



Investor Presentation

Gruppo Bancario Cooperativo Iccrea (“GBCI”)

January 2021

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Agenda



GBCI in a nutshell



Key investment highlights



Update on 1H2020 results



Details on Cohesion Contract

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Update on 1H2020 results

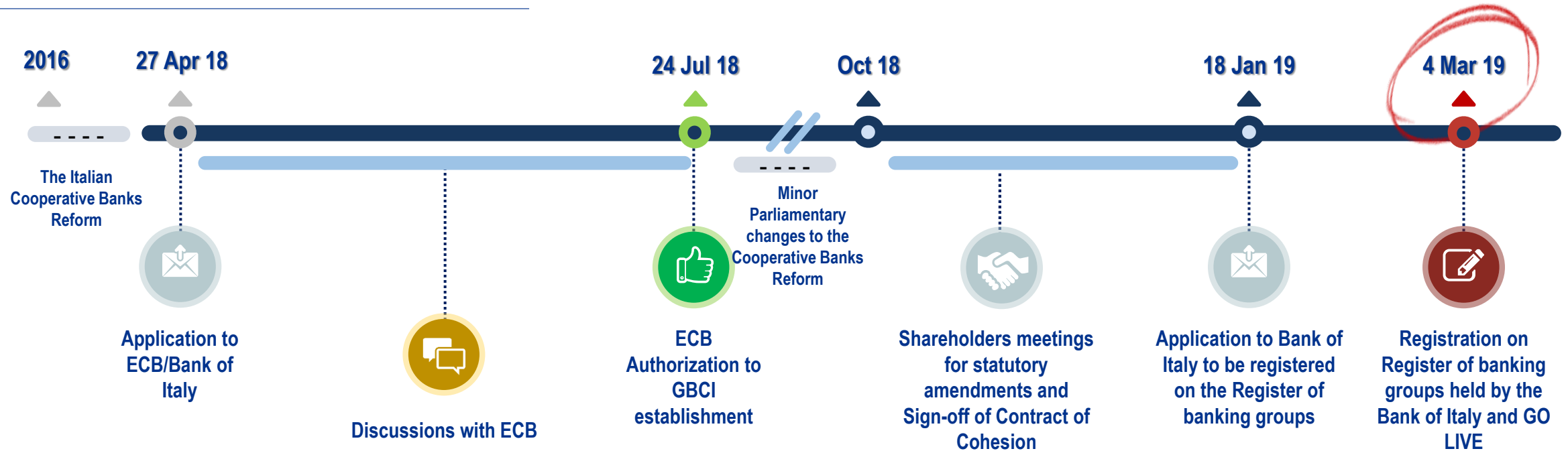


Details on Cohesion Contract

Key company milestones

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

Timeline of GBCI establishment

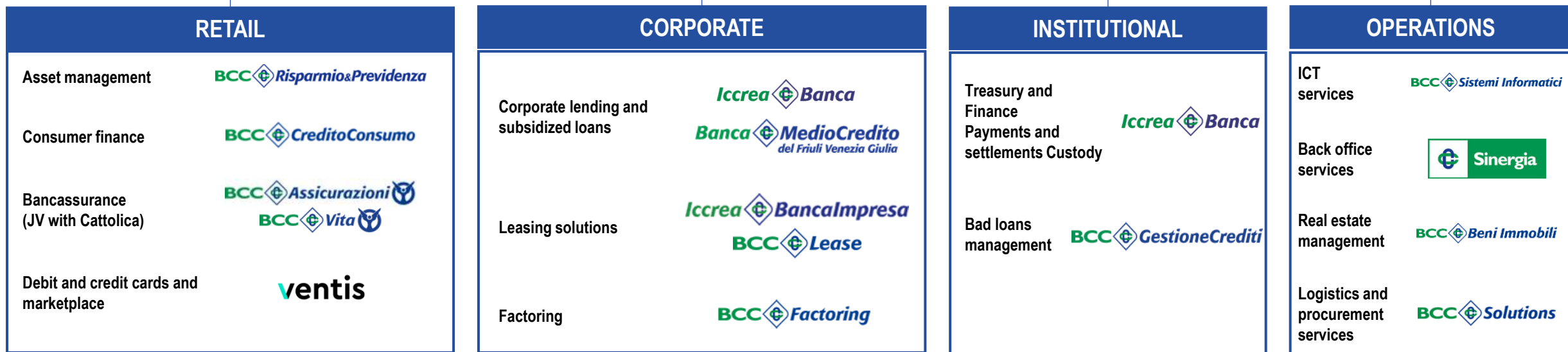


The pillars of the Italian Cooperative Banks Reform/of the Group

- ❑ 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.)

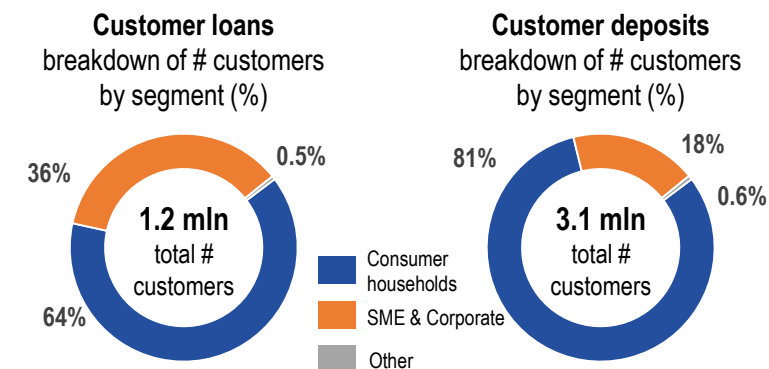


Commercial banks (lending, deposits, etc.) **BCC CREDITO COOPERATIVO** 132⁽²⁾ Affiliated BCCs

