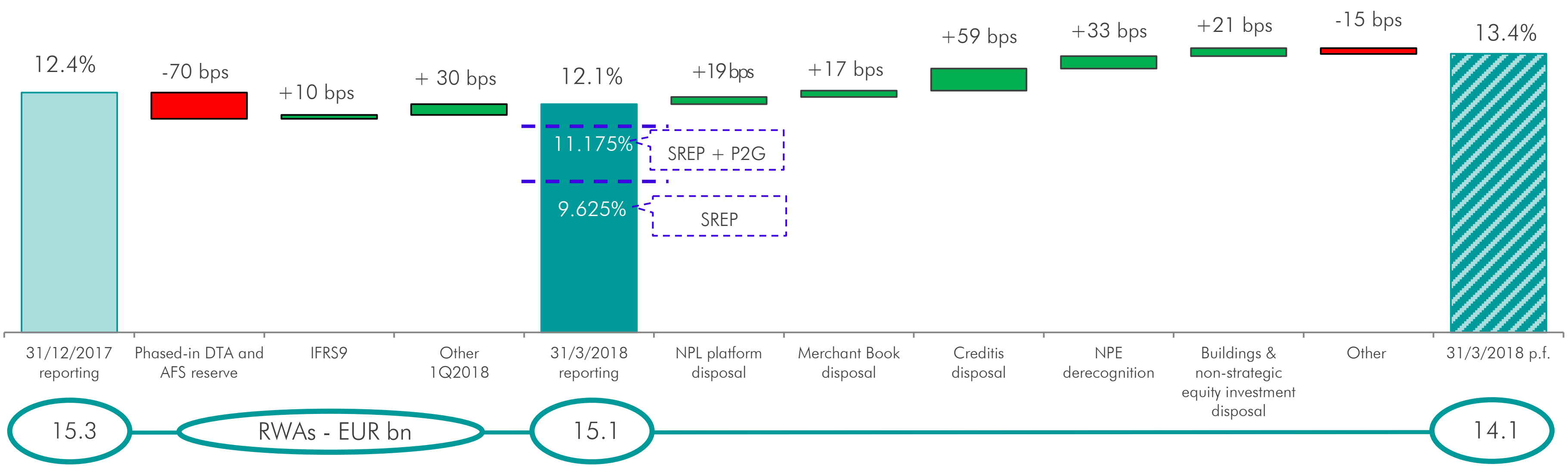
NPE GBV ECB SREP targets	2017	2018	2019
	5.5	4.6	3.7

Well below SREP targets:
EUR 4.6 bn in 2018
EUR 3.7 bn in 2019

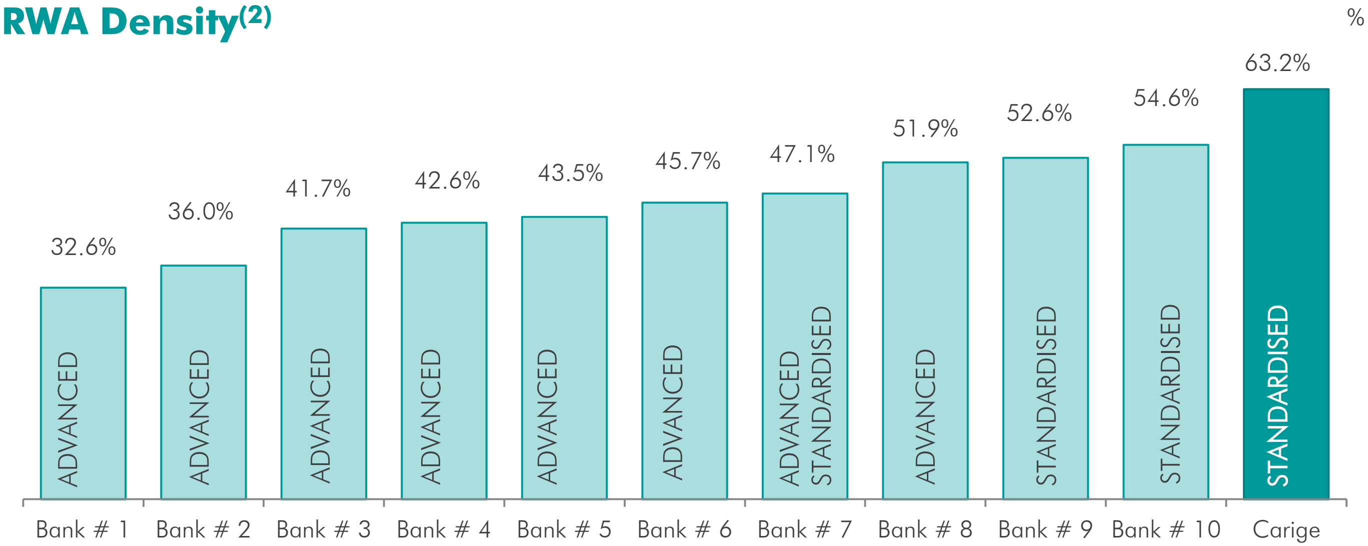
Total Loans	21.0	17.7	17.7	16.9	18.2

Additional capital upside from one-off transactions underway

Phased-in CET1 Ratio[1]



