GRUPPO BANCA CARIGE

Strategic Plan 2019-2023

Winning back our Future

July 23rd 2019

Agenda

- Assumptions of the plan
- 3 steps to transform Carige
- Key financials

Key assumptions of the plan

Clean-up of legacy burdens

- Disposal of all NPE[1] (excl. major position) as per end of 2018 by the end of 2019
- High Risk performing portfolio protection
- Penalties for termination / renegotiation of several contracts with external partners
- Impairment of properties in 2019 by 17€M

Capital increase by end of 2019 to comply with guidance (11.8% CET1, 15.3% TCR)

- Conversion of FITD bond 313€M
- Capital increase of 387€M
- Issuance of 200€M of T-2 bond @8.25%

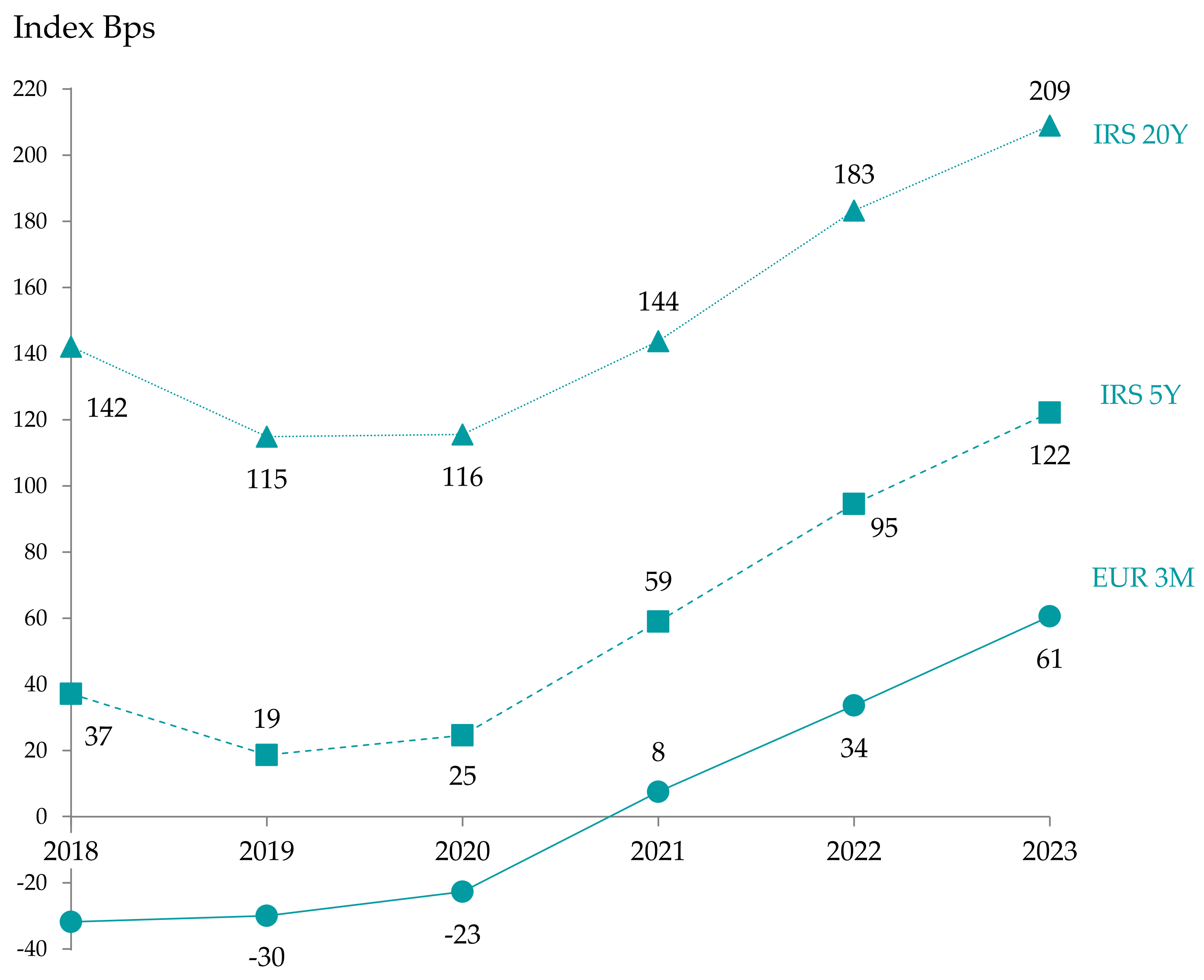
Strategic actions in the business plan

- Simplify commercial bank and focus on households & SME
- Build a relevant player in wealth management building on Cesare Ponti
- Developing a stable funding structure based on deposits and covered bonds reducing relative cost of funding
- Moderate growth of operating income (CAGR 2.8%)[2]
- Normalization of cost of risk / transition matrices
- Lean & digital revolution leading to a net cost reduction of ~117€M by 2023 (one off provision of 123€M booked in 2019)

1. Except: portfolio evolution, 1 major position, retained securitization , other minor exposures
2. Based on latest Prometeia macroeconomic scenario

Interest Rates scenario

Interest rate scenario based on «Prometeia - Rapporto di Previsione Marzo 2019»



Data 2018-2021 based on «Prometeia - Rapporto di Previsione Marzo 2019»

Detailed Assumptions of the plan (1/2)

Topic	
Capital	Conversion of 313.2€M FITD bond 6.8€M FITD bond not converted (8.25% interest rate) Capital increase of 387€M (net of fees) Tier2 issuance of 200€M (8.25% interest rate)
NPE	Disposal of all NPEs as of 31/12/2018 excl. portfolio evolution, 1 major position, retained securitization, other minor exposures Total write-off 381€M
High Risk Performing Portfolio protection	Protection of over 1€bn of performing loans in stage 2, closing at the end of 2019

Detailed Assumptions of the plan (2/2)

Topic	
Creditis	20€M provisions already accrued in 2018
Amissima	Impact of renegotiation with Amissima
Real Estate	Impairment of properties in 2019 equal by 17€M
Interest Income	Total loan volume remains almost flat – interest income growth driven mostly by macro-scenario
Interest Expenses	Build up of international deposits via fintech platform to a stock of ~0.5bn from 2022 onwards TLTRO impact
Direct Expenses	123€M one-off to be booked in 2019. Net reduction of 135€M by 2023[1]

1. Total reduction of Direct expenses 2018-2023

Agenda

Assumptions

3 steps to transform Carige

Key financials

3 steps building on each other to transform Carige

1 Fortify the Balance Sheet

Full NPE clean-up

Recapitalization

2 Reach Breakeven

Stop legacy costs

Implement short term levers

3 Develop a profitable bank

Return to growth

Push operating performance

Fundamental turnaround of the bank

Full clean-up of the balance sheet

NPE sale

Sell all NPE as of 31/12/2018 to SGA[1]