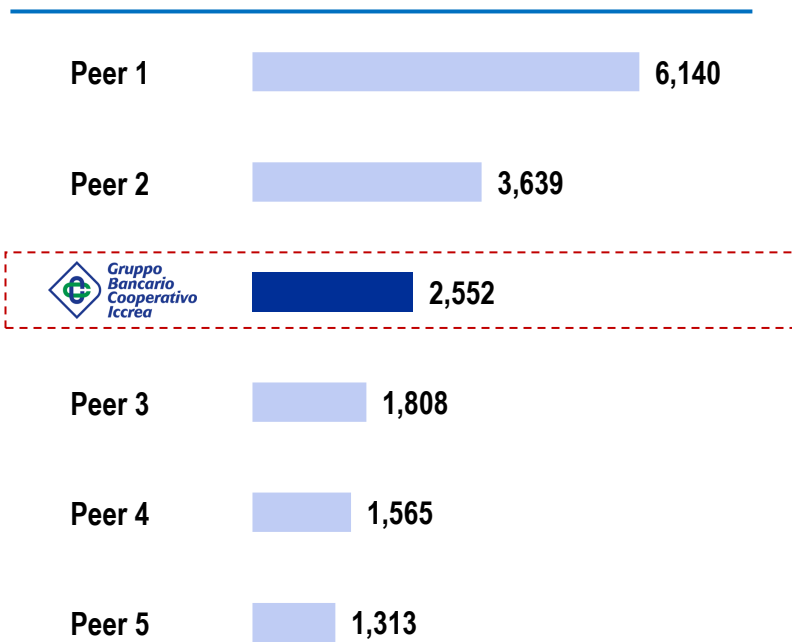
Company overview

GBCI is the largest Cooperative Banking Group nationwide

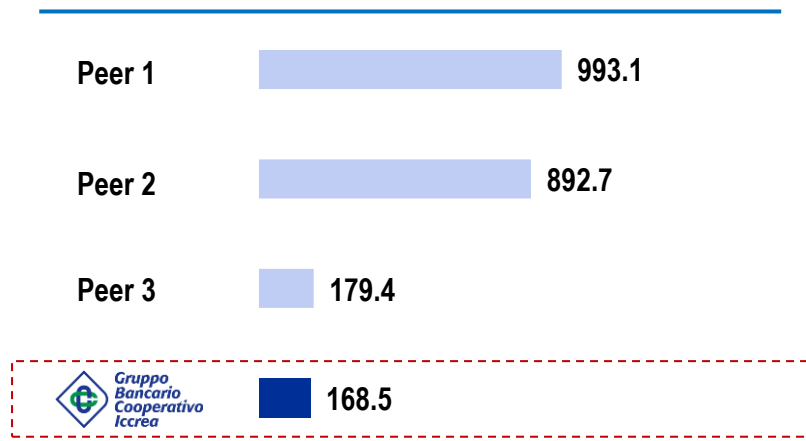
Key indicators



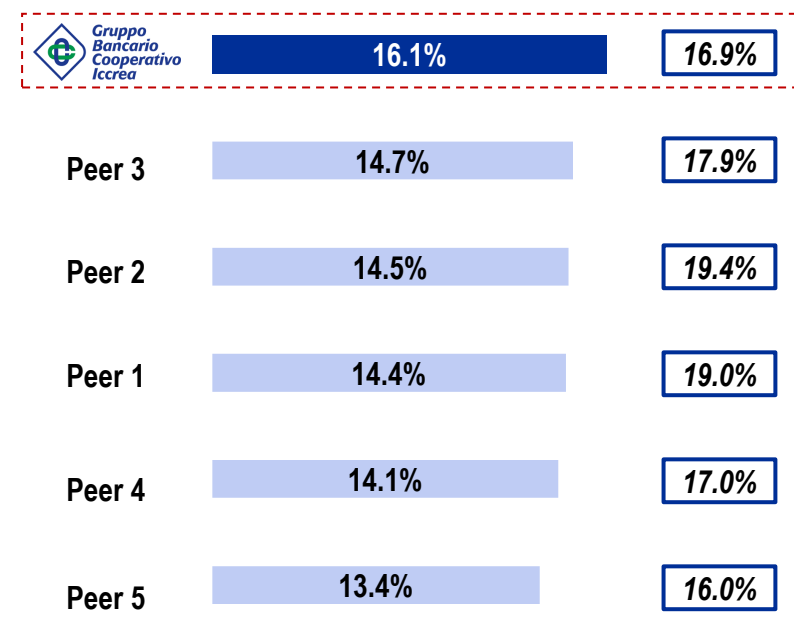
The third Italian Banking Group by branches ⁽¹⁾ (#)



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




First Italian banking group in terms of high-quality capital ⁽¹⁾



Source: Financial Report 1H2020; Info provider; Publicly available information
 (1) Peers sample: Intesa Sanpaolo (pro-forma adding UBI figures), Unicredit, Banco BPM, MPS, BPER

GBCI positioning in the Italian Banking Sector

GBCI liquidity ratios 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	993.1	601.9	14.4%	4.5%	19.0%	150%	> 100%	BBB- Stable	BBB Negative	BBB (high) Negative
Peer 2	892.7	576.9	14.5%	4.9%	19.4%	148%	> 100%	BBB- Stable	BBB Negative	-
Peer 3	179.4	115.2	14.7%	3.2%	17.9%	193%	> 100%	-	-	BBB (low) Negative
 Gruppo Bancario Cooperativo Iccrea	168.5	106.4	16.1%	0.8%	16.9%	287%	130%	BB- Negative	BB Negative	BB (high) Stable
Peer 4	141.7	97.6	13.4%	2.7%	16.0%	172%	118%	B Negative	-	B (high) Stable
Peer 5	85.9	59.7	14.1%	2.9%	17.0%	162%	119%	BB Stable	-	-

Median CET1 ratio⁽²⁾: 14.2%

Source: Financial Report 1H2020; Info provider; 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

	<u>Release date</u>	<u>Long Term</u>	<u>Outlook</u>	<u>Short Term</u>
	March 24, 2020	BB-	Negative	B
	March 26, 2020	BB	Negative	B
	December 2, 2020	BB (high)	Stable	R-3

2020-2023 Group strategic plan

GBCI 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:

Strategic drivers

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

- | | | |
|---|---|---|
| ① IT framework efficiency | } | Shared Service Platform: supporting services (IT, back office) provided centrally to Affiliated BCCs for optimisation/streamlining purposes |
| ② Operating efficiency | | Efficiency Program: structured program based on 4 main levers (Cost excellence, Zero Base Redesign, Back-Office, Optimization / extraordinary interventions) |
| ③ Structure and addressing of Affiliated BCCs | } | Governance Platform: addressing of Affiliated BCCs to ensure Group sustainability and achievement of strategic targets |
| ④ Commercial develop. | } | Group commercial Platform: open platform to support Affiliated BCCs in commercial offering in achieving full potential |
| ⑤ Simplification of Direct scope comp. | | |
| ⑥ Digital development | } | Enforcement model and Control Tower: portfolio management and NPE Strategy tools |
| ⑦ Asset quality / NPE | | |

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

4 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

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

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)

7 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)

