

# **BANCA CARIGE S.P.A.**

**Cassa di Risparmio di Genova e Imperia**

## **Corporate Management Report for the year 2008**

Approved by the Board of Directors on 27 March 2009

**CARIGE BANK GROUP**

***www.gruppocarige.it***

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## GLOSSARY OF TERMS

**Code:** the Code of Conduct for listed Companies, approved in March 2006 by the Corporate Governance Committee and promoted by the Italian Stock Exchange.

**Civil Code:** the Italian Civil Code.

**Board:** the Board of Directors at the Issuer.

**Provisions:** the Supervisory Provisions affecting the organisation and company management of Banks, enacted by the Bank of Italy on 04/03/2008.

**Issuer:** the issuer of listed shares to which the Report refers.

**Year:** the financial year 2008, to which the Report refers.

**Stock Exchange Regulation Instructions:** the Instructions for Regulations concerning markets organised and managed by the Italian Stock Exchange.

**Stock Exchange Regulations:** the Regulations concerning markets organised and managed by the Italian Stock Exchange.

**CONSOB Regulations for Issuers:** the Regulations enacted by CONSOB in Ruling no. 11971 in 1999, affecting issuers.

**CONSOB Regulations for Brokers:** the Regulations enacted by CONSOB in Ruling no. 16190 in 2007, affecting brokers.

**CONSOB Regulations for Markets:** the Regulations enacted by CONSOB in Ruling no. 16191 in 2007, affecting markets.

**Report:** the corporate governance report which companies are required to draw up pursuant to Sections 124-*bis* of the Banking Act, 89-*bis* of the CONSOB Regulations for Issuers, and Section IA.2.6. of the Stock Exchange Regulation Instructions.

**TUB:** Legislative Decree no. 385, dated 1 September 1993 (the Consolidated Banking and Credit Act).

**TUF:** Legislative Decree no. 58, dated 24 February 1998 (the Consolidated Finance Act).

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## 1. INFORMATION ABOUT THE ISSUER

### a) Governance system

Banca CARIGE S.p.A. - the Cassa di Risparmio di Genova e Imperia (hereinafter to be referred to as “Banca”, “Carige”, “Banca Carige”, the “Company,” or the “Issuer”) uses a “traditional” system of administration and control under the terms and conditions of Sections 2380-*bis* et seq. of the Italian Civil Code.

Pursuant to Section 8 of the Articles of Association, the Company has the following Directors and Offices –

- 1) the Shareholders' Meeting;
- 2) the board of Directors;
- 3) the Chairman;
- 4) the Executive Committee;
- 5) the Board of Auditors;
- 6) the Managing Director or the Director-General, appointed pursuant to Section 27 of the Articles of Association.

For details concerning the make-up, running, and characteristics of these individual offices, as likewise the various Sub-Committees within the Board of Directors (set up in accordance with the Code of Conduct for Listed Companies), please see the relevant sections of this Report for a fuller explanation.

### b) Company Purpose

Carige is the Parent Company in a conglomerate of banks and finance, pensions and insurance companies in Italy, well ingrained at local level. The group has proved itself in terms of quality of service and customer satisfaction, also through its integrated, multi-channel approach, and through the importance it gives to providing for ongoing development of resources and structures.

In particular, the purpose of the Group can be seen in its desire to assert itself –

- **as a conglomerate**, in terms of a complete range of asset and liability products and services. The Group will continue to act as a magnetic pole for other, smaller banking realities, with particular emphasis being given to localisation (in a particular region), structures, and management style;
- **at national level**, in terms of a presence throughout Italy, but with its base and fulcrum rooted in Liguria. Here the defining characteristic of the Group is the importance it gives to developing local relationships;
- **focusing on retail customers**, or on family businesses, SMEs, artisans, traders, and local public bodies, making the best possible use of the latest technology;
- **by continuing to focus on the development of resources and structures**, with a view to specialising in networks, increasing output, improving key management operators within the Group, and aiding professional staff development as a way of providing for improvements in efficiency, also through an IT system that is in line with the best practices in the System;

- **by developing an integrated, multi-channel approach** in terms of the presence of many and varied sales channels (conventional, remote, or mobile), to let customers take advantage of banking services when the time and place are right.

### **c) Social Responsibilities**

Carige considers its reputation and credibility to be a vital resource, which it needs to maintain and develop for its stakeholders: all those people who have contributed to - or who have an interest in - the purpose of the Company, and all the individual people, groups, organisations, and institutions whose interests may be affected to a greater or lesser degree by the business which this Bank carries out. These are shareholders, customers, suppliers, collaborators, political organisations, trades unions, local government and, at a more general level, the socio-economic world.

Carige always ensures strict compliance with current law and the ethics of society in general, to ensure there is complete trust among all these various stakeholders. It is therefore the responsibility of all to ensure that the Bank meets its responsibilities, not only in legal terms but also with regard to in-house regulations and all the various dealings with supervisory and control bodies.

## **2. INFORMATION ABOUT THE OWNERS (pursuant to Section 123-bis, Banking Act) as at 31/12/2008**

### **a) Share capital layout**

The Company is the Parent of the Carige Bank Group, registered as a banking group by the Bank of Italy. Currently, it is not a subsidiary of any other company or body.

Pursuant to Section 5 (4) of Legislative Decree 142/2005, the group of companies in which the Bank is the Parent Company is also a "financial conglomerate."

As at 31/12/2008, the share capital of Carige Bank, as registered at the Registry of Companies of the Chambers of Commerce in Genoa, was €1,790,298,846.00, all underwritten and fully paid-up, divided into 1,790,298,846 shares with a face value of €1 each, of which 1,615,032,895 are ordinary shares and 175,265,951 convertible savings shares, as shown in the following table –

*Categories of shares comprising the share capital as at 31/12/2008*

	No. of shares	% of share capital	Listed (market)/not listed	Rights and obligations
Ordinary shares	1,615,032,895	90.21	Listed (MTA)	Each ordinary share entails one vote
Savings shares (no entitlement to vote)	175,265,951	9.79	Listed (MTA)	Savings shares only entail voting and speaking rights at special meetings for holders of these savings shares. Holders of savings shares are entitled to greater dividends, i.e. 2% more than those for ordinary shares. Pursuant to Section 35 of the Articles of Association, holders of these shares may change them into ordinary shares of the same face value at any time, or by written notification to the Company on any working day during the month.

*Other financial instruments entitling the holders to underwrite new shares as at 31/12/2008.*

	Listed (market)/not listed	No. of instruments issued	Type of share as at change/entitlement	No. of shares as at change/entitlement
Convertible bonds	Listed (MTA)	3,955,214	Ordinary shares in Banca Carige S.p.A.	4,520,311

No share incentive plans have been envisaged for members of the Board of Directors or for the Director-General.

**b) Restrictions upon the transfer of shares.**

There are no limits upon the free transfer of securities.

**c) Main capital holdings**

The following is a list of the main shareholders who, as at 12/2008, held more than 2% of the share capital, which Section 120 of the Banking Act sets out to be a significant amount.

- the Fondazione Cassa di Risparmio di Genova e Imperia, with a share of 44.083% of the ordinary share capital;
- CNCE - Caisse Nationale des Caisses d'Epargne et de Prévoyance, with a share of 14.988% of the ordinary share capital;
- Assicurazioni Generali S.p.A., with a share, both held directly and indirectly (by its subsidiaries Alleanza Assicurazioni S.p.A., Generali VIE S.A., INA Assitalia S.p.A., La Venezia Assicurazioni S.p.A., and Toro Assicurazioni

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S.p.A.) of a total of 4.086% of the ordinary share capital.

As stated above, no single shareholder has a controlling interest in the Bank, pursuant to current enacted law.

**d) Securities which give entitlement to special rights.** No

securities have been issued giving any special entitlements.

**e) Ownership of shares by staff: voting entitlements.**

During 2008, no special measures were implemented for staff share ownership.

**f) Restrictions upon voting entitlements.**

There are no restrictions upon voting entitlements, other than those specified in Section 13 of the Articles of Association, which states that, if during the Shareholders' Meeting, a Banking Foundation – as ascertained by the Chairman of the Meeting during said meeting, and immediately before any vote is taken – is entitled, on the basis of the shares held by the Shareholders present, to cast a vote reflecting the majority of the shares present and with voting entitlement, the Chairman must communicate this situation, and exclude the Banking Foundation from voting, to the extent of the resolution for which said situation has emerged, and limited to a number of shares that represents the difference, plus one share, between the number of ordinary shares held by said foundation and the overall amount of ordinary shares held by the remaining shareholders present and entitled to vote at the time of voting.

**g) Agreements between Shareholders.**

On 08/05/2006, the two Shareholders Fondazione Cassa di Risparmio di Genova e Imperia and CNCE, who held respectively 43.35% and 11.63% of the share capital, came to an agreement pursuant to Section 122 of the Banking Act, to remain in force for three years, in the following terms –

- the Foundation would transfer to CNCE, who would purchase, all its option rights – 587,404,506 (or 50.895% of the total option rights) – for a paid Share Capital Increase as set out in the Prospectus subsequently published by Carige on 07/07/2006. Under this agreement, CNCE purchased and exercised the 587,404,506 option rights belonging to the Foundation;
- the Foundation also undertook to notify CNCE in advance of any intention to transfer, to a third party or to another Carige shareholder, more than 2% per annum of the bank's ordinary shares and/or option rights on same and/or any other type of securities which can be converted into ordinary shares and/or warrants and/or convertible bonds and/or any participative instruments to a third party or to another Carige shareholder;

- in the event of any transfer of the aforementioned types of securities by the Foundation to a third party or to any other Carige shareholder, after which the latter's equity in the Bank's ordinary share capital increases to beyond that held by CNCE, CNCE shall be entitled thereby to ask the Foundation, by no later than thirty (30) days after receipt of notification, for the potential assignee to acquire in proportion CNCE's shares under the same terms and conditions.

In regard of the aforementioned agreement, the Fondazione Cassa di Risparmio di Genova e Imperia – as per notification sent on 11/12/2008 – informed CNCE that it did not intend to renew the agreement under the current terms and conditions, and that the agreement was to be considered as rescinded from 08/05/2009.

Additionally, a further agreement was signed on 21/10/2008 by the parties listed below, pursuant to Section 122 of the Banking Act, relative to a total of 68,396,454 ordinary shares, or 4.23% of the ordinary share capital.

This agreement will remain in force for three years, after which (unless written notification is sent to the parties' elected domicile by recorded delivery at least three months before the agreement expires) it will be considered to have been tacitly renewed for a further three years. It cannot, however, be renewed again afterwards.

The table below shows all the parties to this agreement, and the shares in the Company which each of them has underwritten as at 04/11/2008. This includes the partial proportional break-away of Genuensis di Revisione S.p.A., which brought Genuensis Immobiliare S.p.A. to the agreement.

Shareholder	No. of Shares	% of share capital	% of total controlled shares
Coop Liguria S.c. di consumo	2,879,512	0.18%	4.21%
Talea Società di Gestione Immobiliare S.p.A.	24,000,000	1.49%	35.09%
Gefip Holding S.A.	19,000,000	1.18%	27.78%
Finanziaria di Partecipazioni e Investimenti S.p.A.	9,000,000	0.56%	13.16%
Coopsette S.c.p.A.	4,478,692	0.28%	6.55%
Alberto Berneschi	2,356,965	0.14%	3.45%
Cesare Ponti	1,650,000	0.10%	2.41%
Genuensis Immobiliare S.p.A.	550,000	0.034%	0.804%
Genuensis di Revisione S.p.A.	50,000	0,003%	0,073%
Immobiliare Ardo S.s.	600,001	0.035%	0.875%
G.F. Group S.p.A.	3,272,000	0.20%	4.78%
Giuseppe Anfossi	559,284	0.03%	0.82%
Total shareholders	68,396,454	4.23%	100%

The shareholders undertook, as long as the agreement remained in force, the following –

- to present jointly, after they had heard the bank Shareholders' Association if they felt it necessary, a list of new members of the Board of Directors at the Bank,

by no later than 30/04/2009, specifying that these must be no fewer than three and no more than six, to be appointed progressively as the list is passed by holders of at least one percent (1%) of ordinary share capital. When the agreement comes into force, given the current holders of Share Capital, it was agreed that if six candidates were to be indicated they should be appointed as follows: one name by Coop Liguria and Talea jointly, one by Gefip Holding, and four by common agreement between the various participants;

- ii) to present a list of new members for the Board of Auditors at the Bank, by no later than 30/04/2011, specifying that no fewer than two candidates must be indicated by common agreement, and that the first candidate is to be nominated by Coop Liguria and Talea jointly;
- iii) with regard to the shares covered by the agreement, to vote for those candidates for the Board of Directors and for the Board of Auditors who have been nominated jointly.

The parties shall furthermore be entitled to preliminary purchase rights for all the shares offered, in the event of one of the parties deciding to sell its shares. This entitlement shall not be extended to subsidiaries or parent companies, or to those with a controlling interest. Shares may be used as security, provided that the person standing surety continues to exercise voting rights.

#### **h) Nominating and changing Directors, and making amendments to the Articles of Association**

The Company is to be run by Board of Directors, comprising a minimum of eleven members and a maximum of eighteen, to be decided by a Shareholders' Meeting. Shareholders may also appoint the Chairman and the Deputy Chairman of the Board.

Directors shall remain in office for three years, this term to end at the next Meeting called to approve figures for their last year in office. Directors may be re-elected.

The election of members of the Board of Directors shall be in line with a list of candidates presented by Shareholders as follows: individual shareholders or groups of shareholders who can provide documentary proof of their ownership of at least 1% of ordinary shares (or, pursuant to current enacted law, any other lower figure, which may be specified in the letter of notification to attend a Shareholders' Meeting for the purpose of nominating directors) may present and/or send a list of candidates containing up to the maximum number of candidates specified in the Articles of Association, each of them bearing a progressive number. This list of candidates must be registered at Head Office (failure to do so will mean that the list is unacceptable), at least two weeks before the Meeting as required by the Code. In order to document ownership of the requisite number of shares, shareholders shall be required to present certificates for 1% of ordinary shares or, pursuant to current enacted law, any lesser figure which may be specified at a later date when a Shareholders' Meeting is called to vote for new Directors. Each shareholder shall only be entitled to present and to vote for one list of candidates. Each candidate may only appear on one list, and

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may not stand for election otherwise. Together with these lists, a curriculum must be deposited for each candidate by no later than the date specified for them to be registered, along with a declaration made by each candidate that they accept election and certify, under their own responsibility, that there are no reasons whereby they may not be elected or be considered compatible. Candidates must also demonstrate they possess the legal and regulatory requirements for the role of Director, and specify the reasons for their suitability to the role of independent Director under current enacted law and pursuant to the particular Borsa Italiana S.p.A. Code of Conduct for Listed Companies to which the Bank has signed up.

After all votes have been cast,

- a) the votes for each list of candidates must be broken down according to the number of candidate and, starting with number 1, a list of Directors to be appointed drawn up;
- b) the remaining votes shall then be progressively shared among the other candidates on the list according to the order they occupy;
- c) the winners shall be those candidates who, according to the number of votes from highest to lowest, shall have obtained the greatest collective number, although the candidate ranking first in the minority list shall in any case be appointed Director, i.e. the list that has received the most votes among those duly submitted and voted for, and that is not connected, either directly or indirectly, with the shareholders who submitted or voted for the list that ranked first in terms of the number of votes;
- d) in the event of an equal number of votes for the final Director, preference shall be given to the more senior candidate;
- e) when voting has finished, if an insufficient number of candidates meeting the independence requisites has been nominated pursuant to current enacted law and the Code of Conduct for listed Companies, the candidate without such requisites and with the lowest number of votes must be eliminated. The candidate thus eliminated is then replaced by the next candidate on the same list as the one eliminated meeting the independence requisites. This procedure must be repeated until the correct number of Directors has been reached. In the event of this criterion being applied and an insufficient number of Directors being appointed, the Shareholders' Meeting shall be required to appoint any outstanding Directors there and then by a simple majority vote for any candidates present;
- f) the Chairman and Deputy Chairman shall be the first and second candidates on the winning list.

In the event of there only being one list of candidates, the elected Directors shall be those indicated on said list, up to the number of Directors to be elected minus one, who shall be appointed at the Shareholders' Meeting there and then by a simple majority vote, excluding from the vote those Shareholders who submitted the list, following the proposal of those entitled to vote under the terms and conditions of this Section.

Currently enacted law shall be applicable, without needing to implement the voting procedure by list, in the event of replacing current Members of the Board of Directors, unless all Members terminate office at the same time.

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However, if there is no longer a quorum of Directors, the entire Board must be elected and a Meeting called with the greatest urgency by the Directors still in office or, in line with the law, by the Board of Auditors in order to vote for a new Board of Directors, to be appointed according to the voting method set out in Section 18 of the Articles of Association.

The Directors remaining in office may continue to carry out their ordinary tasks and responsibilities.

If amendments are to be made to the Articles of Association, the current legal standards shall apply.

It must be pointed out that, to be fully compliant with the terms and conditions of the Bank of Italy Code of 04/03/2008, and the Code of Conduct for Listed Companies, the Board of Directors at the Bank has already given its approval to a series of planned amendments to the Carige Articles of Association, and these will be examined at the Shareholders' Meeting due to approve the financial statements as at 31/12/2008.

Let us now examine how these changes might affect the Bank and the Group in general.

#### **i) Mandates to increase share capital and authorisations to purchase Bank shares**

On 10/09/2003 a Shareholders' Meeting authorised the Board of Directors, pursuant to Section 2420-ter of the Civil Code, to issue in one or more instalments for a maximum of five years after the Meeting, in addition to ordinary and savings shares for a maximum face value of two hundred and fifty million euros only (€250,000,000.00), convertible bonds or cum warrants, whether subordinate or otherwise, to a sum of no more than a further two hundred and fifty million euros only (€250,000,000.00) to be offered as an option to shareholders. This faculty was exercised between 2003 and 2006 to a total face value of 210,542,458.00 euros. In particular, by means of the aforementioned authorisation, the Board of Directors ruled on 29/09/2003 and 11/11/2003 to issue 40,821,979 convertible securities as part of the "Banca Carige 1.5% 2003-2013 subordinate hybrid loan with premium at maturity convertible into ordinary shares", to a total face value of 102,054,947.50 euros. For the conversion of these convertible bonds, it was decided to increase the share capital by 40,821,979.00 euros, by issuing - in one or more instalments - a total of 40,821,979.00 ordinary shares with a face value of one euro each, all exclusively and irrevocably set aside for converting the bonds in the aforementioned loan. Following this change to the conversion rate (which went from 1:1 to 1:1.1428571) after the free increase in share capital decided upon at the Shareholders' Meeting of 25/01/2006, which came into effect on 10/07/2006, the number of exclusive, irrevocable shares to be set aside was increased by 2,855,592 for the conversion of the remaining convertible bonds as mentioned above.