RWA Density[2]



CET1 Ration at 12.1%: +250 bps vs. 2018 SREP requirement

+100 bps vs. 2018 Pillar2 guidance

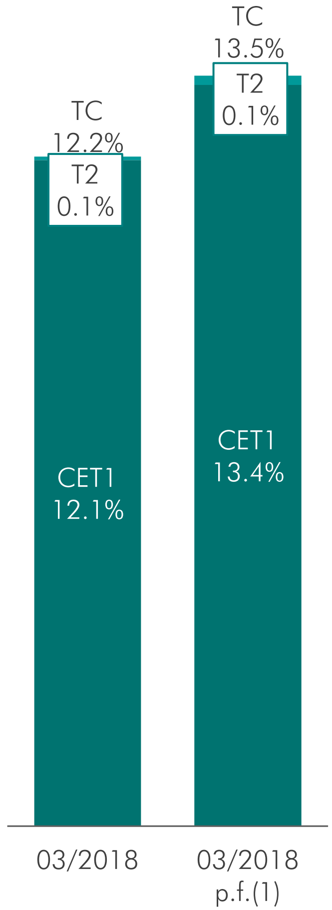
+134 bps expected from finalisation of one-off transactions

(1) Operational estimate of transitional IFRS 9 impact
(2) Source: 1Q18 report (Carige), FY17 reports (UBI, MPS, ISP, UCG, BBPM, BPER, POPSO, Creval, Credem and CRParma)

Compliance with high ECB targets

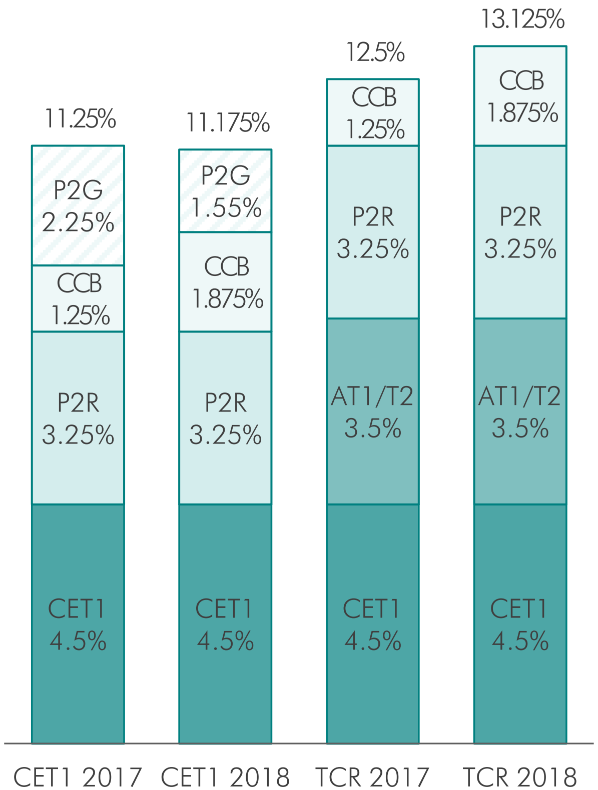
Carige's Capital phased-in ratios

%



Carige's SREP Capital Requirements

%



2018 SREP targets(2)

	P2R	CET1r	TCR
Bank # 1	0.70%	7.075%	11.125%
Bank # 2	1.00%	7.375%	10.875%
Bank # 3	1.50%	8.165%	11.645%
Bank # 4	1.75%	8.125%	11.625%
Bank # 5	2.00%	9.225%	12.695%
Bank # 6	2.00%	8.375%	11.785%
Bank # 7	2.25%	8.625%	12.125%
Bank # 8	2.50%	8.875%	12.375%
Bank # 9	3.00%	9.438%	12.938%
Carige	3.25%	9.625%	13.125%