Improving the NPE ratio by taking advantage of disposal opportunities

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

Enhancing operational levers in order to optimize the management of NPEs

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

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

Sustainability: objectives of GBCI

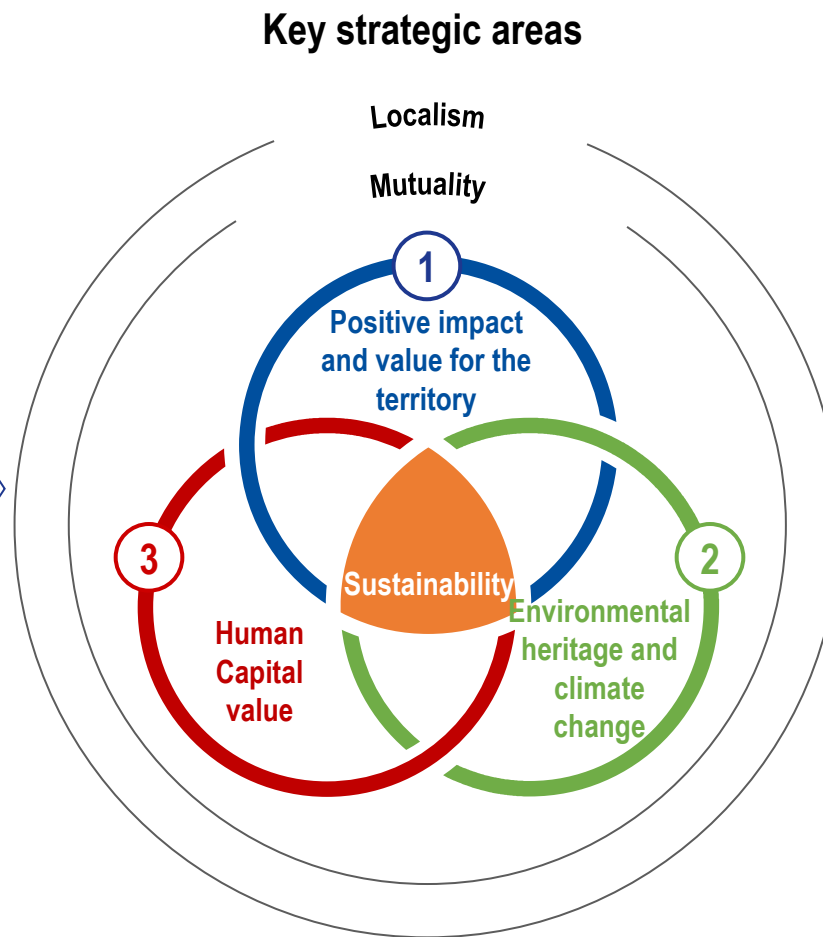
The Sustainability Plan contains the Sustainable Development Goals that GBCI intends to pursue over the Strategic Plan horizon