Subsequently, on 26/11/2007, the Shareholders' Meeting repealed this ruling in terms of the non-applicable part and the authorisations made to the

Board of Directors in 2003, and authorised the Board of Directors, pursuant to Section 2443 of the Civil Code, to increase the share capital with a cash payment, due in one or more instalments for a period of no more than one year after 26/11/2007 to a total of one thousand million euros only (€1,000,000,000.00, including share premium) by issuing ordinary and/or savings shares with a face value of one euro each to offer as an option to anyone entitled thereto, and to allow Directors to fix methods, terms, and conditions for the operation, including the issue price (inclusive of share premium) for the shares and the availability thereof, although in the event of the entire single increase or individual partial increases resolved upon not being fully underwritten, the increase in share capital would be equal to the total of any such underwriting. This authorisation, for the part remaining after the operation to be explained below, expired on 26/11/2008; the aforementioned Shareholders' Meeting will therefore be asked to cancel any reference thereto from the Articles of Association.

On 04/12/2007 the Board of Directors, in implementing the aforementioned authorisation, decided to increase the share capital by issuing, for a cash payment (and inclusive of share premium, if necessary), ordinary shares to a face value of one euro each, to offer as an option to shareholders and/or holders of convertible Company bonds on the day when underwriting was due to begin, in proportion to the number of ordinary shares and/or savings shares and/or convertible bonds held; the Board of Directors also decided that the increase would involve the issue of no more than four hundred million ordinary shares, to a maximum face value therefore of 400,000,000.00 euros or, if necessary, a lower number of shares to be decided at the next meeting of the Board of Directors according to the terms and conditions of Section 2443 of the Civil.

Code. bearing in mind –

- a) the price to be set by the Board of Directors for each ordinary share to be issued;
- b) the limit set by the Meeting (so as to avoid the product of the price set by the Board of Directors multiplied by the number of ordinary shares to be issued exceeding 1,000,000,000.00 euros, the authorised sum), subject to the overall share capital increase (including share premium) being somewhere around 950,000,000.00 euros;
- c) the need to determine the proper assignation ratios for options.

The final date for underwriting these new shares was set at 30/07/2008 by the Board of Directors at its meeting on 04/12/2007, with the specification that if, by that date, the necessary share capital increase had not been underwritten, the capital itself was to be understood as having been increased by an amount equal to the total underwritings upon that date.

On 31/01/2008, the Board of Directors therefore ordered the issue of a maximum of 398,848,684 new, ordinary shares with a face value of one euro each, with the same characteristics as those currently in circulation and ordinary rights, to be offered to those entitled thereto at a price of 2.40 euros per share (including any share premium) at a ratio of two new shares for every seven ordinary and/or savings shares, and 16 new shares for every 49

convertible bonds as per the security loan “Banca Carige 1.50% 2003-2013 subordinate hybrid with a premium upon reimbursement for conversion into ordinary shares.”

The option was valid from 04/02/2008 until 22/02/2008. Subsequently, the period was extended from 28/02/2008 until 05/03/2008 for the auctioning-off of unchosen rights at the end of the period in question, pursuant to the terms and conditions of Section 2441 (3) of the Civil Code. When bidding closed, there were 398,848,684 ordinary, new shares, all underwritten, to a total value of 957,236,841.60 euros, of which 398,848,684.00 euros were the face value and 558,388,157.60 euros the share premium, with no need for the consortium to stand surety, being coordinated and directed by Mediobanca and comprising Mediobanca itself, ABN AMRO, Rothschild, and Credit Suisse.

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In a ruling dated 29/04/2008, a Shareholders' Meeting authorised the Board of Directors to undertake the following operations, pursuant to current enacted law, for a period of 18 months starting upon the date of the Meeting, with the faculty of awarding all necessary powers to Management at the Bank, pursuant to Section 21 of the Articles of Association –

- 1) to purchase, on regulated markets, pursuant to Section 144-*bis* (1) b and c of the CONSOB Regulation for Issuers, up to a maximum equal to the currently available reserves, for the purchase of Company shares to a value of 77,000,000.00 euros and a maximum overall number of 89,496,545 shares in Banca Carige S.p.A. with a face value of one euro (including up to 80,732,998 ordinary shares and up to 8,763,547 convertible savings shares), corresponding to one twentieth of the ordinary share capital (as at 21/03/2008, comprising 1,614,659,968 ordinary shares) and savings (as at the same date, comprising 175,270,935 convertible savings shares), underwritten and fully paid up to a single overall value in the interval as follows –
  - a) a minimum price of no less than the share face value, i.e. one euro;
  - b) a maximum price equal to the average official price listed on the screen-based price at the Italian stock exchange over the ten trading days immediately before the operation, plus an additional 10%;
- 2) to sell, in all the ways and means currently permitted by law, of all Company shares held by the Bank (ordinary and/or savings), or part thereof, at a unit price of no less than the average official price of Italy's screen-based stock exchange over the ten trading days immediately before the operation, less 10%, with an understanding that the money from these transfers will be set aside to the "Bank Share Purchase Reserve: available quota," so that it can be used on a rotating and continuous basis to update monthly figures.

Moreover, during 2008 and until this Report received approval, Carige neither bought nor sold any of its own shares.

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As at 31/12/2008, Carige held a total of 44 old ordinary shares with a face unit value of ITL 10,000, equivalent to 228 current ordinary shares. The presence of the shares is explained by the conversion of share capital in euros, ordered by the special Shareholders' Meeting of 06/12/2001 and the consequent capital subdivision operation; to date, six ordinary non-material shares have not been converted and this ruling has not been complied with yet because it requires a minimum of fifty shares.

#### **l) Change-of-Control clauses**

Notification is hereby given that neither Carige nor its Subsidiaries have stipulated any special agreements that come into effect, are modified, or are repealed in the event of changes of control in the contracting company.

#### **m) Indemnity for Administrators in the event of a resignation, dismissal, or leaving after a tender offer.**

To date, no agreements have been made between the Bank and its Administrators regarding indemnity in the event of their resignation, justified dismissal, or leaving, nor are there any agreements with such people.

### **3. SUPPORT FOR CODES OF BEHAVIOUR**

The Carige Board of Directors voted on 11/12/2006 to give its total support for the latest version of the Code of Conduct for Listed Companies, adopted in March 2006 by the Corporate Governance Committee at the Italian Stock Exchange. This code of conduct is available at the stock exchange web site and at the Carige site [www.gruppocarige.it](http://www.gruppocarige.it) in the section marked "*Corporate Governance – Codice of Conduct.*"

It must be stated that neither Carige nor its strategically important Subsidiaries (see sub-section 4 for details) are affected by non-Italian laws which influence the corporate governance structure of the Parent Company.

### **4. MANAGEMENT AND COORDINATION**

Carige is not subject to any management or coordination by other companies pursuant to Sections 2497 *et seq.* of the Civil Code, but, as the parent company within the Group, manages and coordinates its subsidiaries, as set out in the Banking Act and in the various Supervisory Instructions, and likewise in the Provisions set out in Book V, Chapter IX of the Civil Code.

As at 31/12/2008, the Group comprised Carige as the parent company and following banks, insurance, finance, and other companies.

**Banking**

- Cassa di Risparmio di Savona S.p.A. -
- Cassa di Risparmio di Carrara S.p.A. -
- Banca del Monte di Lucca S.p.A.
- Banca Cesare Ponti S.p.A.

**Insurance**

- Carige Assicurazioni S.p.A.
- Carige Vita Nuova S.p.A.
- Assi 90 S.r.l.
- Savona 2000 S.r.l. in receivership

**Asset management**

- Carige Asset Management SGR S.p.A.

**Consumer credit**

- Creditis Servizi Finanziari S.p.A.

**Credit securitisation**

- Argo Finance One S.r.l.
- Priamar Finance S.r.l.
- Argo Mortgage S.r.l.
- Argo Mortgage 2 S.r.l.
- Carige Covered Bond S.r.l.

**Trust Companies**

- Centro Fiduciario C.F. S.p.A.

**Property**

- Galeazzo S.r.l.
- Columbus Carige Immobiliare S.p.A.
- Immobiliare Ettore Vernazza S.p.A. -  
Immobiliare Carisa S.r.l.
- Dafne Immobiliare S.r.l.
- I.H. Roma S.r.l.

It must be pointed out that Savona 2000 S.r.l. was struck from the Registry of Companies on 14/01/2009, after it was wound up.

In this connection, it must be said that in its meeting on 28/03/2008, the Board confirmed its intention to identify – using various criteria, and not solely size – strategically important subsidiaries among the following Group companies –

- Cassa di Risparmio di Savona S.p.A.

- Cassa di Risparmio di Carrara  
S.p.A. - Banca del Monte di  
Lucca S.p.A.
- Banca Cesare Ponti S.p.A.
- Carige Assicurazioni  
S.p.A. - Carige Vita  
Nuova S.p.A.
- Carige Asset Management  
S.p.A. - Creditis Servizi Finanziari S.p.A.

In a meeting on 27/03/2009, the Board of Directors identified these companies as strategically important Subsidiaries.

## **5. THE BOARD OF DIRECTORS**

### **5.1. MAKE-UP**

The current Board of Directors was appointed by the Shareholders' Meeting on 20/04/2006, by means of the voting by list procedure brought in by the special Shareholders' Meeting on 06/12/2001, pursuant to Section 7.1 of the 1999 Code of Conduct; the Meeting held on 20/04/2006 set the number of members of the Board of Directors at eighteen (18).

The Directors were appointed for three years; therefore their period in office was due to end on the date set for approval of the financial statements as at 31/12/2008, and they could be re-elected.

The Meeting called for 29/04/2009 (or, alternatively, for 30/04/2009) will have the task of electing a Board of Directors for the next three years.

It must be remembered that the ordinary Shareholders' Meeting of 27/04/2007 appointed Luigi Gastaldi (previously co-opted by the Board of Directors on 11/12/2006 to replace Raffaele Lauro, who resigned) and Cesare Castelbarco Albani (to replace Flavio Repetto, who is resigning) as Directors, to remain in office until the Meeting called to approve figures on 31/12/2008.

With regard to 2008 it must be stated that, in a letter dated 12/11/2008, Nicolas Mérindol resigned his office as Director at the Bank with effect from the first Board meeting thereafter, i.e. 01/12/2008. Therefore the Carige Board of Directors, on 15/12/2008, pursuant to Section 2386 (1) of the Civil Code, co-opted Alain Jean Pierre Lemaire as a new Director, to remain in office until the next Shareholders' Meeting.

All Directors meet the professionalism and respectability requirements set out in Ministerial Decree 161/1998 as well as the terms and conditions of Section 147-*quinquies* of the TUF and the honourableness requisites set out in Ministerial Decree 162/2000.

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The Board of Directors as at 31/12/2008 is made up as shown in the following table –

Name	Office	Took office in (*)	List (**)	Exec.	Non-exec.	Indep. Code	Indep. TUF	% BoD	Other offices
Giovanni Berneschi	Chairman	20/4/2006	M	X				100%	8
Alessandro Scajola	Deputy Chairman	20/4/2006	M	X				100%	2
Andrea Baldini	Director	20/4/2006	M	X				85%	1
Giorgio Binda	Director	20/4/2006	m		X	X		85%	3
Jean-Jacques Bonnaud	Director	20/4/2006	m		X	X		100%	5
Luca Bonsignore	Director	20/4/2006	m		X	X	X	85%	2
Cesare Castelbarco Albani	Director	27/4/2007	-		X	X	X	100%	3
Remo Angelo Checconi	Director	20/4/2006	m	X				100%	1
Maurizio Fazzari	Director	20/4/2006	m		X	X	X	62%	3
Luigi Gastaldi	Director	11/12/2006	-		X	X		100%	2
Commander Pietro Isnardi	Director	20/4/2006	M		X			92%	3
Alain Jean Pierre Lemaire	Director	15/12/2008	-		X		X	-	2
Ferdinando Menconi	Director	20/4/2006	M		X			77%	-
Paolo, Cesare Odone	Director	20/4/2006	M	X				92%	2
Renata Oliveri	Director	20/4/2006	m	X				100%	-
Jean-Marie Paintendre	Director	20/4/2006	m		X			100%	4
Vincenzo Roppo	Director	20/4/2006	M	X				85%	1
Francesco Taranto	Director	20/4/2006	m		X	X	X	85%	4

(\*) for current term

(\*\*) see below for details

LEGEND

**List:** M = Director elected from list presented by majority / m = Director elected from list presented by minority Shareholders (Section 144-*decies*, CONSOB Regulation for Issuers)

**Exec.:** ticked if the Director can be considered as an Executive according to the Code

**Non-exec.:** ticked if the Director can be considered as a Non-Executive according to the Code

**Indep. Code:** ticked if the Director can be considered independent according to the criteria set out in the Code

**Indep. TUF:** ticked if the non-executive Director can be considered as meeting the requirements of Section 148 (3) of TUF (Section 144-*decies*, CONSOB Regulation for Issuers)

**% BoD:** presence, as a percentage, of the Director at Board Meetings (considering the number of Meetings the Director took part in compared to the number of Board meetings held during the year or after he/she took office)

**Other offices:** overall number of offices held in other companies listed on regulated markets (in Italy or overseas), in finance companies, banks, insurance companies, or other large firms.

\*\*\*

The internal Board of Directors Committees as at 31/12/2008 are made up as shown in the following table –

Name	Office	EC	% EC	RC	% RC	ICC	% ICC
Giovanni Berneschi	Chairman	P	98%	-	-	-	-
Alessandro Scajola	Deputy Chairman	M	100%	-	-	-	-
Andrea Baldini	Director	M	98%	-	-	-	-
Giorgio Binda	Director	-	-	M	-	-	-
Jean-Jacques Bonnaud	Director	-	-	-	-	M (**)	100%
Luca Bonsignore	Director	-	-	M	-	-	-
Cesare Castelbarco Albani	Director	-	-	-	-	-	-
Remo Angelo Checconi	Director	M	100%	-	-	-	-
Maurizio Fazzari	Director	-	-	-	-	M	83%
Luigi Gastaldi	Director	-	-	M	-	-	-
Pietro Isnardi	Director	-	-	M (*)	-	-	-
Alain Jean Pierre Lemaire	Director	-	-	-	-	-	-
Ferdinando Menconi	Director	-	-	-	-	-	-
Paolo Cesare Odone	Director	M	87%	-	-	-	-
Renata Oliveri	Director	M	83%	-	-	-	-
Jean-Marie Paintendre	Director	-	-	-	-	-	-
Vincenzo Roppo	Director	M	96%	-	-	-	-
Francesco Taranto	Director	-	-	-	-	M	92%

(\*) Pietro Isnardi is Coordinator for the Remuneration Committee

(\*\*) Jean-Jacques Bonnaud is Coordinator for the Internal Control Committee

LEGEND

**EC:** Executive Committee; **P** = President of Executive Committee / **M** = Member of Executive Committee. **% EC:** presence, as a percentage, of the Director at Executive Committee Meetings (considering the number of Meetings the Director took part in compared to the number of Executive Committee meetings held during the year)

**RC:** Remuneration Committee; P = President of Remuneration Committee / M = Member of Remuneration Committee

**% RC:** presence, as a percentage, of the Director at Remuneration Committee Meetings (considering the number of Meetings the Director took part in compared to the number of Remuneration Committee meetings held during the year; please note that the Remuneration Committee did not meet during 2007)

**ICC:** Internal Control Committee; P = President of Internal Control Committee / M = Member of Internal Control Committee

**% ICC:** presence, as a percentage, of the Director at Internal Control Committee Meetings (considering the number of Meetings the Director took part in compared to the number of Internal Control Committee meetings held during the year)

As will be noted from the foregoing table, Executive Directors (in compliance with the provisions of the Code, do not belong to any Committees under the Board of Directors, as explained more fully in subsections 8, 9, and 11.

\*\*\*

With regard to the candidacy lists for the current Directors, please note the following –

- 1) the Fondazione Cassa di Risparmio di Genova e Imperia which, on 20/04/2006 held 43.346% of the ordinary share capital, has confirmed that it will limit the number of Directors it wishes to nominate, as previously occurred, thus having a maximum of 50% minus one (*i.e.* 8 out of a total of 18). From the list of candidates previously presented, Giovanni Berneschi was elected Chairman and Alessandro Scajola Deputy Chairman, in addition to the Directors Andrea Baldini, Pietro Isnardi, Raffaele Lauro (although he later resigned, as stated above, and was replaced by Luigi Gastaldi, appointed by the Meeting of 27/04/2007), Ferdinando Menconi, Paolo Cesare Odone, and Vincenzo Roppo;
- 2) from the list presented by those shareholders who at the time held a total of 17.350% of the ordinary share capital, *i.e.* CNCE (Caisse Nationale des Caisses d'Epargne et de Prevoyance), and WestLB (Italia) Finanziaria S.p.A., the following were appointed as Directors: Giorgio Binda, Jean-Jacques Bonnaud, Maurizio Fazzari, Nicolas Mérindol (who resigned on 12/11/2008, as stated above, with effect from the first meeting thereafter, *i.e.* 01/12/2008, and who was replaced by Alain Jean Pierre Lemaire, co-opted by the Board at its Meeting on 15/12/2008), Jean-Marie Paintendre, and Francesco Taranto;
- 3) from the list presented by the shareholders who, at the time, held a total of 4.6% of the ordinary share capital, *i.e.* Francesco Coletti (on his own behalf and as Chairman of the Banca Carige S.p.A. Shareholders' Association), Coop Liguria S.c.r.l. di consumo, Coopsette Soc. Coop. a r.l. p.A., Centro Fiduciario C.F. S.p.A. (on behalf of its own trustees), Gefip Holding S.A., Autostrade dei Parchi S.p.A., Genuensis di Revisione S.p.A., Immobiliare Ardo Soc. Semplice, Directorships were given to Luca Bonsignore, Remo Angelo Checconi,

Renata Oliveri, Flavio Repetto (who resigned on 14/02/2007, as stated above, and who was replaced by Cesare Castelbarco Albani, appointed by the Meeting on 27/04/2007).

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Pursuant to Section 144-*decies* of the CONSOB Regulation for Issuers, the following are the personal and professional characteristics currently held by each Director <sup>1</sup>.