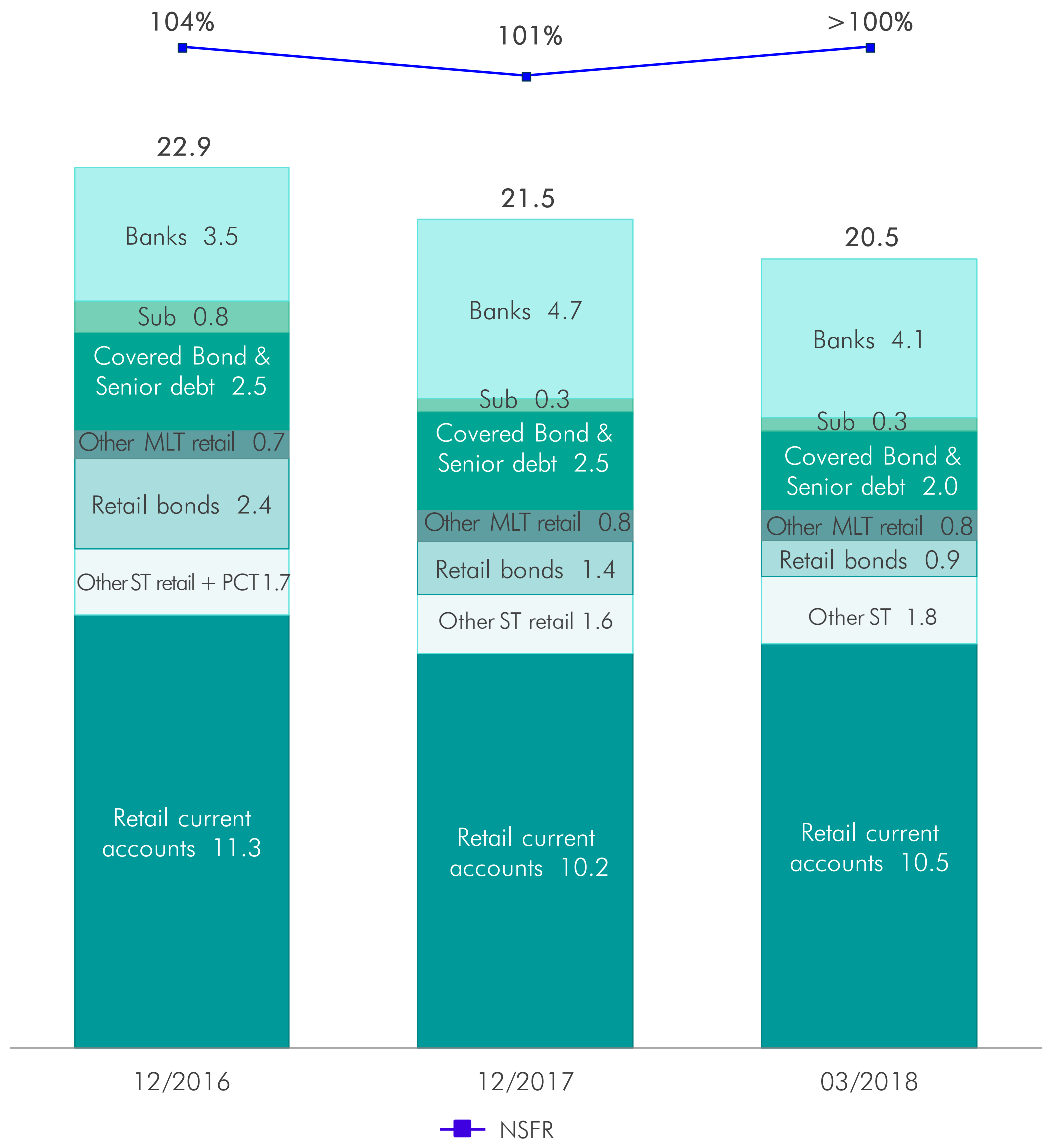
The finalisation of the one-off deals included in the Plan and currently underway, allows to further strengthen capital ratios and meet the SREP target

(1) Pro- forma for the one-off transactions underway
(2) Source: SREP requirements (Carige), press releases (UBI, MPS, ISP, UCG, BPER, BBPM, POPSO, Creval and Credem)

Robust liquidity position and funding mix diversification strategy

Total funding

EUR bn



Cost of funding(1)	1.12%	1.03%	0.89%

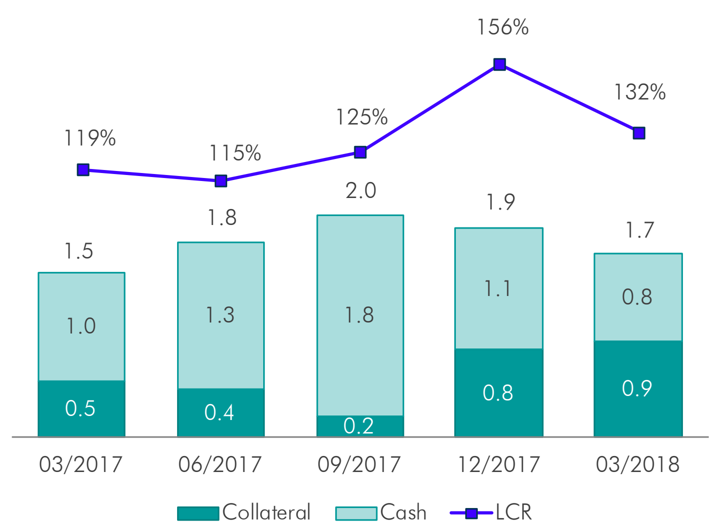
Funding mix diversification strategy includes an LT2 and Senior Preferred Unsecured debt issuance to be placed on the market