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

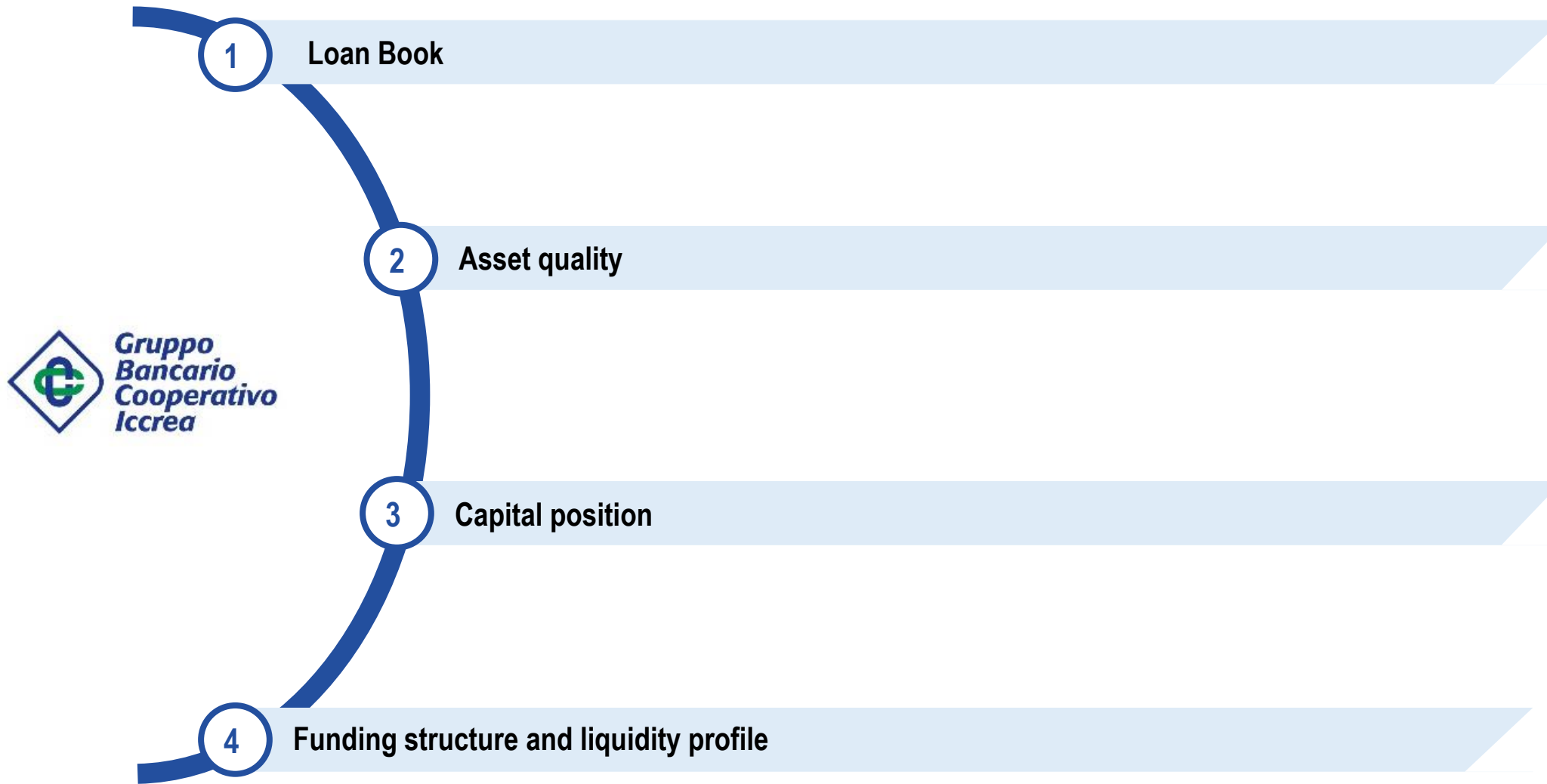


Update on 1H2020 results

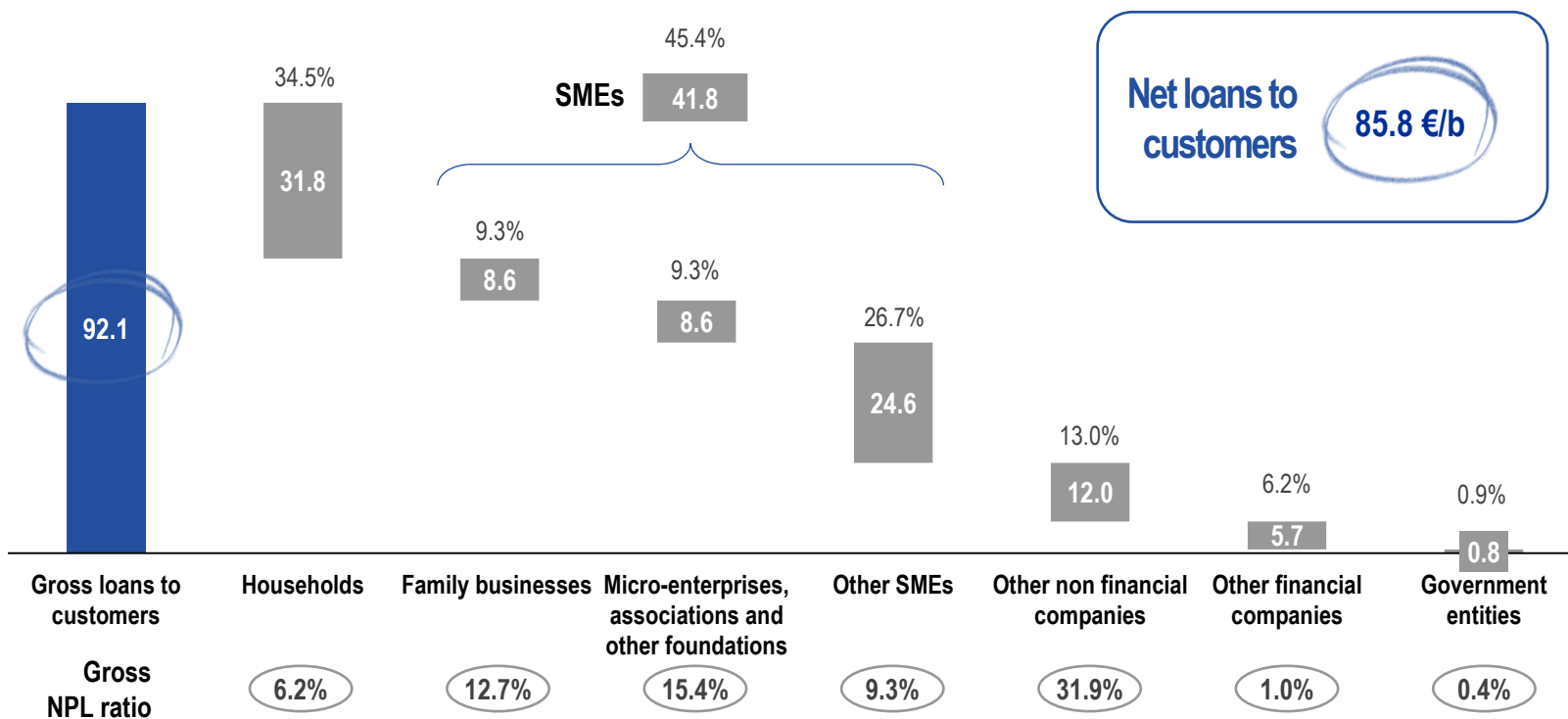


Details on Cohesion Contract

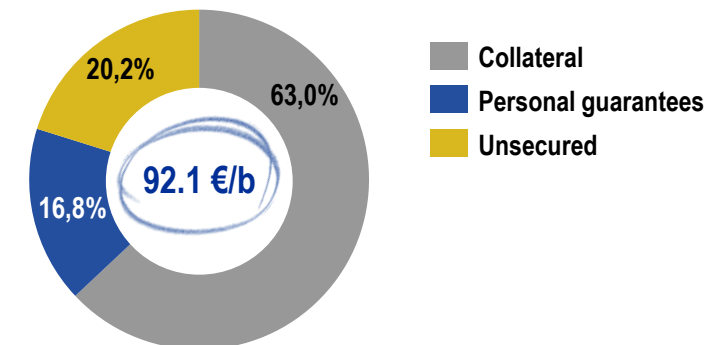
Key investment highlights



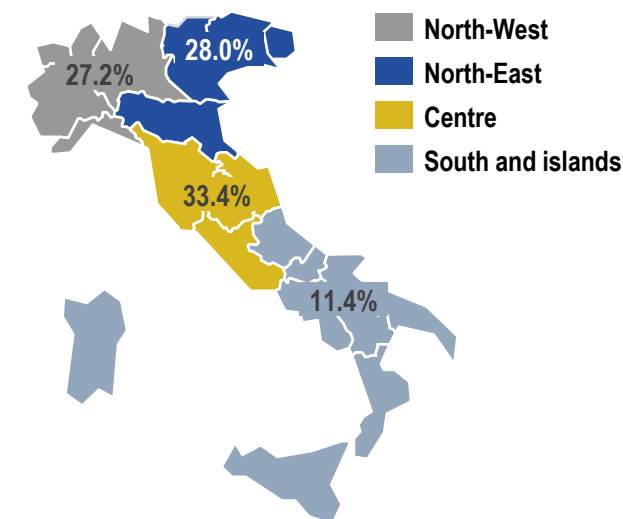
Gross loans breakdown by Counterparty Sector - €/b



Breakdown by type of guarantees – Gross loans



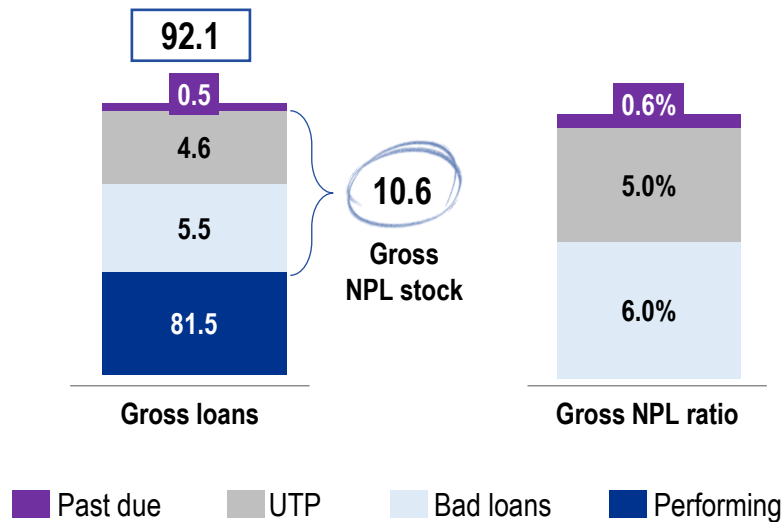
Geographical distribution – Gross loans



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 Households (31.8 €/b) and SMEs (41.8 €/b)

