



1Q 2014 Results

**Chief Executive Officer
Piero Luigi Montani**

Genoa, 16 May 2014

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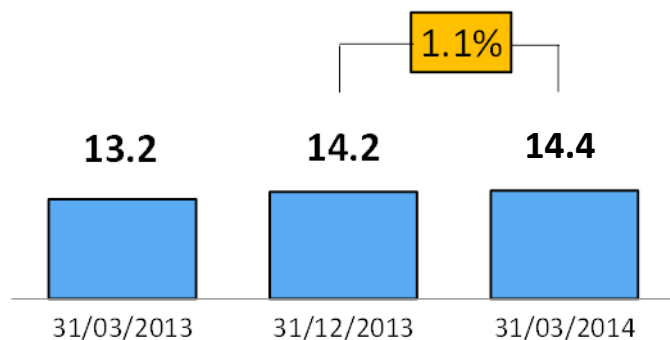
The manager responsible for preparing the company's financial reports, Mr. Luca Caviglia, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

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

Highlights: core components of total funding on the rise, strong liquidity position and better coverage ratios

EUR bn

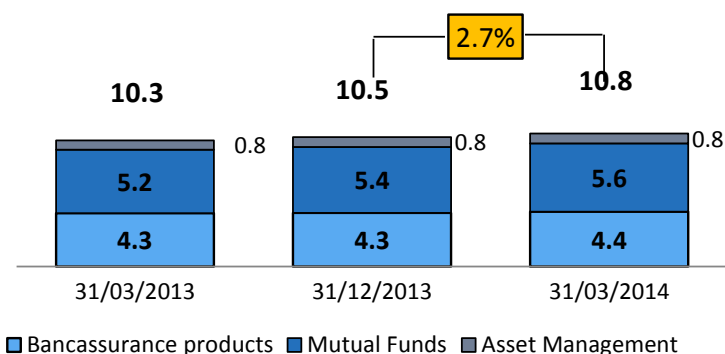
CORE DIRECT FUNDING⁽¹⁾



(1) Includes current accounts and savings deposits

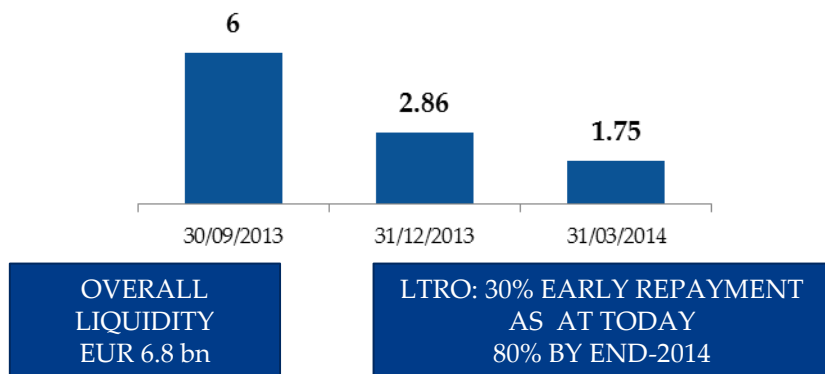
EUR bn

ASSETS UNDER MANAGEMENT



years

AVERAGE TERM TO MATURITY OF ITALIAN GOVERNMENT BOND PORTFOLIO

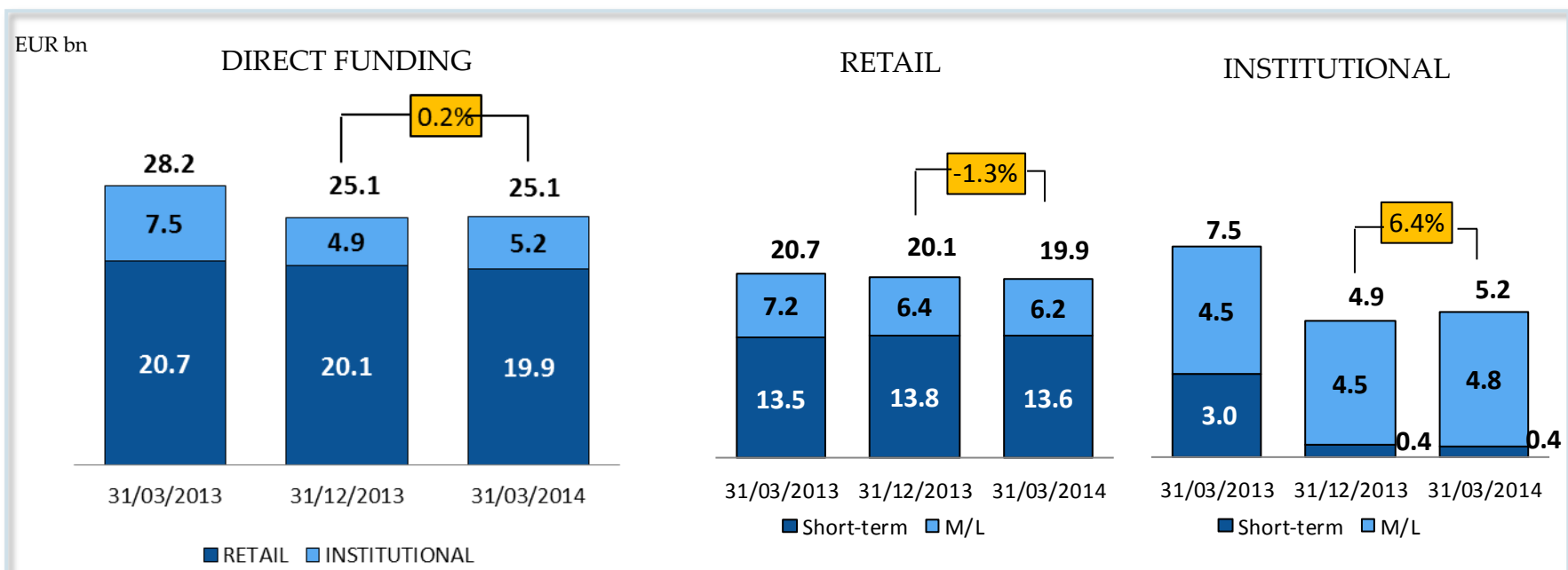


%

COVERAGE RATIOS

Coverage %	31/03/2013	31/12/2013	31/03/2014	31/03/2014 write-offs included