Loan to Deposit ratio at 93.2%

Robust liquidity position, with cash and unencumbered eligible assets totalling EUR 1.7 bn after repayment of approximately EUR 500 mln in bonds during the quarter

Eligible unencumbered assets

EUR bn



(1) Average rate on average amount of deposits

Amounts in EUR/mln

	Situation as at			Change	
BALANCE SHEET FIGURES	31/03/2018	31/12/2017	31/03/2017	abs. 31/3-31/12	%
Total assets	23,686.4	24,919.7	26,760.3	(1,233.3)	(4.9)
Direct deposits (a)	16,363.7	16,858.8	18,343.3	(495.2)	(2.9)
Indirect deposits (b)	21,925.4	21,292.1	21,475.1	633.2	3.0
- o.w. Assets under Management	*11,523.4*	*11,397.2*	*11,076.1*	*126.2*	*1.1*
- o.w. Assets under Custody	*10,402.0*	*9,895.0*	*10,399.0*	*507.0*	*5.1*
Overall funding (a+b)	38,289.0	38,151.0	39,818.5	138.1	0.4
Loans to customers(1)	15,245.9	15,509.7	17,505.9	(263.8)	(1.7)
Securities portfolio(2)	2,154.0	2,298.6	2,079.2	(144.6)	(6.3)
Group's share capital and reserves	2,011.8	2,633.2	2,101.0	(621.3)	(23.6)
RECLASSIFIED INCOME STATEMENT FIGURES	1Q18	4Q17	1Q17	abs. 1Q18-4Q17	%
Net core operating income	135.2	114.1	147.8	21.1	18.5
Core operating expenses	(117.8)	(128.5)	(130.1)	10.8	(8.4)
Gross operating profit	17.5	(14.4)	17.7	31.8	...
Net operating profit	4.6	(478.1)	(53.6)	482.7	...
Profit (loss) before tax	(4.5)	(259.9)	(68.2)	255.4	(98.3)
Net Profit (Loss) attributable to the Parent Company	6.4	(178.0)	(41.1)	184.4	...
ALTERNATIVE PERFORMANCE MEASURES(3)	31/03/2018	31/12/2017	31/03/2017		
Cost income	87.1%	98.5%	88.0%		
ROE	0.3%	-14.8%	-2.0%		
Adjusted ROE	0.3%	-14.0%	-1.8%		
	31/03/2018	31/12/2017	31/03/2017		
Net bad loans/Loans to customers(1)	2.9%	3.9%	8.0%		
RESOURCES (end of period)	31/03/2018	31/12/2017	31/03/2017	abs. 31/3-31/12	%
Number of branches	527	529	587	(2)	(0.4)
Headcount	4,589	4,642	4,810	(53)	(1.1)

Note: The Income Statement figures for 1Q18 are not fully comparable with those for prior periods as a result of the adoption, in 2018, of IFRS 9 and the fifth update of the Bank of Italy Circular no. 262. More specifically, some components of the original item 'net losses/recoveries on impairment of loans and other financial assets' were booked to interest income (with a negative EUR 0.6 mln impact on net interest income) and to provisions for risks and charges (with a negative EUR 0.2 mln impact).

(1) For 2018: Item 40(a) of the Balance Sheet net of debt securities measured at amortised cost; for 2017: Item 70 of the Balance Sheet net of debt securities classified as L&R

(2) For 2018: Balance sheet items 20 (net of derivatives), 30 and 40 (only for debt securities measured at amortised cost); for 2017: Balance sheet items 20 (net of derivatives), 40, 60 (only for L&Rs) and 70 (only for L&Rs)

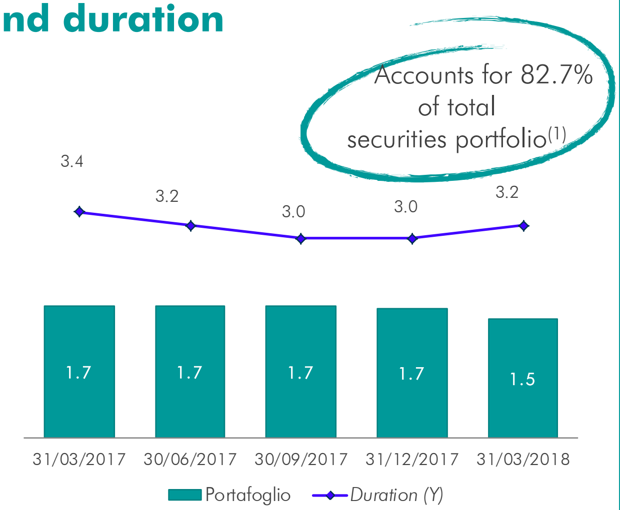
(3) With reference to Alternative Performance Measures, consideration was given to the ESMA Guidelines on Alternative Performance Measures, which were published on 5 October 2015 and entered into force on 3 July 2016. An APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Reported below are the reference values for the calculation method of selected APMs:

- Cost income ratio: ratio of core operating expenses (Income Statement items 190 (former 180), 210 and 220 (former 200 and 210) net of tax recoveries contained in item 230 (former 220), contributions to the Single Resolution Fund and Deposit Guarantee Scheme, DTA fees and non-core administrative expenses) to net operating income (items 30, 60, 70, 80, 90, 100 (excluding 100(a)) and 110 net of non-recurring items and 230 (former 220) of the Income Statement net of tax recoveries)
- ROE: ratio of Net Profit (Loss) for the period attributable to the Parent Company (item 350 (former 340) of the Income Statement) to the Group's share capital and reserves (items 120, 150, 160, 170 and 180 (former 140, 170, 180, 190 and 200) of Balance Sheet Liabilities)
- Adjusted ROE: ratio of Net Profit (Loss) for the period attributable to the Parent Company (item 350 (former 340) of the Income Statement) to the Group's share capital and reserves net of valuation reserves (items 150, 160, 170 and 180 (former 170, 180, 190 and 200) of Balance Sheet Liabilities)
- Net bad loans/Loans to customers: ratio of net balance-sheet bad loans to customers to net loans to customers (item 40(a) (former 70) of the Balance Sheet Assets net of debt securities classified as L&R)

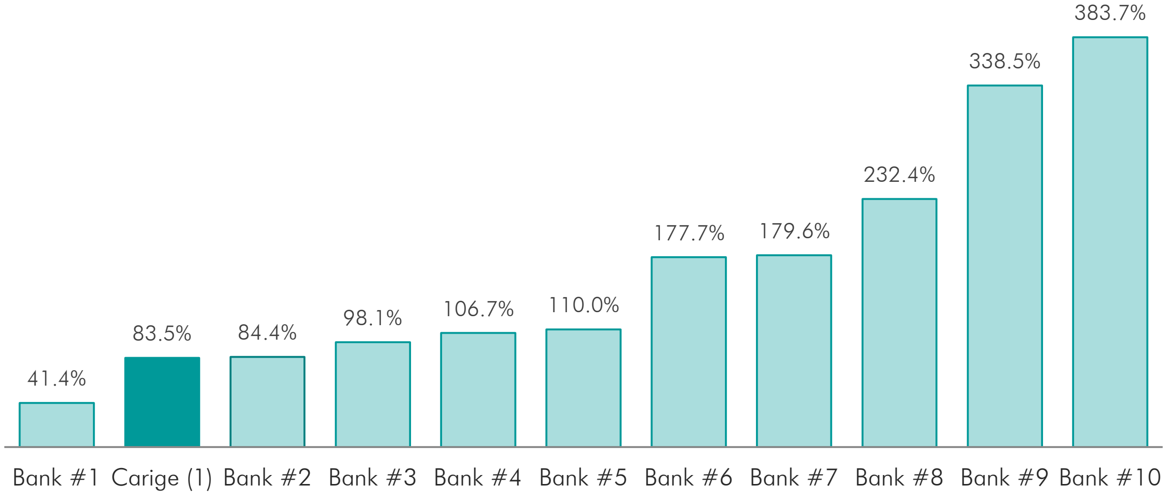
Conservative risk profile

Government bond portfolio and duration

EUR bn



Italian government bonds/Own funds[2]

