

Investor Presentation – Credit Overview & Envisaged Transaction

Gruppo Bancario Cooperativo Iccrea (“GBCI”)

September 2020

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Agenda



GBCI in a nutshell



Key investment highlights



Update on 2019 results



Details on Cohesion Contract



Envisaged Transaction

Agenda



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Details on Cohesion Contract

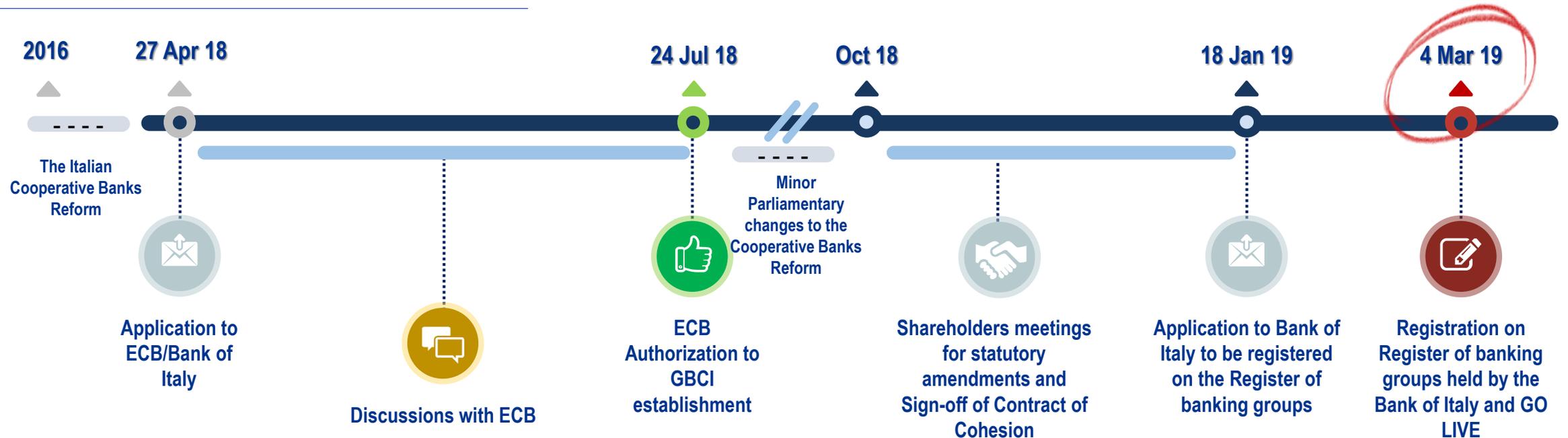


Envisaged Transaction

Key company milestones

GBCI has unique features compared to the national and international competitive market

Timeline of GBCI establishment

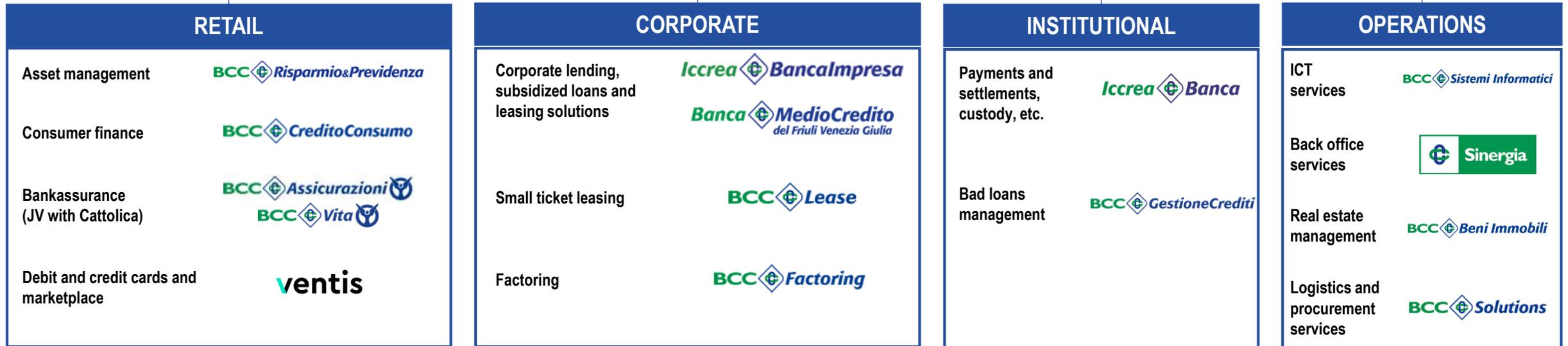


The pillars of the Italian Cooperative Banks Reform/of the Group

- ❖ Ad-hoc regulatory framework which rules the definition of organizational and operating model
- ❖ BCCs (“Cooperative Credit Banks”) have to sign-off a Cohesion Contract to belong to a CBG (“Cooperative Banking Group”): each BCC accepts to be subject to the Parent Company’s management and coordination
- ❖ Regulatory references are: Law n. 49 of 8 April 2016 and Law n. 108 of 21 September 2018
- ❖ The Cohesion Contract includes innovative and unique mechanisms introduced by the regulatory requirements, such as Early Warning System (for risk control, interventions and sanctions) and Cross-guarantee Scheme (for stability and capital protection)

Main strategic areas of the Group

Iccrea Banca and the other Direct Scope companies⁽¹⁾ provide several services to Affiliated BCCs (corporate lending, leasing, asset management, consumer credit, ICT, etc.)



Commercial banks (lending, deposits, etc.)



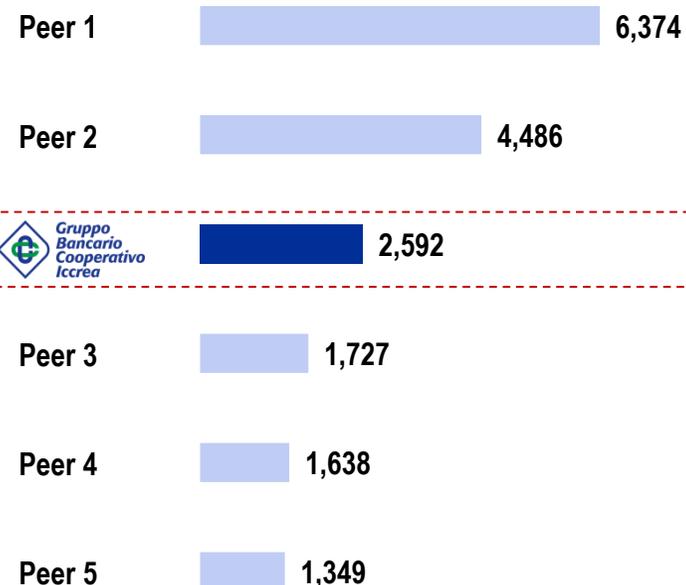
136⁽²⁾
Affiliated BCCs

Company overview

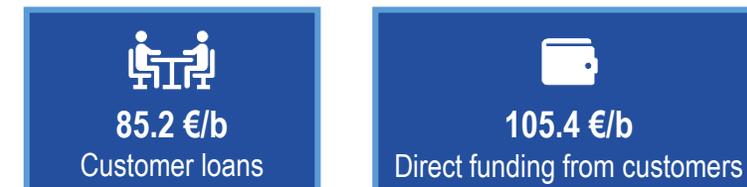
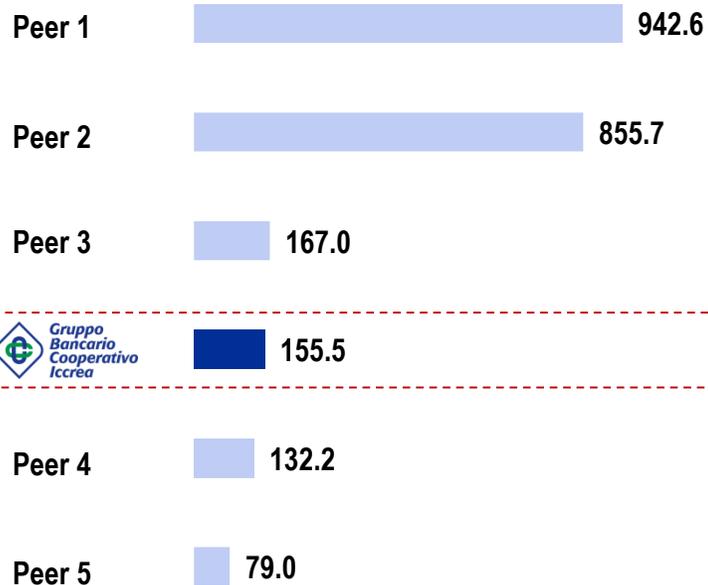
GBCI is the largest Cooperative Banking Group nationwide



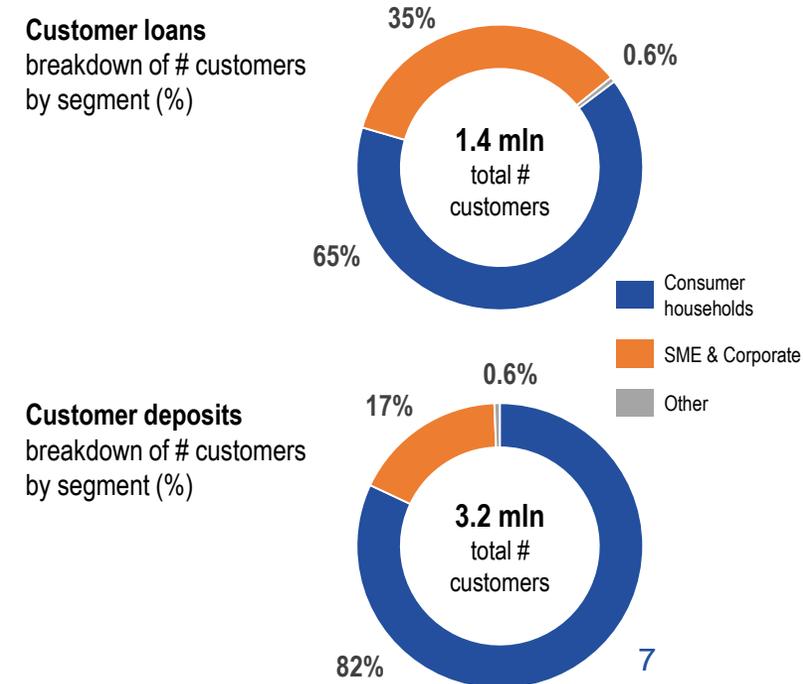
The third Italian Banking Group by branches⁽¹⁾ (#)