Total NPLs	33.7	36.0	37.4	39.9
Bad Loans	49.8	56.3	56.6	60.0
Substandard	16.0	20.3	20.0	20.0
Restructured	10.4	13.1	13.8	13.8
Past due	1.8	9.6	14.2	14.2
Performing	0.5	0.9	0.9	0.9
Total Loans	4.2	8.1	8.4	9.2

Direct funding: quarterly stable, growing in its core components

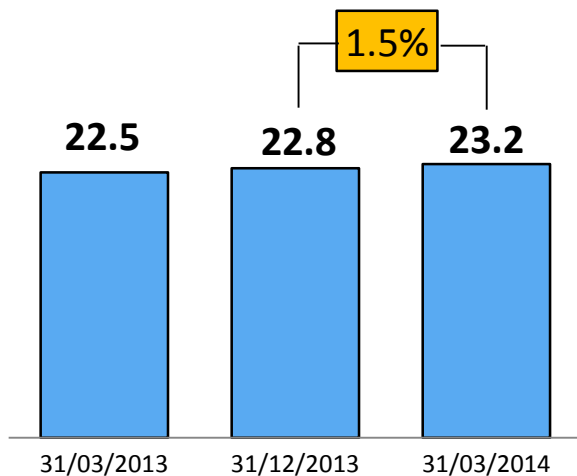


- ❑ Overall funding totalled EUR 48.3 bn, up EUR 412 mln (+0.9%)
- ❑ Against the backdrop of a general reduction for the Italian banking system, direct funding was substantially stable Q/Q (+0.2%), with its «core» components (current accounts and savings deposits) up 1.1% to EUR 14.4 bn
- ❑ The Y/Y decrease in direct funding (-10.9%) is mainly attributable to the institutional component (-30.6%) due to a decrease in REPOs against a general background of reduced lending

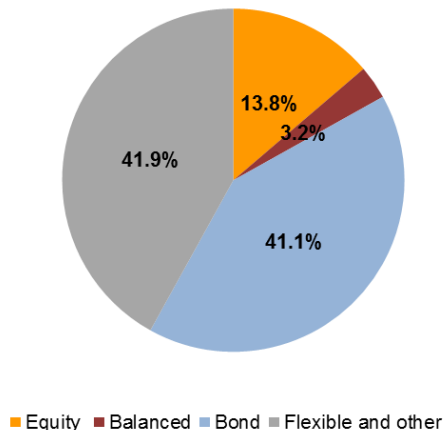
Indirect funding: growth in mutual funds and bancassurance products