- Giovanni BERNESCHI, Chairman, born in Genoa on 25 July 1937, awarded an honorary doctorate *honoris causa* in Economics, was Director General, Director, and then Managing Director of Carige before becoming Chairman in 2003; previously, he was the CEO and CFO in many different banks, finance corporations, and insurance firms; he currently fulfils the following tasks and duties –
  - Chairman, Carige Vita Nuova S.p.A. (\*)
  - Deputy Chairman, Carige Assicurazioni S.p.A. (\*)
  - Deputy Chairman, Centro Fiduciario C. F. S.p.A. (\*)
  - Deputy Chairman, Cassa di Risparmio di Carrara S.p.A. (\*)
  - Director and member of Executive Committee, Cassa di Risparmio di Savona S.p.A. (\*)
  - Director, Banca Cesare Ponti S.p.A. (\*)
  - Chairman, I.L.I. Autostrade S.p.A.
  - Director, Centrosim S.p.A.
  - Deputy Chairman, A.B.I. (Italian Bankers' Association)
  - Member of Committee of Auditors at the Fondo Interbancario Tutela dei Depositi
  - Director and Member of the Committee of the Genoa Chamber of Commerce
- Alessandro SCAJOLA, Deputy Chairman, born in Frascati (near Rome) 29 August 1939, Bachelor of Law; previously Director at various banks, finance houses, and industries such as S.I.P. S.p.A., Mediocredito Ligure S.p.A., Carige Vita Nuova S.p.A. and Carige Asset Management SGR S.p.A.; he currently fulfils the following tasks and duties –
  - Deputy Chairman, Cassa di Risparmio di Savona S.p.A. (\*)
  - Deputy Chairman, Autostrada dei Fiori S.p.A.
- Andrea BALDINI, Director, born in Pontremoli (near Massa Carrara), on 10 October 1949, for many years has been providing advisory services to credit houses and insurance companies, has been managing Director at Banca del Monte di Lucca S.p.A., and is currently –
  - Director, Cassa di Risparmio di Carrara S.p.A. (\*)
  - freelance Attorney-at-Law

<sup>1</sup> (\*) Office taken in Companies within the Carige Bank Group.

Giorgio BINDA, Director, born in Milan on 22 September 1942, previously Director at I.L.I. - Infrastrutture Lavori Italia S.p.A. and Carige Asset Management SGR S.p.A. Has also been Managing Director at WestLB (Italia) Finanziaria S.p.A. in Milan and Chief Executive of the Milan branch of WestLB AG, currently engaged as –

- Director, Banca Cesare Ponti S.p.A. (\*)
- Chairman, Finanziaria Canova S.p.A.
- Chairman, Siis Holding S.r.l.
- Director, V.V.E. Contract S.r.l.

Jean-Jacques BONNAUD, Director, born in Tianjin (China) on 9 July 1935, Bachelor of Law, has played a leading role in many Government and economic-financial bodies, as well as being Chairman of the Board of Directors of the Gruppo di Assicurazioni Nazionali (GAN) and Chairman of the International Commission of the French Insurance Companies' Federation (FFSA); he currently fulfils the following tasks and duties –

- Director, Creditis Servizi Finanziari S.p.A. (\*)
- Honorary Chairman, Eurotitrisation
- Chairman, Galaxy Fund (Luxembourg)
- Chairman of Supervisory Committee, Valeur Capital
- Director, Foncière Inea S.A.

Luca BONSIGNORE, Director, born in Turin on 5 October 1970, Bachelor of Law, holds an M.A. in Internal Business from Groningen University (Kingdom of Netherlands), formerly Director at Gefip Holding S.A., currently fulfils the following tasks and duties –

- Managing Director, Gefip Holding S.A.
- Deputy Chairman, I.L.I. Autostrade S.p.A.

Cesare CASTELBARCO ALBANI, Director, born in Milan on 20 December 1952, Bachelor of Arts in Economics, has been Chairman of several companies such as F.I.L.S.E S.p.A., Sviluppo Genova S.p.A., SIIT S.c.p.A., and has administered several companies such as Ligurcapital S.p.A., Porto di Genova S.p.A., and Datasiel S.p.A.; currently fulfils the following tasks and duties –

- Sole Director, Castelfin S.r.l.
- Chairman, Agenzia Marittima Prosper S.r.l.
- Director, Rimorchiatori Riuniti Porto di Genova S.r.l.
- Director, Italiana Assicurazioni S.p.A.

Remo Angelo CHECCONI, Director, born in Genoa on 25 March 1932, has been Chairman of the Board of Directors at BANEC - Banca dell'Economia Cooperativa S.p.A. (currently T/A UNIPOLBANCA S.p.A.) and Chairman/Managing Director at Coop Liguria Società Cooperativa di Consumo a r.l., currently fulfils the following tasks and duties –

Honorary Chairman, Director, and Member of Management Committee at the Coop Liguria Società Cooperativa di Consumo a r.l.

Maurizio FAZZARI, Director, born in Genoa on 8 April 1952, Bachelor of Law, has previously worked as Manager in the banking sector, and has been and is still administrator in important banks and finance companies; currently fulfils the following tasks and duties –

- Director-General, Milan branch of WestLB AG;
- Managing Director, WestLB (Italia) Finanziaria S.p.A.
- Chairman, Finanziaria Canova S.p.A.

Luigi GASTALDI, Director, born in Canneto Pavese (near Pavia) on 19 January 1939, B.A. in Economics, has previously worked as administrator in many firms in the insurance and finance segment and has been a member of the management committee of ANIA; currently fulfils the following tasks and duties –

- Deputy Chairman, Carige Vita Nuova S.p.A. (\*)
- Director, Carige Assicurazioni S.p.A. (\*)

Pietro ISNARDI, Director, born in Imperia on 2 June 1947, entrepreneur, previously worked as Director at the Fondazione Cassa di Risparmio di Genova e Imperia; currently fulfils the following tasks and duties –

- Chairman and managing Director, Pietro Isnardi Alimentari S.p.A.
- Sole Director, ISSAI S.r.l., currently in receivership
- Director, Porto di Oneglia S.p.A.

Alain Jean Pierre LEMAIRE, Director, born in Saint-Germain-en-Laye on 5 March 1950, Bachelor in Public Law, has previously worked in various managerial roles in important banking and finance firms; currently fulfils the following tasks and duties –

- Director-General and Member of Executive Board at CNCE (Caisse Nationale des Caisses d'Epargne et de Prévoyance)<sup>2</sup>;
- Chairman, Executive Board, CEPAC (Caisse d'Epargne Provence Alpes Corse)<sup>3</sup>;

Ferdinando MENCONI, Director, born in Sarzana (near La Spezia) on 28 November 1943, Bachelor of Law, has worked and works in administration in various insurance firms; has been a Director at the Fondazione Cassa di Risparmio di Genova e Imperia and a member of the Board of Directors at Genoa Chamber of Commerce, as well as Managing Director at Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A., where he has been, respectively, Chairman and Deputy Chairman.

<sup>2</sup> The offices of Director-General and Executive Board Member at CNCE are associated with other offices that Mr. Lemaire holds in Group subsidiaries or partner companies.

<sup>3</sup> The office of Chairman of the Executive Board of CEPAC is associated with other offices that Mr. Lemaire holds in the company' subsidiaries or partner companies.

Paolo Cesare ODONE, Director, born in Genoa on 17 August 1942, entrepreneur, has been administrator in several companies; among his sundry duties the following may be listed –

- Chairman, Genoa Chamber of Commerce
- Chairman, Genoa County Ascom Confcommercio
- Chairman, Ascom Servizi Confcommercio Genova S.r.l.
- Director, Aeroporto di Genova S.p.A.
- Director, Fondazione Ansaldo
- Director, Mediocom Liguria – Liguria Regional Consortium for Guaranteeing medium-term Finance for Companies

Renata OLIVERI, Director, born in Cassine (near Alessandria) on 14 December 1943, Bachelor of Economics, has previously worked as Secretary-General of Regione Liguria, and Director of Finporto S.p.A., Datasiel S.p.A., and FILSE S.p.A.; currently fulfils the following tasks and duties –

- Director-General, Industrial Promotion Institute in Rome

Jean-Marie PAINTENDRE, Director, born in Boulogne Billancourt (France) on 4 May 1948, has had various managerial responsibilities in important banks and finance houses such as Eulia (Holding CDC/CNCE) and CDC IXIS, as well as Carige Asset Management SGR S.p.A.; currently fulfils the following tasks and duties –

- Directeur International at CNCE (the Caisse Nationale des Caisses d'Epargne et de Prévoyance)<sup>4</sup>
- Director, Banca Cesare Ponti S.p.A. (\*)
- Director, Creditis Servizi Finanziari S.p.A. (\*)
- Director, Eurizon Vita S.p.A.

Vincenzo ROPPO, Director, born in Rovigo on 27 December 1947, Civil Attorney-at-Law, with long experience in company law, and Lecturer in Civil Law at Genoa University, previously worked as Director at RAI (Italian State Broadcaster), the Italian Space Agency, and Cinecittà Holding S.p.A., in addition to Carige Asset Management SGR S.p.A.; currently fulfils the following tasks and duties –

- Director, Consorzio per Giurista di Impresa S.c. a r.l.
- Director, AVM Private Equity 1 S.p.A.

Francesco TARANTO, Director, born in Genoa on 13 May 1940, has been member of the Stock Exchange Committee set up to draw up the Code of Conduct for Listed Companies. Has previously worked for many companies, including ENEL S.p.A., Primegest S.p.A. (where he was the Managing Director), and Wind Telecomunicazioni S.p.A.; currently fulfils the following tasks and duties –

<sup>4</sup> The office of Directeur International of the Groupe CNCE is associated with other offices that Mr. Paintendre holds in Group subsidiaries or partner companies.

- Director, ENI S.p.A.
- Director, Cassa di Risparmio di Firenze S.p.A. (\*)
- Director, Pioneer Global Asset Management S.p.A.
- Director, Kedrios S.p.A.

### Changes to the make-up of the Board of Directors during the year.

The following table shows information about Nicolas Mérindol, Sole Director, who resigned during the year –

Name	Office	In office from/to (*)	List (**)	Exec.	Non - exec	Indep. Code	Indep .TUF	% BoD	Other offices
Nicolas Mérindol	Director	20/4/2006-1/12/2008	m		X		X	27%	1

(\*) for current term

(\*\*) please see below for details

LEGEND

Please see the two tables above for an explanation.

Pursuant to Section 144-*decies* of the CONSOB Regulation for Issuers, the following are the personal and professional characteristics currently held by Nicolas Mérindol.

Nicolas MÉRINDOL, Director, born in Cambrai (France) on 20 February 1961, has worked in many different capacities at CDC (the Caisse des Dépôts et Consignations S.A.), and until November 2008 fulfilled the following tasks and duties –

- Director-General and member of Executive Board, CNCE<sup>5</sup>.

There have been no other changes to membership of the Board of Directors since 31/12/2008.

### Upper Limit upon Offices in other Companies.

Directors carry out their responsibilities with diligence and specific professional skills, dependent upon the number of offices they have fulfilled in other banks or insurance and finance companies.

a) In this connection, it must be said that the Board of Directors, in its Meeting on 28/03/2008, pursuant to the general provisions and to Application Criteria 1.C.2 and 1.C.3 in the Code of Conduct for Listed Companies, voted for the following – a) to judge as compatible with an efficacious fulfilment of a Directorship the number of times a person has worked as administrator or comptroller in a major department at a listed company, a finance company, bank, or insurance company, or in another company of a similar size;

<sup>5</sup> The office of Director-General and Executive Board Member at CNCE is associated with other offices that Mr. Mérindol holds in Group subsidiaries or partner companies.

b) to identify – from 28/03/2008 onwards – 10 as being the maximum number of offices a Director or Auditor can have held in a bank, a finance company, or insurance firm (including those in the Carige Bank Group other than Carige itself) or of a similar size, no more than five of which may be in listed companies, since this number has been considered compatible with the efficacious fulfilment of a Directorship at the Bank.

As part of the plan for making amendments to the Articles of Association as approved by the Board of Directors, due to be subjected to the aforementioned special Shareholders' Meeting for their approval, a suggestion has been made to insert the maximum number of offices held by Directors in other companies.

In view of the fact that, pursuant to Application Criterion 1.C.3 of the Code of Conduct, some "differentiated" general criteria need to be drawn up with regard to offices (especially when considering whether a Director has been executive or non-executive), in terms of the size and the nature of the various companies where these offices have been held, and whether or not the companies are part of the Carige Bank Group, it is hereby suggested that more stringent rules be applied for executive Directors at Carige, and due consideration be made of the executive or non-executive nature of offices held in other companies. This supposes that executive offices require greater commitment, especially in terms of the time necessary for them.

Non-executive Directors may hold no more than ten administrative or controlling offices (no more than five of them being executive) in other companies listed on regulated markets and in banks, finance companies, insurance firms, or other companies of the same or similar size (specific reference being to joint stock companies with a share capital of no less than two million euros, as required by Section 26 (5) of the Articles of Association with regard to the professionalism requirements for candidates standing for the Board of Auditors) outside the Group, up to a maximum of five of them being administrative or controlling in listed companies other than Carige.

Executive Directors, however, might hold no more than six administrative or controlling offices (no more than three of them being executive) in other companies listed on regulated markets and in banks, finance companies, insurance firms, or other companies of the same or similar size outside the Group, to a maximum of three administrative or controlling offices in listed companies other than Carige.

## **5.2. RESPONSIBILITIES OF THE BOARD OF DIRECTORS.**

The Board of Directors shall be required to meet once a month. In year ending 31/12/2008 there were thirteen such meetings, which lasted an average of three hours and were very well frequented.

For the current year thirteen meetings have been planned, four of which had already been held when approval was given to this Report.

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Pursuant to Section 20 of the Articles of Association, the Board of Directors has been given day-to-day and special powers of administration, except for those peremptorily held by the Shareholders' Meeting, including the following –

- a) mergers, in the circumstances set out in Sections 2505 and 2505-*bis* of the Civil Code;
- b) the setting up and closing down of branches;
- c) the reduction of share capital in the event of a partner withdrawing;
- d) the adaptation of the Articles of Association to bring them in line with current enacted law.

The Board of Directors shall have exclusive responsibility for the following –

- a) drawing up general management guidelines;
- b) appointing the Managing Director or Director-General and, if the Managing Director or Director-General so wish, appointing one or more Deputy Directors-General;
- c) buying and selling controlling interest pursuant to Section 2359 of the Civil Code, and appointing or nominating representatives on the Board of subsidiary or partner companies;
- d) deciding upon criteria for managing and coordinating other companies in the same Group and for implementing instructions received from the Supervisory Authority;
- e) mergers, in the circumstances set out in Sections 2505 and 2505-*bis* of the Civil Code;
- f) the setting up and closing down of branches;
- g) the reduction of share capital in the event of a partner withdrawing;
- h) the adaptation of the Articles of Association to bring them in line with current enacted law;

appointing and dismissing the person in charge of drawing up Company accounting documents, subject to approval by the Board of Auditors pursuant to Section 31 of the Articles of Association. While on the subject of Section 20 of the Articles of Association, it must be pointed out that the provisions of the Code of Conduct for Listed Companies shall be the responsibility of the Board of Directors alone, and the delegation thereof is forbidden by law.

In particular, the Code of Conduct requires the Board of Directors to deal exclusively with the following areas –

- examining and approving the strategic, industrial, and financial plans of the Bank and the Carige Group;
- examining and approving the Company Management System of Carige, and the Group structure;
- examining the suitability of the organisational, administrative, and general accounting structure in Carige and its Subsidiaries, and looking in particular at the strategic importance of the internal control system and how it deals with conflicts of interest;
- the allocation and removal of authorisation to the Executive Committee, with details concerning its limits and methodologies;

- determining the remuneration for Directors fulfilling specific tasks and responsibilities, and likewise paying overall monies (unless the Shareholders have already done so) to members of the Board; - appraising general management trends;
- examining and giving prior approval to operations in Carige and its Subsidiaries, when such operations are particularly important in strategic, economic, assets, or finance terms, and paying particular attention to those to which one or more Directors bring their own interests or those of third parties and, generally speaking, to operations involving partners;
- appraising every year the size, make-up, and running of the Board of Directors and its sub-committees.

With regard to the competencies of the Board of Directors as a set out in Section 20, the planned amendments to the Articles of Association approved by the Board of Directors entails a certain degree of refinement for compliance with the Bank of Italy Provisions. In particular, these Provisions say that the Board of Directors is the only organ which can make strategic decisions and draw up industrial and financial plans, appoint the Director-General, buy and sell controlling interests, approve and amend the most important in-house regulations, set up any internal committees which may be needed, and appoint managers for the various in-house revision and conformity departments.

Pursuant to these new Articles of Association, the term "controlling interests" (which is not detailed in the Provisions) could be explained using one of the following parameters –

- the size of any share capital held by an interest, taken to mean the amount necessary for control to occur;
- the size of an investment in economic terms, taken to be more than 10% of a Bank's guarantee capital.

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**Examining the suitability of the organisational, administrative, and general accounting structure in Carige and its Subsidiaries, and looking in particular at those Subsidiaries having strategic importance;**

With regard to examining the suitability of the organisational, administrative, and general accounting structure of Carige subsidiaries, and looking in particular at those Subsidiaries having strategic importance (for details, please see sub-section 4), pursuant to Application Criterion 1.C.1 (b) in the Code, it must be pointed out that the Parent Company, as part of its management and coordination responsibilities, wishes to promote efficiency, and give importance to entrepreneurship among its subsidiaries (provided this does not affect their independence), and in the Group in general, in line with proper management for the company and in order to safeguard its stability and profitability.

To this end, the Board of Directors has given its approval to the Carige Bank Group "Group Regulations," which are applicable as general standards,

and which may be used along with other mechanisms and instruments to coordinate and control the Group as a whole.

Subsidiaries, with rulings by their various Boards of Directors, have decided as far as possible to acknowledge the aforementioned Regulation and the various Schedules thereto, as well as those individual Directives issued from time to time which are an integral part thereof; thus they intend to participate in the Group management and control model.

The Regulation lays down the guidelines to be used for strategic planning, management control, and monitoring. To this end, the Parent Company shall be required to make specific, strategic decisions, to lay down rules of behaviour, and to ensure that its own Departments are consistently applying any decisions it makes and implementing them properly as part of the following general profiles

- exclusive management by the Parent Company of strategic resources, comprising as they do finances, management, and information transfers;
- forecasting the organisational structures needed to implement the strategic plans;
- detailing and fine-tuning the planning and control instruments and processes;
- preparing and running an incentives system with targets;
- preparing and running the various aspects of processes in terms of organisation, involvement, stages, and times;
- operating directions, by means of the Parent Company's detailing and preparing specific rules and operating criteria with a view to setting up uniform behaviour, management efficiency, and control efficacy.

The Group Regulation also details the guidelines for organisational layouts and cost synergies within the Group, with development forecasts for suitable procedures aiming at bringing about suitable integration synergies in terms of both costs (departmental centralisation, rationalisation, *etc.*) and equity (markets, credits, finance, internet platforms, *etc.*). Details are also given for guidelines on risk control and on the Group In-House Control System.

With specific reference to the suitability of the administrative and accounting side, please note that the Parent Company's Board of Directors has approved a specific "Management and Control Model for Administrative and Accounting Processes," in addition to its "Accounting System Model within the Carige Bank Group," for further details on which please see subsection 12.