The fourth Italian Banking Group by total assets⁽¹⁾ (€/b)



GBCI's extensive retail customer base and territorial proximity



GBCI positioning in the Italian Banking Sector

GBCI CET1r higher than market peers

Ranking by total assets		Funding	Regulatory ratios			Liquidity		Last available rating (long term issuer rating)		
Peers ⁽¹⁾	Total Assets (€/b)	Direct funding from ordinary customers (€/b)	Capital Ratio Phased-in (%)			LCR (%)	NSFR (%)	FitchRatings	STANDARD & POOR'S	DBRS
Peer 1	942.6	586.9	13.9%	3.8%	17.7%	161%	> 100%	BBB-	BBB	BBB (high)
Peer 2	855.7	579.0	13.2%	4.5%	17.7%	143%	> 100%	BBB-	BBB	BBB (high)
Peer 3	167.0	109.5	14.6%	2.0%	17.5%	> 165%	> 100%	-	-	BBB (low)
 Gruppo Bancario Cooperativo Iccrea	155.5	105.4	15.5%	0.8%	16.3%	255%	130%	BB-	BB	BBB (low)
Peer 4	132.2	94.2	14.7%	2.0%	16.7%	152%	113%	B	-	B (high)
Peer 5	79.0	58.1	13.9%	2.9%	16.8%	159%	114%	BB	-	-

Median CET1 ratio⁽²⁾: 13.9%

Source: Financial Report 2019; Prometeia; Publicly available information

(1) Peers sample: Intesa Sanpaolo (pro-forma total assets and direct funding adding UBI figures, capital and liquidity ratios don't include UBI figures), Unicredit, Banco BPM, MPS, BPER; (2) Median excluding GBCI

Issuer ratings

Iccrea Banca is rated by main rating agencies



Last issuer ratings

	Release date	Long Term	Outlook	Short Term
	March 24, 2020	BB-	Negative	B
	March 26, 2020	BB	Negative	B
	April 02, 2020	BBB (low)	Negative	R-2M

GBCI strategic plan

The Transformation Plan is already ongoing

Strategic drivers

2020-2023 Group strategic plan

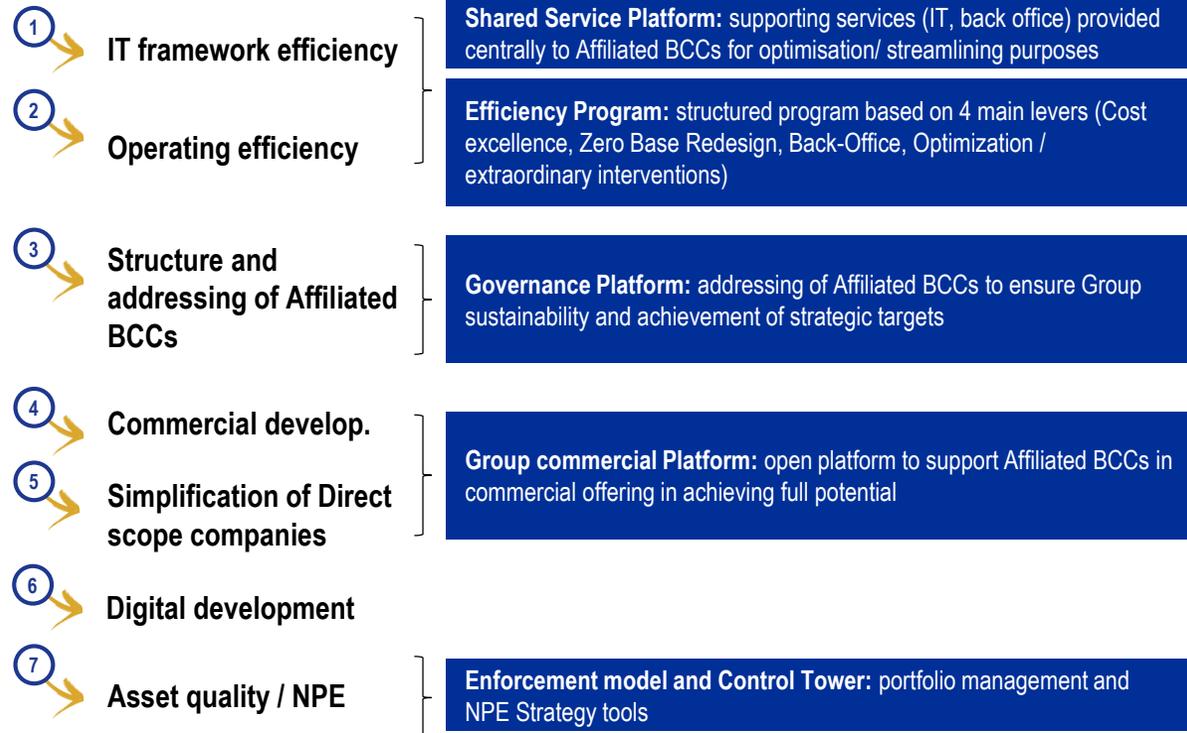
Iccrea Banca, with the active collaboration of Affiliated BCCs, started in November 2019 a structured strategic planning process aimed at strengthening Group positioning, keeping focus on sustainability, territorial presence and shareholders relevance. In particular, a strategic framework has been defined by articulating vertical streams and cross intervention streams:

Strong capital buffers to mitigate risks and sustain Group development

Value creation through interventions related to commercial plan and cost reduction

Further reduction of target NPE ratio

Strategic intervention streams



Cross intervention streams

➔ Covid-19 impacts

➔ Regulatory impacts

Given the macroeconomic impacts related to Covid-19, Group financial projections defined within the strategic plan requires to be updated. A new planning process, related to financial projections, starts in the 4Q 2020 aimed to confirm the current Group targets

The Iccrea Banca BoD decided to follow up on the defined interventions by approving the so-called "GBCI Transformation Plan" on March 30, 2020

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Commercial development

Evolution path for Affiliated BCCs in order to strengthen service and distribution model towards a qualified relationship model:

- Offering based on high added value advisory services (new professional roles)
- Evolution of branch model towards transaction services and process automation
- Client centricity approach also through new customer insight tools
- Territorial development through product/segment specializations
- New overall multi-channel digital strategy

Highlights

Bancassurance project: new support model and renewal of Cattolica partnership until 2022

Wealth Management project: new advisory model and competence centers (creation of Private & Wealth Management Division)

CRM project for Group integrated client relationship system (enabling marketing automation)

INTOUR project: creation of an advanced platform of services for the tourism industry

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Asset quality / NPE

Waiting to overcome the uncertainty related to Covid-19, Iccrea Banca BoD has approved on 30 March 2020 the management strategies on NPE portfolio, in terms of quantitative and qualitative targets (to be reviewed post Covid-19), according to regulatory requirements, best practices and regulatory address

Group gross NPE ratio at 7% on 2023 and coverage at 56% (pre Covid-19 ambitions)

Regulatory compliance initiatives related to "NPE Guidance" (Remediation Plan)

Set up of implementation phase in terms of project organization and roadmap from April 2020

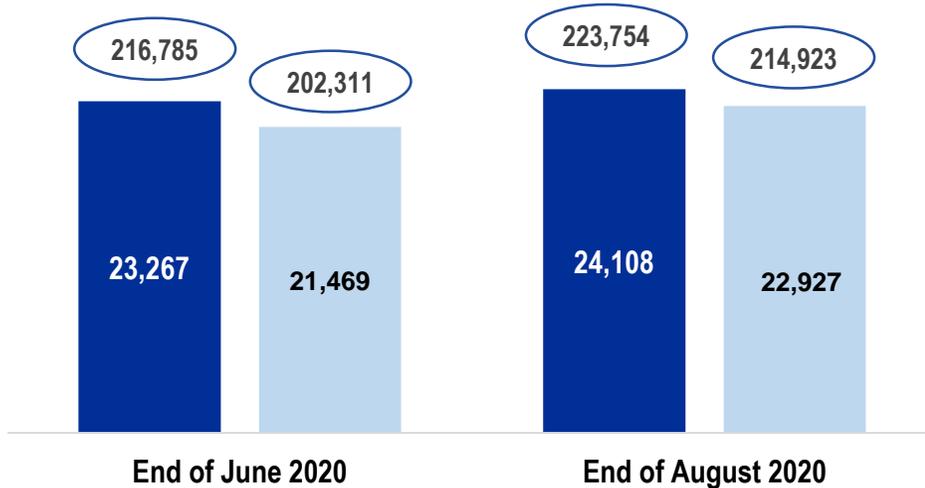
Improving the NPE ratio by taking advantage of disposal opportunities

Enhancing operational levers in order to optimize the management of NPEs

Enabling the Affiliated BCCs to focus more on the creation of value and to generate new business