Asset quality - €/b



Highlights

- Coverage of NPLs rose to 52.7%, further growth compared to 50.9% at the end of 2019 and to 49.6% at the end of 2018
- Bad loans amount to 5.5 €/b, with a reduction of 1.2 €/b vs. 2018 mainly due to two multi-originator transactions carried out during the year ("GACS III" and "Pomegranate Project")

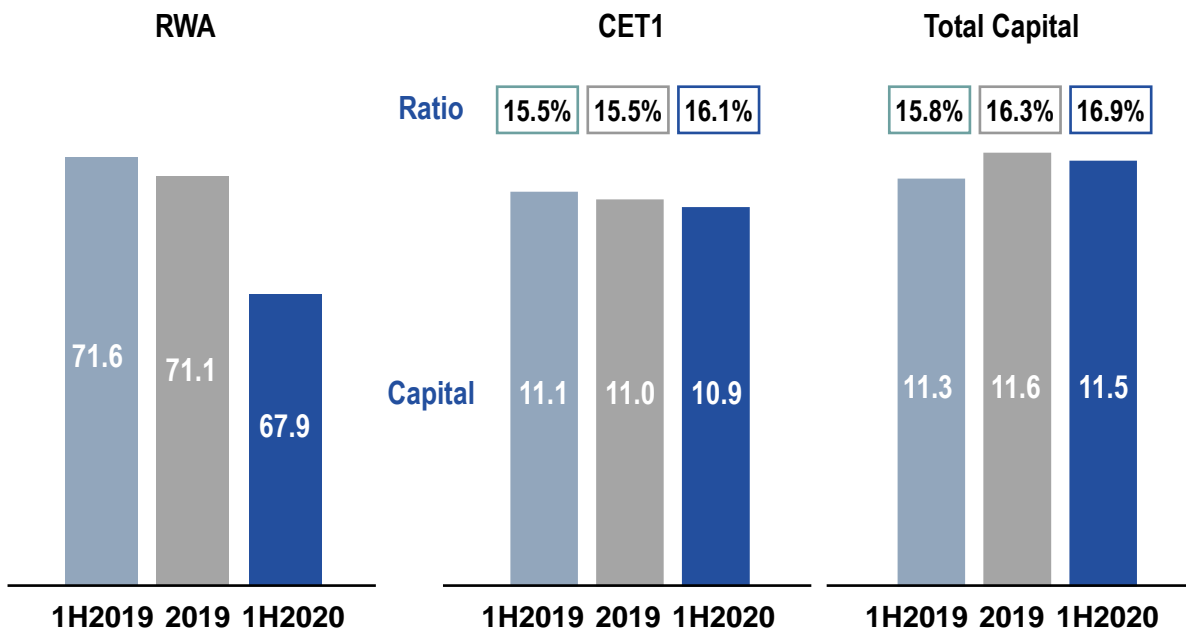
Gross NPL stock evolution - €/b



2020 perspective

- According to the de-risking plan, in 2020 the Group launched a further disposal operation (multi-originator securitization), encompassing bad loans portfolios related to mortgage and unsecured loans originated by approximately 90 banks of the Group (GACS IV)

