PILLAR 3

Disclosure by Institutions

Figures as at 30/6/2016

GRUPPO BANCA CARIGE

INTRODUCTION

Since 1 January 2014, the reforms of the Basel Committee's agreements ("Basel 3") have been transposed into EU law to strengthen the following:

- Ability of banks to absorb shocks arising from financial tensions;
- Risk management and governance;
- Transparency and information of the banks themselves.

In this context, the Basel Committee maintained the three-pillar approach to the basis of the previous "Basel 2" capital accord, integrating and strengthening it to increase the quantity and quality of the capital endowment of intermediaries, as well as introducing counter-cyclical supervision instruments and rules on liquidity risk management and the containment of financial leverage.

Within the European Union, the contents of "Basel 3" have been transposed with the adoption of:

– Regulation (EU) No 575/2013 of 26 June 2013 ("CRR"), on prudential requirements for credit institutions and investment firms and the rules on information to the public (Third Pillar);

– Directive (EU) 2013/36 of 26 June 2013 ("CRD IV"), concerning, *inter alia*, the conditions for access to banking, freedom of establishment and the free provision of services, the prudential control process, additional capital reserves.

The provisions set out by the Bank of Italy with circular No. 285 of 17 December 2013 and subsequent updates are added to this legislation, collecting the prudential supervisory provisions applicable to Italian banks and banking groups – revised and updated to adapt internal legislation to the innovations in the international regulatory framework, with particular regard to the new regulatory and institutional structure of EU banking supervision.

This Circular, however, does not set specific rules for drafting and disclosing the Pillar 3, but rather lists the provisions in force set out by the CRR. The matter, therefore, is directly regulated by:

- CRR, Part Eight "Disclosure by Institutions" (art. 431 – 455) and Part Ten, Title I, Chapter 3 "Transitional provisions on disclosure of own funds" (art. 492);
- Regulations of the European Commission drawn up by the EBA (European Banking Authority) laying down the technical rules for regulation or implementation to regulate harmonised models for the publication of the different types of disclosures.

In addition to the obligation to publish the disclosures required by EU regulations at least on an annual basis, article 433 of the CRR requires institutions to assess the need to publish some or all disclosures more frequently than annually in light of the relevant characteristics of their business. More specifically, the assessment shall pay particular attention to the possible need for more frequent disclosure of items of information laid down in articles 437 ("Own funds") and 438 ("Capital requirements"), and information on risk exposure and other items prone to rapid change.

In accordance with article 16 of Regulation (EU) no. 1093/2010, on 23 December 2014 the EBA issued its Guidelines on materiality, proprietary and confidentiality and on disclosures frequency for the Pillar 3 (under Articles 432(1), 432(2) and 433 of Regulation No (EU) 575/2013), based on which the Carige Group deemed it appropriate to initiate the processing of interim data on a half-year basis, providing information on some relevant issues such as "Own funds", capital requirements, encumbered and unencumbered assets, and financial leverage[1].

Banca Carige (hereinafter the "Parent Company", "Banca Carige", "Carige" or the "Bank") fulfils the obligation of disclosure to the public for the Banca Carige Group (hereinafter referred to as the "Carige Group" or the "Group") and draws up this document on the basis of the aforementioned regulatory provisions, on a consolidated basis, with reference to a "prudential" consolidation area which essentially coincides with the definition of banking group supervision.

The document is therefore articulated in accordance with the CRR to provide qualitative and quantitative information, where it is considered applicable to the Group.

For completeness of information, it is specified that Disclosure on Own Funds and capital absorptions is also published in the "Half-Year Report as at 30 June 2016". Please refer to the document as at 31 December 2015 for other information not included in this document, especially general, organisational and methodological information about the various risks which the Group is exposed to.

In view of the public relevance of this disclosure, the same is submitted for approval to the Board of Directors of the Parent Company and, pursuant to art. 154-bis of Italian Legislative Decree (D.Lgs.) 58/98 (Unified Finance Law, hereinafter referred to as "TUF"), for the certification by the Director responsible for preparing the company's accounting documents.