- 3.1€bn / 2.4€bn RWA-reduction
- Write-off of 381€M in 2019

High Risk protection

Protection of High Risk performing portfolio

- Guarantee of over 1€bn of performing portfolio exposures

Cost of risk normalization

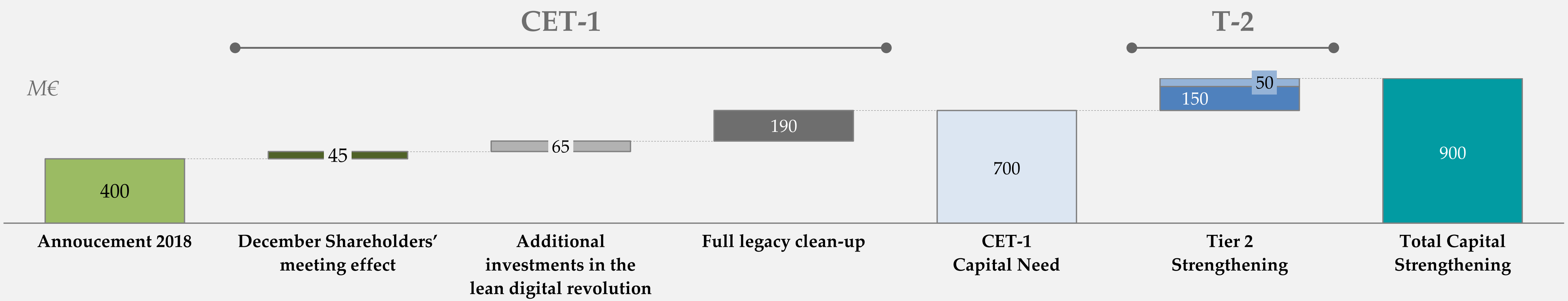
Proactive credit management initiatives

- Reduce default rates through enhanced system and "pre-problematic" portfolio management
- Improve cure/danger rates through a more industrialized UTPs management approach

KPI	2018	2021	2023
NPE evolution (B€)	3.5	0.5	0.5
NPE Ratio (%)	22.0	4.4	4.4
Cost of risk[1] (M€)	245	32	34
CoR[2] (bp)	170	27	29
RWA evolution (B€)	14.7	9.8	10.0

1. Except: portfolio evolution, 1 major postion, retained securitization , other minor exposures

Capital increase of 700M€ and additional 200M€ Tier-2 required to fund and strengthen the journey



Annoucement 2018

Capital increase requested at the end of 2018[1]

Target was to cover NPE reduction in line with an NPE-ratio of ~10-15%

December Shareholders' meeting effect

Negative effects due to outcome of share-holder's meeting

E.g., higher premium / longer duration of Tier2-bond, fees for state-guarantee, reduction of loan / deposit volumes

Additional investments in the lean digital revolution

Establish new digital businesses and drive the lean revolution

Additional investments in technology, talents and to realize HR-efficiencies[1]

Full legacy clean-up

Complete disposal of all remaining NPEs

Cost of negotiation of externalisation

Delay of capital increase March-July

CET-1 Capital Need

After the capital increase the bank is compliant with the CET-1 target ratio of 11.8% from 2019 and Tier-1 target ratio of 13.3%

Tier 2 Strengthening

More ambitious targets on capital position and negative effect for the delay of the capital increase postponement

Total Capital Strengthening

After the capital increase the bank is compliant with the TCR-target of 15.3% in '19/'20[2]

1. Including early retirement costs 2. In-line with EBA guidance

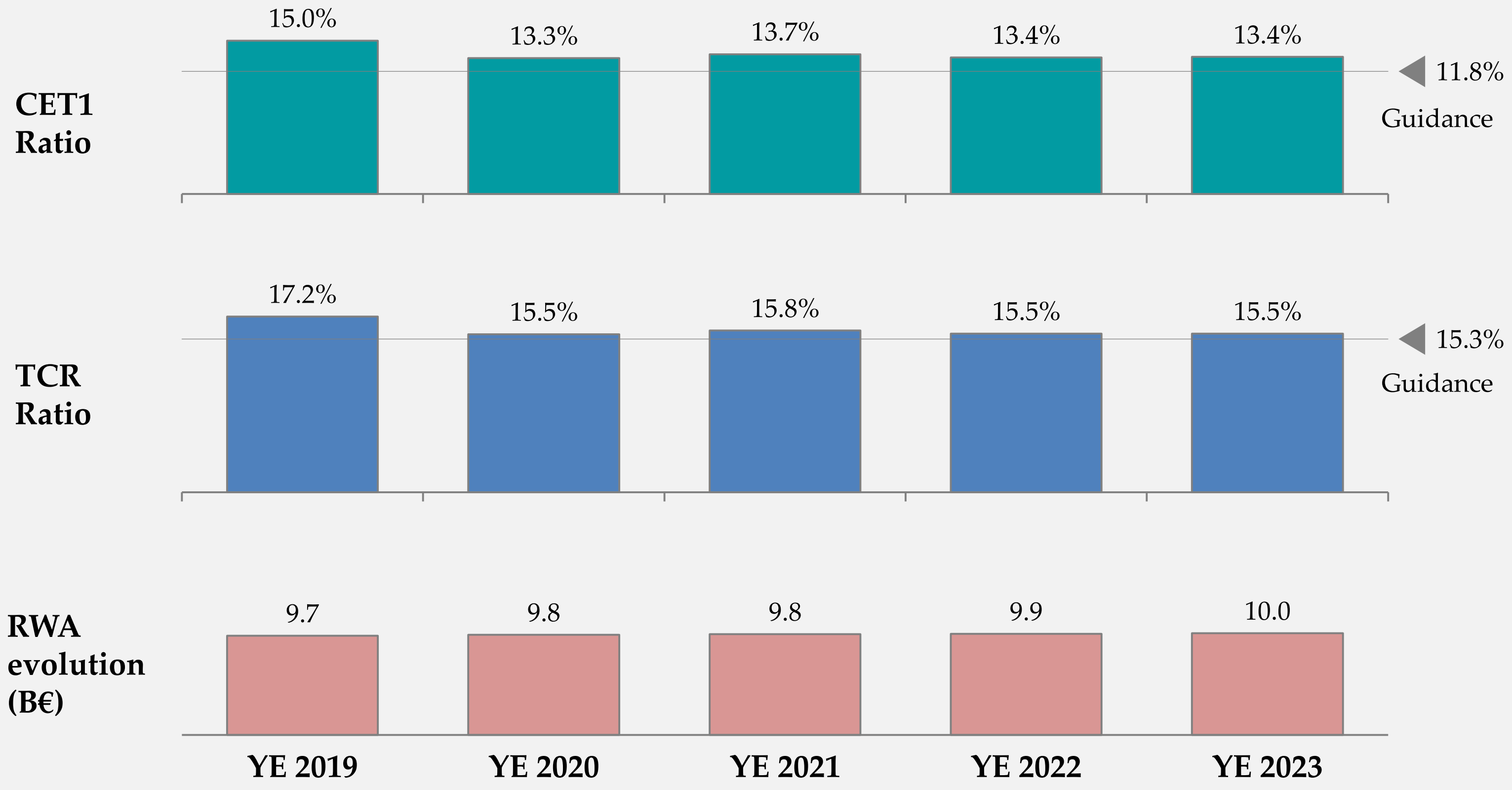
GRUPPO BANCA CARIGE

Capital increase ensures robust capitalization until 2023
(does not include A-IRB positive impact expected from 2021)

Capital strengthening actions

- **387M€[1]** — **Issuance of new equity**
- **313M€** — **Conversion of FITD bond into CET1**
- **200M€** — **Issuance of Tier-2 bond with 8.25% coupon**

Capital evolution



1. Net of fees for capital increase

GRUPPO BANCA CARIGE

A-IRB model introduction would allow significant capital ratio benefit starting in 2021