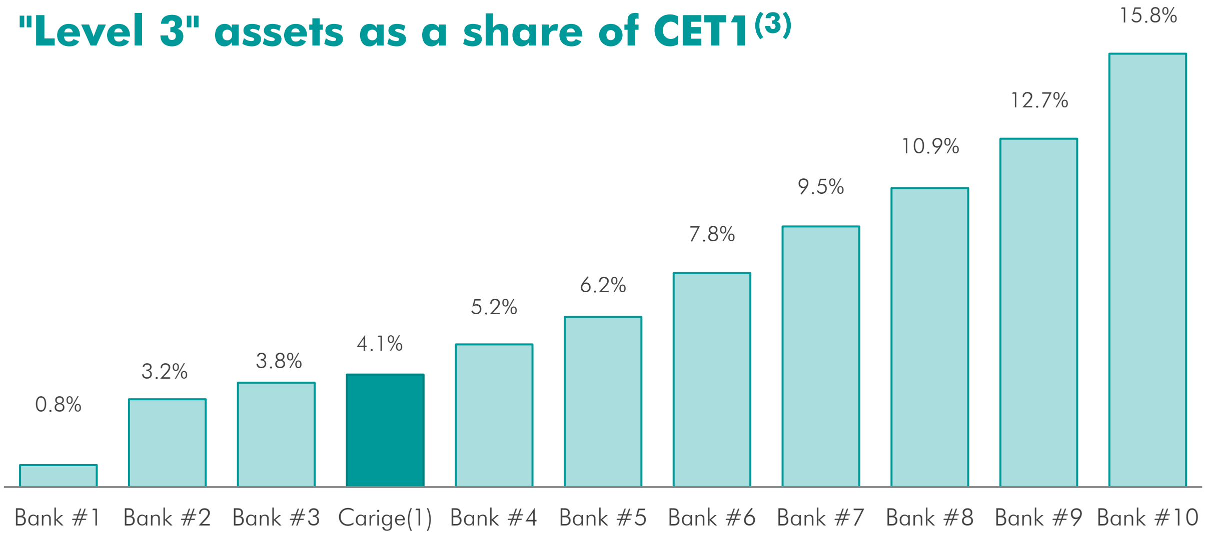


Low risk securities portfolio in sizing, duration and "level 3" assets

High sensitivity of NII[4] to interest rate increase:

- rates up 1% → ~ +70 mln NII
- rates down 1% → ~ -60 mln NII

"Level 3" assets as a share of CET1[3]



(1) Net of the equity investment in the Bank of Italy
(2) Source: 1Q18 report (Carige), FY17 reports (UCG, ISP, MPS, UBI, BBPM, BPER, Credem, POPSO, Creval and CRParma)
(3) Source: 1Q18 operational estimate (Carige, “Level 3 assets” as at 31/12/2017), FY17 reports (UCG, ISP, MPS, UBI, BBPM, BPER, Credem, POPSO, Creval and CRParma)
(4) Sensitivity as at 31/03/2018, operational estimate

Amounts in EUR/mln

RECLASSIFIED INCOME STATEMENT	1Q18	1Q17	Change absolute	Change %
Net interest income	55.5	62.6	(7.0)	(11.3)
Net fee and commission income	61.9	61.8	0.1	0.2
Core revenues from trading(1)	13.4	15.5	(2.1)	(13.3)
Other operating income(2)	4.4	8.0	(3.6)	(45.3)
NET CORE OPERATING INCOME	**135.2**	**147.8**	**(12.6)**	**(8.5)**
Core personnel expenses(3)	(73.6)	(78.1)	4.5	(5.7)
Net core adjustments to/ recoveries on property and equipment, and on intangible assets(4)	(7.4)	(9.6)	2.2	(22.6)
Core administrative expenses(5)	(36.7)	(42.4)	5.7	(13.5)
CORE OPERATING EXPENSE	**(117.8)**	**(130.1)**	**12.4**	**(9.5)**
GROSS OPERATING PROFIT	**17.5**	**17.7**	**(0.2)**	**(1.3)**
Net losses/recoveries on impairment of loans(6)	(12.8)	(75.6)	62.7	(83.0)
Net losses/recoveries on impairment of other financial assets(7)	(0.0)	4.2	(4.2)	...
NET OPERATING PROFIT	**4.6**	**(53.6)**	**58.2**	**...**
Profits (losses) on equity investments and on disposal of investements(8)	1.4	0.9	0.5	60.0
Non-core administrative expenses(9)	(1.8)	-	(1.8)	...
Net provisions for risks and charges	3.2	(1.0)	4.2	...
Contributions and other banking system charges (SRF, DGS, Voluntary scheme and Atlante)	(8.4)	(11.0)	2.6	(23.8)
DTA fees	(3.5)	(3.5)	0.0	(0.1)
PROFIT (LOSS) BEFORE TAX	**(4.5)**	**(68.2)**	**63.7**	**(93.4)**
Taxes	3.4	20.8	(17.4)	(83.7)
Profit (loss) after tax from discontinued operations	7.5	6.3	1.2	18.6
NET PROFIT (LOSS) FOR THE PERIOD	**6.4**	**(41.2)**	**47.5**	**...**
Non-controlling interests	(0.0)	(0.1)	0.0	(50.7)
NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY	**6.4**	**(41.1)**	**47.5**	**...**

Note: The Income Statement figures for 1Q18 are not fully comparable with those for prior periods as a result of the adoption, in 2018, of IFRS 9 and the fifth update of the Bank of Italy Circular no. 262. More specifically, some components of the original item 'net losses/recoveries on impairment of loans and other financial assets' were booked to interest income (with a negative EUR 0.6 mln impact on net interest income) and to provisions for risks and charges (with a negative EUR 0.2 mln impact).