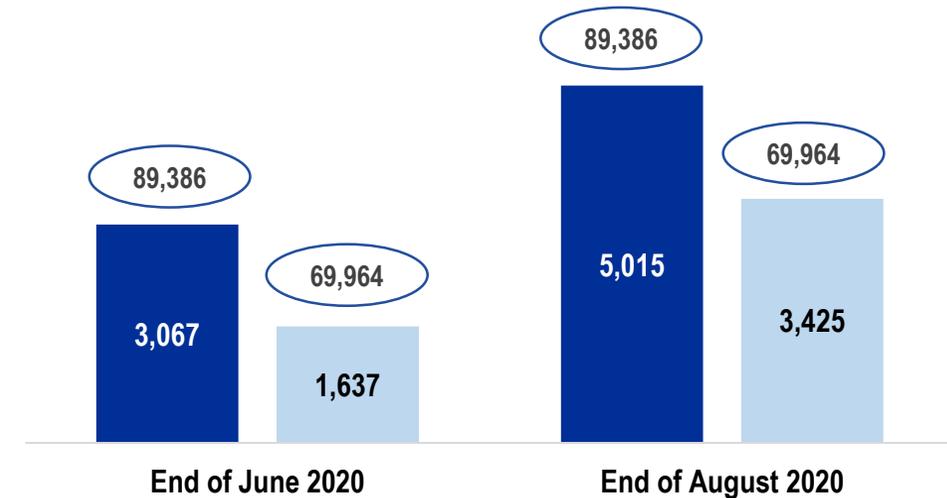
Moratorium granted to borrowers by the <<Cure Italy>> decree

○ # of operations
 ■ Applications (GBV in €/m)
 ■ Approvals (GBV in €/m)



New loans ex art. 13 <<Decreto Liquidità>>

○ # of operations
 ■ Applications (GBV in €/m)
 ■ Disbursements (GBV in €/m)

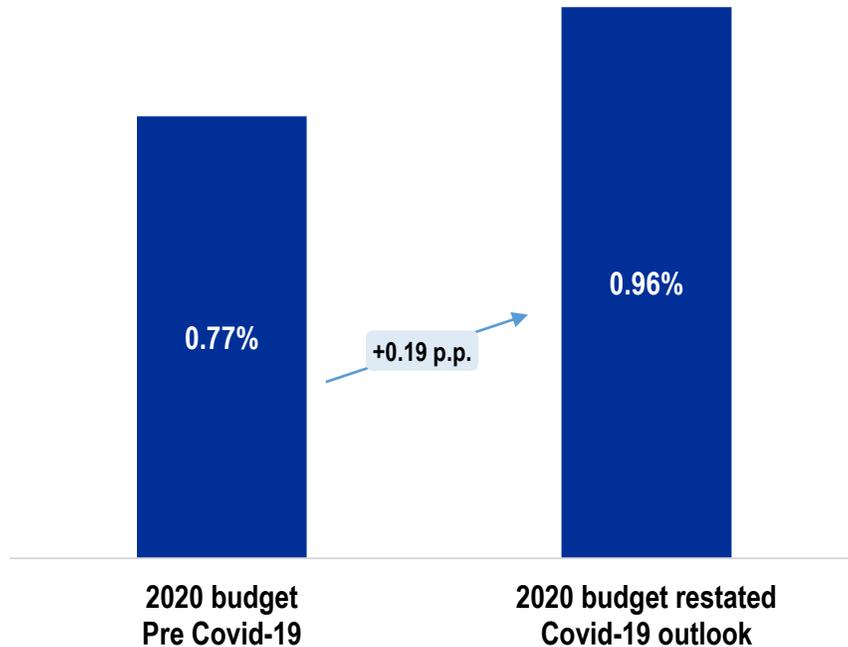


Highlights

- As of June 2020, about 92.3% of GBV moratorium applications have been approved (95.1% at August 2020)
- In terms of new loans ex art. 13 «Decreto Liquidità», at August 2020 over 3.4 €/b disbursed (out of 5.0 €/m requested)

2020 net Cost of Risk (without loss on disposals)

- Net writedowns for credit risk (€/m)
- Net Cost of Risk (%)



Fielded actions

- Due to Covid-19 effects, 2020 budgeted Cost of Risk highlights an increase in comparison with Group financial projections
- Given that, GBCI defined several actions both at Group and Affiliated BCCs level to deal with Covid-19 effects on credit portfolios:



- Operational circulars
- Set-up of Covid-19 task force
- Portfolio segmentation and credit strategic guidelines
- Evolution of monitoring systems and implementation a «crash» tool to assess the potential reclassifications of the moratoriums to UTP
- Empowerment of credit control and approval processes, standards and IT resources



- Enforcement of operational and credit framework, activation of monitoring streams and ad-hoc reporting flows to oversee credit portfolio
- Manage the parent company «crash» tool to assess the potential reclassifications of moratorium to UTP

Sustainability: objectives of GBCI

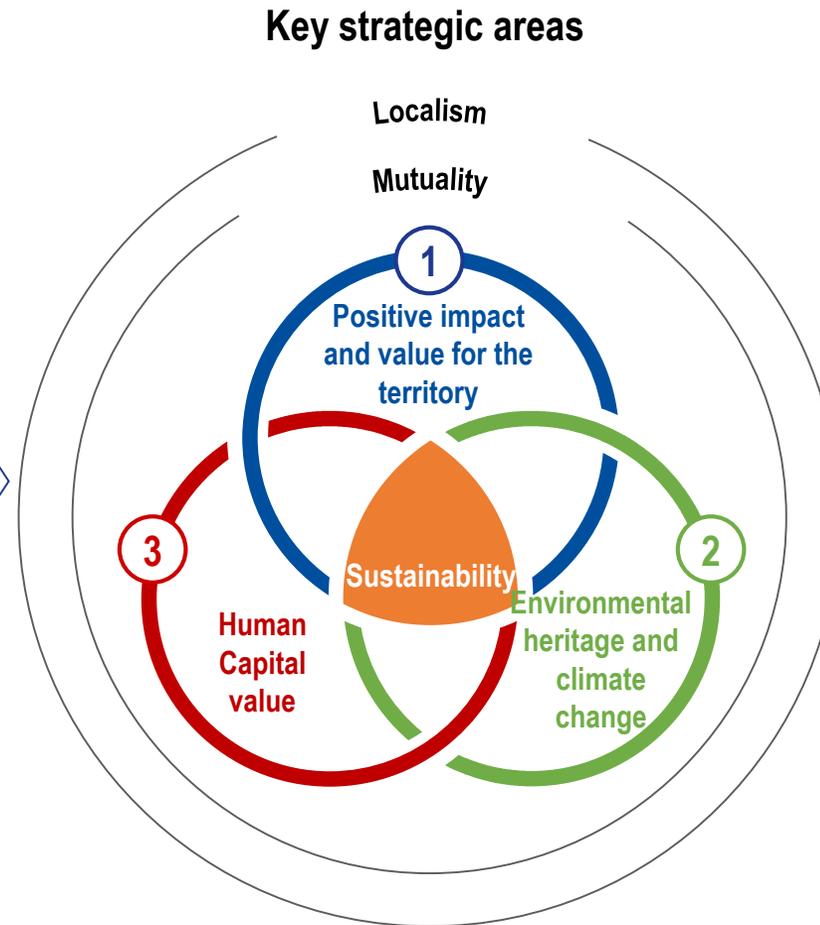
The Sustainability Plan contains the Sustainable Development Goals that GBCI intends to pursue over the Strategic Plan horizon

Vision

- GBCI is inspired by the values contained in the **Encyclical "Laudato si"** and considers the environmental dimension connected to the social one according to a principle of **integral ecology**
- GBCI works to ensure that the several of the **17 Sustainable Development Goals of Nations** become an integral part of the business objectives

Values

- Art. 2 of the Statute of the BCC and Cooperative Credit Charter of Values:**
 - The concept of sustainability is the natural evolution of mutualistic DNA of the BCC
 - GBCI considers sustainability an opportunity to reaffirm the principles, values and growth in terms of market and business for cooperative credit



1 Support sustainable, fair and responsible economic development of the territory with financial support for the **territorial entrepreneurship**

2 Support the adoption of a circular economy development model, promoting an **efficient and responsible approach to natural resources**

3 Maximize the well-being of companies as a whole, enhancing the people of the Group, with constructive welfare policies and inclusive diversity