EUR bn

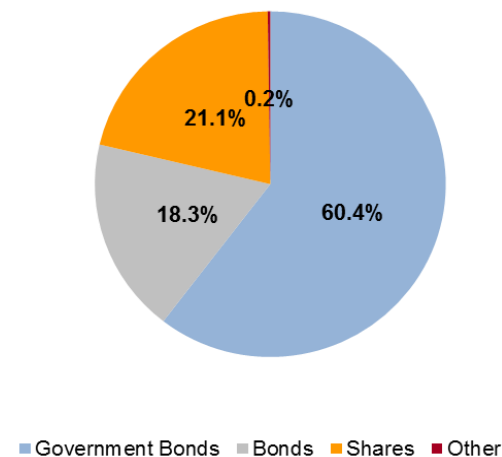
INDIRECT FUNDING



FUNDS BY ASSET CLASS



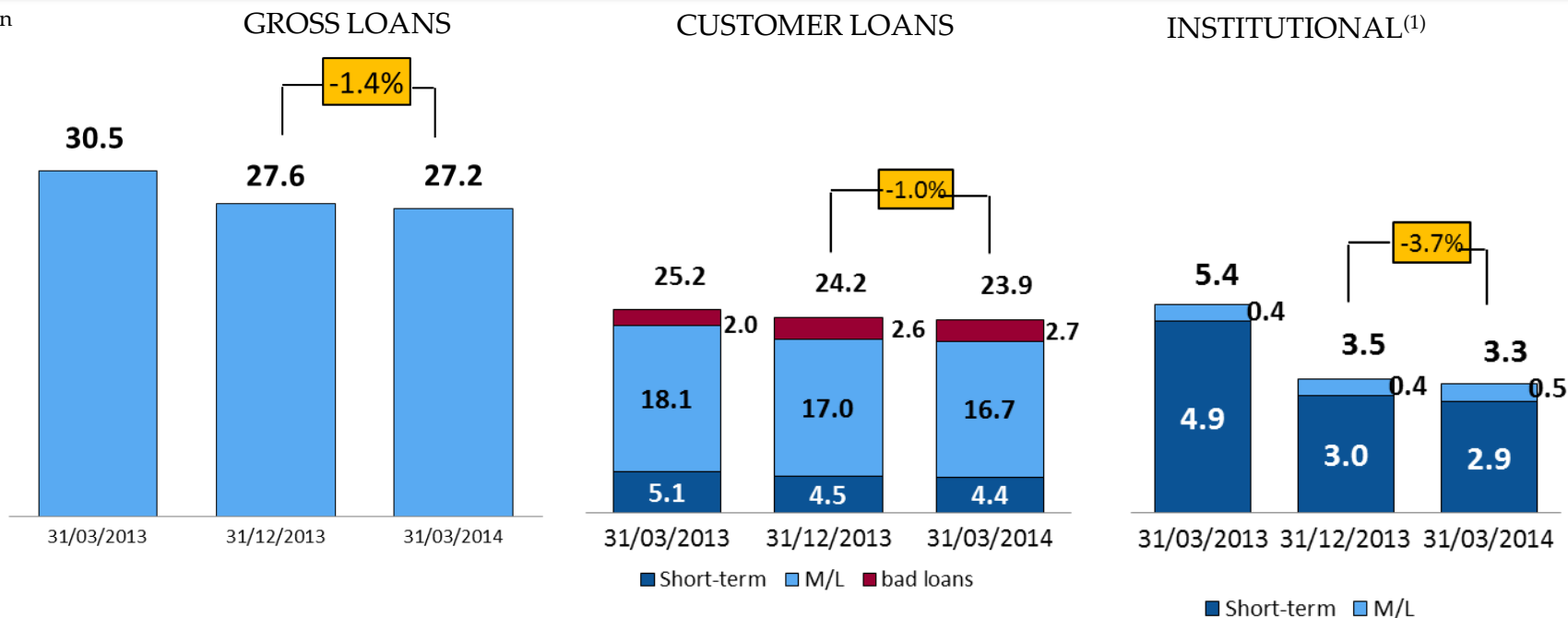
AuC BY ASSET CLASS



- ❑ Indirect funding was up 1.5% in Q1, benefiting from: the positive trend in asset management (+2.7% to EUR 10.8 bn), a slight recovery in assets under custody (+0.5% to EUR 12.4 bn) and, more in general, improved financial market conditions
- ❑ The ongoing pick up in mutual funds placed continues (+3.8%), with EUR 351 mln of new underwritings in Q1 (+EUR 119 mln net funding)
- ❑ Bancassurance products were placed in Q1 2014 for an amount of EUR 220.4 mln, up 47.9% on Q1 2013 (EUR 149.0 mln)

Lending: supporting households in a difficult context

EUR bn



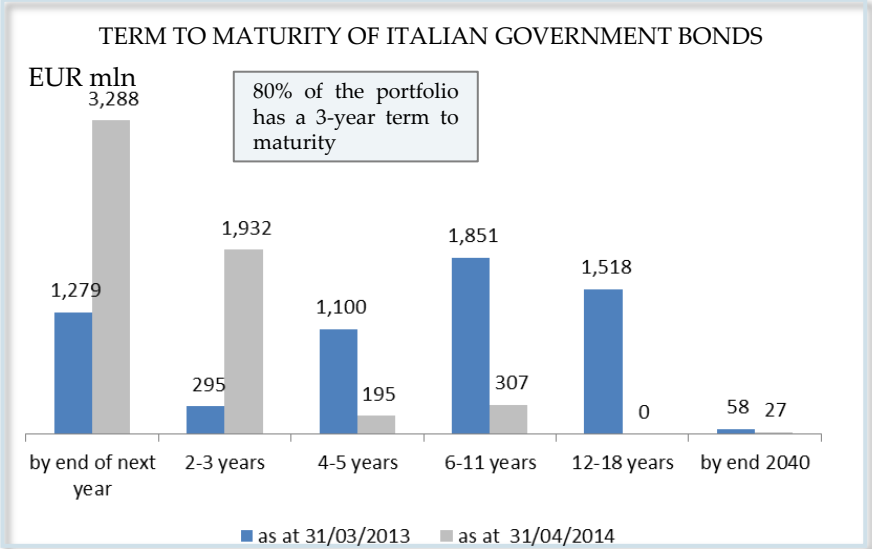
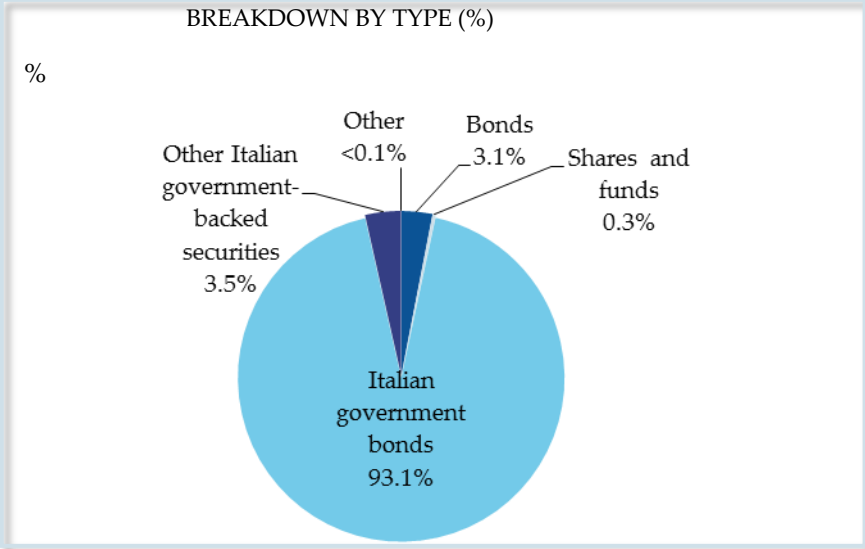
□ Persisting weakness in lending, down 1.4%

□ As in the case of direct funding, the annual decrease in lending (-10.7%) was mainly driven by the institutional component (-38.0%), within a general framework of banking deleveraging

□ the Group continued its action of support to households granting more than 4,300 new loans in Q1 for over EUR 100 mln, of which approximately 700 being residential mortgages (543 in Q1 2013)