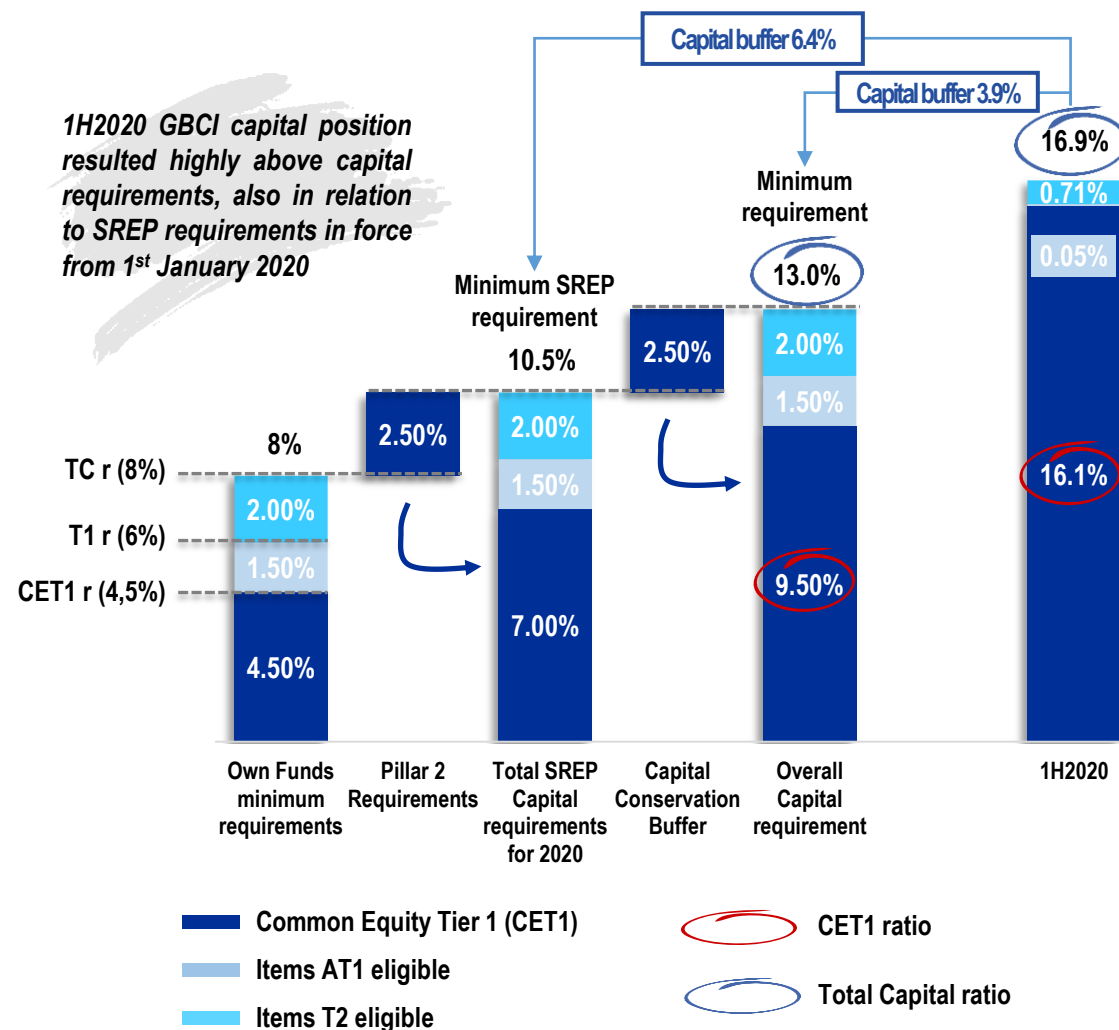
Capital position - €/b



Highlights

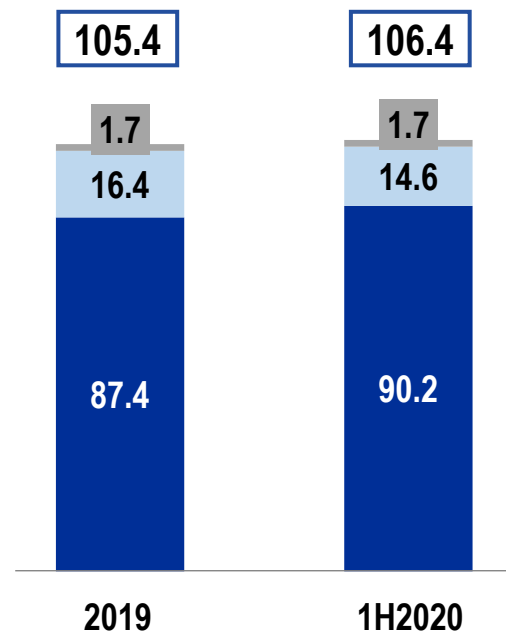
- As of June 30, 2020, the capital ratios stood at 16.1% for the CET1 ratio and 16.9% for the TCR, representing an increase compared with the values in December 2019 (respectively equal to 15.5% and 16.3%) and above the average for the national banking system
- The reduction in own funds – which also reflects the effects of the IFRS 9 phase-in, the inclusion of losses recorded at the individual level by the Group entities and the maturing of subordinated liabilities – was accompanied by a decrease in risk-weighted assets, mainly attributable to the RWAs for credit and counterparty risk (-€2.7 billion)

Capital buffer - %

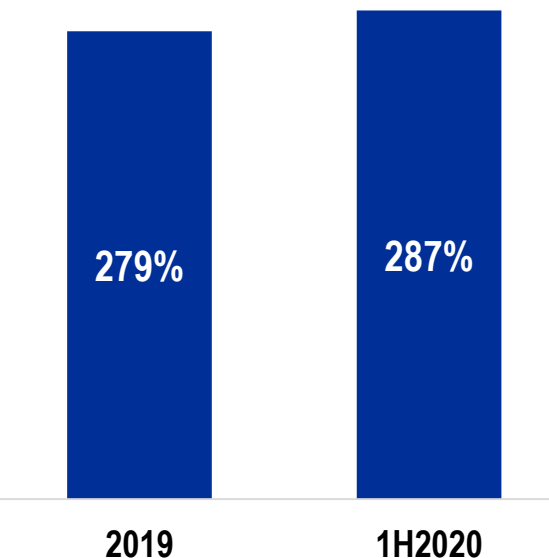


Direct funding from ordinary customers - €/b

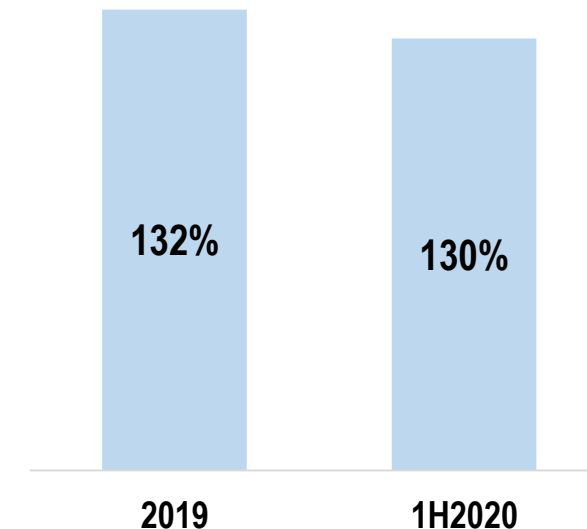
- Deposits⁽¹⁾
- Securities issued
- Other payables



Liquidity Coverage Ratio - %



Net Stable Funding Ratio - %

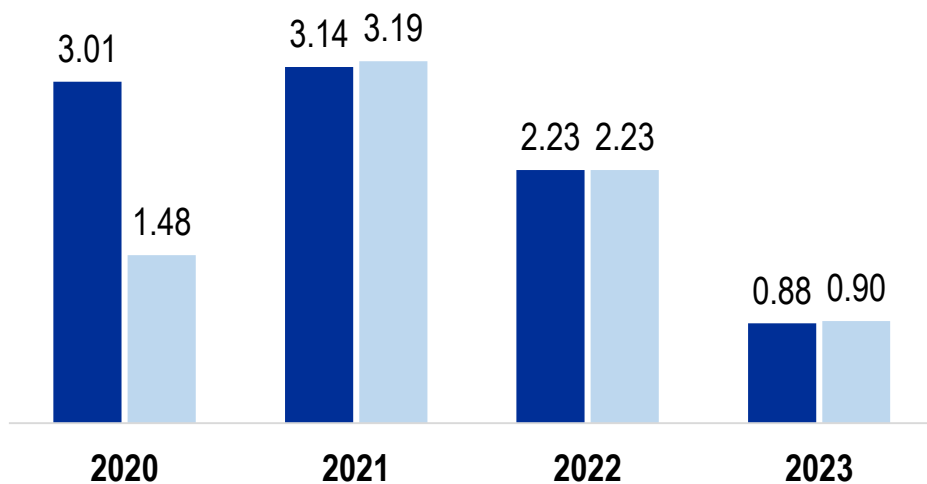


Highlights

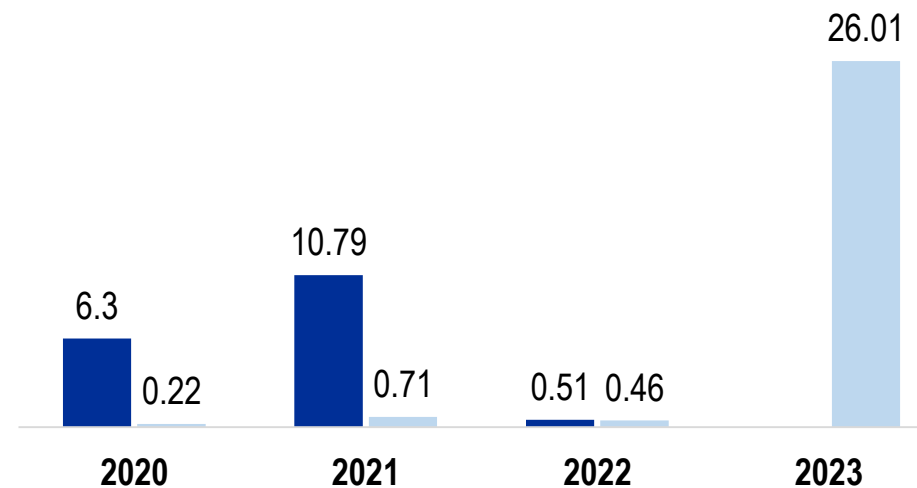
- The strong link with the territory is the basis of the high component of direct funding (106.4 €/b, including certificates of deposit and excluding repos), largely represented by deposits from customers (especially current accounts and free deposits) and to a less extent by bonds and certificates of deposit
- Liquidity reserves amount to about 33 €/b, mainly represented by Italian government bonds. Sound and stable liquidity position with LCR and NSFR from the Group's formation equal on average to 287% and 130% (compared with, respectively, 279% and 132% at December 2019)