Agenda



GBCI in a nutshell



Key investment highlights



Update on 2019 results

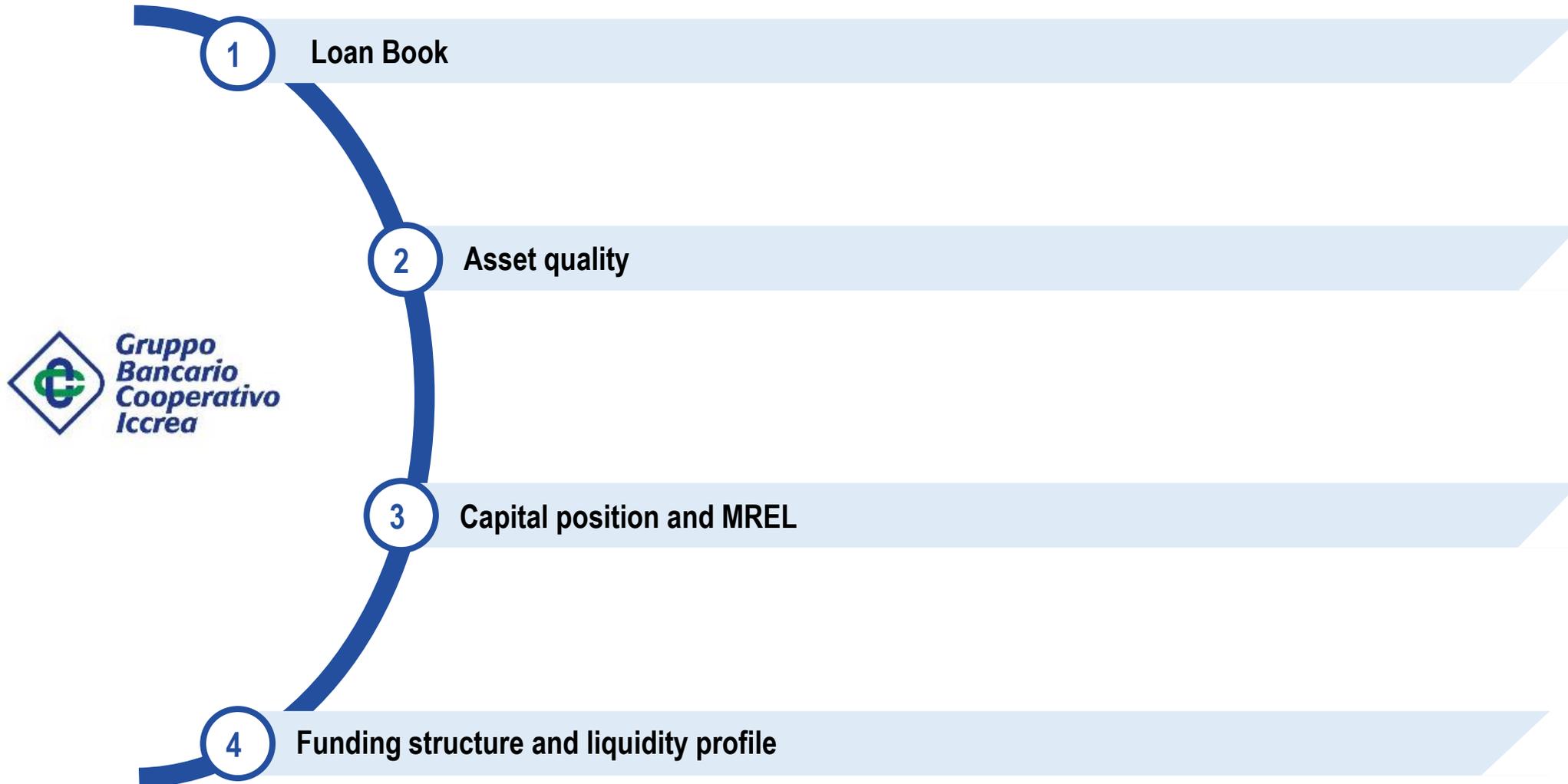


Details on Cohesion Contract



Envisaged Transaction

Key investment highlights

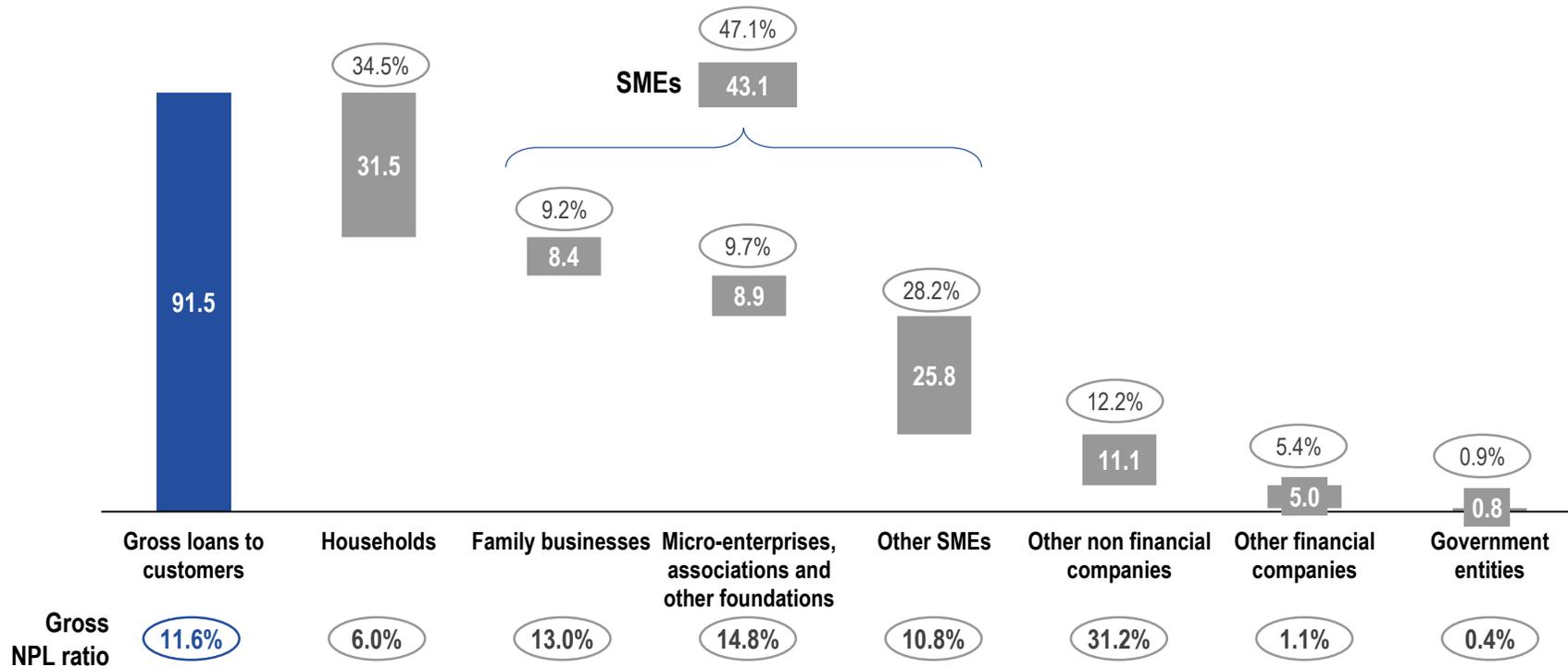


Loan book

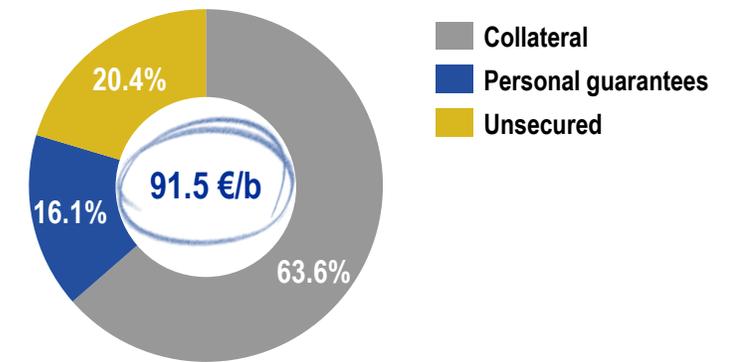
GBCI target service model leverages on territorial proximity and an extensive client base with long term relationships

Dec-19

Gross loans breakdown by Counterparty Sector - €/b



Breakdown by type of guarantees

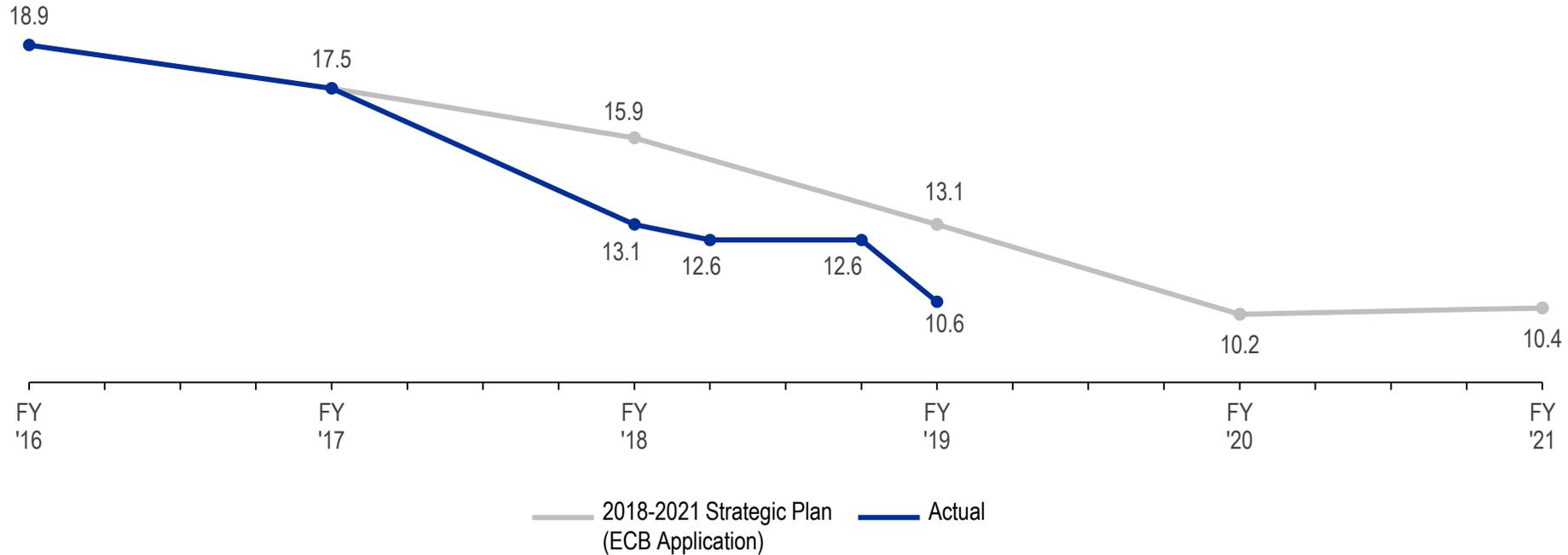


Net loans to customers 85.2 €/b

Highlights

- The business model of Affiliated BCCs, which represent the larger part of total assets and total loans to customers, is reflected by the breakdown of loans by counterparty type
- About 80% of the Group's credit portfolio in terms of GBV is made up of loans to individuals (31.5 €/b) and small and medium-sized enterprises (47.1 €/b)