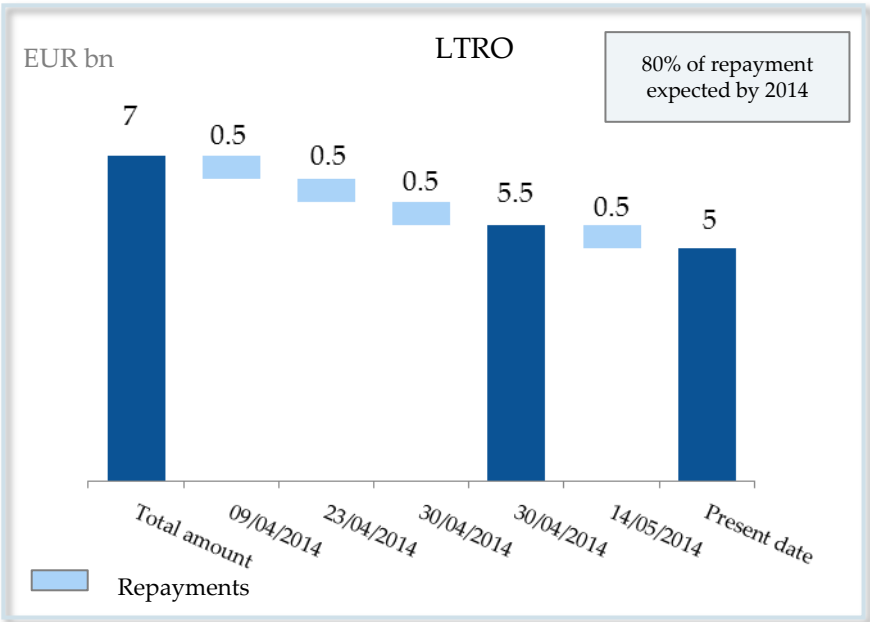
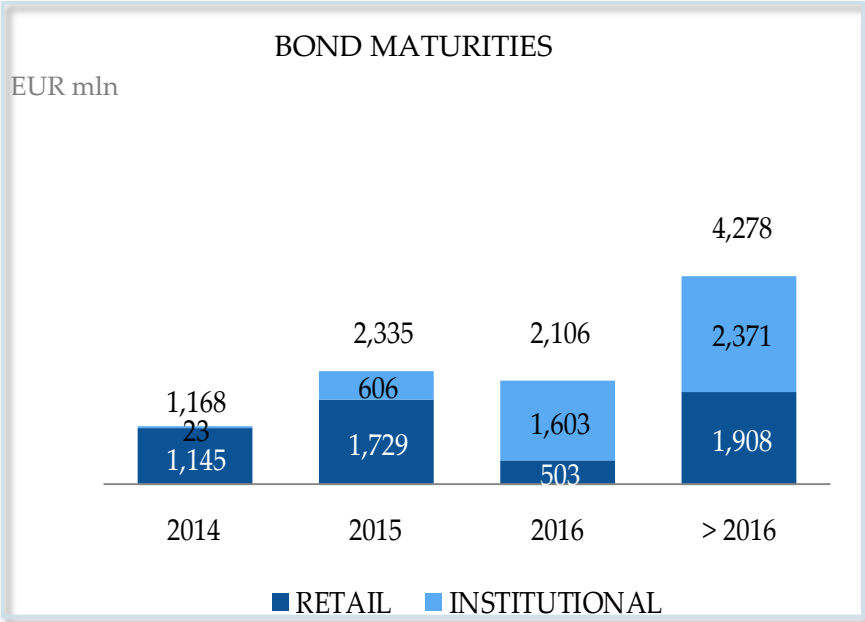
(1) Includes interest-bearing postal bonds, REPOS with financial companies and other loans

Banking group securities' portfolio: the risk mitigation process continues



- ❑ The banking group securities portfolio amounts to EUR 6.6 bn (excluding BoI stake)
- ❑ 98.8% of securities portfolio is rated 'investment grade' with no exposure to peripheral countries
- ❑ The average term to maturity of the Banking group's securities portfolio was further reduced from 2.86 to 1.75 years in the quarter, as per guidance in the Business Plan

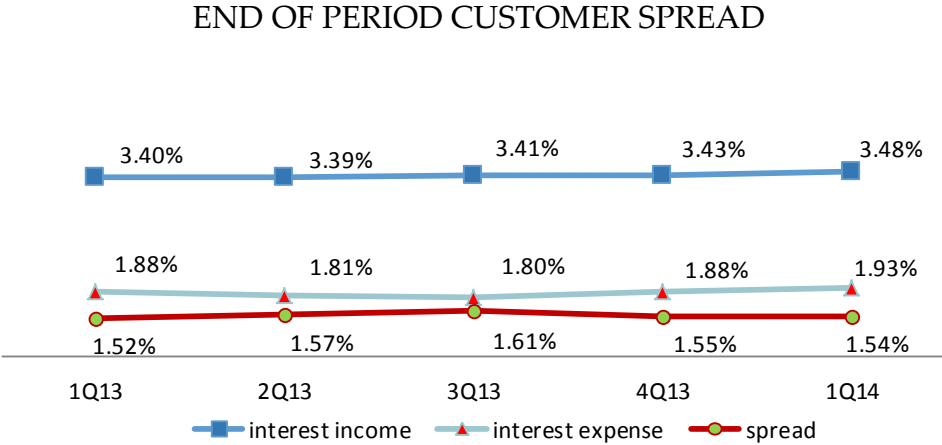
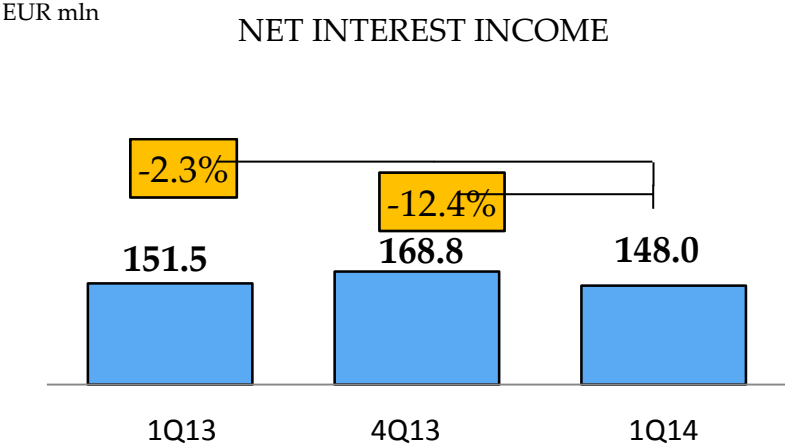
Strong liquidity profile