Additionally, with regard to the "New Provisions for New Vigilance for Banks," as cited in Bank of Italy Memorandum 263/2006, the Board of Directors at Carige has done the following –

- given its approval to the "ICAAP Process Governance Model," the risk map to which Carige Bank Group is exposed, and the "Process Operating Manual for Appraising Asset Suitability,"
- begun to seek authorisation from the Bank of Italy for adopting the IRB Foundation method for portfolios "Exposure to Companies" (corporate) and "Exposure to Retail" (retail); all of which is explained below in subsection 12 (*q.v.*).

Considering also that, under the terms and conditions of Criterion 1.C.1 (b) of the Code of Conduct, suitability must be assessed with particular reference to the internal control system and to how vested interests are dealt with, the Board of Directors has decided, in order to identify and deal with situations where a Director may have certain interests (either his or her own or those of some third party) in accordance with Application Criterion 9.C.2 of the Code, to detail, pursuant to the provisions laid down in Section 136 of the TUB, as amended by Section 8 (2) of Law No. 262/2005, and again by Section 1 (8) of Legislative Decree 303/2006, a Group procedure, contained in the "Regulation Concerning the Duties of Company Managers in the Carige Bank Group," determining the activities of the Managers (Administrators, Auditors, or the Directors-General) of companies within the Carige Group, representing obligations, of any nature, of said Managers towards Carige or any other company in the same Group. For further information concerning the application of this Regulation and the procedure it has laid down, please see subsection 13 below.

Pursuant to the terms and conditions of Section 2391-*bis* of the Civil Code, and to the recommendation made in the Code of Conduct for Listed Companies, the "Regulation for Operations with Partner Companies" has been adopted. This document gives the guidelines for operations with such companies and, in particular, those with greater economic, asset, and financial importance, and these may only be dealt with by the Board of Directors. It also gives the general criteria for the information to be given to the Supervisory Authority concerning such operations, whether or not they have been undertaken by subsidiary departments or structures, to ensure that all the proper, formal procedures have been complied with. To this end also, please see subsection 13.

Finally, in order to monitor the suitability of the organisational, administrative, and accounting side of Carige and its strategically important Subsidiaries, the Board of Directors has been continually notified about the decisions taken by the various subsidiary departments (the Executive Committee among others) with regard to authorisations and the work done by the internal control department. For further details, please see subsection 12.

The procedures for information exchanges between departments at Carige (as also those between subsidiary banks) and the control departments at the company have been rationalised after new Bank of Italy Provisions came into force on 04/03/2008.

Those regulations affecting Control Departments will therefore be fine-tuned by no later than 30/06/2009 (by which time the Company Governance Project, illustrating the structure of the articles of association and of internal organisation, must have been approved) to formalise suitable information exchanges on a periodic basis or with regard to specific situations or company trends, especially as they impact the Board of Directors, the Internal Control Committee, and the Board of Auditors.

Additionally, since the main function of these Internal Control Departments is to help Company management to assess the suitability of the internal controls system by providing them with analyses, appraisals, comments, and observations concerning those activities which they have examined, it must be stated that at its meeting on 23/03/2009 the Carige Board of Directors decided, after reading a special report presented by Internal Control Department (which had already been sent to the Internal Control Committee on 20/03/2009), to consider as suitable, effective, and efficacious the Internal Controls System put in place to supervise those risks which the Company faces as part of the various processes within the Carige Bank Group, in the light of the analyses and the new appraisals made by Internal Controls during 2008, according to the plans examined by the Board of Auditors on 25/02/2008 and the Internal Control Committee.

All the heretofore notwithstanding, the general organisational, administrative, and accounting situation at Carige and its strategically important subsidiary companies can be considered as suitable, also bearing in mind the details of the Internal Control System specified in subsection 12.

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### **Remuneration for Directors fulfilling specific tasks and responsibilities.**

Pursuant to the terms and conditions of Section 2389 (3°) of the Civil Code, mention of which is made in these Articles of Association at Section 23, the Board of Directors has decreed an additional series of payments for the Chairman, the Deputy Chairman, and the Managing Director (if appointed), as well as for members of the Executive Committee.

For further details, please see subsection 10.

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### **An appraisal of general management trends.**

Pursuant to Section 21 (2) of the Articles of Association, the Board of Directors and the Board of Auditors are to be notified by the various Departments in charge of decisions and authorisations about general management trends and possible future developments, and as well as the most important operations (in terms of their size and other characteristics) involving the Company and its subsidiaries, in the terms required by the Board, at least once every three months. In actual fact, this information is usually given every month.

During 2008, the Board of Directors periodically examined and gave its approval to the management figures variously published by the Bank, and compared them with previously made monetary forecasts and plans.

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### **Identifying operations with significant strategic, economic, asset, or financial importance.**

As stated previously, with regard to the provisions of the Code of Conduct for Listed Companies as applicable to Carige, the Board of Directors has examined and given its preliminary approval to the operations undertaken by the Issuer and its Subsidiaries, in as far as such operations have a significant strategic, economic, asset, or financial importance for Carige, and gave particular importance to those situations where one or more Directors had certain interests (either his or her own or those of some third party) and, in general, in operations with partner companies. For further details, please see subsection 13.

To this end, the Group Regulation, which was last approved by the Board of Directors on 17/12/2007, requires operations with significant strategic, economic, asset, or financial importance for Carige to be submitted for approval to the Board of Directors, whatever monies are actually involved. As far as these significant economic, capital and financial operations are concerned, the Group Regulation sets out the general criterion for identifying whether they are "significant" or not, according to which the various subsidiary companies are required to notify Carige of their intentions with each individual operation: this comes into force for operations involving 25% or more of a subsidiary's net assets, except portfolio investments and/or treasury operations, but are not applicable to operations instigated by Carige as the servicer in securitisation operations.

With specific reference to subsidiary insurance companies, the Group Regulation requires all property operations (including, but not limited to, purchases, sales, transfers, purchase and/or sale options, leasing) involving Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A. to be submitted – whatever the monies involved – to the Parent Company's Board of Directors for its non-binding opinion, subject to a preliminary report drawn up by the latter's special technical departments.

The Regulation also requires any amendments to the Articles of Association to receive prior approval by the Parent Company's Board of Directors. In the same way, in order to become effective, strategic plans drawn up and approved by the competent administrative bodies of subsidiaries (including insurance companies) must have been approved by Carige.

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### **The size, make-up, and running of the Board of Directors and its sub-committees.**

Since Carige signed up to the latest version of the Code of Conduct for Listed Companies, its Board of Directors has fully accepted the criteria laid out in the Code

for determining the size, make-up, and running of a Board of Directors and its sub-committees.

In a special meeting held on 28/03/2008, the Board of Directors identified non-executive and independent Directors, specifying the criteria to be used and explaining why this decision had been taken. The Board also appraised the suitability of the number of offices, whether administrative or controlling, currently fulfilled by its various members in listed companies, in financial, banking or insurance companies, or in other large companies.

With specific regard for the competencies of the various members of the Board of Directors, it must be remembered that the TUB, the TUF, and the Provisions issued by the Bank of Italy make specific requirements concerning the professionalism and respectability of managers in banking organisations, and the Board must examine every appointee to its number and anyone who has been co-opted by the Executive Committee.

The methods for regulating operations by the Executive Committee have been laid out in this Section, and for internal Committees they can be seen below in subsections 9 and 11.

At the same time, it must be pointed out that, since the Board of Directors and its various subcommittees have always been expected to function perfectly all the time, further examination of the size, make-up, and running of the Board and its Committees has been postponed until next year, since in the meantime the Board of Directors will change and a new Nomination Committee will be set up, as detailed in subsection 8.

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### **Authorisation for departures from the non-competition clause.**

The Carige Board of Directors has not authorised any departures from the non-competition clause, as required under Section 2390 of the Civil Code, which requires the Board of Directors to authorise any such departures so that the directors of a company may, among other things, fulfil the role of Directors and the Director-General in other competing companies.

Over the past year, the Board of Directors has not been asked to give any such authorisations pursuant to Section 2390 of the Civil Code, since the need did not arise. A decision was taken on 27/04/2007 with regard to the assumption of specific tasks and responsibilities by members of the Board of Directors.

### 5.3. DELEGATING

#### **The Managing Director**

Section 27 of the Articles of Association requires the Board of Directors to appoint either a Managing Director or a Director-General; since there is currently a Director-General, no Managing Director has been appointed.

#### **The Chairman**

Pursuant to Section 24 of the Articles of Association, the Chairman represents the Bank in all its dealings with third parties and the authorities, and can sign documents on its behalf.

He is also called upon to chair the Shareholders' Meeting, to call the Board of Directors and the Executive Committee (of which he is a member ex officio), sets their agendas, presides over them, coordinates the work they do, and ensures that sufficient information about the items on the agenda is given to all the Directors. On occasions of extreme necessity, the Chairman can be asked by the Director-General to stand in for the Board of Directors or the Executive Committee if they cannot meet, and to inform them of his/her decisions as soon as possible thereafter.

The Chairman is not invested with any special management powers, does not act as chief executive officer, and is not one of the Bank's controlling shareholders.

At its meeting on 08/05/2006, the Board of Directors awarded its Chairman Giovanni Berneschi no special powers, but a number of faculties, with indications of further advisory actions, and in particular –

- the faculty to sit in on meetings at subsidiaries and, after consultation with their Directors-General, except where otherwise restricted from doing so because it is a specific Committee responsibility, to implement the guidelines drawn up by Carige;
- the allocation of proposing and impulse departments for reports within the Group company structure with the Company as its parent.

In compliance with the Provisions, the planned amendments to the Articles of Association, which have been mentioned several times already, require a more structured detail of the duties of the Chairman of the Board of Directors, who must promote a more effective running of the company governance system, guaranteeing an balance of powers and acting as a go-between for the control departments and the various internal committees.

## **The Executive Committee**

Pursuant to Section 25 of the Articles of Association, the Executive Committee is appointed by the Board of Directors, which dictates how many members it is to have, how long they are to remain in office, and their tasks and responsibilities.

The Executive Committee comprises the Chairman, the Deputy Chairman, and the Managing Director (if there is one) as ex-officio members plus a further three, four, or five members.

Finally, on 17/12/2007, the Board of Directors ordered that from 01/01/2008 it would confirm the names of five members (in addition to the Chairman, Mr Berneschi and the Deputy Chairman, Mr Scajola, who are ex-officio) for election to the Executive Committee, and stating that the period in office would be until at least the next Shareholders' Meeting to approve figures on 31/12/2008, and therefore probably until 30/04/2009.

Considering the aforementioned Board ruling, the members elected to the Bank's Executive Committee are the following –

- Andrea Baldini
- Remo Angelo Checconi
- Paolo Cesare Odone
- Renata Oliveri
- Prof. Vincenzo Roppo

The Executive Committee shall be required to meet once a week. In year ending 31/12/2008 there were forty-seven such meetings, which lasted an average of ninety minutes and were very well frequented.

As mentioned before, the calendar for the current year shows the weekly meetings for the Executive Committee, and at the time of approval for this Report, eleven meetings had already been held.

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The Board of Directors, at its meetings on 08/05/2006 and 13/07/2007, authorised the Executive Committee, pursuant to Section 21 of the Articles of Association, as follows –

- a) deliberative faculties in matters regarding the awarding, renewing, increasing, reducing, confirming, cancelling, and suspending of creditworthiness and credit in all its forms, including credit to the Group, but also Treasury and cash services. It shall be the responsibility of the Board of Directors, in addition to determining general credit policy guidelines, deliberations on creditworthiness when this rises above 7.5% of the Bank's threshold level (and, initially, for sums which are never less than 130 million euros), subject to the exclusive competency of the Board in setting out general guidelines

on credit policy, which must be the same as those for the Bank, as specified in Section 20 of the Articles of Association.

Individual departments shall always be entitled to revoke non-exposed upper limits when a customer asks, and to revoke or immediately suspend, provided notification is given to the competent Collegial Department of the amount which has been revoked;

- b) deliberative faculties in matters regarding listed share and derivative operations, provided the "net position" relative to individual issuers, as specified in the Supervisory Instructions for Banks, is at least 1% more than the share capital of the company involved in the operation, or at least 100 million euros (the Director-General, however, shall always be entitled to act as though authorisation had been given), and all operations involving private equity funds of more than 10,000,000.00 euros (for this latter type of investment, powers for operations up to 10 million euros are allocated to the Director-General, and for operations up to 5 million euros to the Central Manager in charge of Finance and of Payment Systems).

This faculty must always be exercised as part of the upper limit of the VaR approved every year by the Board of Directors for company finance activity.

- c) general deliberative faculties in matters regarding expenditure (or losses, or loss of equity for the Bank) or, in matters regarding income, with no limit but in accordance with the budget guidelines set out by the Board in all matters regarding administrative management, subject to the exclusive competency of the Board over those points listed in Section 20 of the Articles of Association;
- d) deliberative faculties in matters regarding equity investments, including the determination of sales or purchases thereof, the exercise or non-exercise of priority purchase rights or option rights over securities or shares in partner companies (although the Board shall have exclusive competency in acquiring and transferring strategically important shares involving investments of 250 million euros or more, and in stipulating shareholders' agreements which involve a share, the acquisition or transfer of which is the competency of the Board, because a controlling interest is involved, pursuant to Section 20 (2) of the Articles of Association, or because a strategic interest is involved, in line with everything stated above, or because a share relating to listed companies is involved), and the definition of guidelines for the Bank concerning items put on the agenda by the Shareholders of subsidiary or partner companies, the implementation of which is the sole responsibility of the Board;
- e) general deliberative faculties in various matters, such as personnel management (where the specific competencies of the Board of Directors are not applicable, pursuant to Section 20 of the Articles of Association), and the allocation of any initiatives pursuant to Sections 2118 (Permanent withdrawal from the contract) and 2119 (Withdrawal for just cause) of the Civil Code, as it affects Head Office; management of treasury, of the share portfolio, and of the use of derivative financial instruments and exchange-rate mechanisms; current management of non-strategic importance, when these cannot be quantified exactly, including the faculty for accepting inheritances, bequests, and donations to the Bank; rulings regarding the Bank's profits and losses, with no limit, or for causes involving undetermined amounts; transferring, closing and defining the location

of branches for Group banks as part of the general branch policy set out by the Board of Directors; this does not prejudice the Board's exclusive competency in those points specified in Section 20 of the Articles of Association.

### **Information for the Board.**

As mentioned in subsection 5.2, the Board of Directors and the Board of Auditors are to be informed of any decisions made about powers allocated by the Board to the various Committees, pursuant to Section 21 (2) of the Articles of Association, at regular intervals. This usually means once every quarter, but in actual fact it occurs almost once a month.

## **5.4. OTHER EXECUTIVE DIRECTORS**

The Board of Directors, pursuant to the Code of Conduct for Listed Companies, examined the independence and executive ability of its members at a meeting on 28/03/2008.

This examination, made in the light of the criteria provided by the Code of Conduct for Listed Companies to understand what makes an independent, executive Director, was also made during a meeting on 15/12/2008 with regard to Mr Alain Jean Pierre Lemaire.

The outcome of these appraisals is that only the aforementioned members of the Executive Committee turned out to be executives.

## **5.5. INDEPENDENT DIRECTORS**

As stated before, an appraisal of the independence of Directors was made for 2008 by the Board of Directors at its meetings on 28/03/2008 and 15/12/2008, whether it emerged that the following non-executive Directors are independent pursuant to the Code of Conduct –

- Giorgio Binda
- Jean-Jacques Bonnaud
- Luca Bonsignore
- Cesare Castelbarco Albani
- Maurizio Fazzari,
- Luigi Gastaldi
- Francesco Taranto

The following non-executives Directors were therefore found not to be "independent" for 2008, according to the Code of Conduct –

- Pietro Isnardi, because there are important financial dealings between him and the Bank;
- Alain Jean Pierre Lemaire, because he is an important Director at CNCE (the Caisse Nationale des Caisses d'Epargne et de Prévoyance), and a shareholder at the Bank capable of

- exercising great influence;
- Ferdinando Menconi, because during the previous three years he was an important Director at a strategically important subsidiary, as the Managing Director at Carige Vita Nuova S.p.A.;
- Nicolas Mérindol, because he is an important Director at CNCE, and a shareholder at the Bank capable of exercising great influence;
- Jean Marie Paintendre, because he is an important Director at CNCE, and a shareholder at the Bank capable of exercising great influence;

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On 14/04/2008, the Board of Auditors ascertained, pursuant to the provisions of Application Criterion 3.C.5 of the Code of Conduct for Listed Companies, that the Board of Directors made a proper assessment of the aforementioned independence requisite, in the light of all the criteria set out in the aforementioned Code of Conduct, and used a suitable ascertainment procedure.

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Meetings of the Internal Committees, especially of the Internal Control Committee, were an occasion for some independent Directors to meet during 2008 without the other Directors being present.

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Although Section 18 of the Articles of Association mentions, as has already been pointed out, the idea of independence by citing a statutory instrument currently in force and the Code of Conduct for Listed Companies, the planned amendments to the Articles of Association require these provisions to be fine-tuned, and the independence requisites to be listed in full. Otherwise, they risk being changed by the provisions of Section 148 (3) of the TUF and the Code of Conduct, to bring it in line with Section 147-ter (4) of the TUF.

Additionally, in line with the requirements of the Bank of Italy, a clear definition would be given for the wording in Section 18 of the minimum number of independent Directors (two, in line with the aforementioned Section 147-ter (4) of the TUF) who must have a seat on the administrative Body, unless stated otherwise in other statutory measures or regulations specifying a greater minimum number of independent Directors.

## **5.6. LEAD INDEPENDENT DIRECTOR**

The Board of Directors did not designate an independent Director as a lead independent director, since the requirements of Application Criterion 2.C.3 in the Code of Conduct were not met.

## 6. PROCESSING COMPANY INFORMATION

As far as the processing of confidential information is concerned, the Bank has always acted in accordance with the legislation in force at various times, as also of the information mentioned in Section 114 of the TUF.

The "Code of Conduct Applicable to Confidential Information," approved by the Board on 20/03/2006, regulates a procedure for the internal management and external disclosure of confidential and secret information. The term "confidential information" is used in the meaning of Section 181 of the TUF, as specific information which has not been made public concerning some activity practised by the Bank and its subsidiaries, and Carige S.p.A. financial instruments. The information is capable of influencing the price of these listed financial instruments, if made public. The Code lays down a confidentiality requirement, according to which all Directors, Auditors, and staff of Carige and its subsidiaries, and likewise all professionals and/or advisers, are required to maintain strict confidentiality concerning any documents and information they may have come into contact with while carrying out their work, and to comply with the procedures set out in the Code of Conduct for Communications regarding such documents and information. The Code also contains a series of regulations to set up and run a Register of people entitled to have access to this confidential information.