(1) Includes Income Statement items 70, 80, 90, 100 (excluding 100(a) and 110 net of non-recurring items (LME for 2017)
(2) Income statement item 230 (former 220) net of tax recoveries
(3) Income Statement item 190a (former 180(a)) net of non-recurring items (a.k.a. "severance", operational data)
(4) Income Statement items 210 and 220 (former 200 and 210) net of non-recurring items
(5) Income Statement item 190(b) (former 180(b)) net of contributions and other banking system charges (SRF and DGS), DTA fees, tax recoveries and non-recurring items associated with one-off transactions carried out during the period (with the latter being operational data)
(6) Income Statement item 130(a) (net losses/recoveries on impairment of assets measured at amortised cost - former 'net losses/recoveries on impairment of loans to banks and customers)
(7) Income Statement items 130(b) (former 30(b) and 130(d)) net of certain banking system charges (Voluntary scheme and Atlante Fund)
(8) Income Statement items 250 and 280 (former 240 and 270) (in 2017, it includes the impact from the disposal of the Milan building)
(9) Non-recurring expenses associated with one-off transactions carried out during the period (operational data)

Reclassified Consolidated Income Statement - quarterly trend

Amounts in EUR/mln

RECLASSIFIED INCOME STATEMENT	1Q18	4Q17	3Q17	2Q17	1Q17
Net interest income	55.5	52.7	59.9	58.4	62.6
Net fee and commission income	61.9	58.0	59.1	60.3	61.8
Core revenues from trading(1)	13.4	(1.6)	1.2	3.2	15.5
Other operating income(2)	4.4	5.0	5.9	6.5	8.0
NET CORE OPERATING INCOME	**135.2**	**114.1**	**126.1**	**128.5**	**147.8**
Core personnel expenses(3)	(73.6)	(71.6)	(74.0)	(73.6)	(78.1)
Net core adjustments to/ recoveries on property and equipment, and on intangible assets(4)	(7.4)	(8.6)	(8.1)	(10.0)	(9.6)
Core administrative expenses(5)	(36.7)	(48.3)	(38.2)	(46.2)	(42.4)
CORE OPERATING EXPENSE	**(117.8)**	**(128.5)**	**(120.3)**	**(129.8)**	**(130.1)**
GROSS OPERATING PROFIT	**17.5**	**(14.4)**	**5.8**	**(1.3)**	**17.7**
Net losses/recoveries on impairment of loans(6)	(12.8)	(252.4)	42.3	(141.9)	(75.6)
Profits (losses) on disposal or repurchase of loans	-	(210.0)	(111.5)	-	-
Net losses/recoveries on impairment of other financial assets(7)	(0.0)	(1.3)	3.5	(4.6)	4.2
NET OPERATING PROFIT	**4.6**	**(478.1)**	**(59.9)**	**(147.8)**	**(53.6)**
Non-core trading(8)	-	221.5	-	-	-
Profits (losses) on equity investments and on disposal of investements(9)	1.4	89.4	0.0	4.9	0.9
Personnel expenses - severance(10)	-	(61.5)	-	-	-
Non-core administrative expenses(11)	(1.8)	(6.7)	(0.4)	(3.3)	-
Non-recurring adjustments to/ recoveries on property and equipment and intangible assets	-	(14.9)	-	-	-
Net provisions for risks and charges	3.2	(1.5)	(5.4)	(16.3)	(1.0)
Contributions and other banking system charges (SRF, DGS, Voluntary scheme and Atlante)	(8.4)	(4.7)	(18.3)	(7.2)	(11.0)
DTA fees	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)
PROFIT (LOSS) BEFORE TAX	**(4.5)**	**(259.9)**	**(87.5)**	**(173.1)**	**(68.2)**
Taxes	3.4	73.8	24.9	49.9	20.8
Profit (loss) after tax from discontinued operations	7.5	7.2	6.6	6.0	6.3
NET PROFIT (LOSS) FOR THE PERIOD	**6.4**	**(179.0)**	**(56.0)**	**(117.2)**	**(41.2)**
Non-controlling interests	(0.0)	(1.0)	(0.5)	(3.4)	(0.1)
NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY	**6.4**	**(178.0)**	**(55.5)**	**(113.8)**	**(41.1)**

Note: The Income Statement figures for 1Q18 are not fully comparable with those for prior periods as a result of the adoption, in 2018, of IFRS 9 and the fifth update of the Bank of Italy Circular no. 262. More specifically, some components of the original item 'net losses/recoveries on impairment of loans and other financial assets' were booked to interest income (with a negative EUR 0.6 mln impact on net interest income) and to provisions for risks and charges (with a negative EUR 0.2 mln impact).