- ❑ After the end of Q1 2014, the robust liquidity profile allowed for 30% early repayment of the LTRO (EUR 2 bn), leaving EUR 5 bn outstanding
- ❑ Overall liquidity amounts to approximately EUR 6.8 bn⁽¹⁾, of which about EUR 2.6 bn in unencumbered ECB-eligible securities.
- ❑ During the quarter, the funding gap (share of net retail loans not funded by direct retail deposits) remained stable at EUR 1.8 bn net.

(1) Figures as at 13/05/2014, net of LTRO

Net interest income: lower-yield securities portfolio and 'bad loans effect'

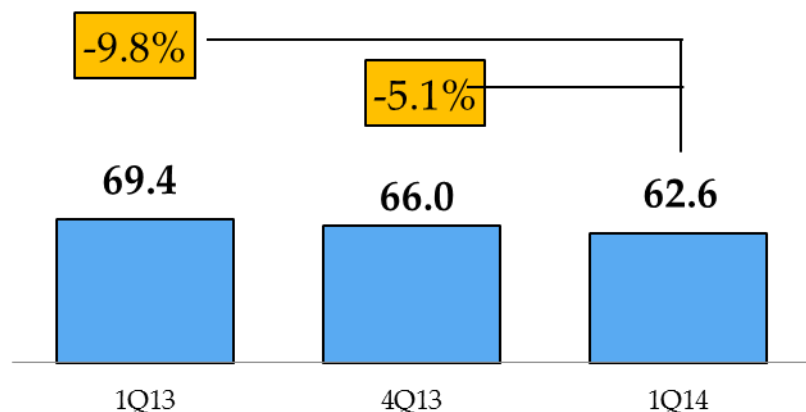


- Lower funding/lending volumes and substantially stable spreads, still at an all-time low, were reflected on trends in Net Interest Income in Q1 2014, which was down 2.3% on Q1 2013
- Lower margins were largely the result of the loan book quality enhancement policy (which drove bad loans up by approximately EUR 670 mln in 2013) and partly the result of divestment of a portion of the securities portfolio.

Non-interest income: good trend in revenues from Finance

EUR mln

FEE AND COMMISSION INCOME



- Alongside an increase in commissions on payment systems (+EUR 0.87 mln to EUR 11.3 mln; +8.1%), a reduction was registered in fees on assets under management, trading and advisory services (-EUR 3.3 mln to EUR 19.1 mln; -14.6%), and fee and commission income on current accounts (-EUR 1.1 mln; -3.5%).

EUR mln

FINANCE⁽¹⁾



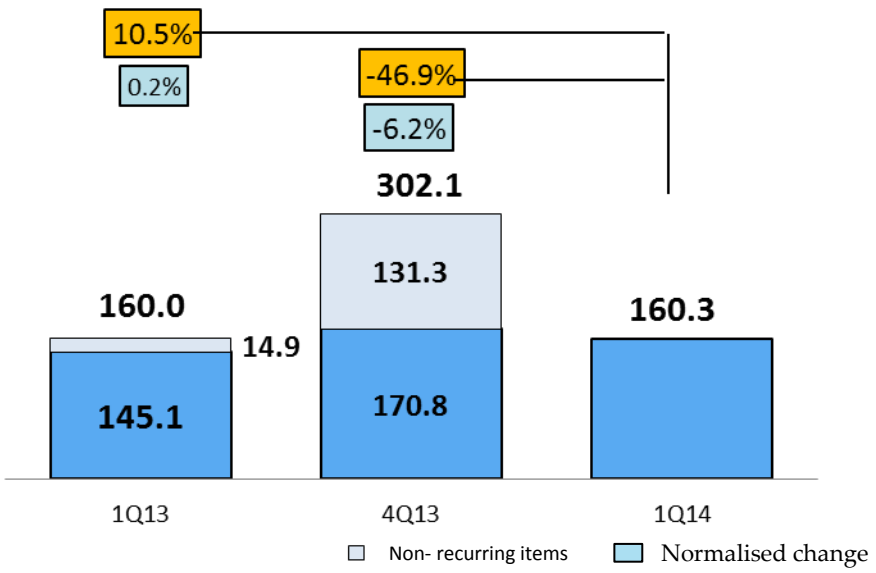
- The positive contribution from Finance mainly arises from disposal of AFS securities (EUR 57.1 mln vs. EUR 37.7 mln in Q1 2013)
- Material increase in Finance contribution as compared to Q1 2013 (net of the non-recurring positive effects arising from the «fair value option» accounted for in Q1 2013)

(1) dividend and similar income, net profit (loss) from trading, gains /losses from valuation (items 70, 80, 90, 100 b-c-d and 110).