Potential benefit not factored in this plan

Adoption of a risk-based approach to business

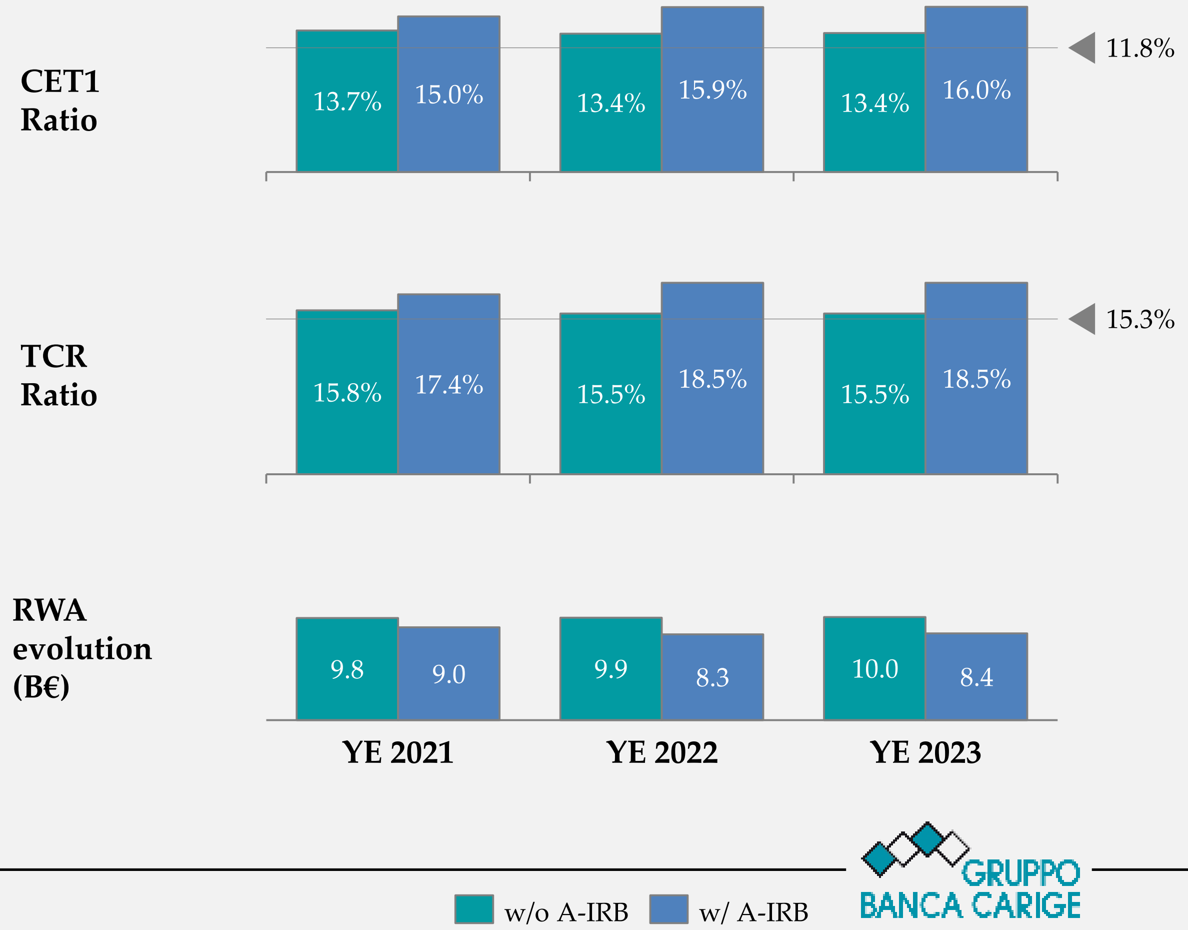
- 2021 for retail "in bonis" portfolio
- 2022 for corporate "in bonis" portfolio

Improved capital positions

- RWA reduction with respect to Carige 1.0 of 0.9€B in 2021, 1.6 €B from 2022
- TCR release of 136€M in 2021, 240 €M from 2022

Conservative embedding of A-IRB benefits into the business plan[1]

- The % risk weight for each asset class (following the A-IRB validation) are consistent with the highest risk weights observed today among A-IRB validated Italian banks[1]



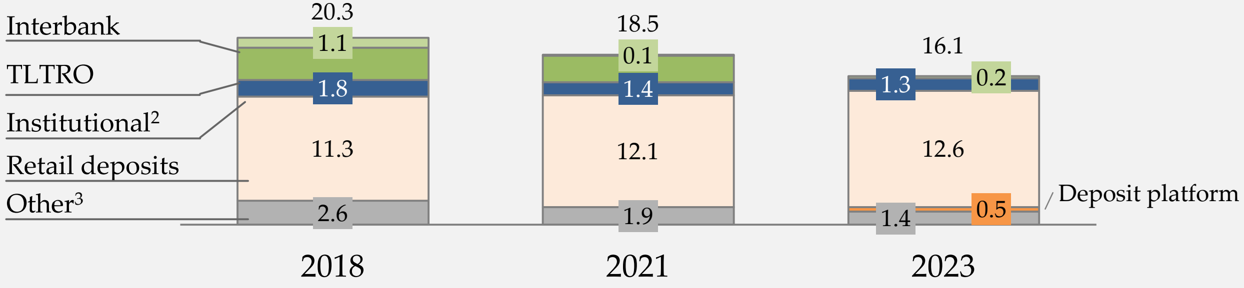
1. Benchmark includes Unicredit, UBI, Intesa SanPaolo, Credem, BPER, CREVAL

Refine funding structure to achieve a sustainable and efficient position

Funding structure stabilization

Refine funding structure to achieve a sustainable and efficient position

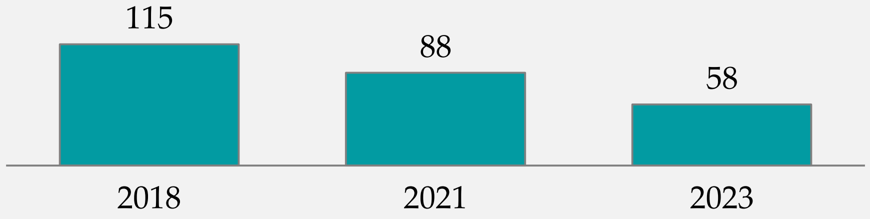
Funding structure, €B



	2018	2021	2023
LCR[1]	87%	140%	n.a.
NSFR[1]	101%	104%	n.a.
CoF (bps)	83	95	118

Enhancement of relative cost of funding due to change of funding mix and end of crisis

Cost of funding spread over Euribor 3M, bps



	2018	2021	2023
Euribor 3M[2] (bps)	-32	8	61

Key drivers for a more stable funding structure

- **Growth** of retail **deposit** base and launch of partnership with international **retail deposit platforms**
- Replacement of **TLTRO** and **state-guaranteed bonds**

Key drivers for lower funding costs

- **Shift from expensive institutional to cheaper retail funding**
- **Elimination of risk premium** on deposits and institutional funding after end of crisis

1. 2022-2023 elaborated with simplified model 2. Scenario Prometeia 3. Other funding (e.g. retail bonds, partite vincolate)