The document can be consulted on the Group website www.gruppocarige.it, in the section "Basel Report – Pillar 3" of the "Investor Relations" menu.

The data, unless otherwise indicated, are expressed in thousands of EUR.

[1] The Basel Committee also provided further guidance on these issues, proposing the introduction of international standardised schemes with reference to year-end results for 2016, see "Revised Pillar 3 disclosure requirements" of January 2015.

1 RISK MANAGEMENT OBJECTIVES AND POLICIES

QUALITATIVE INFORMATION – art. 435 CRR

1.1 Introduction

Risk management is one of the fundamental objectives of the Carige Group and is defined in four specific phases:

a) The definition of risk management strategies, with particular reference to the risk tolerance and risk appetite of the organisation, expressed by the Administrative Bodies of the Parent Company;
b) The standard procedures for the identification, measurement and control of the various risks to which the Group's activities are subject;
c) The management of the identified risks;
d) The verification of the adequacy of the systems for measuring and managing these risks.

The following paragraphs detail the Group's activities aimed at achieving the described objectives.

A. <u>The definition of risk management strategies</u>

During the year 2016, the Risk Management department took steps to implement some interventions/activities in accordance with the provisions of the 15th update of the Bank of Italy Circular no. 263/2006. In particular, the following activities were carried out:

- Implementation of the Risk Appetite Framework (hereinafter also "RAF"), defining the process and identifying measurement metrics;

- Implementation of the process of identification and evaluation of the Significant Transactions (hereinafter "OMR"), which led to the definition of the relating policy (characteristics and structure of the OMR management process);

- Activities related to control areas in relation to: 1) Second level controls on the loan book concerning the correct classification of positions and the consistency of the impairment of non-performing loans; 2) Verification of the effectiveness of recovery processes;

In accordance with the Supervisory Rules, the Board of Directors of the Parent Company, by approval on 17/06/2014 of the Risk Appetite Framework and its subsequent updates in 2016, identified the target risk-performance profile that the Banking Group intends to achieve, in coherence with the defined strategic policy, the chosen business model and the Group's competencies.

The types of risk to be monitored under the RAF, as well as the relevant indicators, mainly relate to six risk profiles: solvency, profitability, credit risk, market risk, interest rate risk and liquidity risk. In accordance with the Supervisory rules, a system of quantitative thresholds including risk appetite, risk tolerance, risk capacity and risk profile has been defined for all selected indicators.

In relation to the major risk profiles included in the RAF, the Board of Directors defined both risk appetite thresholds consistent with the strategy outlined in the Business Plan and tolerance limits to ensure compliance with capacity even under stress conditions.

In conjunction with the definition of indicators, the Board of Directors also approved the mechanisms regulating the governance of the RAF process in terms of the process of updating and revising, monitoring and escalation.

As regards the information provided to the Board of Directors, the Risk Management department is to arrange for periodic monitoring of the RAF indicators to verify the evolution of the different risk profiles over time and measure their consistency with the defined risk/performance targets. The Board of Directors is also involved in the escalation mechanisms when there is a breach of the risk tolerance levels set for the different indicators, by approving the implementation of the intervention plans prepared by the assigned functions.

B. How to identify, measure and control the various risks

As part of the activities prior to the ICAAP reporting, approved by the Board of Directors of the Parent Company on 29/04/2016, and in coherence with the rules of the RAF, the risks to which the Group is exposed, with regard to the types of operations and the reference markets, have also been identified: the risk map and the related methods of assessment (quantitative where there are methods of measurement, qualitative if it pertains to the organisational principles), a comprehensive framework of the current operational management activities has been outlined, according to a logic of overall integration of the risks to which the Group is subject.

Such assessment activities on business operations and related risks are carried out at least annually, on the basis of procedures aimed at continuously monitoring the main risk factors and identifying any new cases.