Operating costs: stable, net of one-offs

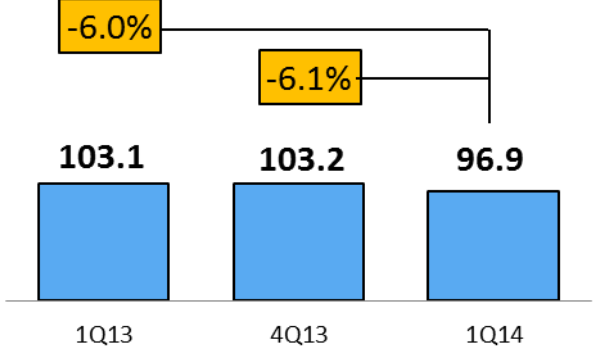
EUR mln

OPERATING COSTS

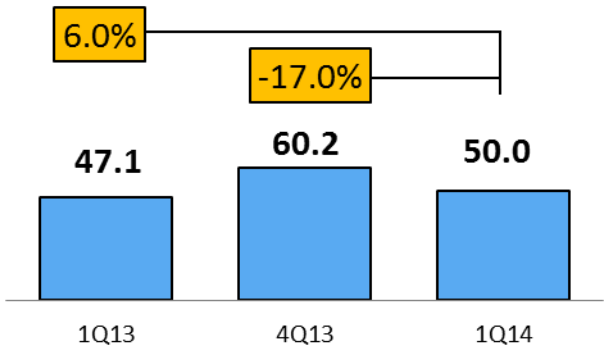


(1) Normalised

PERSONNEL COSTS



OVERHEAD COSTS



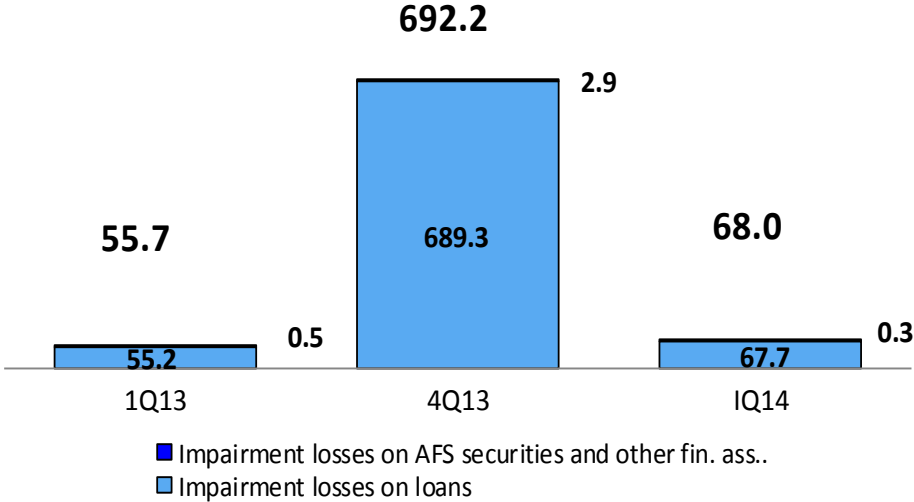
□ Total operating costs, amounting to EUR 160.3 mln, were broadly stable (+0.2%) on Q1 2013, net of non-recurring positive gains for an amount of approx. EUR 15 mln posted in Q1 2013 arising from the out-of-court settlement of a legal dispute

□ Personnel and overhead costs as a whole were down by approximately EUR 3 mln compared to Q1 2013

Value adjustments: in line with forecasts

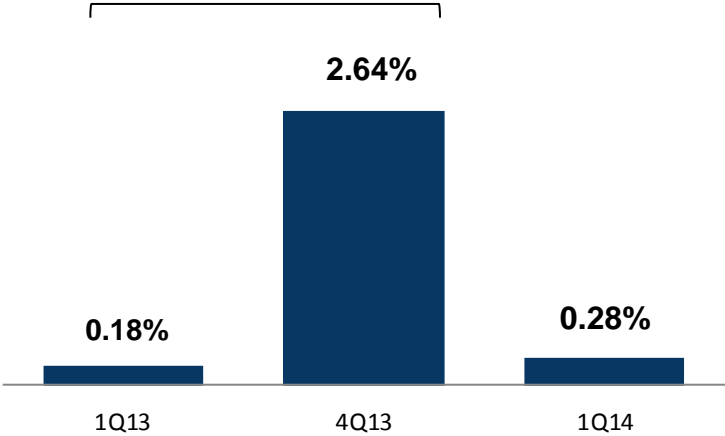
EUR mln

NET IMPAIRMENT LOSSES/REVERSALS ON LOANS AND OTHER FINANCIAL ASSETS



COST OF CREDIT (1)