3 steps building on each other to transform Carige

1

Fortify the Balance Sheet

Full NPE clean-up

Recapitalization

2

Reach Breakeven

Stop legacy costs

Implement short term levers

3

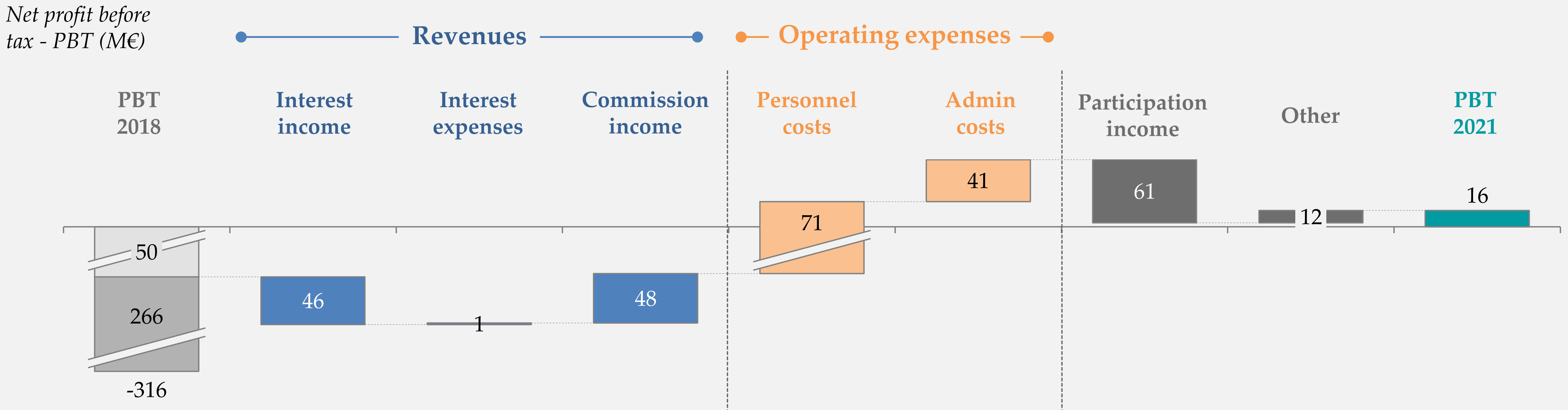
Develop a profitable bank

Return to growth

Push operating performance

Fundamental turnaround of the bank

Break-even to be reached by 2021



Normalization of 266€M cost of risk and extraordinary effects

- 4.2B€ lower loan volume, e.g. due to NPE disposal, reduces interest income
- Increase of funding costs due to macro rate scenario (increase of 3M Euribor by 40bps from 2018) mitigated by improved funding mix
- Increase of commission income from commercial relaunch

- HR costs reduction (~450 already contracted)
- Admin costs savings from implementation of first measures (e.g. branch closures)

- Sale of subsidiaries (e.g. Creditis, merchant acquiring business) reduces participation income
- Lower (normalized) cost of risk due to managerial actions to improve transition matrices
- Higher trading income
- Lower “other costs” due to absence of one-off penalties, but increase of depreciation for software / IT

GRUPPO BANCA CARIGE

3 steps building on each other to transform Carige

1	2	3
Fortify the Balance Sheet	**Reach Breakeven**	**Develop a profitable bank**
Full NPE clean-up	Stop legacy costs	Return to growth
Recapitalization	Implement short term levers	Push operating performance

Fundamental turnaround of the bank

GRUPPO BANCA CARIGE

The lean revolution builds upon a more focused Carige

Focused business model		Lean digital operating model		New Carige
Focus on strategic areas and branches		Waste cutting		Quick response to customers' needs
3 business segments	+	Lean and digital processes & procedures	=	Business performance improvement
~30 products (from 100+)		Digital as a must		Higher customers and colleagues' satisfaction

The lean revolution creates a simple and efficient Carige

Eliminate waste
Streamline our processes and organization

Enable faster decision making reducing the # of process steps and parties involved

Outsource non-core activities that are not core to the value perception and leverage efficiency gains from 3rd party providers

Simplify the organization removing duplications and adjusting activities / service levels to future bank sizing

Strengthen our governance
Foster responsibility and active steering

Reduce levels of review limiting rework and multiple handovers and reinforcing accountability (1st line) with strong second level controls

Make internal controls "risk-based" and shift from "multiple-eyes" to "4-eyes" controls, introducing an industrialized control system

Push our business performance
Simple products and efficient delivery

Focus product offering to the needs of our core customers and remove historically grown complexity

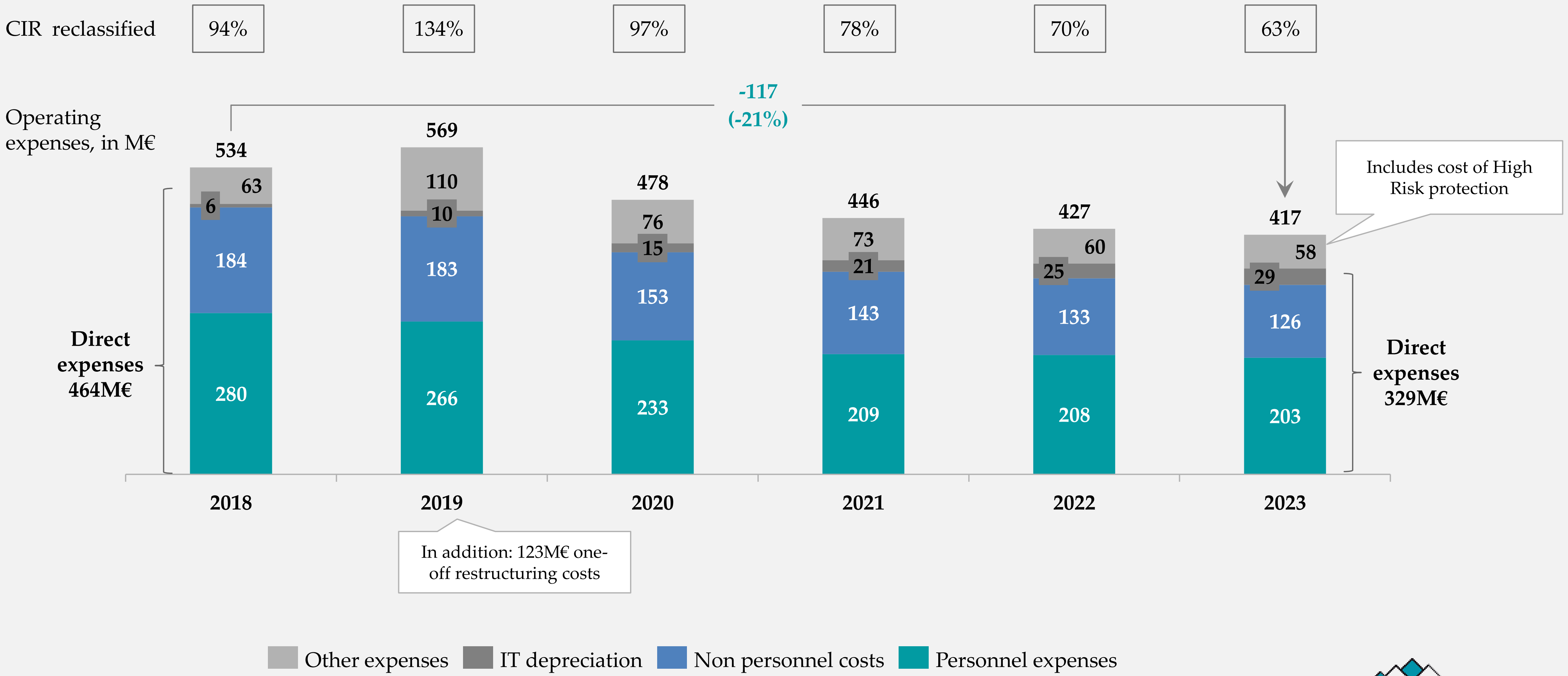
Optimize our customer journeys for the target offering to offer best in class delivery times and quality

Operative KPIs, e.g.	2018	2023
Account Opening Time (min)	60	15
Number of savings accounts	8	3
Reworks in credit process (%)	15-30	15