Gross NPL stock evolution - €/b



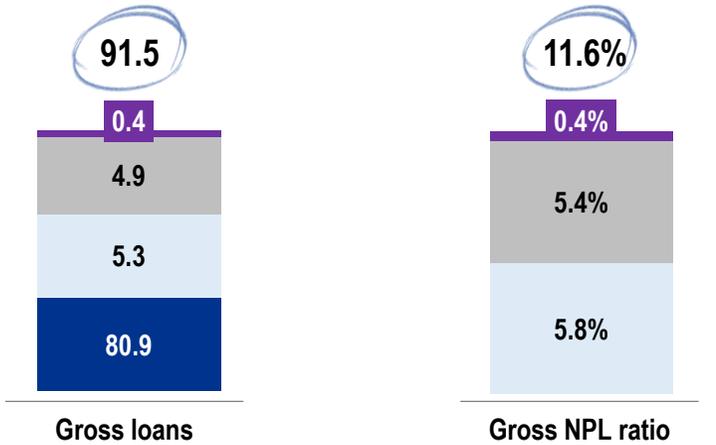
2020 perspective

- According to the de-risking plan, in 2020 the Group launched a further disposal operation (multioriginator securitization) to be realized by end of 2020, encompassing several bad loans portfolios related to mortgage and unsecured loans (GAVS IV)
- The above mentioned transaction could lead to a bad loans reduction of around 1.5-2 €/b

Asset quality

Gross and net loans to customers 2019

Asset quality (Dec – 2019) - €/b

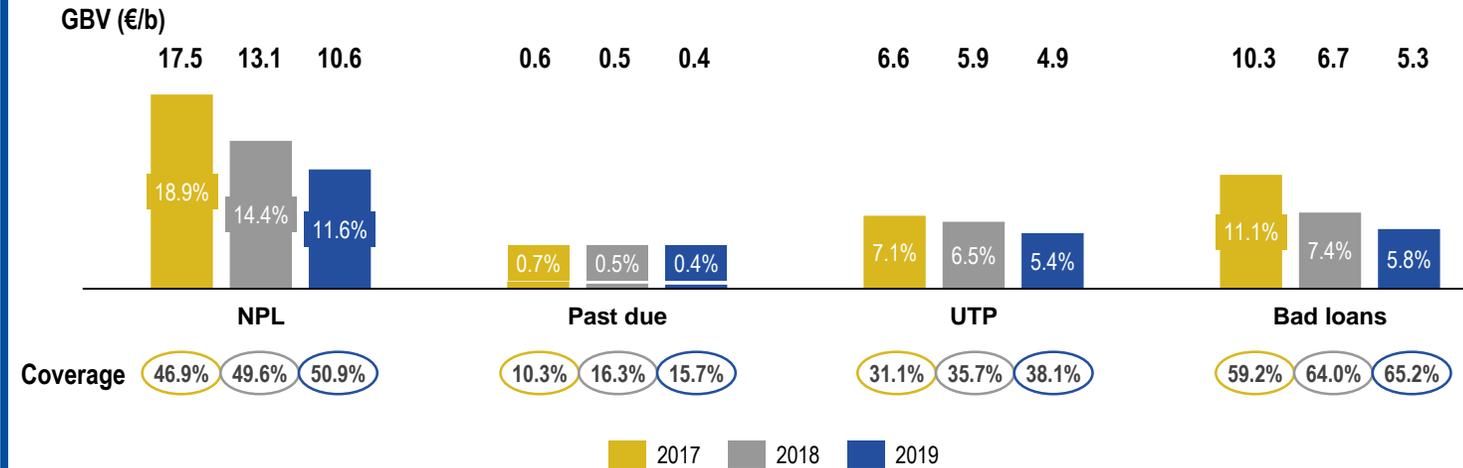


■ Past due
 ■ UTP
 ■ Bad loans
 ■ Performing

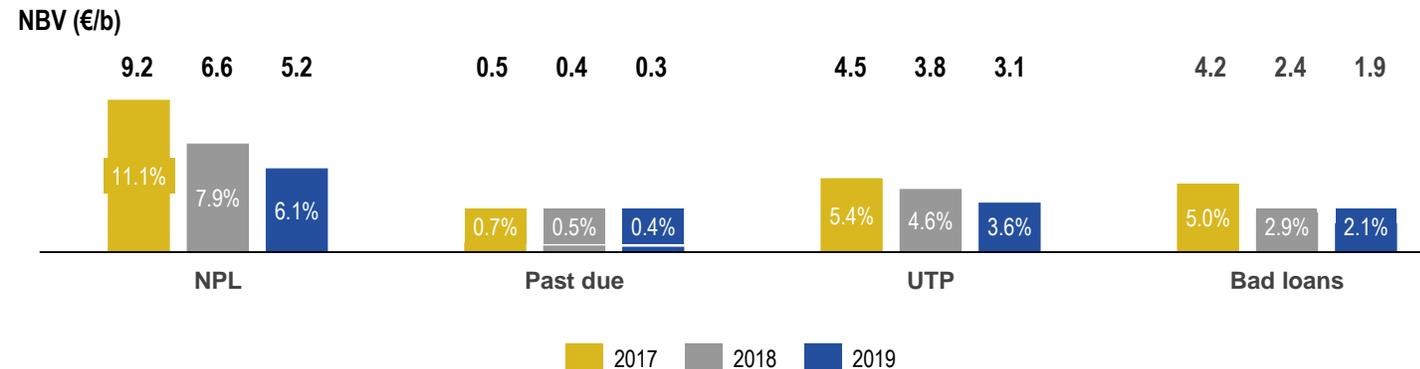
Highlights

- Gross NPL ratio equal to 11.6% (vs. 14.4% in 1/1/2019)
- Net NPL ratio equal to 6.1% (vs. 7.9% in 1/1/2019)
- Coverage of NPLs rose to 50.9%, further growth compared to 49.6% at the end of 2018 and to 46.9% at the end of 2017
- Bad loans equal to 5.3 €/b, -1.4 €/b vs. 2018 mainly due to the two multi-origination transfer operations carried out during the year ("GACS III" and "Pomegranate Project")

Gross NPL ratio



Net NPL ratio

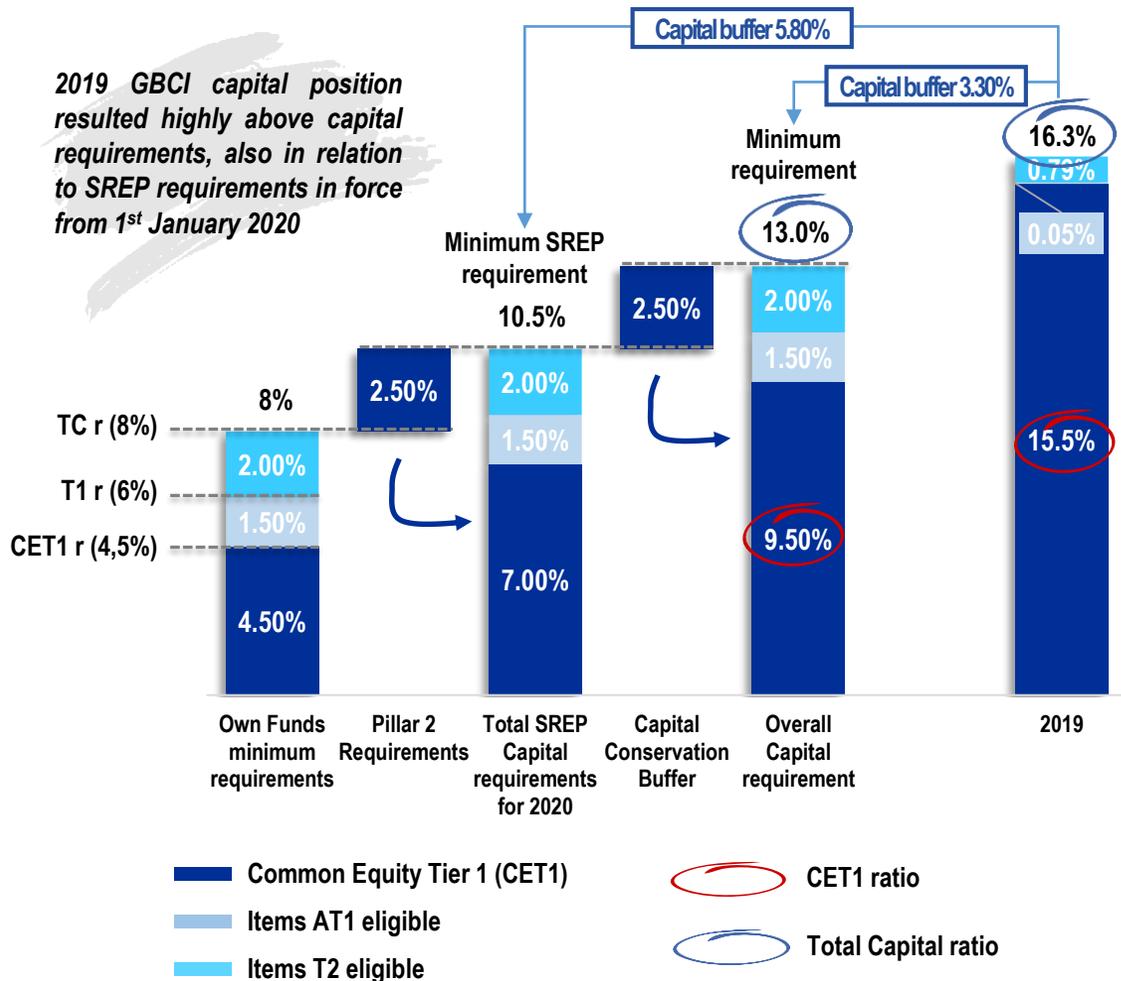


Capital position and MREL

Strong capital position above 2020 requirements

Capital position

2019 GBCI capital position resulted highly above capital requirements, also in relation to SREP requirements in force from 1st January 2020