The "Code of Conduct for Internal Dealing Operations," the latest version of which is dated 14/05/2007, states the operating methods, in terms of legislation and other statutory provisions, for telling the general public about internal dealing operations (i.e. as stated in the TUF and other laws, operations involving the purchase, sale, underwriting, or transfer of Carige shares or financial instruments related to shares, the overall value of which was 5,000.00 euros during the year) performed by important parties using electronic transmission systems put in place by management companies in markets to which CONSOB has access, within the terms envisaged by in force regulations.

The full text of the aforementioned "Code of Conduct for Internal Dealing Operations," and a summary of important operations variously undertaken by important customers can be seen at [www.gruppocarige.it](http://www.gruppocarige.it) in the section entitled "*Investor Relations – Internal Dealing.*"

## 7. COMMITTEES WITHIN THE BOARD

The Bank has set up, as explained below, a Remuneration Committee and an Internal Control Committee as committees within the Board.

Additionally, on 10/11/2008, the Board of Directors decided to give its approval to the setting up of a Nomination Committee the next time the Board of Directors is to be re-elected.

This shall be applicable to the Bank of Italy Provisions and the Code of Conduct and likewise to other Regulations.

None of these Committees carries out tasks allocated to two or more committees required under the Code of Conduct, nor have any Committees been set up other than those with advisory purposes specified therein.

## **8. NOMINATION COMMITTEE**

Carige had originally decided not to set up a Nomination Committee, because the Code of Conduct specifically states that such a committee is optional and because of the current nomination system based on a voting by list procedure and of the Bank's shareholder structure.

Additionally, the Board of Directors decided to give its approval to the setting up of a Nomination Committee the next time the Board of Directors is to be re-elected.

The Committee will be given full advisory powers in its dealings with the Board of Directors, especially when proposing candidates for Directorships, should any need to be co-opted pursuant to Section 2386 of the Civil Code, the provisions covering the appointment of members on Internal Committees, and policies for appointing Directors to subsidiary companies.

## **9. REMUNERATION COMMITTEE**

The Remuneration Committee was set up in 2001, and was tasked with making suggestions to the Board of Directors about remunerations for the Chairman, the Deputy Chairman, and the Managing Director (if appointed).

On 23/02/2009, the Board of Directors approved the new Remuneration Committee Regulation, according to which the Committee is to comprise at least three and at most five members, appointed by the Board of Directors from among its own non-executive members, most of them to be independent (pursuant to Section 18 of the Articles of Association), choosing the best people available.

The Committee currently comprises the following Directors, all of them non-executive and most of them independent in line with the Code of Conduct –

- Pietro Isnardi (as co-ordinator)
- Giorgio Binda
- Luca Bonsignore
- Luigi Gastaldi

During the past year, Nicolas Mérindol also sat on the Committee, although he later resigned (on 12/11/2008, as stated above, with effect from the first meeting thereafter, *i.e.* 01/12/2008).

After some fine tuning and some additional measures voted in by the Board of Directors on 23/02/2009, this Committee now has the following tasks and responsibilities –

1. making suggestions to the Board of Directors for further payments to the Chairman, Deputy Chairman, and Managing Director (if appointed), as well as members of the Executive Committee and the various Internal Committees, unless otherwise specified by the Shareholders' Meeting, monitoring the application of decisions made by the Board;
2. making suggestions to the Board of Directors about criteria according to which most of the remuneration for Managers with strategic responsibilities is to be decided, with regard to the Company's business successes and the reaching of certain targets. No such remuneration is to be awarded to the Manager in charge of Company accounts or to the Managers in charge of the Internal Control Departments;
3. periodically appraising the criteria used for paying remuneration to Managers with strategic responsibilities, ensuring their application is in line with the information provided by the Managing Director (if appointed) or by the Director-General, monitoring the reaching of certain targets as mentioned above; making general recommendations to the Board of Directors and appraising the quality of the work done at Head Office as well as the work done by the Manager in charge of keeping company accounts and the Managers of Internal Control;
4. with regard to stock options and other share-based incentive systems, making recommendations to the Board of Directors about the use of systems and other technical aspects for drawing them up and putting them in place. In particular, the Committee is to make proposals to the Board about the best incentive system, and monitor developments and the application over time of any plans approved by Shareholders after listening to suggestions made by the Board;
5. making its opinion known to the Board of Directors concerning suggestions about remuneration for Directors fulfilling certain tasks and responsibilities on behalf of strategically important subsidiary companies, pursuant to Section 2389 of the Civil Code, and to Head Office and Managers with strategic responsibilities in the companies.

The Committee must also make its opinion known to the Board of Directors concerning proposals to be suggested to Shareholders involving their competency in approving, pursuant to Section

23 of the Articles of Association, the remuneration policy for Directors, staff, or outside advisors working for the Company, plus any plans based upon financial instruments; it must also notify the Board of its opinion about the information periodically sent to Shareholders about implementation of the remuneration policy they have decided in favour of.

The aforementioned Regulation requires meetings of the Board of Directors to have somebody from the Secretary-General's Department to take minutes. As part of this function, the Committee must be able to view information and company departments and to avail itself of the services of outside advisors, under the terms set out by the Board of Directors.

Directors may not take part in meetings where suggestions are forwarded to the Board about their remuneration.

## **10 REMUNERATION FOR DIRECTORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES.**

Pursuant to Section 23 of the Articles of Association, members of the Board of Directors are to be paid an annual compensation according to the number of Board and Executive Committee meetings they have attended. This shall be in addition to any expenses they may be paid. There may not be remuneration for more than one meeting per day.

The amount of this remuneration will be decided by the Shareholders. The Articles of Association currently require the Board of Directors, pursuant to Section 2389 (3) of the Civil Code and the requirements of the Code of Conduct for Listed Companies, to set out – also in relation to the economic results achieved by the company and the attainment of set objectives – additional compensation which may be awarded to the Chairman, the Deputy Chairman, and the Managing Director (if appointed, pursuant to Section 27 of the Articles of Association) as well to members of the Executive Committee. The Board of Directors also states that, in line with the Code, the criteria for determining most of the remuneration for Managers with strategic responsibilities shall also consider any business successes achieved.

The wording of this Section was changed after a ruling by a Shareholders' meeting on 27/04/2007, to bring it in line with requirements of the Code of Conduct for Listed Companies.

One important amendment, in line with the Provisions of the Bank of Italy and the Application Criteria 7.C.1 and 7.C.2 of the Code, means that the time is ripe for the introduction of further amendments to the Articles of Association in this regard, distinguishing between the Board of Directors' competencies as follows

–

1. identifying and then setting remuneration for "*Directors fulfilling special Tasks in accordance with the Articles of Association,*" pursuant to Section 2389 (3) of the Civil Code;
2. determining a basis for part of the remuneration for the Managing Director (if appointed) and Managers with strategic responsibilities, with regard to any business successes the Company may have made and the reaching of specific targets.

Therefore, with regard to the first of these competencies, the planned amendments entail a widening of the circle of "*Directors fulfilling special tasks in accordance with the Articles of Association,*" as mentioned in Section

2389 (3) of the Civil Code, applicable also to the members of Internal Committees. Since these new measures will do away with forecasting for incentive measures based upon business successes reached by the Bank for non-executive Directors, even if they have special responsibilities in line with the Articles of Association, the Section has been rewritten so as to award a significant part of the remuneration, according to the economic results achieved by the company and the attainment of set objectives, to the Managing Director (if appointed) and to Managers with strategic responsibilities.

In this way, the projected amendments also underline respect for the remuneration policies approved by the Board and for current enacted law. First and foremost, this must be understood as a reference to the ban upon having incentives based upon business performance of the Bank for non-executive Directors (although the Articles of Association currently forbid the paying of such remuneration to the Managing Director alone, if there is one), for the Manager in charge of drawing up accounting documents, and for the managers of Internal Control Departments, in line with current Regulations.

With regard to remuneration for Managers with strategic responsibilities, it must be pointed out that the Carige Bank Group Strategic Plan for 2008-2010, approved by the Board of Directors on 04/12/2007, envisages the possibility of adopting other incentive measures based either on the development of theoretical models or on the best practices currently in circulation on the market, especially by means of adjustment to the system data identified by the benchmarking investigation "Remuneration Survey" conducted by A.B.I. in collaboration with the Hay Group consulting firm.

On 26/01/2009, the Board of Directors approved the outlines for an incentive system for the year 2009, based upon short-term results for Managers at Carige and its subsidiaries, not solely according to any hierarchical position within the company but also depending upon the complexity and importance of the role covered, the ability to reach set targets, and growth levels in terms of increased responsibility. All of this would need to be subjected to the Board of Directors for its approval, after the remuneration policy has been examined at the Shareholders' Meeting to examine figures on 31/12/2008, to ensure consistency between the incentive systems and the aforementioned document, and likewise approval for the various levels of monetary recompense and other, long-term incentive systems for Managers.

All the heretofore notwithstanding, throughout 2008 the remuneration for executive Directors and Managers with strategic responsibilities has still not been significantly connected to business successes by the Issuers and/or the reaching of specific targets, nor have any other share-based incentive plans been put forward.

With regard to remuneration for non-executive Directors, as has already been set out above, there is no connection with the economic results achieved by the Issuer, nor have any share-based incentive plans been put forward during 2008.

The remuneration currently paid to Directors was set when the old Articles of Association were still in force (although no mention was made therein of business successes at the Company or the achievement of certain targets) at the time of the Shareholders' Meeting of 20/04/2006, which elected the current Board of Directors. This deliberation was later added to, pursuant to Section 2389 (3) of the Civil Code, for additional recompense to be paid to the Chairman and the Deputy Chairman, by the Board of Directors on 15/05/2006, after a similar ruling by the Remuneration Committee and after hearing the opinions of the Board of Auditors. At the same meeting, the Board of Directors also considered the payment of annual lump-sum, all-inclusive expenses for Directors (not including the Chairman and the Deputy Chairman, as specified above), according to specific commitments arising out of the office held by the parties involved and by how far away from the Bank they live, with further travel expenses solely for travel by aeroplane or by train for those who live overseas.

As we were saying a short time ago, the Meeting called to approve figures on 31/12/2008 will also have to give its approval, pursuant to the Provisions, to the remuneration policies for the Board of Directors, for staff, and for outside contractors; these policies must be in line with cautious risk management and with long-term targets, and must strike a balance between the fixed and variable parts of any such remuneration and any seasonal adjustment of the second part

along with mechanisms to ensure that there is a connection between the recompense and long-term, effective results.

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The following are the emoluments paid to members of the Board of Directors and to the Director-General during the past year –

Name	Emolument for office	Fringe benefits	Bonuses and other incentives	Other payments	Total
Giovanni Berneschi	1,200,000.00	-	-	(*)	1,200,000.00
Alessandro Scajola	350,000.00	-	-	(**)	350,000.00
Andrea Baldini	75,250.00	-	-	17,730.00	92,980.00
Giorgio Binda	56,500.00	-	-	19,000.00	75,500.00
JeanJacques Bonnaud	62,000.00	-	-	-	62,000.00
Luca Bonsignore	56,250.00	-	-	-	56,250.00
Cesare Castelbarco Albani	53,500.00	-	-	-	53,500.00
Remo Angelo Checconi	72,500.00	-	-	-	72,500.00
Maurizio Fazzari	65,750.00	-	-	-	65,750.00
Luigi Gastaldi	57,000.00	-	-	56,900.00	113,900.00
Pietro Isnardi	61,750.00	-	-	-	61,750.00
Alain Jean Pierre Lemaire	2,444.89	-	-	-	2,444.89
Ferdinando Menconi	56,250.00	-	-	493,653.57	549,903.57
Nicolas Mérindol	49,791.67	-	-	-	49,791.67
Paolo Cesare Odone	70,750.00	-	-	-	70,750.00
Renata Oliveri	70,750.00	-	-	-	70,750.00
Jean Marie Paintendre	62,000.00	-	-	16,250.00	78,250.00
Vincenzo Roppo	71,500.00	-	-	6,200.00	77,700.00
Francesco Taranto	61,250.00	-	-	-	61,250.00
Andrea Traverso	72,708.11	-	-	135,665.00	208,373.11
Massimo Scotton	69,149.28	-	-	39,281.20	108,430.48
Antonio Semeria	58,820.00	-	-	24,478.67	83,298.67
Alfredo Sanguinetto	599,896.35	-	-	38,490.00	638,386.35

(\*) Other payments, to a total of €188,660.00, paid to Carige, in addition to €3,715.00 as fringe benefits.

(\*\*) Other payments, to a total of €41,950.00, paid to Carige.

Total remuneration paid during the year to Managers with strategic responsibilities was €2,800,760.19.

It must be noted that the list of Managers with strategic responsibilities has been set out in the Regulation with regard to operations involving partner companies, approved by the Board of Directors at its meeting on 23/07/2007, and includes the following names –

- Deputy Directors-General –
  - Carlo Arzani, Acting Deputy Director-General, standing in for the Network Deputy Director-General;
  - Mario Cavanna, Deputy Director-General, Products;
  - Ennio La Monica, Deputy Director-General, Governance and Control;
  - Giacomo Ottonello, Deputy Director-General, Administration;
- Central Managers –
  - Giacomo Burro, in charge of Finance – Payment Systems; Riccio Da Passano, in charge of Liguria Network;
  - Sergio Donegà, in charge of Personnel;
  - Luigi Gardelli, in charge of External Network;
  - Lorenzo La Terra, in charge of Day-to-Day technical assistance; Bruno Lavagna, in charge of I.C.T.

## **11. INTERNAL CONTROL COMMITTEE**

The Board of Directors has instituted an Internal Control Committee, with advice and proposal departments, and especially helps the Board of Directors to assess the suitability of the internal control system.

This Committee comprises a minimum of three and a maximum of five members, appointed by the Board of Directors from among its own non-executive members (pursuant to Principle 2.P.1 and the relative Application Criterion in the Code), the majority of which must be independent (pursuant to Principle 3.P.1 and 3.P.2 and the relative Application Criteria).

The Committee currently comprises the following Directors, all of them non-executive and independent, in line with the Code of Conduct; they are all experienced in accounting and in running a business –

- Jean-Jacques Bonnaud (as Co-ordinator);
- Maurizio Fazzari;
- Francesco Taranto.

From the document "Committee Tasks and Governance Methodologies for Internal Control" emerge the following tasks and characteristics for the Committee.

Firstly, the Committee's main task is to assist the Board of Directors in the following circumstances –

1. when detailing the guidelines for the internal control system, so that the main risks affecting the Issuer and its Subsidiaries are properly identified, measured, governed, and monitored, determining also compatibility criteria for these risks and proper company governance;
2. appraising, at least once a year, the suitability, efficacy, and effective functioning of the internal control system;
3. appraising, at least once a year, the ongoing suitability of the Control Department in conformity terms and with regard to its management of risks;
4. detailing, in a Report on Company Governance, the essential elements in an internal control system, expressing its opinion on the overall suitability thereof.

The Internal Control Committee must also be listened to before the Administrative Department makes any decisions for the Director-General about appointing, revoking, and remunerating one or more internal control managers, whose remuneration must be in line with general company policy.

The Committee has also been allocated to certain tasks, to wit –

- a. making an appraisal, together with the Manager in charge of preparing accounts documents, of the suitability and proper application of the accounting principles used and, with regard to the Carige Bank Group, of the homogeneity thereof when drawing up consolidated figures;
- b. when asked to do so by the Director-General, the Committee must speak about the specific aspects of identifying company risks, and planning, setting up, and running the internal control system;
- c. examining the agenda drawn up by the internal control managers at the Bank and its subsidiaries, as likewise their periodic meetings;
- d. appraising the proposals (drawn up by the Board of Directors pursuant to Section 159 of the TUF) for entrusting work to an auditing firm and the plans for revising the results in the report and any letter of suggestions;
- e. supervising the accounts revision process;
- f. appraising Group governance principles;
- g. in line with the specifications of the Company Regulation covering operations with partner companies, the Committee must give its opinion about which operations the public must be informed about, and about any amendments to the Company Regulation;
- h. fulfilling any additional tasks which may be allocated by the Board of Directors.

In the document "Committee Tasks and Governance Methodologies for Internal Control" there is express mention of the fact that the Committee must undertake dealings with the Board of Auditors, the Auditing Firm, and the Supervisory Authority, pursuant to Legislative Decree no. 231/2001, covering those activities which are considered to be of common interest, with respect for specific competencies.

The Chairman of the Board of Auditors may take part in meetings of the Committee, or alternatively another Auditor designated by the Board. The Director-General usually takes part as well (or, if he or she cannot come, the Administrative Deputy Director-General or, if necessary, one of the other Deputy Directors-General), along with Internal Control, Risk Management or Compliance Control Managers, or even individual Managers whose presence may be necessary on a case by case basis to clear up certain points.

It is also the Committee's responsibility to ensure that the Bank's Internal Control Department enjoys a certain degree of independence inside the company. Furthermore, said department, together with the Risk Management and Planning and Control Departments of Insurance Companies, must receive the resources required to function properly, ensuring also that the Internal Control System's suitability, efficiency and effectiveness is appraised regularly by the relevant units, and that the results of these appraisals are sent to the Board of Directors.

The Committee is expected to report at least twice a year (and its reports can be purely verbal, if necessary) to the Board of Directors when figures are up for approval and when the six-monthly reports are due on the actions and on the suitability of the internal control system.

In fulfilling these tasks, the Internal Control Committee shall be entitled to access information and any other departments necessary for it to fulfil its tasks and responsibilities. It must be pointed out that the Board of Directors is entitled to avail itself of advice from independent experts when appraising goods, and may seek suitable financial, legal, or technical advice as mentioned in the Regulation covering operations with partner companies.

With regard to work done by the Internal Control Committee, during the year it met 12 times, and the meetings were very well frequented.

The Chairman of the Board of Auditors usually takes part in these meetings, or at least one other Auditor appointed by him/her. Upon invitation by the Committee, members of other Departments in the Bank have taken part in the past to deal variously with the items on the agenda.

Meetings are usually minuted by one of the Bank's secretaries, who sits in on the meetings as their Secretary.