The Board of Directors, in conjunction with the approval of the ICAAP reporting, defined the Group's risk map, which includes the following types:

- credit and counterparty risk;
- market risk;
- operational risk;
- concentration risk;
- interest rate risk (relating to the banking book);
- real-estate risk;
- liquidity risk;
- residual risk;
- risk arising from securitisation transactions;
- strategic risk;
- reputational risk;
- country risk;
- transfer risk;
- basis risk;
- risk of excessive financial leverage.

The risk measurement methodologies were brought to the attention of the Board of Directors who verified their adequacy in order to measure the risks to which the Group is exposed, also in future.

Please refer to the Pillar 3 document as at 31/12/2015 for detailed information on the strategies and methods for measuring, managing and controlling the various risks to which the Group's business is exposed, as well as the organisational and procedural measures adopted by Group in order to ensure a sound and prudent management which reconciles the pursuit of profitability with a measured assumption of risk and the conduct of business according to the criteria of transparency and fairness.

2 SCOPE

QUALITATIVE INFORMATION – art. 436 CRR

The field of application of this document is the scope of the Banca Carige Banking Group. The Banking Group is made of the subsidiaries that carry out banking, financial and real estate activities. The concept of control applied is that outlined in the IFRS 10 - Consolidated Financial Statements. No jointly controlled companies were identified, to which the IFRS 11 - Joint Arrangements applies. As at the reporting date, the scope of consolidation of the Banking Group coincides with the scope of consolidation used for preparing the Half-Year Report.

As regards the scope of business, subsidiaries can be divided into banking institutions (Banca Carige S.p.A, Banca Carige Italia S.p.A, Banca del Monte di Lucca S.p.A, Banca Cesare Ponti S.p.A.), consumer credit companies (Creditis Servizi Finanziari SpA), trust companies (Centro Fiduciario C.F. S.p.A.), special-purpose vehicles for securitisations (Argo Mortgage 2 S.r.l., Lanterna Finance S.r.l., Lanterna Lease S.r.l. and Lanterna Consumer S.r.l.) and special-purpose vehicles for the issuance of covered bonds (Carige Covered Bond Srl and Carige Covered Bond 2 Srl).

It is noted that the special-purpose vehicles Argo Mortgage 2 Srl, Lanterna Finance Srl, Lanterna Lease S.r.l., Lanterna Consumer S.r.l., Carige Covered Bond Srl and Carige Covered Bond 2 Srl were all consolidated line by line. The receivables were not derecognised from the financial statements of the respective transferors under either the securitisations or disposals for the issuance of covered bonds as all connected risks and rewards were substantially retained by the Group.

It should be noted that no legal impediment exists that could hinder the transfer of capital resources or funds within the Group.

There being no capital deficiencies at consolidated level, the individual capital requirement for the Group banks is reduced by 25%, in line with the prevailing legal requirements.

QUANTITATIVE INFORMATION – art. 436 CRR

2.1 Consolidation area as at 30 June 2016

Company name	Operating office	Registered office	Shareholding relationship		Treatment	
			held by	Shareholding %	in the financial statements	in prudential reporting
A. Companies						
A.1 Consolidated line-by-line						
Banking Group						
1. Banca CARIGE SpA	Genoa	Genoa				
2. Banca CARIGE Italia SpA	Genoa	Genoa	A1.1	100.00	full cons.	full cons.
3. Banca del Monte Lucca SpA	Lucca	Lucca	A1.1	60.00	full cons.	full cons.
4. Banca Cesare Ponti SpA	Milan	Milan	A1.1	100.00	full cons.	full cons.
5. Creditis Servizi Finanziari SpA	Genoa	Genoa	A1.1	100.00	full cons.	full cons.
6. Centro Fiduciario C.F. SpA	Genoa	Genoa	A1.1	96.95	full cons.	full cons.
7. Argo Mortgage 2 Srl	Genoa	Genoa	A1.1	60.00	full cons.	full cons.
8. Carige Covered Bond Srl	Genoa	Genoa	A1.1	60.00	full cons.	full cons.
9. Carige Covered Bond 2 Srl	Genoa	Genoa	A1.1	60.00	full cons.	full cons.
10. Lanterna Finance Srl (1)	Genoa	Genoa	A1.1	5.00	full cons.	full cons.
11. Lanterna Consumer Srl (1)	Genoa	Genoa	A1.1	5.00	full cons.	full cons.
12. Lanterna Lease Srl (1)	Genoa	Genoa	A1.1	5.00	full cons.	full cons.