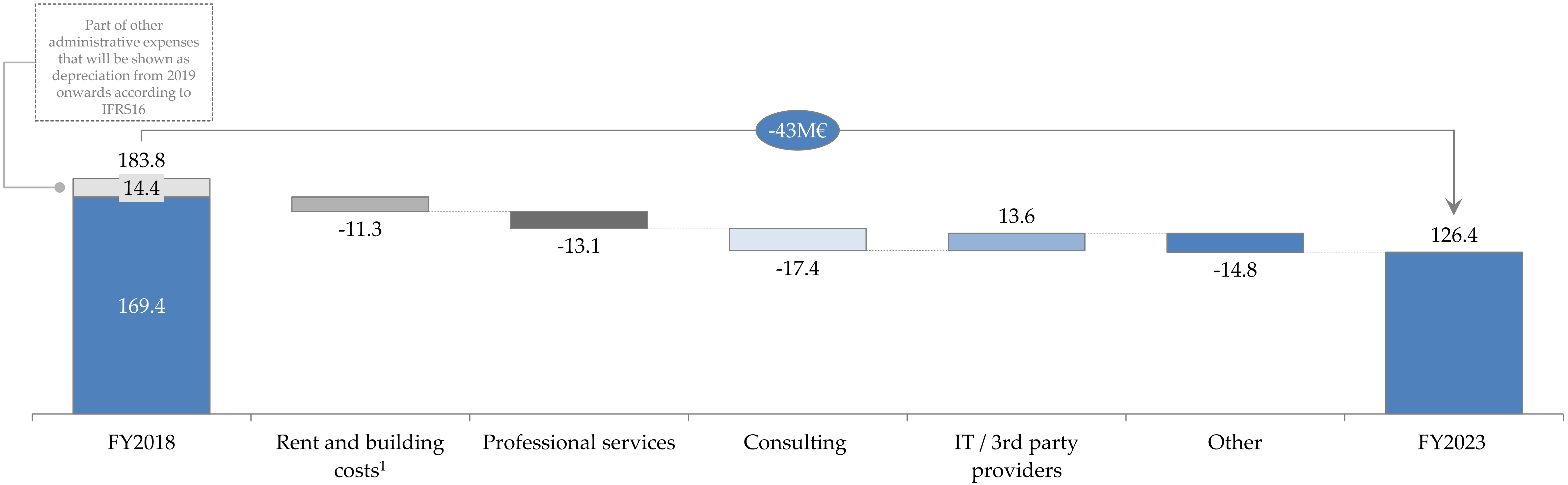
Key Financials, e.g.	2018	2023
Direct Expense €M	464	329
Cost Income Reclassified[2] %	94	63

1. Reclassified; includes additional revenues from trading and other operating income, excludes non-recurring income and costs, risk provisions, mandatory contributions

Operating costs in total decrease by 21% until 2023



Target administrative expenses to be reduced by 43M€ until 2023



Rent and building costs[1]
- Reduction of number of branches
- Renegotiation of rents
- Closure of head office buildings

Includes savings from branch closures in 2018

Professional services
- End of crisis-related transactions and disposals
- Reduced costs for whole-sale funding activities

Consulting
- End of crisis-related projects
- Central mgmt. of consulting spend for all departments

IT / 3rd party providers
- Outsourcing of FTE to Dock (in 2018)
- Outsourcing of non-value adding activities
- Reduction of licenses

Other
- Lower costs for paper and transport from digitization
- Lower extraordinary contributions for FITD[2]
- Exit from Enti business through contract renegotiations
- Additional measures in detailing, e.g. IT simplification

1. Rent, maintenance, utilities, cleaning, security and insurance 2. Extraordinary contributions for rescues of other banks

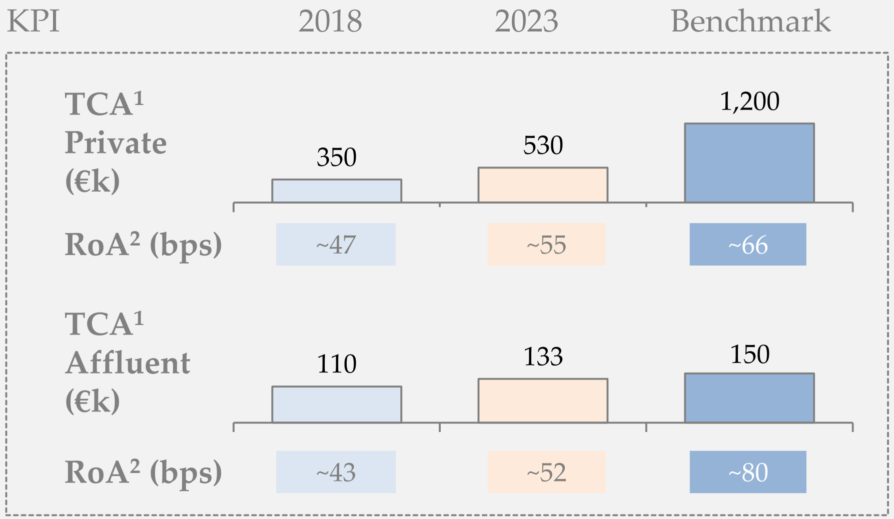
A new paradigm of Business Model focused on Wealth Management and Commercial Banking

Wealth Management

A brand-new, sizeable Private & Affluent player in the Italian market through revised offering & service model

Reshape Private Banking service model – Review service model under a single Group's Private Banking, encompassing a fully-fledged offering (eg. Advanced advisory), a new digital platform, an investment centers for specialist support (eg. Trusts, …) and leverage on cross-segments synergies (eg. PRI-CORP)

Establish a new Wealth Management approach for Affluent – Create a dedicated, branch based service model, complemented with a new commercial structure, to improve specialization and focus on investments and support clients' asset win-back



Commercial Bank 4.0

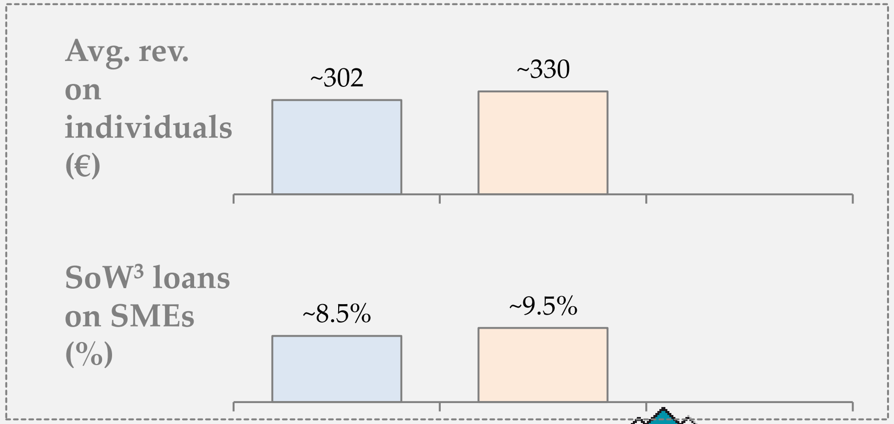
A simplified, digitally-enabled bank focused on families, SBs and SMEs

Start digital sales - Setup processes and systems to allow a seamless digital sales experience and relaunch acquisition

Shape new customer journeys - Focus on selected new journeys (6 for Households & SBs and 8 for SMEs) to achieve superior customer experience driving penetration and cross-selling

Focus the business strategy on SMEs - Focus on selected segments (eg. Up to 80-200M T/O) and exit others (Large Corp.)