As of Dec-19
As of Jun-20

Maturing Bond Issuances - €/b



Maturing TLTRO Tranches - €/b



Highlights

- As regards Group bond issuance position, during 1H 2020 about 1.4 €/b expired and about 0.13 €/b has been 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, extending maturities to 2023

Agenda



GBCI in a nutshell



Key investment highlights

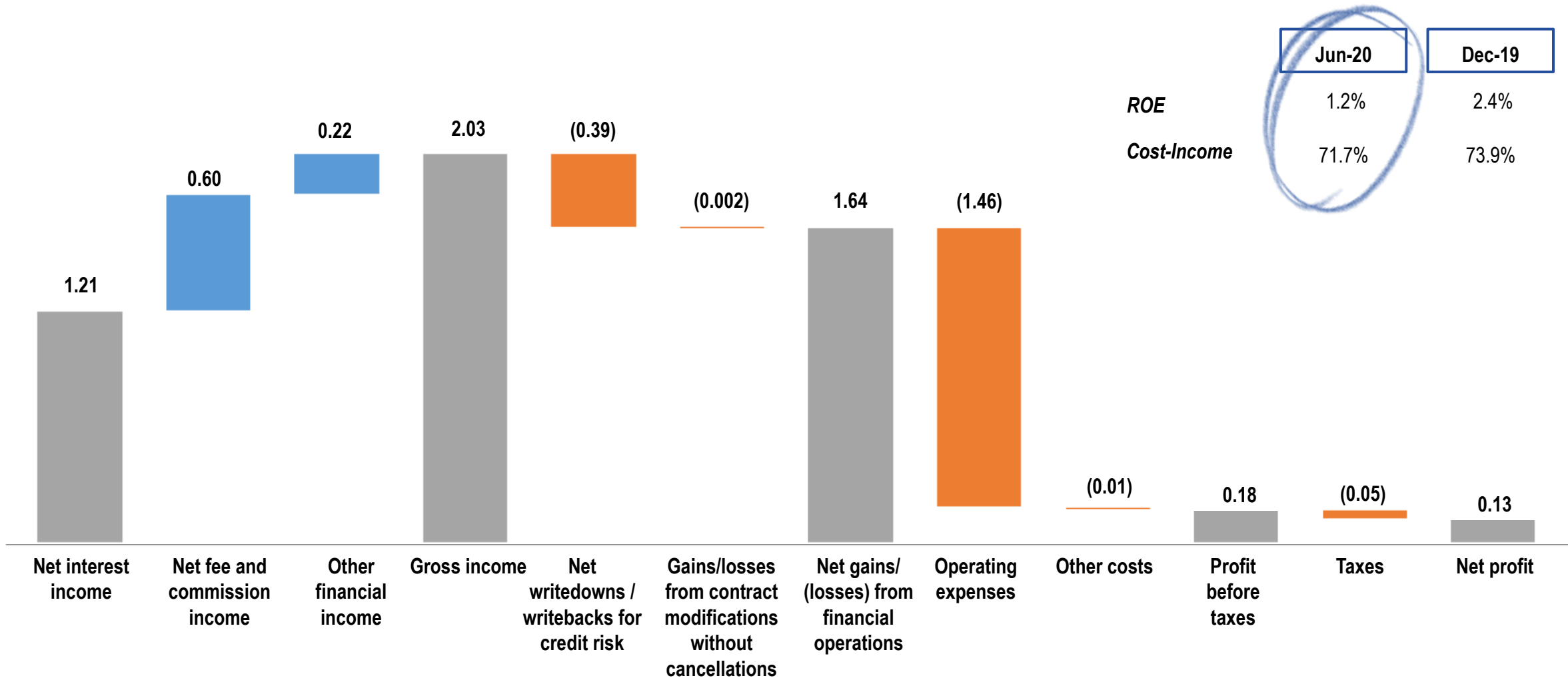


Update on 1H2020 results

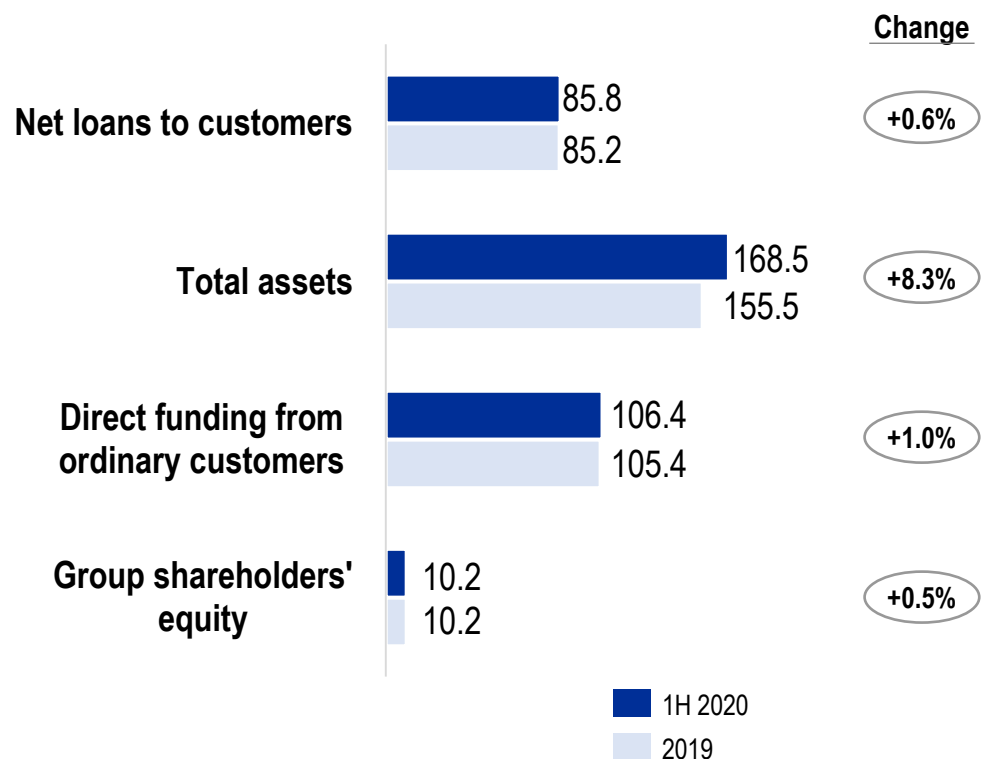


Details on Cohesion Contract

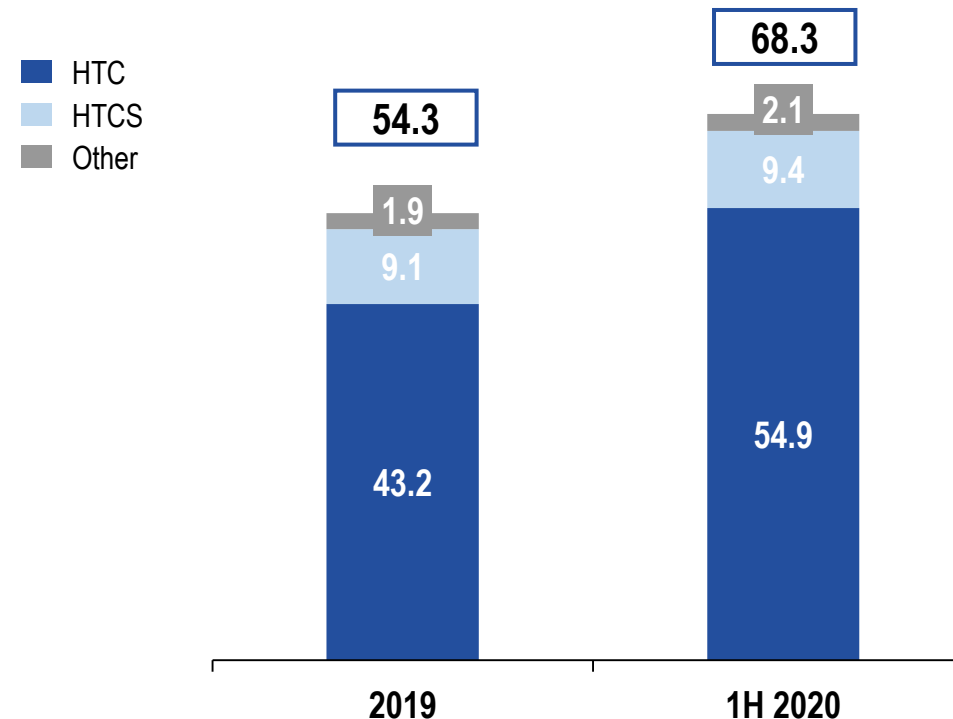
P&L - €/b



Balance Sheet - €/b



Financial portfolios - €/b (book value)