FY13 4.2%

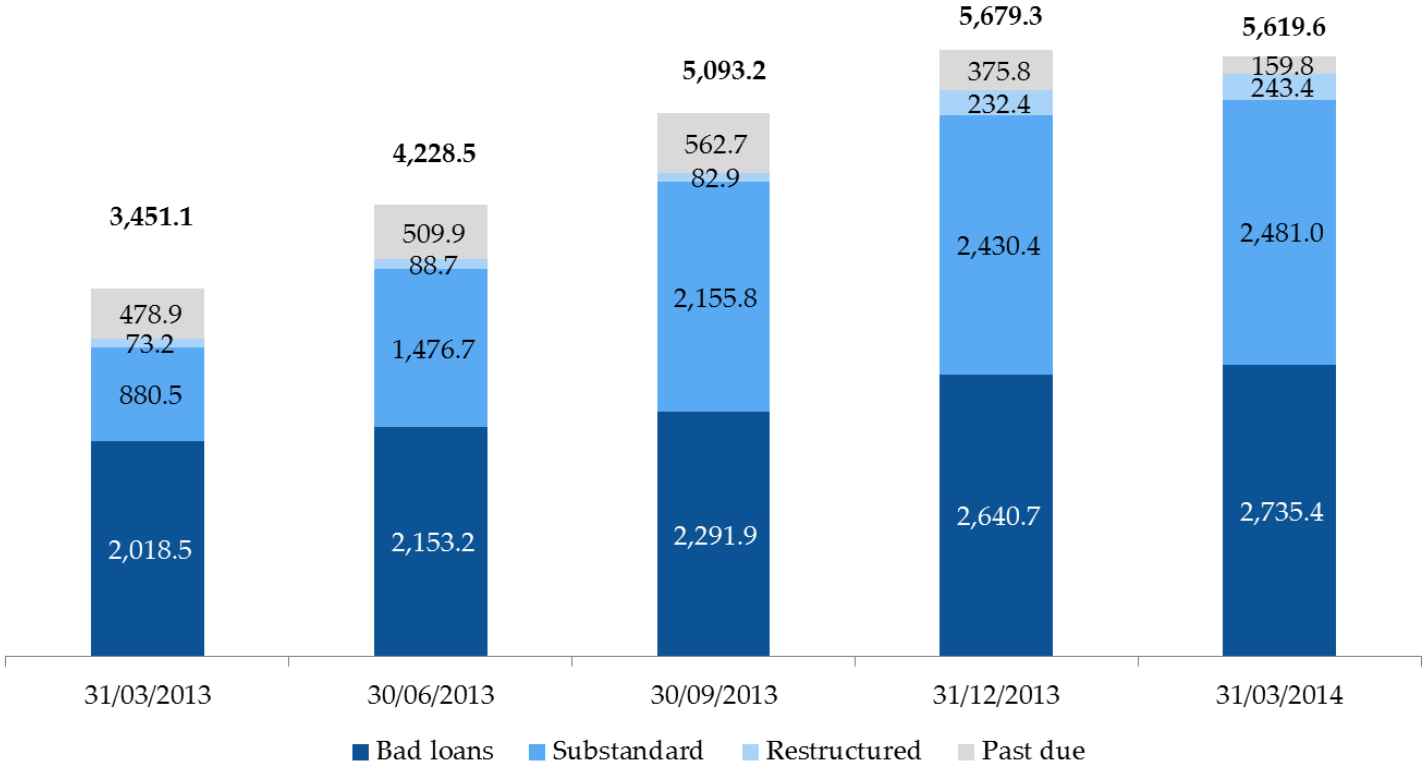


(1) Calculated on net loans

- ❑ Impairment losses on loans and other financial assets totalled EUR 68 mln in Q1, in line with budget forecasts
- ❑ The «core» component of cash loan loss provisions totals EUR 69 mln and corresponds to an annualised cost of credit of 110 bps

Gross non-performing loans trending down

EUR mln



- ❑ Q/Q slowdown in credit quality deterioration with reduced inflows into the individual classes of NPLs
- ❑ The decrease in NPLs (-1.1% to EUR 5.6 bn) is traceable to stronger control over the aggregate and, partly, to a new regulatory definition of past due exposures (-57.5% to EUR 159.8 mln)

Robust coverage ratios, in line with the industry's highest levels

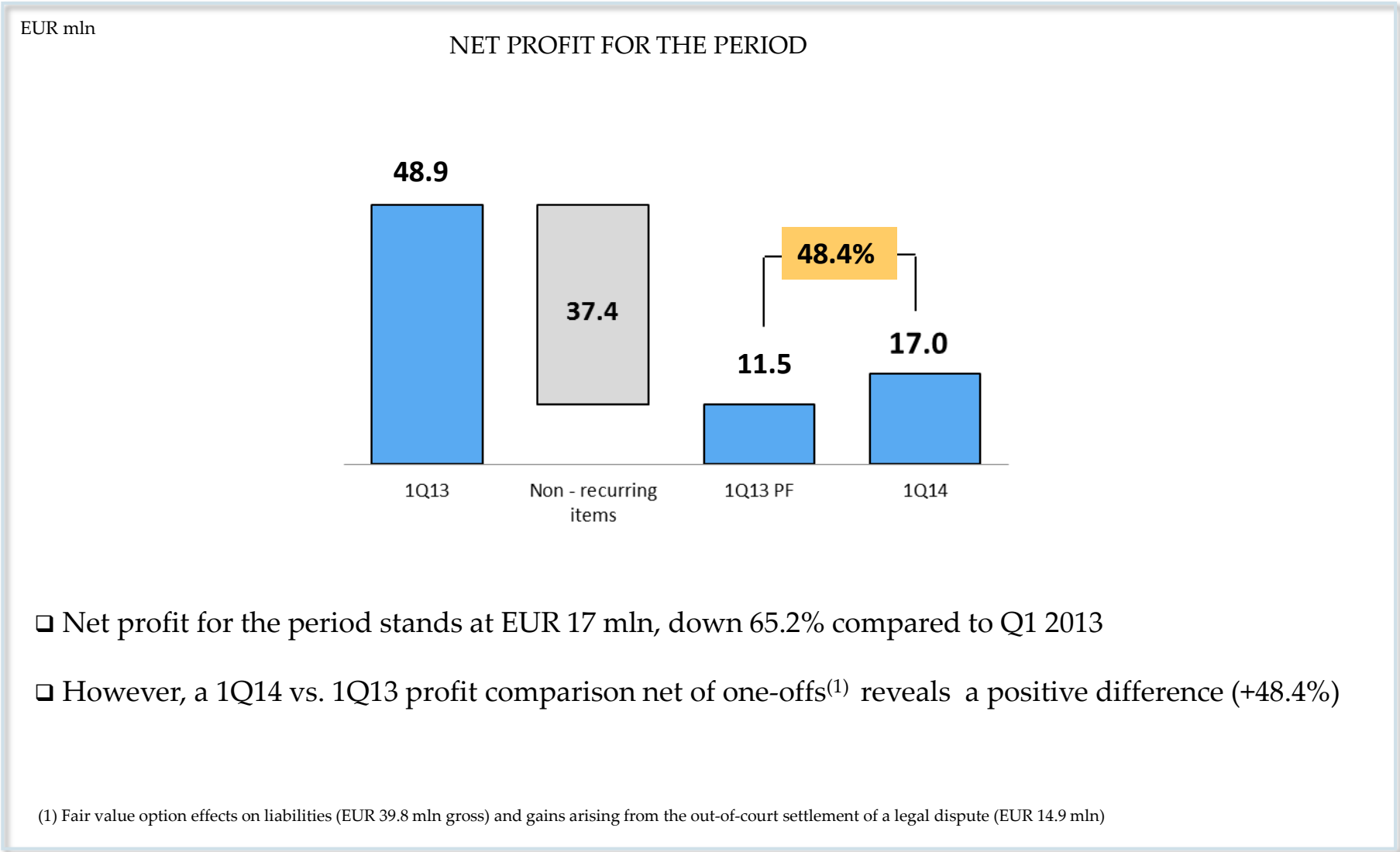
Coverage %	31/03/2013	31/12/2013	31/03/2014	31/03/2014 write-offs included	Avg. Regional peers ⁽¹⁾
Total NPLs	33.7	36.0	37.4	39.9	34.7
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Substandard	16.0	20.3	20.0	20.0	17.2
Restructured	10.4	13.1	13.8	13.8	14.1
Past due	1.8	9.6	14.2	14.2	6.4
Performing (2)	0.5	0.9	0.9	0.9	n.d.
Total Loans	4.2	8.1	8.4	9.2	n.d.