During the past year, the main subjects dealt with by the Internal Control Committee were the following areas –

- an appraisal of the Control Department Organisation Model, as part of periodic checks upon work done;
- appraisals made of the guidelines used within the internal control system and the suitability thereof in terms of the main risks faced by Carige and its subsidiaries;
- an appraisal of the annual activity plan for the Internal Control Committee, 2008;
- an examination of the information about activities started during 2007 by Internal Control at Carige with regard to other Banks in the Group and the subsidiary Carige Asset Management SGR S.p.A.;
- an examination of the report made to the Board of Directors, pursuant to the CONSOB Provisions, concerning complaints received by the Bank about the provision of investment services and other related services;
- the preparation of a series of reports for the Board of Directors about work done and the suitability of the internal control system in view of the approval expected to be given for the budget on 31/12/2007, and the six-monthly figures on 30/06/2008;
- appraising the suitability of the accounting principles used and, with regard to the Carige Group, of the homogeneity thereof when drawing up consolidated figures;
- examining an outline annual report on company governance for 2007;
- an examination of the report drawn up on company controls pursuant to the TUF, and the execution thereof;
- an examination of the annual report of training courses on money laundering;
- an appraisal of latest Governance and Control Model for administrative and accounting processes within the Carige Bank Group, and an examination of the final report for 2007, plus planned activities and ordinary reports for 2008;
- an examination of the Carige Bank Group Accounting System Manual;
- periodic meetings with the outside Auditing Firm;
- an examination of the Audit Model in the Carige Bank Group;
- an examination of information on the exposure of banks to the main overseas banking and finance groups;
- an examination of the report on the appraisal process for asset suitability (the "ICAAP Account"), in line with the Bank of Italy Memorandum no. 263/2006;
- an examination of the amendments to the Articles of Association and to in-house regulations following on from the Supervisory Provisions covering company governance and the Code of Conduct for Listed Companies;
- an appraisal of the Conflict Management Policy, applicable during the provision of investment and accessory services;
- an appraisal of the Credit Policy guidelines covering credit provision within the Carige Bank Group;
- an examination and figures for audit management activity about companies in the Group.

## 12. THE INTERNAL CONTROL SYSTEM.

As far as the Internal Control System is concerned, it must be stated that one of the main characteristics of Italian banking firms is that they are subject to so much surveillance that it is extremely easy to understand the contents, purpose, and make-up of this System, taken to mean something more than a set of rules, procedures, and structures within a company which aim at ensuring proper compliance with company strategy, the efficacy and efficiency of company processes, asset safeguarding, accounting/management system reliability, and full compliance with all legal requirements.

The Board of Directors is fully aware of the laws currently in force (indeed, it is these laws that underpin the Internal Control System), and has adopted organisational models and operating and control mechanisms as a way of dealing with the risks which affect Carige and its subsidiaries.

It must be pointed out that the "Group Regulation" applicable within the Carige Bank Group, which was approved by the Board of Directors on 17/12/2007, is a basic standard affecting the coordination and control mechanisms and instruments within the Group as a whole. In particular, it requires Carige to do the following –

- taking measures to ensure periodic checks are carried out on companies in the Group, including insurance companies and their subsidiaries, in order to ensure the compliance of all companies with the guidelines set out by the Parent Company, and the efficacy of the internal control systems within these companies;
- detailing a methodological approach to internal Group revision, using a group-wide approach;
- carrying out periodic checks of subsidiary companies, by means of the Internal Control Department, with a view to examining the acceptance of controlling guidelines set out by the Parent Company (the so-called "management audits" or "direction audits").

Seen in this light, the purpose of the management audit is as follows –

- to appraise the level of reception by the banks of the provisions laid out in the Group Regulation;
- to check conformity among departments and institutions at all banks with in-house and statutory regulations;
- to check the general efficacy of organisational and management structures put in place by individual banks to limit the different types of risk they all face;
- to give an overall judgement concerning the quality of organisation in each individual bank and how its management works, with regard to dynamic company competitiveness in single markets.

With regard to these constant details about guidelines for internal controls among companies in the Group, the Regulation - which says that Carige needs to equip the Group with an Internal Control System to provide for proper monitoring both of the Group's strategic choices and of the balanced managing of individual parts – lays down the following guidelines:

- for dealing with strategic, control and monitoring activities;
- with regard to organisational set-ups and cost synergies;
- on risk control and on the Group Internal Control System;
- on Group business policy;
- for coordinating Group activities and corporate governance.
- for carrying out surveillance activities.

Within the meaning of the Group Regulation, the banks, insurance companies, asset management companies, and finance companies within the Carige Bank Group are required – pursuant to specific legislation – to provide themselves with an Internal Control System which may be run by the Parent Company if the same characteristics are seen throughout the Group.

In particular, the strategy undertaken for banks has meant greater centralisation for many departments, especially internal control, compliance, risk management, accounting, finance, planning, and control. A similar strategy has been adopted for Credis Servizi Finanziari S.p.A. and Carige Asset Management SGR S.p.A.; the latter, however, has its own compliance department for special reasons.

As far as subsidiary insurance companies are concerned, the Internal Control System has been finely tuned and there is greater coordination between the auditing departments at Carige and the individual companies, which brings about a greater degree of control over the insurance segment (also through inspections of subsidiaries by the Carige Internal Control Department) in management/organisational terms. These “management audits” end with the drawing up of final review reports.

There are currently functional connections between Internal Control at Carige and the various subsidiaries, which mean frequent meetings to monitor progress in auditing plans for the companies, according to the reports provided by Internal Auditing in the insurance sector to the various Boards of Directors at Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A.. The auditing plan for Companies is agreed in advance with Internal Control and Planning and Insurance Company Control.

It is worth mentioning that, on the basis of a project designed by Carige, authorisation has been given to a series of strategically important Group departments at Carige Vita Nuova S.p.A., Parent Company of the Insurance Sector, including Internal Revision, Risk Management (which deals mainly with risk management, reservation, markets, Asset and Liability Management, credit, liquidity,

and intra-Group linking) and Compliance (which deals mainly with managing risks arising out of non-conformity with current enacted law, supervision, and self-regulation, with particular importance to contractual transparency and consumer protection).

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All the heretofore notwithstanding, the Internal Control System adopted at Group level is brought into line with the compulsory model drawn up by the Bank of Italy, which has the following three levels of control –

- line controls (level 1);
- risk management controls (level 2);
- internal auditing (level 3).

**Line controls (level 1).**

The purpose of these controls is to ensure that operations are performed properly and by the same structures, or incorporated into IT procedures. The allocation of tasks and responsibilities to separate levels within the structure, and the detailing of guidelines and points of reference for these activities are currently regulated – at Carige and its subsidiaries – by an "Organisation and Departments Regulation" in each company. For other subsidiaries, the standards covering line controls have been issued by their own departments.

It is the responsibility of staff to notify the Organisation of any procedural anomalies seen when providing services and/or operations, and any improvements for protection against risk.

With the application of this "Governance and Control Model for Administrative and Accounting processes Model," pursuant to Law no. 262/2005, all levels involved in administration and accounts have been given greater responsibility by preparing special in-house certificates which affect how controls are carried out according to the administrative-accounting procedures.

With a view to providing structures with a means for dealing immediately and properly with unusual occurrences, the new credit monitoring model is being extended to all banks within the Group (previously it was only used by Carige), and consists basically of a series of checks on rating parameters plus some other parameters which are considered significant when evaluating customer trends. The monitoring tool provides a daily summary of a customer's risk profile by allocating each customer with a special indicator. Brokers are provided with daily lists showing all these indicators, and priority must be given to any positions where the indicators are falling. The Area Manager or the Corporate and Small-Business Coordinator will receive information about positions where the broker has done nothing, or which have felt no ill effects. Any failure to act by the Area Manager will immediately bring the position in question

to the attention of the Credit Monitoring Department, which supervises the whole process and gives addresses to the Network.

In particular, the Board of Directors voted on 28/07/2008, with regard to the Implementation Programme, according to which Carige was to provide itself a set of instruments for legal compliance with the requirements of the New Capital Agreement, and took note of the following –

- the guidelines underlying the new operating and organisation model for monitoring credit;
- a summary of the results which had emerged from the new system, supporting the abovementioned credit monitoring process by the first activated network structures;
- the issuing plan currently in force, to extend the new instrument throughout the network.

### **Risk management controls (level 2).**

The purpose of these controls is to define methods for measuring risk, to appraise compliance with the limits set by the various operative departments, and to control whether or not the allocated risk-yield targets have been reached. These controls are carried out in Departments other than Production.

In particular, these Departments include –

- Manager in charge of preparing Company accounting documents. The Board of Directors has adopted the "Governance and Control Model for Administrative and Accounting processes in the Carige Bank Group," comprising the "Organisational Framework for Manager Regulations," and the "Methodological and Instrumental Framework," in addition to setting up the Account Controls Office with a view to providing help for the Manager in charge of drawing up Company accounting documents; this Model has been amended many times, most recently at the meeting on 28/03/2008. The Governance and Control Model has been defined as the process implemented by the Board of Directors, Management, the Manager in charge of drawing up Company accounting documents, and by other staff, with a view to providing reasonable levels of security in terms of reaching the following Company targets –

- = efficacy and efficiency in operations;
- = reliability in the reporting of financial information;
- = compliance with current enacted law and other regulations;

In the aforementioned "Organisational Framework for Manager Regulations," Managers are entrusted with certain powers so that they can fulfil the tasks which have been given to them.

- = free access to all information considered important in terms of fulfilling tasks, either in the Company or in other companies in the Group;
- = participation at meetings of the Board of Directors but without voting rights;
- = faculties for detailing company procedures when they impact upon figures, consolidated figures, and documents needing certification;
- = taking part in designing Information Systems which impact upon the economic, asset, and financial situation of the Issuer and the Group;

= faculties for carrying out checks upon any procedure or process in the company having some impact upon the economic, asset, or financial situation, and suggesting structural changes to those parts of the Internal Control System which may be considered inadequate after tests and, if these changes are not made, being able to apply corrective measures and to notify the Internal Control Committee, or the Board of Directors.

The same Regulation also states that this Manager must have access to the following –

= faculties for putting in place a suitable structure for the allocated tasks, using the resources available in house and, if necessary, having recourse to non-Company staff (even if this means having designed special employment contracts);

= expenditure faculties as part of a budget set by the Board of Directors;

= faculties for availing of help from the Company when mapping processes which are the competency of another department while carrying out specific checks;

= the possibility of using IT systems for control purposes.

At its meeting of 28/07/2008, the Board of Directors also gave its approval to the "Carige Bank Group Accounting System Manual," which finds and codifies the process underlining the annual budget for Group Banks, consolidated figures, and financial dealings as well as reporting within the Carige Bank Group. The Manual shows the various activities, the departments involved, and the controls which need to be carried out in order to ensure uniform behaviour over time and with different operators, to detail the time necessary for completing operations and controls, bearing in mind the time allowed, and identifying the roles and responsibilities of the various people involved in the process, all with a view to reaching the following targets –

= accounts data reliability;

= rationalising execution times for operations;

= the quality of information produced;

= unambiguous details of the responsibilities allocated to various people involved in the production process for financial information;

- Risk Management. The Carige Bank Group brought together, as part of its Risk Management and Credit Monitoring departments, the second-level risk control departments with reference to all companies in the banking Group and all the various types of risk given in the "Basle 2" Standard. During 2009, Risk Management and Credit Monitoring were separated again into two departments, the first under the Deputy Director-General for "Governance and Control," , and the second under the Deputy Director-General for "Products." Risk Management competencies include the monitoring of risk profiles with a legal and regulatory nature, in addition to

risk profiles which only affect management and operations, to help with Group development strategies and to maintain some degree of financial and equity balance in the medium- to long term. Risk Management handles the risks affecting the various Banks in the Group and at overall Group level by identifying, detecting, measuring, processing, monitoring and controlling risks at all levels of responsibility, whether these be liquidity, solvency, tax, credit, markets, or exchange rate). It also assists the Asset Liability Committee, defining integrated management models for profits and losses and capital allocation, for the optimum management of company capital and its efficient allocation to the various parts of the Bank and the Group, in addition to publishing periodic information and giving operational instructions for applying guidelines on liquidity management (interbank, shares, unbudgeted operations, *etc.*);

- Planning and Control for Insurance Companies. Planning and Control for Insurance Companies works with subsidiaries mainly in terms of return on equity and asset aspects, by analysing current enacted law in order to suggest making adjustments, detailing and formalising strategic and operating plans, analysing fluctuations away from pre-set targets, developing IT procedures, optimising communications with Carige, and developing the work done by Risk Management to maintain equilibrium between the profits and losses of the various Companies;
- Compliance. The Carige Compliance Department was set up pursuant to the terms and conditions of Bank of Italy Provision no. 688006 dated 10/07/2007, and to comply with any statutory instruments which were to become law at a later date, as an independent Department having the same staff as Head Office and thus able to speak directly, through its own Manager, to the various administrative and control departments in the Company. The Department, partly to bring about economies of scale, has been allocated the responsibility of carrying out tasks involving the risk of non-conformity, also with reference to the Carige Group banks and to the credit companies with applicable regulations in this regard, and this with the support of a specific point of reference to be identified in each interested company.

The Compliance Control Department Organisation Model at Carige, approved by the Board of Directors on 31/01/2008, was special because it had a Compliance Control Department within Carige, which carried out its tasks directly, whereas others had to seek assistance from other company departments, *e.g.* Legal, Organization, Risk Management, Credit Monitoring and Internal Controls, in order to ensure unity and consistency of approach. The adoption of this Model (known as “mixed”), currently considered the best possible solution for the Bank and the Group because it brings together a sensitivity about the legal risks and the possibility of lashing remarkable synergies to the mast of professionalism by taking advantage of staff now working for the Company, has shown that at least during the early stages

it could ring fence those activities which are generally considered to be the most important.

The main aim of Compliance is to assess, prevent, and manage the risk of non-compliance with current enacted law and fulfils the following tasks and responsibilities –

1. ongoing identification of statutory instruments applicable to the Bank, and measuring/assessing the impact on Company processes and procedures;
2. suggested changes to Company structure and procedures, to ensure for protection against known non-compliance risks;
3. the preparation of direct information transfers between Departments and structures (operative risk management and internal revision);
4. appraisal of the efficacy of those organisational changes (structures, processes, and procedures, whether operative or commercial) which have been suggested as a way of preventing non-compliance risk;
5. a priori appraisal of the compliance with current enacted legislation of all the innovative projects which the Bank wishes to undertake;
6. the prevention and management of vested interests involving either actions implemented by the Bank or Company staff and representatives;
7. appraisal of the consistency of the company awards system (especially the retributions and incentives for staff), with a view to bringing about greater respect for the law, the Articles of Association, and a series of Codes of Ethics and other Codes of Conduct applicable to the Bank;
8. advice and assistance for top management at the Bank in all those areas where the risk of non-compliance becomes a serious matter, as well as helping with training staff so that the prevailing spirit in the Company is one of honesty, fairness, and respect for the letter and spirit of the law.

Additionally, on 23/02/2009, the Board of Directors assessed as suitable the Compliance Department when it deals with the risk of non-conformity with standards underlying all company processes at Carige, its subsidiaries, and Credis Servizi Finanziari S.p.A.. The Board also approved an extension during 2009 of the field of application of the Department to include banking transparency and data protection.

As part of these measures, the roles applicable to the Compliance Manager shall be as follows –

- receiving information from the Compliance Control Department;
- keeping account for its own managers of work done in identifying and appraising which are the main non-compliance risks which might affect the Company;
- monitoring acceptance of agreements made with the Compliance Control Department.

### **Internal auditing (level 3).**

This level identifies unusual trends, breaches of procedures and rules, and examines the overall practical aspects of the Internal Control System. This activity is carried out on an ongoing basis but periodically or as the need arises, by structures which are independent of the productive ones, and often entail on-site visits.

Internal revision activities, as set out in the Bank of Italy Control Model, are carried out in the Company by Internal Controls. It is the responsibility of this Department, in line with the guidelines set out in current enacted law, and by the "Professional Practices Layout" by the Institute of Internal Auditors, to "control operational regularity and trends in the risks faced by the Bank and other companies in the Group, ensuring compliance with in-house regulations and current enacted law either from afar or by visiting in loco; Top Management also needs to be helped in specifying what type of internal controls are needed and in appraising whether or not the Internal Control System is working properly and drawing up proposals for improving procedures and controlling risks."

The revision of organisation, methods, and instruments for internal structures within Internal Controls has brought about a more advanced appraisal of the "qualitative" methodology at the Bank and other societies of the Group in terms of the risks they face (measuring residual risk), and helping them to judge the level of adequacy of the Control System they have adopted.

In particular, for business, assistance, and control processes within the Company, the new methodology is based upon an approach which arises out of risk and is directed at those processes which, unlike the traditional approach using organizational units, show the relationships between various sectors within the Company and therefore allow a qualitative analysis to be made of the residual risks affecting the Company and a judgement to be made about the suitability of the Internal Control System. This methodology provides for the following –

- the identification and preliminary appraisal of an index of potential risk (grading), by allocating a qualitative judgement to parameters about "weighting" (given according to economic, asset, financial, ratification, or reputation terms, which might affect the company in the same way as the risk itself) and "frequency" (allocated according to estimations of the possibility that an event may arise during a certain period of time).
- appraising current controls in terms of their ability to reduce risks to below certain acceptable levels;
- determining residual risk levels (scoring), according to a combination of the previous judgements.

When one considers that the new methodology based upon an approach based upon risk and which considers processes has been tested many times and has been seen to show a positive impact on the Internal Control Department when giving a summary to the Director-General and the Administrative and Control Departments at the Bank of how various phenomena might influence the suitability of the Internal Control System, the Board of Directors voted on 20/10/2008 to give its approval to the new Carige Bank Group Auditing Model and to allocate to the Internal Control Department the direct, centralised management of all auditing activity for the Parent Company and for the Banks and Finance Company's in the Group, subject to the competencies and independence of various Administration and Control Departments, not including insurance companies which already have their own revision structure, and upon which Internal Control already carries out management auditing activities in accordance with the requirements of the Group Regulation, as specified in the following documents:

- "an examination of the Audit Model in the Carige Group", which specifies the reference layout for Internal Auditing and its development and tasks, and the

- requirements applicable to the Internal Revision Department, during the various stages of the Internal Revision process (targets, audit cycle, type of revision, risk-based approach and process-oriented approach, appraisal of the Internal Control System, reporting, and the relations system);
- "Schedule Ia, the Auditing Cycle", which details the various stages which go to make up the overall internal revision process (planning activities, planning individual actions, making checks, reporting, following up, appraising the SCI);
  - "Schedule Ib – Methodological approach", which details the functioning mechanisms in the methodology used by Internal Control, based upon risks and aiming at processes, to determine a residual risk index (scoring) after starting with a potential risk index and then appraising the suitability of checks (as components of existence/suitability and conformity);
  - "Schedule IC – Synoptic appraisal picture for the Internal Control System", in

which details are given of how data are gathered and how they represent the level of suitability of the overall Internal Control System according to the Basle Committee model (known as the "CoSO Report").

At the same time as it approved the new Auditing Model, the Board of Directors gave its approval to developing a remote-control system in order to implement the Model fully and to increase the efficacy and efficiency of the Network monitoring system (and, in a more general sense, company activity).

As part of the process for implementing the new auditing methodology, the risk mapping stage was carried out with no self-assessment by the process owners, because they simply wanted to begin this task when the Business Process Management (BPM) project had begun.