Increase speed for "Time to yes" - Leverage pre-approved and advanced credit scoring solutions



1. TCA = Total Client Assets including AuM, AuC, Insurance and Deposits
2. ROA = Return on AuM, Auc and Insurance.
3. Share of bank's lending on total lending from the banking system for Carige SME clients

GRUPPO BANCA CARIGE

Agenda

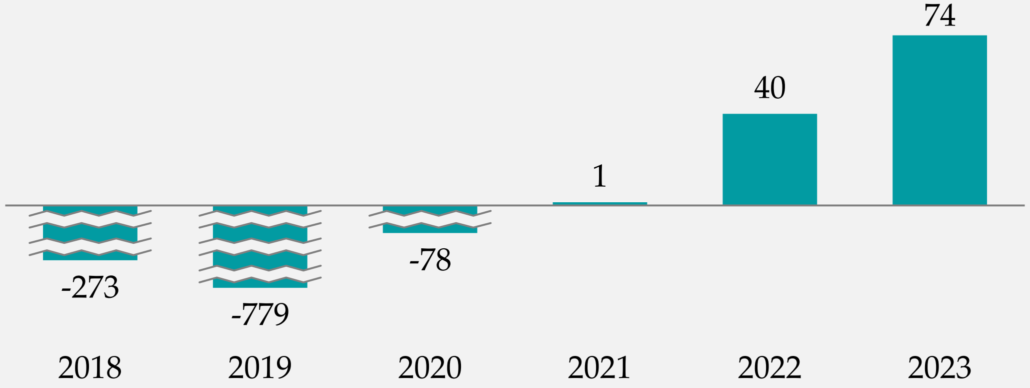
Assumptions

3 steps to transform Carige

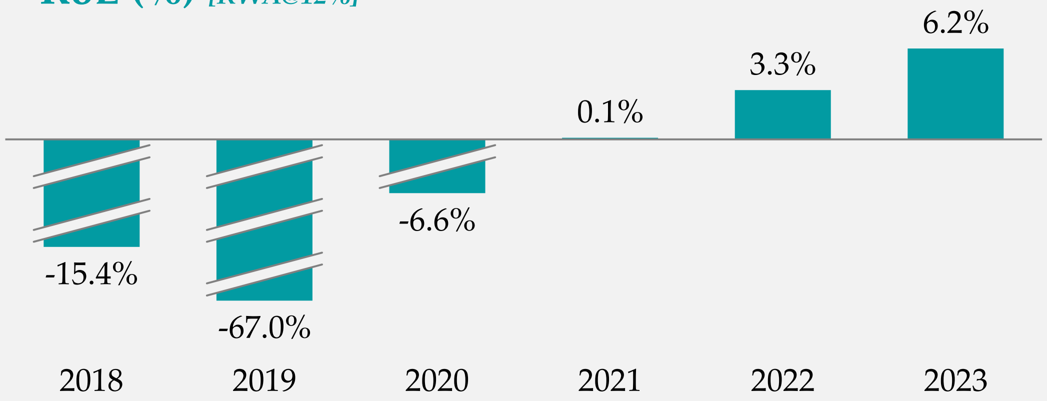
Key financials

Key Ratios

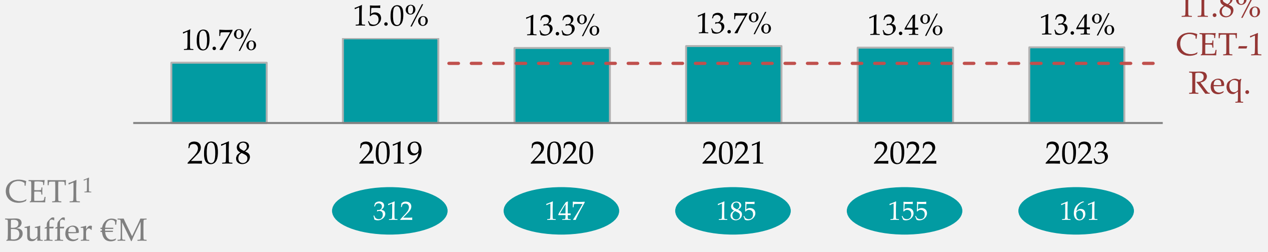
Profit after taxes (€M)



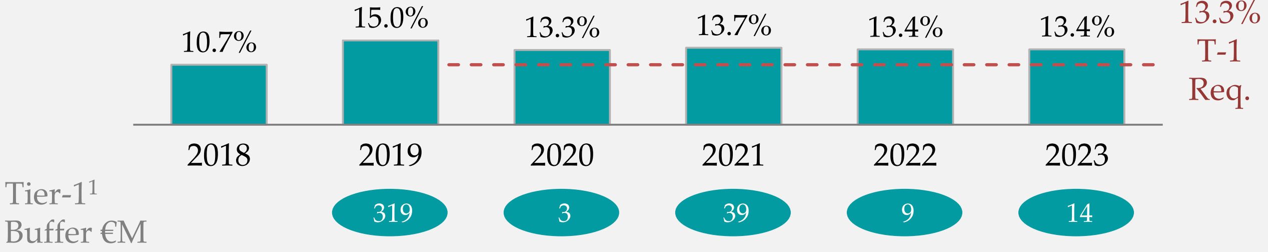
RoE (%) *[RWA@12%]*



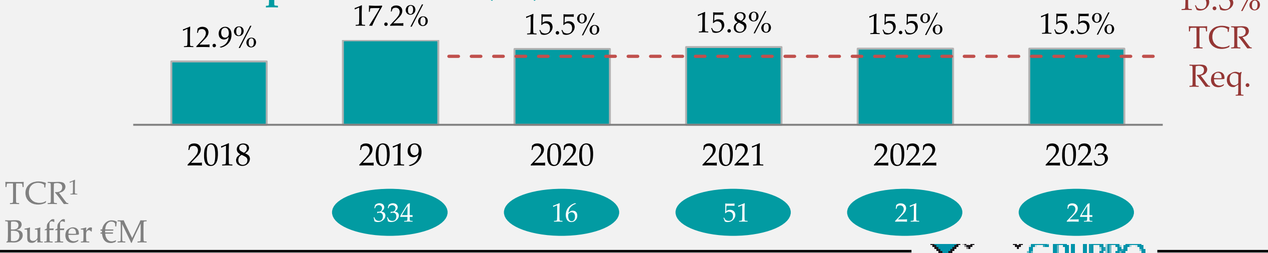
CET-1 Ratio (%)



Tier-1 Ratio (%)



Total Capital Ratio (%)

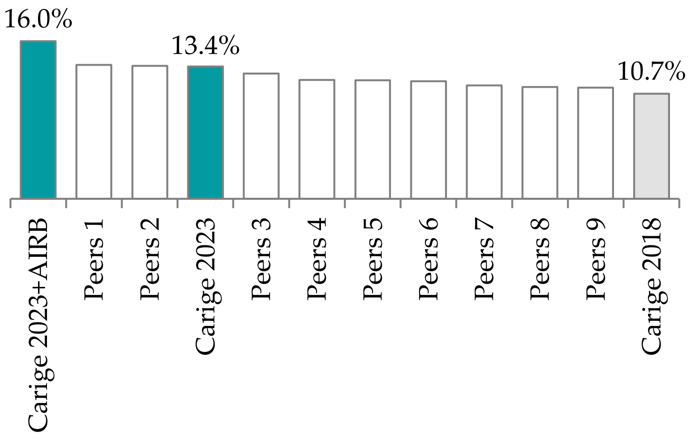


1. Buffer calculated vs. Requirement Value with Guidance: 11.8% CET-1 Ratio, 13.3% Tier-1 Ratio, 15.3% Total Capital Ratio