2019 Group resolution - Key figures

Resolution planning activities

In 2019 Iccrea Banca, acting as GBCI Parent Company, has been involved in several initiatives related to the Group resolution plan required by Single Resolution Board

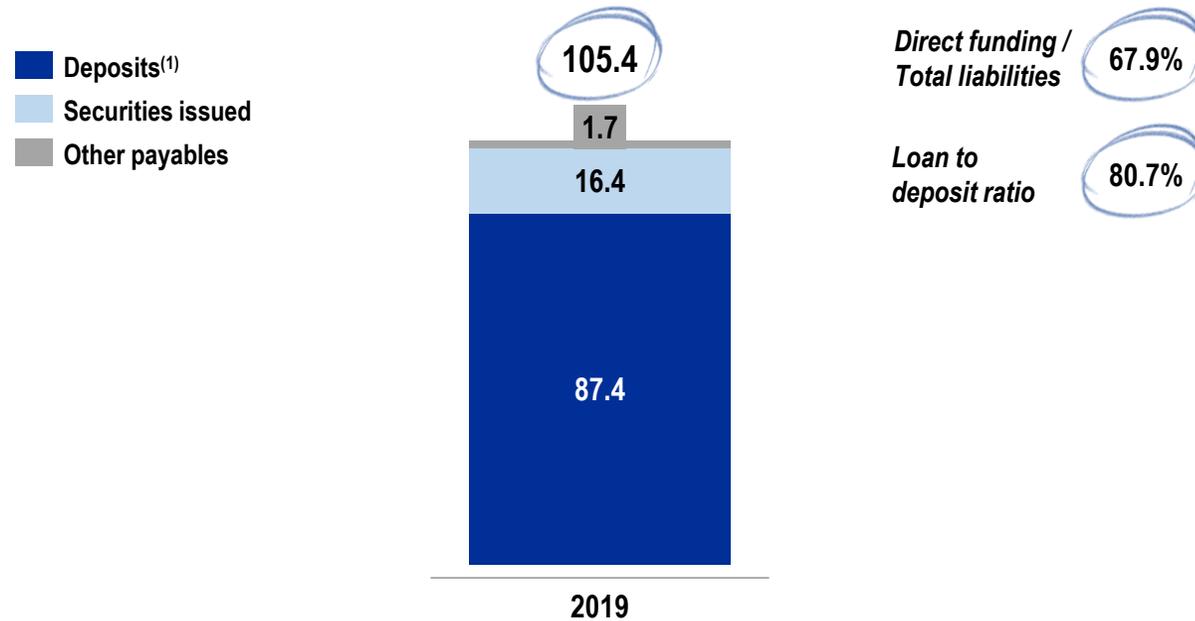
Preliminary MREL decision

In 2019 Resolution Authority has defined the Group preliminary MREL decision
In 2020 the Resolution Committee will finalize the MREL decision on GBCI requirement

RWA at 31st December 2019:
71.1 €/b

The Resolution Authority has defined the first hypothesis of Group resolution strategy based on a general-hybrid approach providing for the fulfilment of TLOF requirements at Group level (unique resolution group) but bail-in mechanisms allowed only with reference to Iccrea Banca eligible liabilities

Direct funding from ordinary customers - €/b

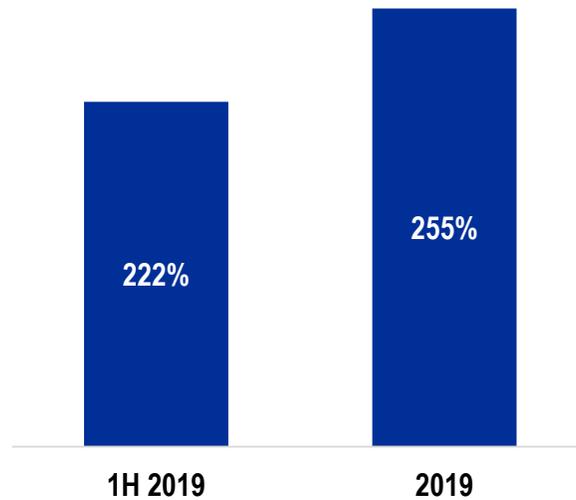


Highlights

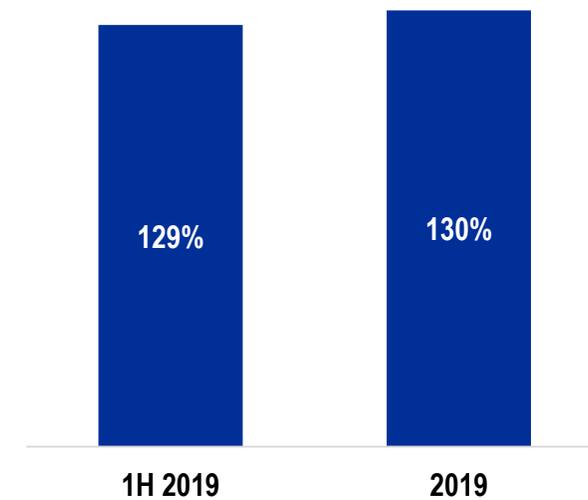
- The strong link with the territory is the basis of the high component of direct funding (105.4 €/b, including certificates of deposit and excluding repos), largely represented by deposits from customers (especially current accounts and free deposits) and to a less extent by bonds and certificates of deposit

Liquidity position (liquidity reserves) equal to 30.2 €/b at 31st December 2019

Liquidity Coverage Ratio



Net Stable Funding Ratio



Highlights

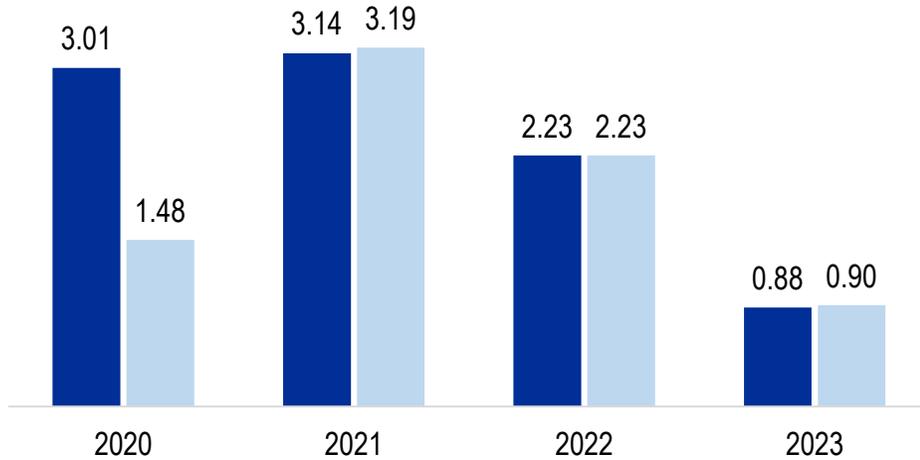
- Liquidity reserves equal to about 30.2 €/b, mainly represented by Italian government bonds

Funding structure and liquidity profile (3/3)

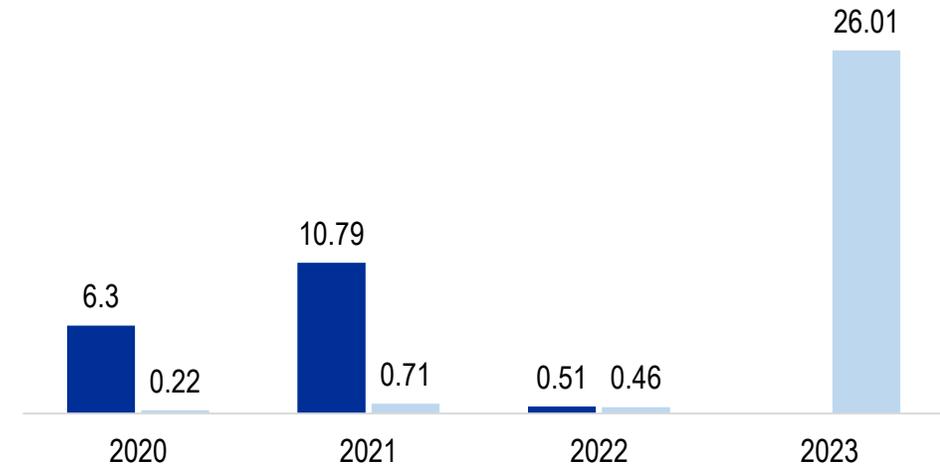
During 2020 liability maturities have been postponed

As of Dec-19
As of Jun-20

Maturing Bond Issuances - €/b



Maturing TLTRO Tranches - €/b



Highlights

- As regard Group bond issuance position, during first semester 2020 about 1,4 €/b expired and about 0,13 €/b has reimbursed in advance by Iccrea Banca
- As regard T-LTRO activities, Group maturing positions at June 2020 differs with regard to end of 2019. In particular, at June 2020, T-LTRO II funding have been reimbursed and GBCI has participated at T-LTRO III Program for more than 25 €/b, postponing to 2023 the maturities