The project entails risk measurement (and related controls) as one of the planned activities, and can be used as a good tool to help with risk self-assessment in control departments (Compliance, Accounting Controls, and Internal Control).

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Additionally, with regard to the "New Provisions for New Vigilance for Banks," as cited in Bank of Italy Memorandum no. 263/2006, which details the guidelines for prudent process controls upon asset suitability among banking groups in terms of the risks they face (Internal Capital Adequacy Assessment Process - ICAAP), the Board of Directors approved the following at a meeting on 28/07/2008 –

- the "Governance Model for the ICAAP process," which details, with regard to the "second pillar" of Basle 2, company process governance, its macrostructure, and the methodology to be implemented for monitoring/control;
- setting up the ICAAP Committee in order to provide assistance and help to the Director-General when detailing and maintaining the process. At a later date, at its meeting on 22/09/2008, the Board of Directors approved following –

- the map of risks to which the Carige Bank Group is exposed, including – in addition to all the risks of the "first pillar" in Basle 2 (credit/counterpart, market, and operating) – all the risks arising out of concentration, interest rates, liquidity, residual, arising out of securitisation, strategic, and reputation;
- the "Process Operating Manual for Appraising Asset Suitability," (known as the ICAAP Manual), which details the various stages and individual activities which contribute to completion of the ICAAP process. At a later date, at its meeting on 23/03/2009, the Board of Directors approved the following –
- the "Governance Model for the Public Information Process – Pillar 3" which, with reference to the Banking Group, details –
  - = Company governance in terms of collecting and publishing information as per Pillar 3;
  - = the macrostructure of this process, detailing for each of its individual stages, the tasks and responsibilities of each and every company department involved, and the methodology for carrying out the monitoring/control to be implemented;
  - = the system of dealings which guarantee the knowledge needed to manage and control all the information which must be prepared for communication to the public;
- the "Collection and publication of information process as per Pillar 3", which specifies each of the stages in the governance, management, and control of the process itself.

Once again with regard to the new prudent vigilance regulations when determining the minimum capital requirements for banks (as set out in the New Agreement on Capital and on the Bank of Italy Memorandum no. 263/2006), Carige, as approved by the Board of Directors on 15/12/2008, applied for authorisation to the Bank of Italy before implementing the IRB Foundation method for portfolios "Exposure to Companies" (corporate) and "Exposure to Retail" (retail), with the permanent use of the standard method for the outstanding portfolios and for statements about the Nice branch (France), postponing application of the advanced method until a later date.

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During the year, the Board of Directors periodically examined the suitability, efficacy, and effective workings of the internal control system, pursuant to Application Criterion 8.C.1 (c) of the Code, including by the following means –

- monthly monitoring of risk profiles, the outcome of which the Board of Directors has examined. The Board of Directors has given its approval to the Banca Carige Group positioning with regard to profile indicators for liquidity, solvency, rate, credit, market, and exchange rates;
- monthly information about inspection commitments completed by Internal Control;
- annual reports upon the appraisals made by Internal Control;
- monthly information about the decisions taken by Committees (the Executive Committee and other Committees) on the basis of the deliberative powers they hold;
- quarterly information about the makeup, management criteria, and risk levels

about share and derivative portfolios;

- periodic reports about activities undertaken and the suitability of the internal control system, drawn up by the Internal Control Committee;
- periodic reports about activities undertaken by the Supervisory Authority pursuant to Legislative Decree no. 231/2001;
- non-periodic information about specific subjects, which the Board of Directors considers worthwhile monitoring.

Additionally, at its meeting on 28/03/2008, after examining new methods for Internal Controls with their risk-based and process-oriented approach, the Board of Directors specified its guidelines for the Internal Control System, which may be broken down into line controls (level 1), risk management controls (level 2), and internal auditing (level 3), plus periodic in-house revision of subsidiaries, including the insurance segment, with a view to appraising the acceptance or otherwise of the Carige control guidelines (the so-called management audit) as set out above.

At the same meeting, the Board of Directors voted in favour of the suitability, efficacy, and effective functioning of the Internal Control System, with regard to the main risks affecting Carige and its subsidiaries.

These appraisals made of the guidelines used within the internal control system and the suitability thereof in terms of the main risks faced by Carige and its subsidiaries were confirmed by the Board of Directors in its meeting on 23/03/2009.

### **12.1. THE EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM**

At its meeting on 26/02/2007, the Board of Directors decided to renew the following supervisory tasks and responsibilities for the Director-General, as set out in Application Criterion 8.C.5 of the Code –

- a) identifying the main company risks, bearing in mind the Issuer's business characteristics and those of its subsidiaries, and subjecting these periodically to the Board of Directors;
- b) implementing the guidelines drawn up by the Board of Directors, and planning, implementing, and running the internal control system and ensuring the overall suitability, efficacy, and efficiency thereof, in addition to ensuring the system is in line with current trends and operating conditions, and with current enacted law and regulations.

This choice was made in the light of the fact that the Bank, in its very capacity as a bank, is required to comply with the Supervisory Instructions issued by the Bank of Italy, which state that the departments to be allocated to the Executive Director as per the Code, are the competency of top management. For the purposes of this appraisal, consideration was also made of the alternatives mentioned by the Articles of Association, i.e. the Managing Director (CEO) and the Director-General.

The Director-General is responsible for suggesting to the Board of Directors – after taking advice from the Internal Control Committee – names for nominating, revoking, and remunerating one or more internal control managers.

## **12.2. INTERNAL CONTROL MANAGER**

The internal control manager is the Manager in charge of the Internal Control Department and, as such, is responsible for its various Offices: the Inspections Office, the Internal Auditing Office, the Central Audit Office, the Electronic Retrieval Systems Office, and the Planning Coordination and Support Office. This Manager is paid an amount in line with company remuneration policy for Bank Managers.

On 26/03/2007, the Board of Directors voted, upon the proposal of General Management, to confirm Armando Botto in the role of Internal Control Manager, with the tasks and responsibilities set out in the TUF and Section 57, CONSOB Regulation no. 11522/1998, although this has since been replaced by the new CONSOB Brokers' Regulation.

It is the responsibility of the Internal Control Manager to ensure that the internal control system is always adequate, running properly, and fully operational pursuant to Application Criterion 8.C.6 (a) of the Code.

The Internal Control Department, comprising a staff plus its Director-General, does not answer to any other operating department, including administration and finance.

This Department has not been outsourced, either in part or wholly, to outside companies.

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The internal control Manager:

- has accessed directly all the information necessary for carrying out his tasks and responsibilities;
- has made periodic reports to the Internal Control Committee and the Board of Auditors;
- has made periodic reports to the Board of Directors about work done (thus explaining the activities to the Director-General, who is in overall charge of the internal control system). The reports explain the purpose of the checks carried out, the results which have emerged, the proposals made, and any decisions which have been taken by the managers of various company departments or offices;
- participated in meetings of the Supervisory Authority, pursuant to Legislative Decree no. 231/2001, as a member thereof.

### **12.3. ORGANISATIONAL MODEL AS PER LEGISLATIVE DECREE NO. 231/2001**

The Board of Directors has given its approval to the document "Organisational Models and Management at Banca Carige S.p.A. (the Cassa di Risparmio di Genova e Imperia), pursuant to Legislative Decree no. 231/2001", which explains the set-up for organisational models and management at the Bank (powers, service regulations, codes of conduct, etc.), and various types of offence are examined: for each of these (or for each group of these), the risks are identified and specific measures put into the aforementioned models in order to prevent them arising.

The idea of the Model is to prevent the commission of offences by the Bank, either by its top management or other members of staff, when these offences are considered serious under current enacted law. The Model is updated as the applicable legislation changes.

During the past year, the Board of Directors updated this document as follows –

- on 31/01/2008, considering the provisions of Section 63 (3) of Legislative Decree no. 231/2007, which puts under the terms of application of Legislative Decree no. 231/2001 the crimes of receiving stolen goods, laundering money or illegal substances, as mentioned in Sections 648, 648-*bis* and 648-*ter* of the Criminal Code;
- on 12/05/2008, with regard to Law no. 48/2008 “Ratification and execution of the council of Europe's convention on cybercrime, held in Budapest on 23 November 2001, and the adjustment of internal regulations”, which recently brought into the application of Legislative Decree no. 231/2001 a series of crimes and groups of crimes involving computer offences.

Subsequently, at its meeting on 22/09/2008, the Board of Directors was informed that, in line with his duties, the Workplace Health & Safety Manager is to put in place a system to improve workplace health and safety by adopting and implementing an organisational system to ensure compliance with current enacted safety laws and thus rule out any court cases involving juridical persons, companies and associations under the terms and conditions of Legislative Decree no. 231/2001, as specified in Section 30 of Legislative Decree no. 81/2008, availing itself of help from other Company departments. The Board of Directors then mandated the Director-General to provide specific information for subsidiary companies regarding the implementation of suitable measures such as those currently in force at Carige, bearing in mind the duties incumbent upon every company pursuant to Legislative Decree no. 81/2008 and Legislative Decree no. 231/2001.

The supervision of running and observing organisational models at the Bank and ensuring that they are always up-to-date, revised, and/or finely tuned

has been entrusted to the Supervisory Authority by Banca Carige S.p.A., pursuant to Legislative Decree no. 231/2001. As part of the tasks and duties which have been allocated exclusively in order to guarantee greater objectivity and impartiality when making its judgements and appraisals, the Authority holds specific initiative and control powers.

The Supervisory Authority is made up of a maximum of seven members, including –

- a maximum of three non-executive Directors,
    - at least one of which must be independent,
    - an expert in criminal law,
    - an expert in banking, financial, and insurance matters,
- appointed by the Board of Directors, and the various Managers of Internal Control and Risk Management.

This Body is now made up as follows –

- Maurizio Fazzari (independent Director);
- Pietro Isnardi (Director);
- Jean-Marie Paintendre (Director);
- Prof. Adalberto Alberici (expert in banking, financial, and insurance matters, as Coordinator);
- Andrea Garaventa (expert in criminal law);
- Armando Botto (Manager of Internal Control);
- Sara Calzavara (Manager, Risk Management).

With regard to the tasks and duties specified in the Regulation, the Department:

- supervises organisational models and ensures they are kept up to date. To this end, it is required to meet at least once a quarter to ensure efficacious monitoring, control, and initiative activities;
- acquires significant information and may bring it to the attention of the Managers or individual Directors of the various departments and offices within the company that are best able to deal with the situation;
- makes periodic reports to the Board of Directors about the results of the monitoring work it has done and any measures which may need to be applied to make company structure compatible with Legislative Decree no. 231/2001 as amended;
- ensures acquaintance with and respect by staff for the Company Code of Ethics, notifying the Board of Directors if it feels any improvements or amendments need to be made to it;
- notifies Departments or Offices immediately and, if necessary, the Board of Directors of any breach or breaches of the Code of Ethics and/or the organisational model it may learn of.

During the last year, the Supervisory Authority has detailed and monitored training courses pursuant to Legislative Decree no. 231/2001 for all staff at the Bank, even those who have just started work there.

Finally, as regards applying Legislative Decree 231/2001 to the Carige Bank Group, it must be said that – implementing the directives provided with regard to the Parent Company – the Group banks, subsidiary insurance companies, and Carige Asset Management SGR S.p.A. have approved a new Organisational and Management Model pursuant to Legislative Decree no. 231/2001, and have set up their own Supervisory Authorities (or Control Departments) in line with the following measures approved by the Board of Directors on 12/11/2007 –

- adopting a layout for the make-up of the Supervisory Authority with at least one Director and an expert in criminal law, to be appointed by the Board of Directors as well as the various Managers of Internal Control (Auditing) and/or some other office which examines specific risks (for banks, this is the Credit Control Office), with the possibility for each company to change this make-up and to bring it into line with its own organisational requirements, subject to there being at least one Director in the Office;
- preparing tables for joint comparisons to be made by the Coordinators of the Supervisory Authorities at companies in the Group for mutual exchanges of information as per the requirements of Legislative Decree no. 231/2001;
- submitting periodic information to the Board of Directors at Carige, as prepared by the subsidiaries, on the work done by their Supervisory Authorities;

all of this in strict compliance with the decision-making independence of each and every subsidiary, and full and absolute freedom of operation for the Supervisory Authorities.

At meetings on 28/03/2008 and 29/08/2008, the Board of Directors read the reports on the activities undertaken by the Supervisory Authority at Banca Carige S.p.A. pursuant to Legislative Decree no. 231/2001, approved by the Authority on 30/01/2008 and 28/07/2008.

Additionally, with regard to the general recommendation to be adopted by companies in the Group pursuant to Legislative Decree no. 231/2001, the Board of Directors examined at the aforementioned meeting on 28/03/2008 the Reports on work done by the Supervisory Authorities at the subsidiary banks and insurance companies. Similar information about work done during 2008 by the Supervisory Authorities at Group companies was given to the Carige Board of Directors on 23/03/2009.

#### **12.4. AUDITING FIRMS.**

On 20/04/2006, the Shareholders' Meeting voted to entrust Deloitte & Touche S.p.A., having their registered offices in Via Tortona 25, Milan, pursuant to Sections 159 et seq. of the TUF, for 2006, 2007, 2008, 2009, 2010, and 2011, with the following tasks –

- auditing of financial statements, consolidated financial statements, and the auditing of smaller subsidiaries (Galeazzo S.r.l., Columbus Carige Immobiliare S.p.A., Immobiliare Ettore Vernazza S.p.A., Centro Fiduciario C.F. S.p.A.);

- auditing of figures in annual reports as at 30 June (six-monthly), inclusive of smaller subsidiaries and other actions to ensure the issue of a report on regulatory capital;
- checks to ensure that accounts are being properly kept and that data are being collected properly to ensure the books are being kept;
- auditing for the Aperto Carige pension fund.

This contract is due to expire at the time of the Meeting called to approve figures for year ending 31/12/2011.

### **12.5. MANAGER IN CHARGE OF PREPARING COMPANY ACCOUNTING DOCUMENTS.**

In a ruling made on 14/05/2007, and after a similar ruling by the Board of Auditors, the Board of Directors appointed Ennio La Monica, pursuant to Section 154-*bis* of the TUF, as brought into force by Law no. 262/2005, as well as Section 31 in the Bank's Articles of Association, introduced by the Special Meeting of 27/04/2007 currently Deputy Director-General of Governance and Control, to take over as Manager in charge of preparing Company accounting documents.

At the same meeting, the Board also learnt that Mr La Monica holds full respectability as required for Directors under Section 26 of the TUB, and Section 147-*quinquies* of the TUF and considerable experience in administration, accounts, and finance according to the requirements of Section 31 of the Articles of Association.

With regard to the tasks and duties of the Manager in Charge, please see subsection 12 above, where it speaks of Risk Management Controls (level 2).

### **13. INTERESTS OF DIRECTORS IN OPERATIONS WITH PARTNER COMPANIES.**

Carige's Board of Directors has examined the provisions set out in Principle 9.P.1 of the Code of Conduct for Listed Companies and, pursuant to Section 2391-*bis* of the Civil Code, and Section 71-*bis* of the CONSOB Issuers Regulation, considering Legislative Decree no. 38/2005 for the new IAS/IFRS accounting principles, has identified partners of the Bank (usually re-examining same every quarter by the Board of Directors), and has detailed procedures for voting on operations instigated by the partners themselves, in order to guarantee proper operations.

In the aforementioned "Regulation covering operations involving partner companies", the following categories of "partner firms" were identified –

- a) those who directly or indirectly control, are controlled by, or are subject to joint control with the Bank, or which have a share in the Bank which may be considered significant;

- b) the Bank's partner companies;
- c) those joint ventures where the Bank participates;
- d) Managers with strategic responsibilities in the Bank or a subsidiary;
- e) the immediate family of one of the people listed at a) and d);
- f) subsidiaries, joint subsidiaries, parties considerably influenced by one of those listed at d) or e), or parties for which a significant share of voting rights are held – directly or indirectly – by same;
- g) pension funds for Bank staff, or any other part related thereto.

The Regulation also details the procedure for deciding operations set up with partner companies.

Pursuant to Section 3 of the aforementioned Regulation, operations with partners, including those concluded thanks to subsidiaries, which in terms of purpose, consideration, manner, or completion time may affect company asset safeguards or the completeness and correctness of information (accounting or otherwise) about the Issuer, must be authorised in advance by the Internal Control Committee, and may need to be discussed by the Board of Directors.

When identifying general criteria for operations where documents need to be prepared pursuant to the CONSOB Regulation for Issuers, reference must be made to the provisions of CONSOB Memorandum no. DIS/98081334 dated 19/10/1998 and various CONSOB rulings.

Where the type, cost, or other characteristics of an operation involving partners so require, the Board of Directors may require the operation to be completed by independent experts, to avoid unfair conditions being put in place for the operation (such as would not apply if the two parties were not partners), in terms of appraisals and financial, legal, or engineering advice, where given.

The deliberative competency of operations with partners involving Carige which do not fall into any of the foregoing categories can be broken down as follows –

- a) for significant operations (having an important consideration or which are atypical or unusual beyond certain levels), the competency shall be that of the Board of Directors;
- b) for other operations (whether or not credit is involved) under standard conditions, competency shall be allocated according to the powers delegated.

For the purposes of identifying significance, the following thresholds must be examined –

- 100,000.00 euros for atypical or unusual operations;
- 5 million euros for operations (whether or not credit is involved) at standard conditions for partners from outside the Group.
- 50 million euros for credit operations at standard conditions for partners from inside the Group, or 5 million euros for other

operations at standard conditions with partners from inside the Group.

The competency in significant operations undertaken by subsidiaries with partners of Carige shall be that of the Board of Directors of the company in question. Subsidiaries shall always be required to the subject proposals for prior approval by Carige, and to inform their Parent Company when the operation has been completed should the following conditions apply –

- 100,000.00 euros for atypical or unusual operations with partners;
- 5 million euros for operations (whether or not credit is involved) at standard conditions for partners from inside or outside the Group.

The term "unusual operations" is to be understood as meaning atypical with regard to a company's day-to-day operations, those involving unusual procedures, and those without any apparent financial purpose or which are carried out under unusual market conditions.

When deciding if a finance operation is "significant," the same weighting criterion shall be required to apply as previously used for determining delegated powers.

For the same reason, the threshold of 5 million euros shall not apply to money market operations carried out under ordinary conditions with Group companies.

For credit transfer operations, the procedure set out in this Regulation shall not be applicable to security annulments or the creditworthiness of partners. Therefore, the deliberative competences shall vary as in ordinary circumstances.

In operations with partner companies, Directors and Auditors with vested interests (even potential or indirect interests) shall be required to give immediate notification thereof when an operation is due to begin, and to provide the Board of Directors with full details of any such vested interests and the circumstances giving rise thereto.

The statutory requirements regarding the vested interests of Directors set out in the Civil Code shall continue to remain in force pursuant to Section 2391 of the Civil Code, and the other provisions in the same Section shall be applicable.