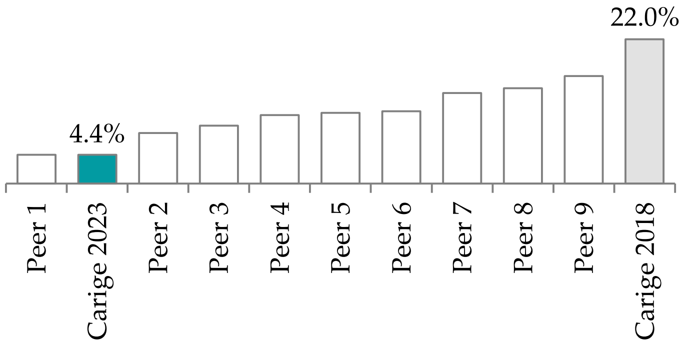
GRUPPO BANCA CARIGE

Carige well positioned in the banking industry in 2023

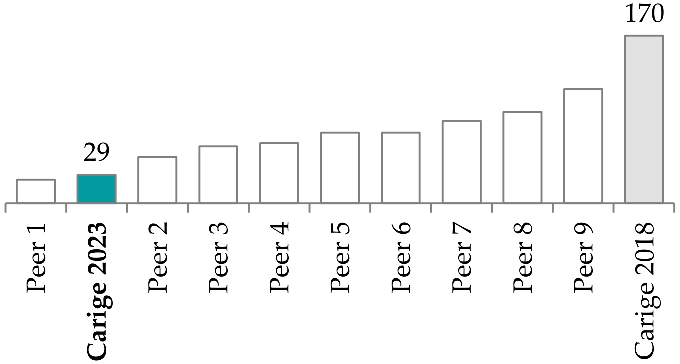
CET 1 ratio



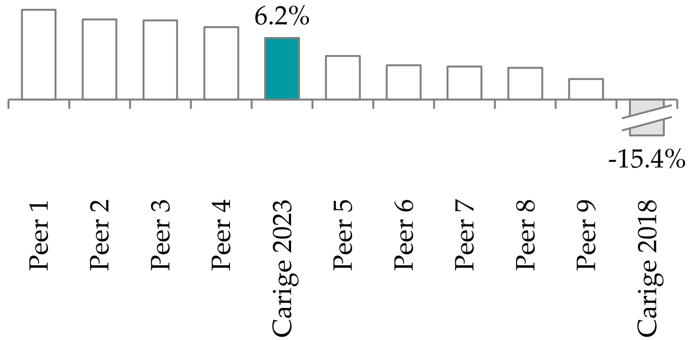
Gross NPE ratio[1]



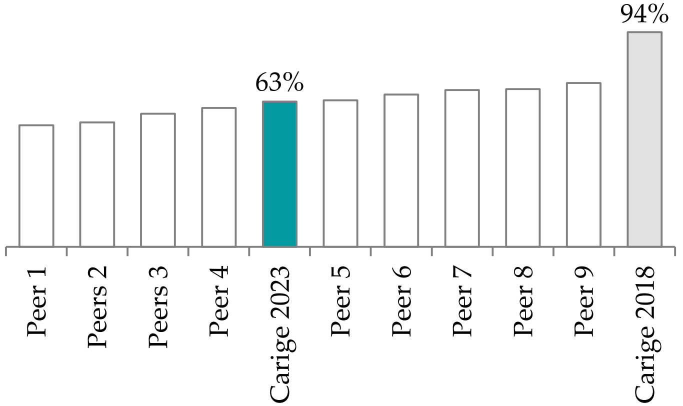
Cost of Risk[2] (bps)



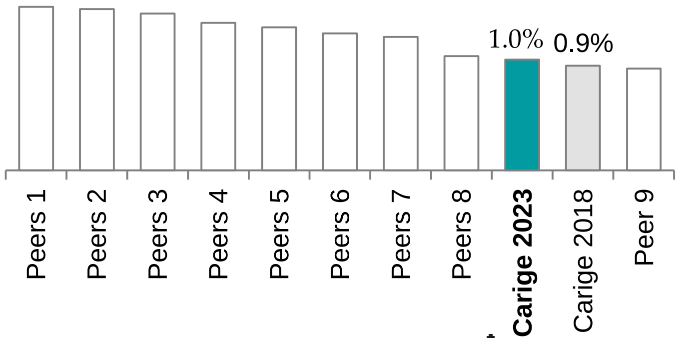
Return on Equity[3]



Cost / Income Ratio[4]



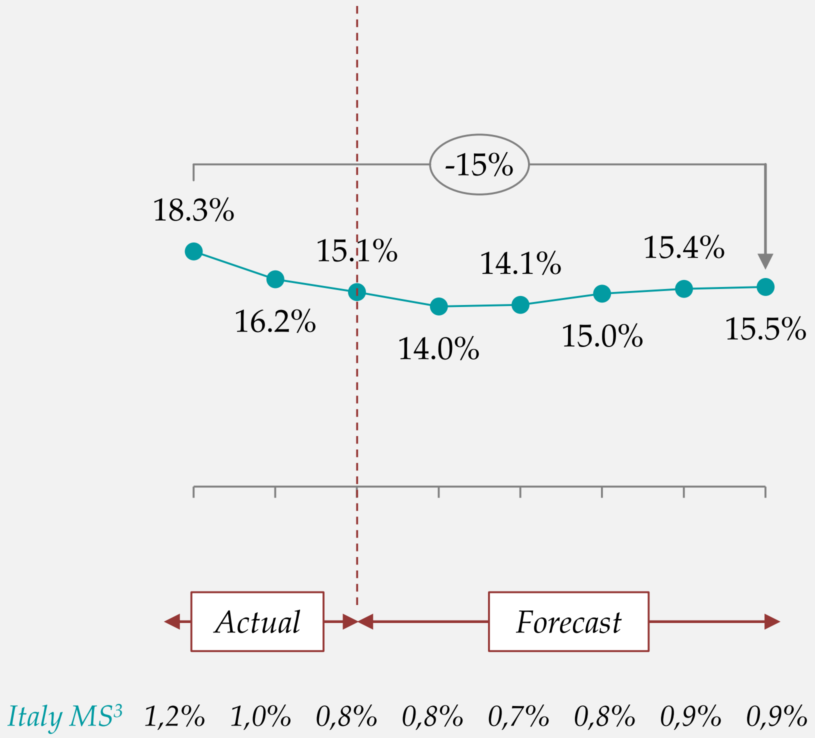
Total Operating revenues[5] / Total Client Assets & Liabilities[6]



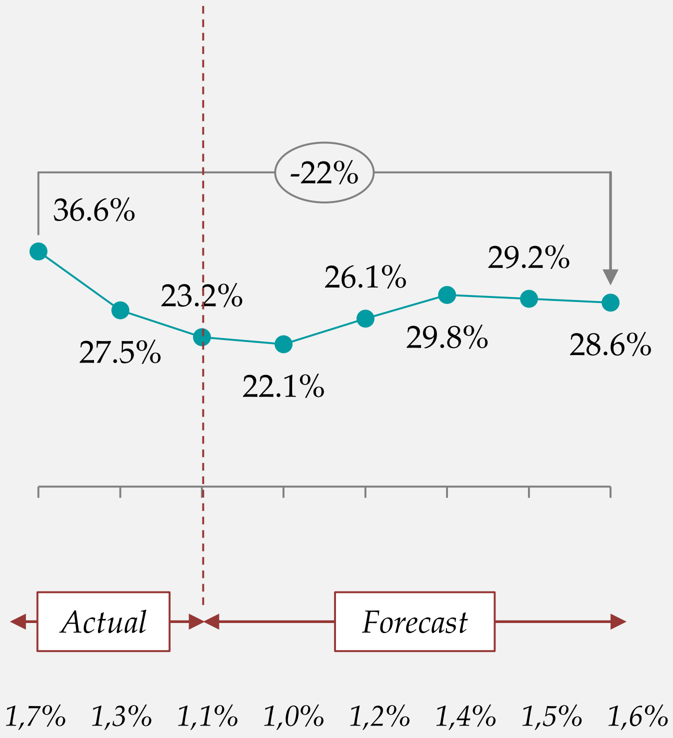
Note: Carige compared with 2018 peers data; Peers include MPS, BPER, CREVAL, BP Sondrio, CREDEM, ISP, UCG, BancoBPM, UBI
1. 2022-2023 values estimated top-down 2. Not including debt securities at amortized cost; 3. Carige's data based on Equity calculated at 12% of RWA. 4. Reclassified; includes additional revenues from trading and other operating income, excludes non-recurring income and costs, risk provisions, mandatory contributions 5. Net Interest Income & Net Commission Income. 6. Includes Loans to Customers, Direct Funding and Indirect Funding.