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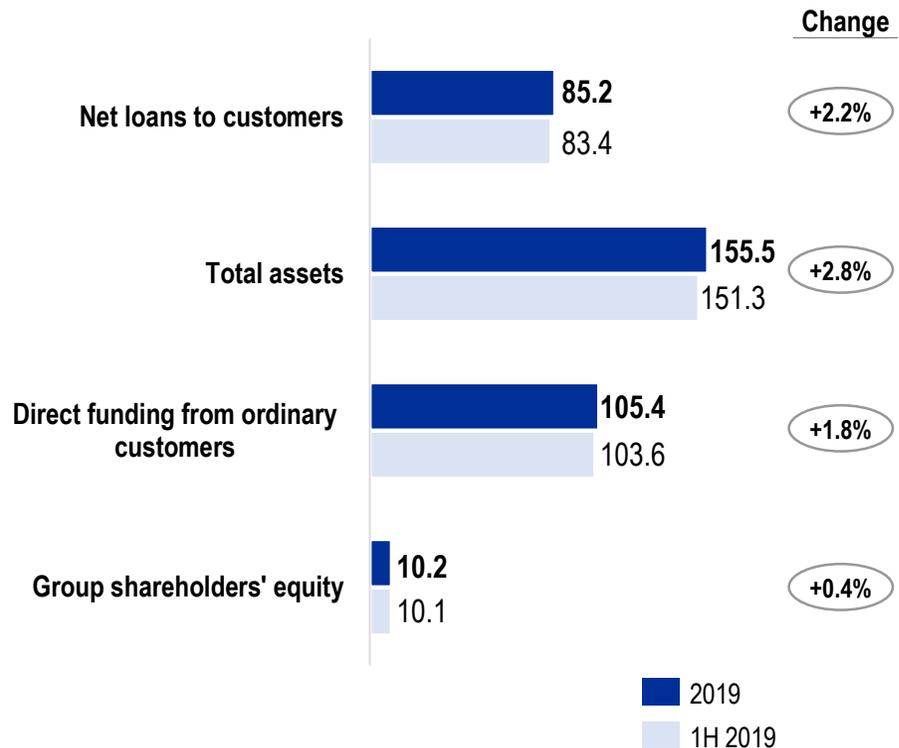