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It must be remembered that, if a Director has certain interests (either his or her own or those of some third party) in accordance with Application Criterion 9.C.2 of the Code, the Board of Directors has ordered that, pursuant to the provisions laid down in Section 136 of the TUB, as amended by Section 8 (2) of Law No. 262/2005, and again by Section 1 (8) of Legislative Decree 303/2006, a Group procedure, contained in the abovementioned "Regulation Concerning the Duties of Company Managers in the Carige Bank Group," determining the activities of the Managers (Administrators, Auditors, or the Directors-General) of companies within the Carige Group, representing obligations, of any nature, of said Managers towards Carige or any other company in the same Group. For those obligations put in place

by a Company representative with another company in the same Group other than the company where he or she works, only finance operations shall be considered as significant.

The same procedure shall be applicable to undertakings between subsidiary companies made by company representatives or where they work as administrators, managers, or controllers, and in the companies which control or which are controlled by these. The procedure is not applicable to obligations between companies in the banking Group, or between banks for operations on the interbank market.

When the company in question is not the Parent Company, the operation must be brought to the attention of the Board of Directors at Carige and then, under the same conditions, to the Board of the contracting company.

Again, this does not prejudice the requirements set out in the Civil Code in terms of the Directors interests, pursuant to Section 2391 of the Civil Code. As a result, the provisions of said section shall be applicable.

Confirmation is hereby given that the operating solutions set out in the aforementioned procedures have always been applied whenever these situations have variously arisen.

## **14. APPOINTING AUDITORS**

The appointment of members of the Board of Auditors is covered by Section 26 of Articles of Association and, unless specification to the contrary is given, by certain statutory instruments currently in force. As far as the independence requirements are concerned, Auditors shall be required to meet the requirements of the Code of Conduct for Listed Companies which the Bank has accepted, in addition to any other legal requirements.

Appointments to the Board of Auditors are made using lists of candidates presented by those shareholders who, either alone or in partnership with other shareholders, hold at least 1% of ordinary shares or any other amount which - pursuant to current enacted law - may be specified when the order is sent out to call Shareholders to the Meeting which will appoint the Auditors. These lists of candidates presented by shareholders must be registered at head office at least two weeks before the meeting is due to be held.

From the list which receives the greatest number of votes, two candidates will be selected to become Full Auditors and another to become a Supernumerary Auditor, in the progressive order in which they are included in the list according to their respective offices. The third Full Auditor and the second Supernumerary Auditor shall be the first candidates, according to their respective offices, included on the minority list which received the highest number of votes among those duly submitted and voted for, provided it is not connected, even indirectly, with the shareholders that presented or voted for the list that came first in terms of number of votes. Chairmanship of the Board of Auditors shall be awarded to the Full Auditor elected from the abovementioned minority list.

In the event of Auditors on the winning list of candidates having to be replaced, appointment shall be after a simple majority vote with no lists of candidates. However, in the event of Full Auditors from the minority list having to be replaced, the shareholders shall replace them with a relative majority vote, selecting them from the candidates indicated on the list to which the Auditors to be replaced belonged.

## 15. AUDITORS

Name	Office	Took office in (*)	List	Indep. by Code	% part. B. A.	Other offices (**)
Andrea Traverso	Chairman	29/4/2008	m	Yes	98%	16
Massimo Scotton	Full Auditor	29/4/2008	M	Yes	94%	12(°)
Antonio Semeria	Full Auditor	29/4/2008	M	Yes	85%	10(°°)
Adriano Lunardi	Supernumerary Auditor	29/4/2008	m	Yes	-	-
Luigi Sardano	Supernumerary Auditor	29/4/2008	M	Yes	-	-

(\*) for current term

(\*\*) see below for details

### LEGEND

**List:** M = Auditor elected from list presented by majority / m = Auditor elected from list presented by minority Shareholders (Section 144-*decies*, CONSOB Regulation for Issuers)

**Indep.:** ticked if the Auditor can be considered independent according to the criteria set out in the Code

**% part. B.A.:** presence, as a percentage, of the Auditor at Board Meetings (considering the number of Meetings the Auditor took part in compared to the number of Board meetings held **during the year**).

**Other offices:** total number of offices held in companies as per Book V, Title V, Chapters V, VI, and VII of Civil Code, pursuant to the terms and conditions of Section 144-*quinqüesdecies*, CONSOB Regulation for Issuers. (°) In addition to 2 "exempted offices" pursuant to the terms and conditions of Section 144-*duodecises*, (1), j, CONSOB Regulation for Issuers.

(°°) In addition to 1 "exempted office" pursuant to the terms and conditions of Section 144-*duodecises*, (1), j, CONSOB Regulation for Issuers.

From the list presented by shareholders Fondazione Cassa di Risparmio di Genova e Imperia, which at the time held 44.092% of the ordinary share capital, the list which attracted most votes, Antonio Semeria and Massimo Scotton were elected Full Auditors, and Luigi Sardano Supernumerary Auditor.

From the list presented by the shareholders who, at the time, held a total of 3.976% of the ordinary share capital, i.e. Mario Venturino (on his own behalf and as Chairman of the Banca Carige S.p.A. Shareholders' Association, as delegated by 13 shareholders), Coop Liguria Società Cooperativa di consumo, Coopsette Società Cooperativa a responsabilità limitata, Gefip Holding SA and Autostrade dei Parchi S.p.A., the list which received the second-highest number of votes Andrea Traverso was elected Full Auditor and Adriano Lunardi Supernumerary Auditor. All shareholders have declared that there is no connection between them, pursuant to Section 144-*quinqües* of the CONSOB Regulation

for Issuers, and those who received more votes.

Pursuant to Section 26 (6) of the Articles of Association, Andrea Traverso was appointed Chairman of the Board of Auditors because he is the Full Auditor elected from the second list of candidates.

He is expected to remain in office throughout the triennium 2008-2010, when the Board will fall from office and new elections will be held on 31/12/2010 to approve the figures.

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Pursuant to Section 144-*decies*, CONSOB Regulation for Issuers, the following are the personal and professional characteristics currently held by each Auditor, taken when the names of the candidates were deposited and published on the Bank's web site –

Andrea TRAVERSO, Chairman of the Board of Auditors, born in Genoa on 5 November 1946, an Economics graduate registered as a qualified auditor and accountant, has fulfilled various roles in the control and administration at many companies. At the time of his candidacy, the following were his main offices –

- Chairman, Board of Auditors, Banca del Monte di Lucca S.p.A. (\*)
- Chairman, Board of Auditors, Cassa di Risparmio di Carrara S.p.A. (\*)
- Chairman, Board of Auditors, Cassa di Risparmio di Savona S.p.A. (\*)
- Full Auditor, Carige Assicurazioni S.p.A. (\*)
- Full Auditor, Carige Vita Nuova S.p.A. (\*)
- Full Auditor, Creditis Servizi Finanziari S.p.A. (\*)
- Full Auditor, Columbus Carige Immobiliare S.p.A. (\*)
- Chairman, Board of Auditors, Leonardo Technology S.p.A.
- Chairman, Board of Auditors, Palazzo Ducale S.p.A.
- Chairman, Board of Auditors, ICO Guanti S.p.A.
- Chairman, Board of Auditors, Tonodue S.p.A.
- Chairman, Board of Auditors, Cantieri del Mediterraneo S.r.l.
- Full Auditor, Elah Dufour S.p.A.
- Full Auditor, Centro Latte Rapallo S.p.A.
- Full Auditor, Porto Antico di Genova S.p.A.
- Full Auditor, Azienda Mobilità e Trasporti S.p.A.
- Full Auditor, Selex Communications S.p.A.
- Full Auditor, Montalbano Ind. Agroalimentare S.p.A.
- Full Auditor, Montalbano Technology S.p.A.

<sup>6</sup> (\*)Office held in a company belonging to the Carige Bank Group.

Massimo SCOTTON, Full Auditor, born in Genoa on 26 November 1956, an Economics graduate registered as a qualified auditor and accountant, Chairman of the Accountants' Professional Rolls, has fulfilled various roles in the control and administration at many companies and as an Official Receiver. At the time of his candidacy, the following were his main offices –

- Chairman, Board of Auditors, Banca Cesare Ponti S.p.A. (\*)
- Full Auditor, Carige Asset Management SGR S.p.A. (\*)
- Full Auditor, Immobiliare Ettore Vernazza S.p.A. (\*)
- Full Auditor, Columbus Carige Immobiliare S.p.A. (\*)
- Chairman, Board of Auditors, Microarea Group S.r.l.
- Chairman, Board of Auditors, Microarea S.p.A.
- Full Auditor, Boero Bartolomeo S.p.A.
- Full Auditor, Ansaldo STS S.p.A.
- Full Auditor, Monti e Barabino S.p.A.
- Full Auditor, United Arab Shipping Agency Company (Italy) S.r.l.
- Chairman, Accountants' Professional Rolls Association, Genoa

Antonio SEMERIA, Full Auditor, born in Sanremo (near Imperia) on 30 September 1945, B.A. in Economics, registered on the New Register of Auditors, and a professional accountant, was a member of the National Committee of Accountants when the code of conduct of Auditors was put in place, as well as European taxation standards, and has fulfilled many offices in many companies in Italy, including Carige Assicurazioni S.p.A., Carige Vita Nuova S.p.A., Terme di Pigna S.p.A., S.A.T.A. S.p.A., Area 24 S.p.A., and Società Riviera Trasporti S.p.A. At the time of his candidacy, the following were his main offices –

- Full Auditor, Cassa di Risparmio di Savona S.p.A. (\*)
- Full Auditor, Carige Asset Management SGR S.p.A. (\*)
- Full Auditor, Creditis Servizi Finanziari S.p.A. (\*)
- Chairman, Board of Auditors, Arkofarm S.r.l.
- Chairman, Board of Auditors, Capo Mimosa S.p.A.
- Chairman, Board of Auditors, Cipriani S.r.l.
- Chairman, Board of Auditors, CA.PA.TO. S.r.l.
- Full Auditor, I.L.I. - Infrastrutture Lavori Italia S.p.A.
- Chairman, Board of Auditors, Unione Industriali di Imperia (Confindustria)

Adriano LUNARDI, Supernumerary Auditor, born in Genoa on 4 January 1936, an Economics graduate, registered on the New Register of Auditors, and a professional accountant, has served, and still serves, as Chairman of the Board of Auditors and as Auditor in numerous companies, also belonging to the Group. At the time of his candidacy, the following were his main offices –

Chairman, Board of Auditors, Columbus Carige Immobiliare S.p.A  
(\* )

- Chairman, Board of Auditors, Galeazzo S.r.l. (\*)
- Chairman, Board of Auditors, Argo Finance One S.r.l. (\*)
- Chairman, Board of Auditors, Priamar Finance S.r.l. (\*)
- Chairman, Board of Auditors, Argo Mortgage S.r.l. (\*)
- Chairman, Board of Auditors, Genova Holding S.p.A. in receivership
- Chairman, Board of Auditors, Silomar S.p.A.
- Chairman, Board of Auditors, SAAR Depositi Portuali S.p.A.

Luigi SARDANO, Supernumerary Auditor, born in Genoa on 16 April 1935, professional accountant registered on the New Register of Auditors, has fulfilled various roles in the control and administration at many companies and as an Official Receiver. At the time of his candidacy, the following were his main offices –

- Full Auditor, Carige Vita Nuova S.p.A. (\*)
- Chairman, Board of Auditors, MA.PRI.COM. S.p.A.)
- Chairman, Board of Auditors, Giopescal S.r.l.
- Chairman, Board of Auditors, Sampdoria Holding S.p.A.
- Full Auditor, Taverna S.p.A. di brokeraggio assicurativo

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It must be pointed out that no Auditor has resigned from office during the year, and there have been no changes to the make-up of the Board of Auditors.

The Board of Auditors in office as at 29/04/2008 comprises the following members – Antonio Semeria (Chairman)

- Massimo Scotton
- Andrea Traverso

During the past year, the Board of Auditors met a total of 66 times.

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In line with the terms of the Code of Conduct (Application Criterion 10.C.2), the Board of Auditors decided on 14/04/2008 to examine the independence of its own members, and found this to be the case when it applied all the criteria required by the Code in terms of the Directorial independence.

After the appointments by the Shareholders' Meeting of 29/04/2008, the Board met on 27/05/2008 to examine, with positive results,

the independence requisites of its own members, in accordance with the requirements of the Code.

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With regard to the requirements of the Code of Conduct (Application Criterion 10.C.4), Company Regulations covering operations with partner companies extends to the Auditors the same procedures as it applies to Directors in terms of vested interests during operations with partners.

In operations with partner companies, therefore, Auditors with vested interests (even potential or indirect interests) shall be required to give immediate notification thereof when an operation is due to begin, and to provide the Board of Auditors with full details of any such vested interests and the circumstances giving rise thereto.

The terms of Section 136 of TUB must be repeated here, as they cover dealings by Company representatives and are applicable to those in the Bank's Control Department.

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With all due deference to Section 150 (3) of TUF, the Board of Auditors has held several meetings with the Directors of Auditing Firm Deloitte & Touche S.p.A., called to examine mutual information transfers between the two. No negative conclusions were reached at these meetings, nor were any irregularities detected as important enough to require special notification.

The Board examined compliance with legislation covering this matter in terms of the independence of the Auditing Firm, examining the nature and entity of the services provided by the company and the network sections thereof.

The Board of Auditors, as part of its ordinary tasks and responsibilities, periodically meets Internal Control and the Internal Control Committee.

Internal Control immediately provided the Board of Auditors with copies of all the appraisals previously carried out, and found a report on this task, carried out every three months and around the time of Internal Control Committee meetings.

The internal auditing plan for 2008, examined at the Internal Control Committee meeting of 25/02/2008, and agreed to by the Board of Auditors, was monitored by the control body.

With regard to the above, during the meeting on 23/02/2009, the Board of Auditors, in accordance with studies previously carried out and the ascertainties performed as a consequence of the outcome of the periodic information transfers to and from the Auditing Firm (including those done during meetings of the Bank's Internal Control Committee), gave its final approval regarding the suitability of the

administrative-accounting system at the Bank, and the reliability thereof in terms of being a faithful representation of management facts for the year 2008. Additionally, in the light of these studies and ascertainties carried out during 2008, a final judgement was given at the same meeting regarding the suitability of the Internal Control System at the Bank and the work carried out by its members, including immediate notification of any anomalies to the competent offices, and likewise with regard to the suitability of the Bank's administration side for the purposes of compliance with the provisions for proper administration and the suitability of certain competence aspects of the Board of Auditors itself.

## 16. DEALINGS WITH SHAREHOLDERS

For a long time now, dealings with shareholders and institutional investors have been managed by special company departments.

In particular, as part of the Management Control and Study Office, there is an investor relator under the responsibility of the Manager, Maurizio Marchiori. The following are the main telephone numbers: +39/010/5794868 – +39/010/5794877, and the email address for all contacts is [investor.relations@carige.it](mailto:investor.relations@carige.it)

This office implies that things are dealt with by outside analysts, perhaps in collaboration with other offices in the company, with regard to co-operation on Group financial research, the sending of press releases in Italian and English, and making changes to the mailing list, as well as managing dealings with ratings companies, cooperating with the Marketing Department, and organising and preparing material for external presentations on actual and forecast Group figures and for press releases regarding actual and forecast business and financial Group figures. The aforementioned documentation can be found under Investor Relations at [www.gruppocarige.it](http://www.gruppocarige.it).

Dealings with shareholders are further facilitated by the opportunity given to them to speak directly to the Bank by going through the Secretariat General, under the responsibility of its Manager Edoardo Vinelli. The following are the main telephone numbers: freephone number 800/335577 (available in Italy only), +39/010/5794259 – +39/010/5792331, and the email address for all contacts is .

Finally, it must be pointed out that at there is a special section on corporate governance, where you can find immediately all the information about this area and read a series of documents which explain the Bank's governance system. The section also contains information on the methods envisaged for taking part in and exercising voting rights at Shareholders' Meetings, and documentation about items on the agenda.

## 17. SHAREHOLDERS' MEETINGS

Pursuant to Section 9 of the Articles of Association, the Shareholders' Meeting – duly called and set up – represents all shareholders and its rulings, made in conformity with current enacted law and the Articles of Association, are binding upon all shareholders (whether or not they have spoken or agreed).

Ordinary Shareholders' Meetings are held at least once a year by law, whereas special Meetings can be called whenever the need arises to make rulings on issues pertaining to Shareholders as indicated by law.

Representation at Shareholders' Meetings is covered by special laws.

According to the terms and conditions of current enacted law and Section 13 of the Articles of Association, all shareholders entitled to vote may speak at meetings, provided they meet the following conditions –

- a) a registered broker must give notification of their entitlement to speak at the meeting, pursuant to Section 2370 (2) of the Civil Code;
- b) notification as per subsection a) has been received by the Company at least two days before the Meeting on first call, or by any earlier deadline specified in the letter of notification.

Actions may not be dealt with by retroactive motions to change or transfer voting rights before the Meeting actually sits, unless all Shareholders express their desire to do so.

Discussions at ordinary and special Shareholders' Meetings of items on the agenda are covered by the "Regulations for Meetings at Banca Carige S.p.A.," approved by the Shareholders' Meeting held on 29/04/1995 and recorded at Head Office.

These regulations cover the discussion of items on the agenda in greater detail than the Articles of Association.

In this regard, the document requires shareholders and their delegates with entitlement to vote to speak only about items on the agenda under discussion, and to ask for clarification or give an opinion, or to make comments and suggestions after an application to do so has been sent to the Chairman. The Chairman may allow applicants to speak, generally in the order the requests to speak are received, and answers shareholders and their delegates after each of them has spoken or when everyone has had their say about a particular topic. Each shareholder or delegate may only speak once about each item on the agenda, unless making a point of order, at the Chairman's discretion. In order to encourage participation, the time available for each shareholder or delegate to speak may not exceed five minutes.

It must be pointed out that changes to the Regulations covering Carige Shareholders' Meetings are currently under discussion and will be an item on the agenda for the meeting to be held on 31/12/2008. It is felt that changes need to be made after the Bank of Italy Memorandum dated 04/03/2008, and this will be a way of formalising further compliance with the requirements regarding shareholders in the Code of Conduct (see Principles 11.P.1 and 11.P.2 and Application Criteria).

During the year there were no significant changes to the make-up of the Bank's shareholders. The market capitalisation of shares was affected by financial market volatility, like the rest of the banking sector.

## **18. CHANGES SINCE THE END OF THE YEAR**

Those slight changes to the corporate governance Department which happened at the very end of 2008 have been listed in the foregoing paragraphs (q.v.).

Given at Genoa, this 27 March 2009



IL CONSIGLIO DI AMMINISTRAZIONE  
IL PRESIDENTE  
(Dott. Giovanni Berneschi)