Highlights

- Financial investments, approximately 68.3 €/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

Agenda



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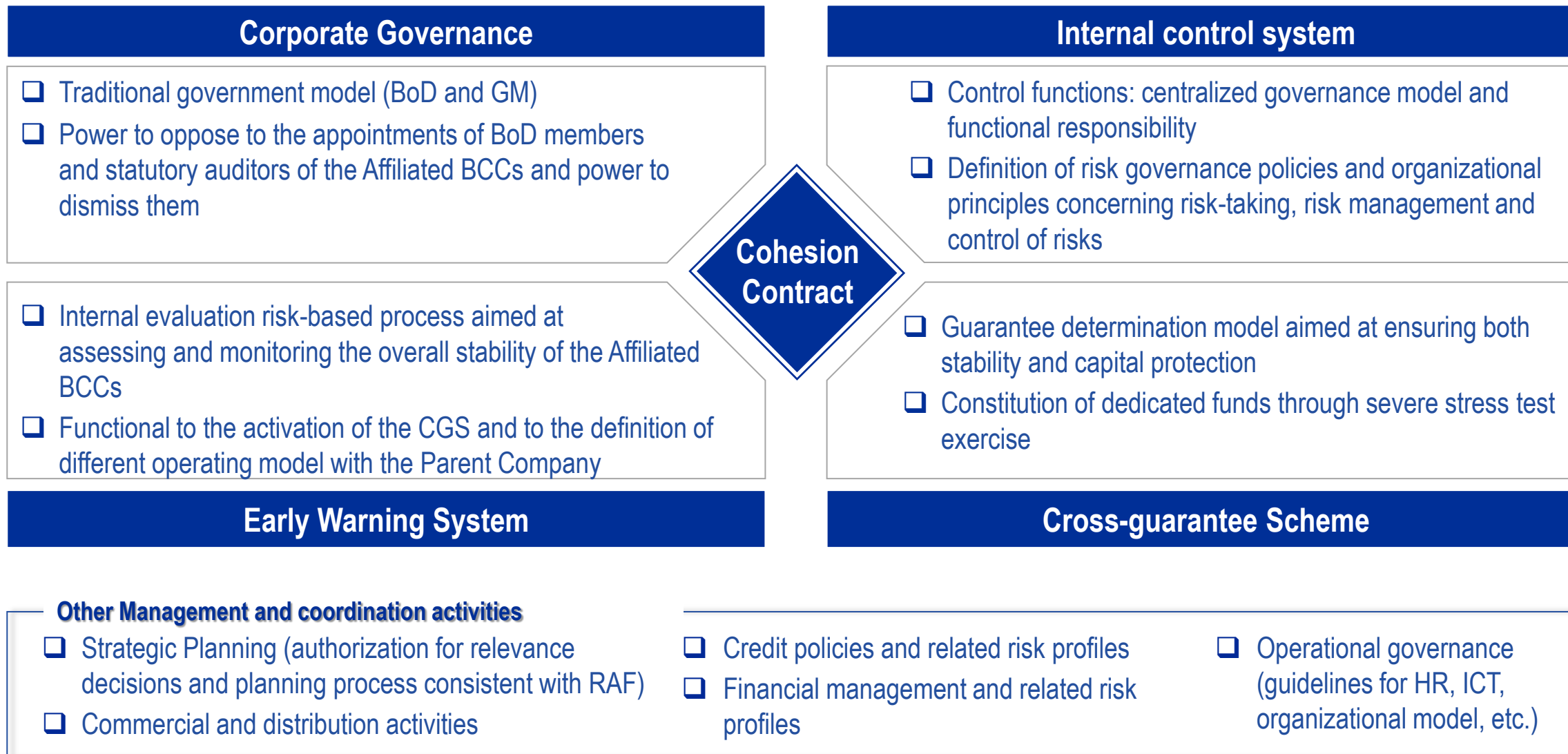


Update on 1H2020 results



Details on Cohesion Contract

- ❑ 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.



- The Cross Guarantee Scheme is an **intra-group financial support mechanism** within which the participating banks provide each other **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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