(1) Includes Income Statement items 70, 80, 90, 100 (excluding 100(a) and 110 net of non-recurring items (LME for 2017)

(2) Income statement item 230 (former 220) net of tax recoveries

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(4) Income Statement items 210 and 220 (former 200 and 210) net of non-recurring items

(5) Income Statement item 190(b) (former 180(b)) net of contributions and other banking system charges (SRF and DGS), DTA fees, tax recoveries and non-recurring items associated with one-off transactions carried out during the period (with the latter being operational data)

(6) Income Statement item 130(a) (net losses/recoveries on impairment of assets measured at amortised cost - former 'net losses/recoveries on impairment of loans to banks and customers)

(7) Income Statement items 130(b) (former 30(b) and 130(d)) net of certain banking system charges (Voluntary scheme and Atlante Fund)

(8) LME for 2017

(9) Income Statement items 250 and 280 (former 240 and 270) (in 2017, it includes the impact from the disposal of the Milan building)

(10) Operational data

(11) Non-recurring expenses associated with one-off transactions carried out during the period (operational data)

Credit quality

EUR mln

	31/3/2018						
Loans	Gross	%	Loan losses	Net	%	**Coverage**	**Coverage including write-offs[1]**
Bad loans	1,692.6	*9.6%*	1,246.0	446.6	*2.9%*	73.6%	77.0%
Unlikely to pay	2,924.2	*16.5%*	1,083.9	1,840.3	*12.1%*	37.1%	37.4%
Past Due	116.2	*0.7%*	20.9	95.3	*0.6%*	18.0%	18.0%
Non-performing loans	**4,733.0**	***26.7%***	**2,350.8**	**2,382.2**	***15.6%***	**49.7%**	**52.3%**
Performing loans	12,983.7	*73.3%*	120.0	12,863.7	*84.4%*	0.9%	0.9%
Total loans to customers	**17,716.8**	***100.0%***	**2,470.9**	**15,245.9**	***100.0%***	**13.9%**	**15.2%**

	31/12/2017							31/3/2017					
Loans	Gross	%	Loan losses	Net	%	**Coverage**	**Coverage Avg. regional peer [2]**	Gross	%	Loan losses	Net	%	**Coverage**
Bad loans	1,677.9	*9.5%*	1,077.6	600.3	*3.9%*	64.2%	61.2%	3,814.3	*18.2%*	2,411.7	1,402.6	*8.0%*	63.2%
Unlikely to pay	3,027.0	*17.1%*	1,053.3	1,973.7	*12.7%*	34.8%	29.4%	3,397.4	*16.2%*	954.6	2,442.8	*14.0%*	28.1%
Past Due	80.7	*0.5%*	14.5	66.2	*0.4%*	18.0%	13.9%	97.3	*0.5%*	15.6	81.7	*0.5%*	16.0%
Non-performing loans	**4,785.6**	***27.0%***	**2,145.4**	**2,640.2**	***17.0%***	**44.8%**	**48.3%**	**7,309.0**	***34.8%***	**3,381.9**	**3,927.1**	***22.4%***	**46.3%**
Performing loans	12,948.4	*73.0%*	79.0	12,869.5	*83.0%*	0.6%	0.5%	13,678.6	*65.2%*	99.8	13,578.8	*77.6%*	0.7%
Total loans to customers	**17,734.0**	***100.0%***	**2,224.2**	**15,509.7**	***100.0%***	**12.5%**	**9.7%**	**20,987.6**	***100.0%***	**3,481.7**	**17,505.9**	***100.0%***	**16.6%**

(1) Operational estimates

(2) Source: unweighed average of FY17 reports (BBPM, UBI, MPS, BPER, Credem, POPSO, Creval and CRParma)

With regard to the IFRS 9 applying to financial instruments for annual periods beginning on or after 1 January 2018, the quantitative effects from first time adoption -recognised in opening net shareholders' equity before tax- amount to approximately -EUR 327 mln (of which -EUR 355 mln for Impairment and +EUR 28 mln for Classification and Measurement). The impact on consolidated shareholders' equity after tax amounted to EUR 237 mln.
This negative effect is mainly due to the combined requirement of using an expected loss on "lifetime" loans for the positions allocated to Stage 2 and the introduction of sales scenarios in the calculation of the impairment loan losses allocated to Stage 3.
As for the first time adoption of IFRS 15, likewise effective for annual periods beginning on or after 1 January 2018, no significant impacts associated with the introduction of the new accounting principle emerged from the analyses conducted.
With regard to IFRS 9 comparative data, the international accounting standard (see Section 7 of IFRS 9) does not require an entity to restate the quantitative data of prior periods, but requires that adequate information on first-time adoption impacts be in any case provided. However, for trends to be better interpreted, the tables were reclassified and changes justified in the light, inter alia, of any impacts arising from the adoption of IFRS9.

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Following the approval of the 2017-2020 Business Plan and the progress status reached in the disposal of the company's assets contained therein, the Group considered that the head office building in Milan and the consumer credit company Creditis were eligible for being classified as " Non-current assets held for sale and discontinued operations", as defined by the International Accounting Standard IFRS5. The annexed accounting statements include, where necessary, a restatement of balance-sheet and income statement balances for the prior periods.

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The manager responsible for preparing Banca Carige's financial reports, Mr. Mauro Mangani, 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.

Note: the result refer to the reclassified Income Statement; due to rounding off, the sum of some separate itemised amounts may differ from their respective aggregate amounts; the percentage variation is calculated from data not rounded off.

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