Evolution of Carige market shares: 2023 plan still below 2016-17 levels

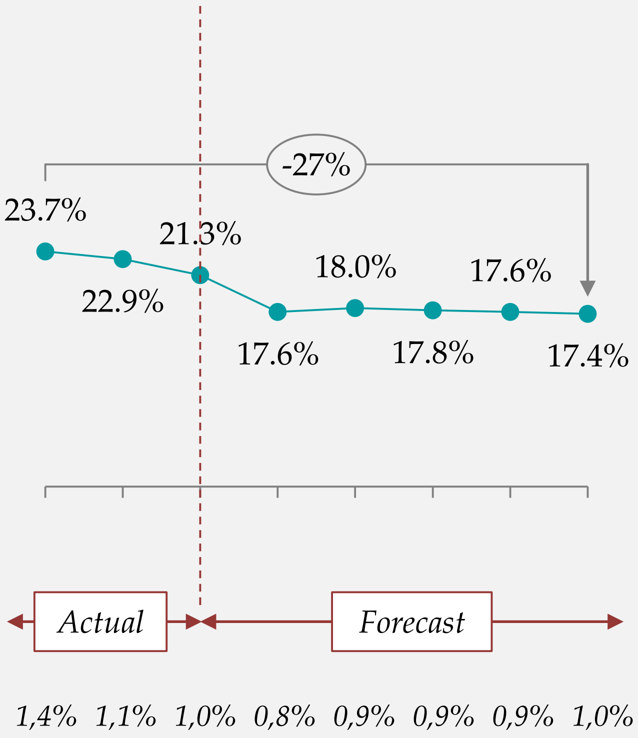
Share of Deposits (%)
In the core region of Liguria



Share of AuM + AuC (%)[1]
In the core region of Liguria



Share of Net Loans (%)[2]
In the core region of Liguria



1. Regional split based on regional deposit market share 2. Market share decreasing due stable Carige loan book with growing market volume. 3. Market share
Note: Figures on deposits and AuM + AuC include FAs network.

GRUPPO BANCA CARIGE

530M€ operating income and 74M€ profit in 2023

		2018	2019	2020	2021	2022[6]	2023[6]	CAGR 2018-23
Operating income[1] (M€)		457	347	375	458	488	530	3.0%
Cost of Risk[2] (M€) (bps)– *not reclassified*		-245 170	-85 75	-17 15	-32 27	-32 27	-34 29	-32.6%
Direct Expenses[3] (M€)		-464	-572	-386	-352	-341	-329	-30.0%
Total operating costs (M€) *not reclassified*		-534	-692	-478	-446	-427	-417	-6.6%
Profit before tax (M€)		-316	-791	-66	16	65	115	
Parent company's net profit (M€)		-273	-779	-78	1	40	74	
RoE[4] (%)		-15.4%	-67.0%	-6.6%	0.1%	3.3%	6.2%	
C/I reclassified[5] (%)		94%	134%	97%	78%	70%	63%	
CET1-ratio (%)	w/o A-IRB	10.7%	15.0%	13.3%	13.7%	13.4%	13.4%	
	w/ A-IRB	10.7%	15.0%	13.3%	15.0%	15.9%	16.0%	
Gross NPE ratio[6] (%)		22.0%	2.8%	3.6%	4.4%	4.4%	4.4%	

1. Interest and commission income; 2. Not reclassified 3. Personnel expenses and non personnel 4. Equity calculated with at 12% of RWA 5. Reclassified; includes additional revenues from trading and other operating income, excludes non-recurring income and costs, risk provisions, mandatory contributions and DTA fees; 6. '19-'21 based on bottom-up plan. '22/'23 forward top-down projection

GRUPPO BANCA CARIGE

Snapshot of the core financials and KPIs of the strategic plan

		2018	2019	2020	2021	2022	2023	CAGR 2018-23
P&L (€M)	Interest income	401	365	310	355	381	413	0.6%
	Interest expenses	-174	-231	-188	-176	-185	-190	1.7%
	Commission income	231	213	253	279	292	307	5.8%
	Operating income	**457**	**347**	**375**	**458**	**488**	**530**	**3.0%**
	Other income[1]	-61	-379	31	31	31	31	
	Total revenues	**397**	**-32**	**405**	**489**	**519**	**561**	**7.2%**
	Cost of risk[2]	**-245**	**-85**	**-17**	**-32**	**-32**	**-34**	**-32.6%**
	Personnel Costs	-280	-266	-233	-209	-208	-203	**-6.3%**
	Non Personnel Costs	-184	-183	-153	-143	-133	-126	**-7.2%**
	Restructuring costs	0	-123	0	0	0	0	
	Direct expenses[3]	**-464**	**-572**	**-386**	**-352**	**-341**	**-329**	**-6.6%**
	Other expenses[4]	**-70**	**-120**	**-91**	**-94**	**-86**	**-87**	4.6%
	Participations / Investments	**67**	**18**	**23**	**5**	**5**	**5**	
	Profit before tax	**-316**	**-791**	**-66**	**16**	**65**	**115**	
	Taxes and profit (loss) after tax from discontinued operations	43	12	-12	-14	-25	-42	
	Parent company's net profit	**-273**	**-779**	**-78**	**1**	**40**	**74**	
B/S (€B)	Direct Funding	14.5	17.6	15.5	14.6	14.7	15.0	**0.7%**
	Client gross loans	16.1	11.6	11,9	12.0	12.0	12.0	**-5.8%**
	Client net loans	14.4	11.4	11.7	11.7	11.7	11.7	**-4.1%**
	RWA	14.7	9.7	9.8	9.8	9.9	10.0	**-7.5%**
	CET1	1.57	1.46	1.30	1.35	1.32	1.34	**-3.2%**
	Total capital	1.90	1.67	1.51	1.56	1.53	1.55	**-4.0%**
	LCR	87%	403%	182%	140%			
	NSFR	101%	129%	108%	104%			
KPIs	CIR reclassified[5]	94%	134%	97%	78%	70%	63%	
	RoE after tax (RWA@12%)	-15.4%	-67.0%	-6.6%	0.1%	3.3%	6.2%	
	RoE after tax (actual equity)	-13.5%	-31.9%	-4.7%	0.1%	2.5%	4.5%	
	CET1 Ratio phase-in	10.7%	15.0%	13.3%	13.7%	13.4%	13.4%	
	CET1 Ratio phase-in w/ A-IRB	10.7%	15.0%	13.3%	15.0%	15.9%	16.0%	
	T-1 Capital Ratio	10.7%	15.0%	13.3%	13.7%	13.4%	13.4%	
	Total capital ratio	12.9%	17.2%	15.5%	15.8%	15.5%	15.5%	
	Total Capital Ratio w/ A-IRB	12.9%	17.2%	15.5%	17.4%	18.5%	18.5%	
	Cost of risk – including High risk protection effect[6] (bps)	170	75	15	27	27	29	
	Gross NPE ratio[7]	22.0%	2.8%	3.6%	4.4%	4.4%	4.4%	

1. Including effects from NPE disposals in 2018 and 2019; 2. Not reclassified; 3. Personnel costs. non personnel costs and restructuring costs; 4.Includes cost for the High Risk Performing Portfolio protection 5.Approximated for 2022 and 2023; 6. Not reclassified – not including debt securities at amortized cost; 7. '19-'21 based on bottom-up plan. '22/'23 forward top-down projection

GRUPPO BANCA CARIGE