Envisaged Transaction

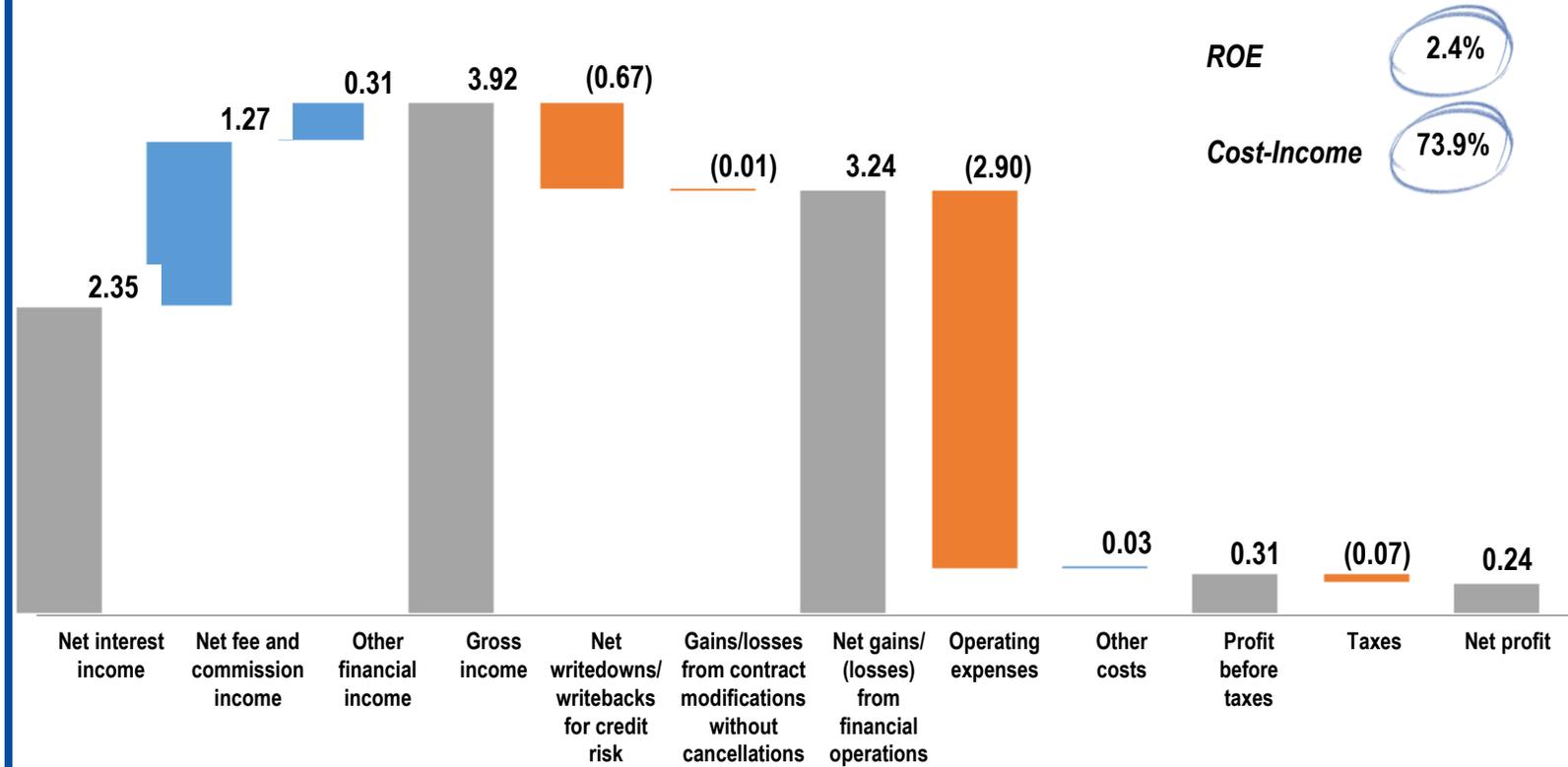
Highlights of 2019 results

Overview

Balance Sheet - €/b



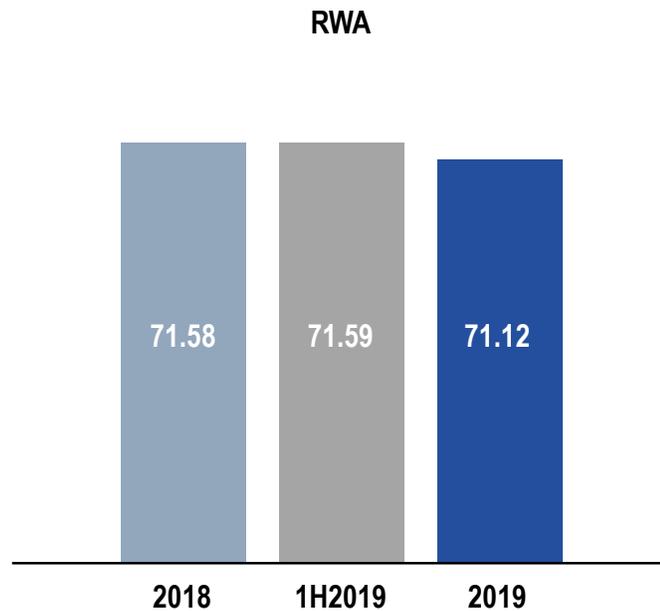
P&L Dec-19 - €/b



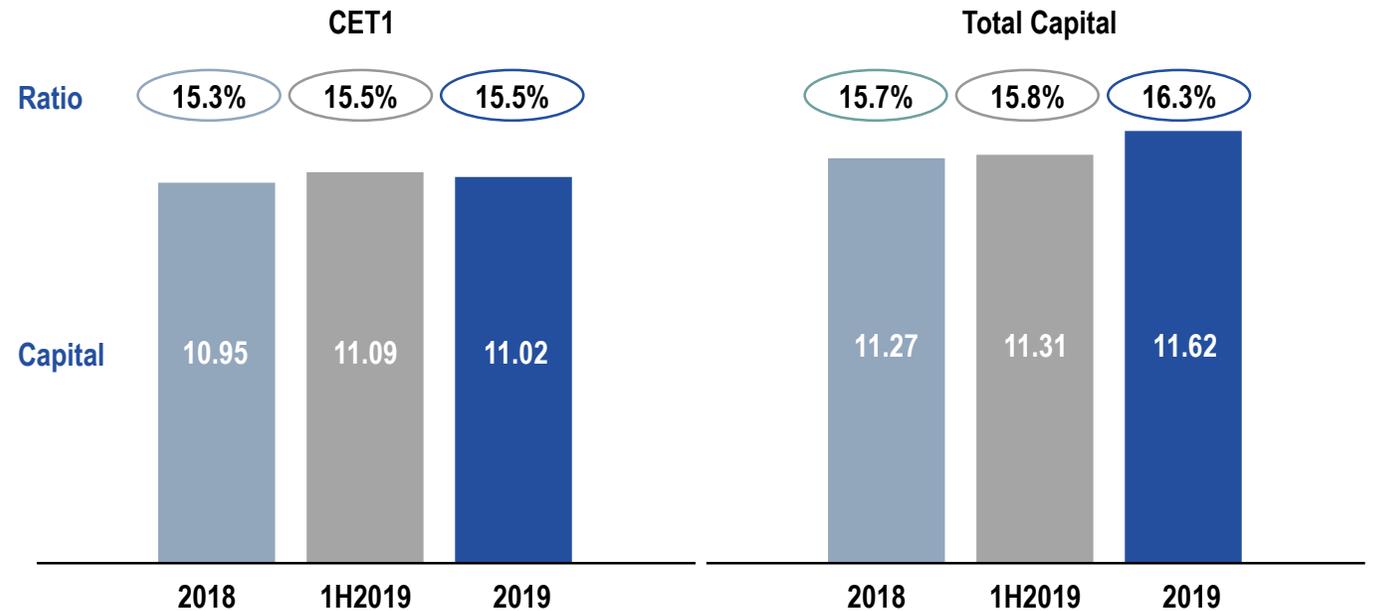
Capital ratios

Solid capital position confirmed with a CET1 at 15.5% and TCR at 16.3%

RWA - €/b



Capital position - €/b



Highlights

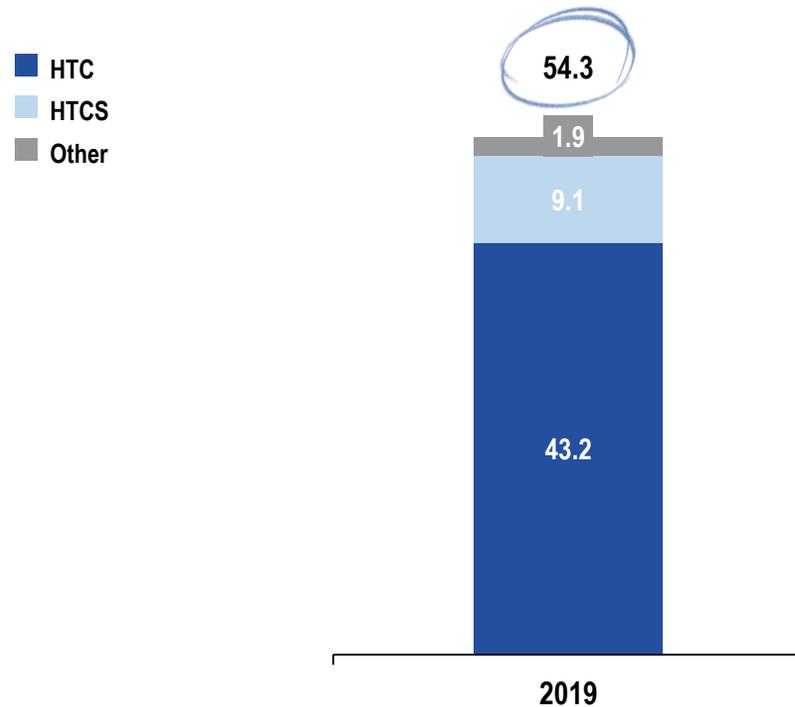
- CET1 ratio at 15.5% and TCR at 16.3% at 31st December 2019. The same do not include the capitalization of the profit for the year 2019, which will take place in 2020, with an estimated improvement effect on the capital ratios (no change in RWA) between 20 and 25 basis points

Securities portfolio

Financial portfolio equal to 54.3 €/b

Dec-19

Financial portfolios - €/b (book value)



Highlights

- Financial investments, equal to approximately 54.3 €/b, are 80% allocated to the portfolio valued at amortized cost (Hold to Collect - HTC business model) in line with the traditional business model that characterizes the Affiliated BCCs, aimed at benefiting from the coupon yield and at not exposing own funds to volatility risks

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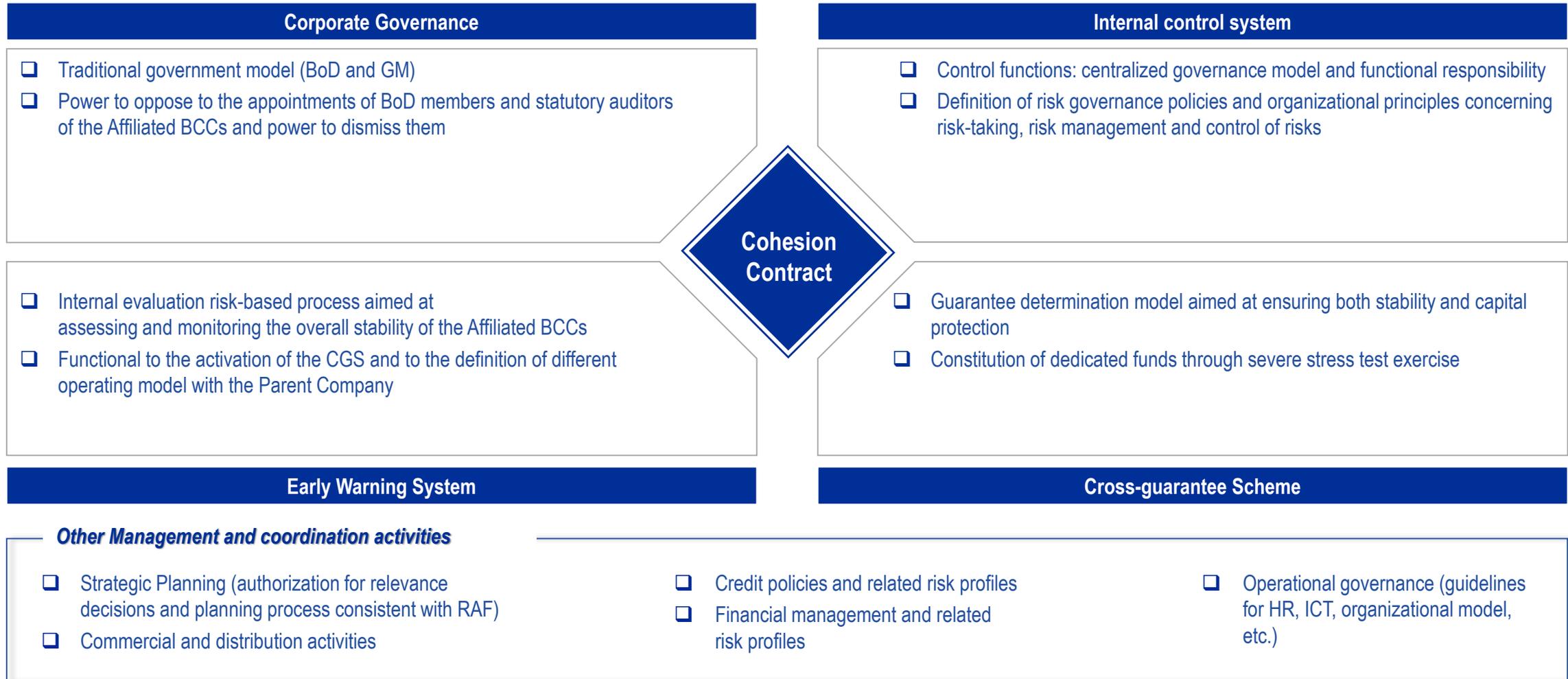
Details on Cohesion Contract



Envisaged Transaction

- ❖ In January 2019, Iccrea Banca and the BCCs entered into a Cohesion Contract in accordance with the **Italian Cooperative Banks Reform**. Pursuant to the contract, each BCC accepts to be subject to the Parent Company's supervision and coordination
- ❖ The Cohesion Contract gives the Parent Company powers to set (and then monitor) strategies, policies and principles of evaluation and measurement of Group risks. Key points are:
 - **Supervisory and intervention activities**
 - **Compliance with prudential and reporting requirements**
 - **Strategic operations**
 - **Cross-guarantee Scheme**

Management and coordination powers are defined in the Cohesion Contract, where duties, responsibilities and rights for both the Parent Company and Affiliated BCCs are regulated



The Cross-guarantee Scheme

Within the GBCI, a Cross-guarantee Scheme has been established, with the aim of ensuring the Group's overall stability and capital protection, based on a stress testing approach applied to each member of the Group

The Cross Guarantee Scheme is an inter-group financial support mechanism within which the participating banks provide each other with financial support to ensure solvency and liquidity (particularly for the purpose of their compliance with prudential requirements and any requirements of the supervisory authority) and to avoid, where necessary, submission to resolution procedures pursuant to Legislative Decree no. 180/2015 or to compulsory administrative liquidation procedures pursuant to art. 80 and following of the TUB

Provides for the allocation among the banks of the total “promptly available funds”, held by the Parent Company, and the “recallable funds”

Is based on an estimate of the overall guarantee requirements through a vulnerability analysis in adverse conditions (Stress test “EBA compliant”) of each GBCI member

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Details on Cohesion Contract



Envisaged Transaction

Issuer	Iccrea Banca S.p.A. (Ticker: ICCREA)
Issuer Rating	BB / BB- / BBB L (S&P/Fitch/DBRS)
Expected Issue Rating	[BB / BB-] (S&P/Fitch)
Status of the Notes	Senior Preferred Unsecured. Eligible liabilities instruments according to Article 72b REGULATION (EU)2019/876 (CRR II)
Form of the Notes	RegS Bearer NGN, Compliance Category 2; TEFRA D
Expected Size	[Benchmark]
Maturity Date	[•] September 2025
Optional Redemption Date	[•] September 2024 (4 years) (one-time call option, at par, in whole and not in part, at the Issuer's discretion)
Coupon	[•] Fixed, Annual, Act/Act (ICMA) payable in arrear, following unadjusted, until the Optional Redemption Date. If not redeemed on the Optional Redemption Date, quarterly coupon of 3m€+[•]bps, quarterly, Actual/360
Documentation	EMTN Programme dated 17 September 2020
Governing law	Italian Law
Minimum Denominations	EUR 100k+ 1k
Clearing	Euroclear / Clearstream
Listing	Luxembourg Stock Exchange
Target Market	Manufacturer target market (MIFID II product governance) will be eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA or the United Kingdom
Joint Lead Managers	BNP Paribas, Credit Agricole CIB, Iccrea Banca, IMI-Intesa Sanpaolo, Mediobanca and UniCredit

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