- ❑ NPL coverage ratio was up further from 36% to 37.4% in Q1, in line with regional peers' highest levels⁽¹⁾ (34.7%)
- ❑ Bad loans coverage was broadly stable on levels as at 31/12/2013, and was over 4 p.p. the average of regional banks (1)
- ❑ Bad loans coverage including write-offs has now risen to 60% and NPL coverage ratio write-offs included to 39.9%

(1) Source: press releases and presentations of Q1 2014 of BPER, Credem, BPM, Desio, Banco Popolare, Creval, UBI, BP Sondrio e BP Etruria Group

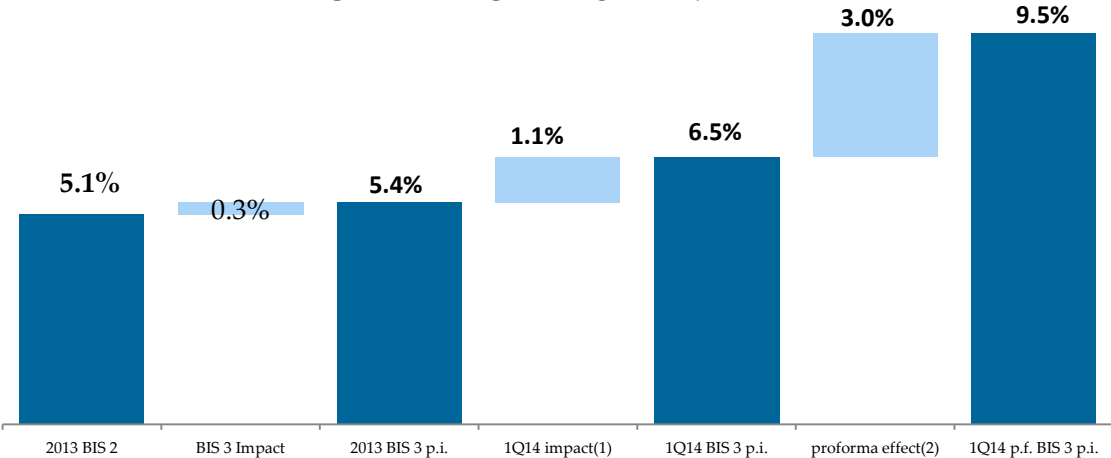
(2) Net of securities

Net profit for the period on the rise, net of one-offs



Capital ratios in line with Business Plan timeline

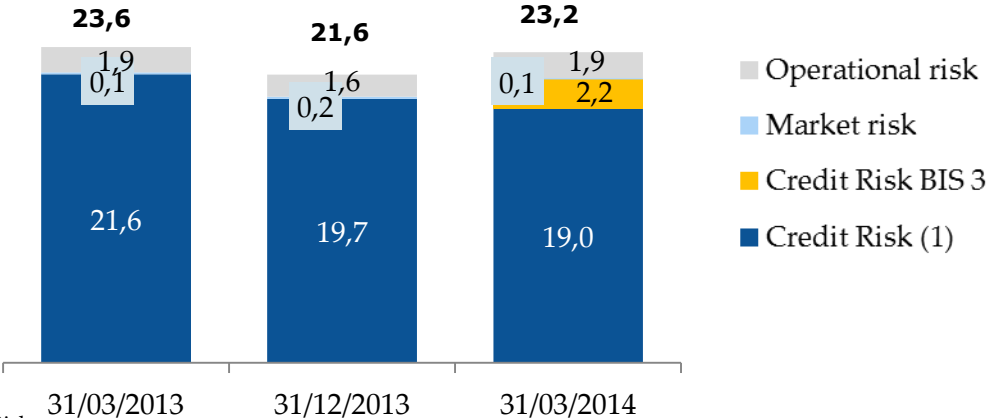
CET1 RATIO PHASED IN



(1) Including balance-sheet effects from recognition of the new stakes in the Bank of Italy
 (2) Including the Bank's capital increase, the insurance company's capital increase and the higher tax rate on the stake in the BoI

EUR bn

RWAs



(1) based on standardised approach for Credit Risk

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