(1) Securitisation SPVs, controlled under the requirements of IFRS 10.

The scope of consolidation for accounting purposes and for the purpose of preparing this document has changed with respect to that used for the preparation of the financial statements as at 31 December 2015 following inclusion of special-purpose vehicles Lanterna Consumer S.r.l. and Lanterna Lease S.r.l. (albeit 5% owned but for which provisions of IFRS 10 are applicable), which were set up to carry out two securitisations respectively of consumer loans (Creditis Servizi Finanziari S.p.A. as the transferor) and leases (Banca Carige as the transferor).

3 OWN FUNDS

QUALITATIVE INFORMATION – art. 437 CRR

The Company's own funds were determined on the basis of the harmonised legislation for banks and investment entities included in the Regulation (EU) No. 575/2013, (CRR), and the EU Directive 36/2013 (CRDIV) which transpose the standards defined by the Basel Committee on banking supervision in the European Union. The provisions issued by the Bank of Italy with circulars Nos. 285/2013 and 286/2013 and their relative updates were also taken into account with specific reference to the right to exercise national discretion.

The transitional provisions on own funds (see Second Part, Chapter 14, Section II of Circular no. 285) set out that banks are entitled to maintain the prudential filter for unrealised profits and losses relative to amounts due from central administrations classified as "Financial assets available for sale" until IFRS 9 is adopted in Europe to replace IAS 39 on matters regarding financial instruments, (see Section II, paragraph 2, final sentence).

The Group elected for this option within the established time period by way of a notice sent to the Bank of Italy.

Diagram of capital instrument characteristics

The following prospectuses are structured on the basis of the diagrams contained in Implementing Regulation (EU) No. 1423 of 20 December 2013 laying down technical implementing rules as regards the information on the requirements of the institutions' Own Funds under Regulation No. 575/2013 of the European Parliament and of the Council.

In particular, Annex II to the aforementioned Regulation provides a specific model for the disclosure of the main characteristics of the equity instruments.

1. Common Equity Tier 1– CET 1

Common Equity Tier 1, prior to the application of prudential filters, consists of the following positive or negative elements:

- share capital
- share premium reserve
- reserves net of negative reserve
- treasury shares in the securities portfolio
- other accumulated items in the Income Statement

- non-controlling interests

The prudential filters of CET 1 consist of the following elements:

- cash flow hedges
- gains or losses from own liabilities evaluated at fair value due to credit rating
- fair value gains or losses arising from own credit risk correlated to derivative liabilities
- regulatory value adjustments

Deductions from CET 1 consist of:

- intangible assets
- deferred tax assets that are based on future income and that do not derive from temporary differences net of related tax liabilities
- other negative elements

The impacts on CET 1 resulting from the transitional arrangements must be added to the elements listed above.

2. Additional Tier 1 capital (AT1)

Additional Tier 1 capital consists of:

- paid-in capital (savings shares)
- share premium on savings shares
- AT1 instruments subject to transitional provisions (grandfathering)
- impacts on AT1 due to the transitional arrangements

AT1 also includes the portion of third parties' interest that can be calculated as a result of transitional provisions.

The main features of the Additional Tier 1 capital are shown below.

Capital instruments' main features template (1)		
1	Issuer	Banca Carige S.p.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	XS0400411681
3	Governing law(s) of the instrument	Italian and English
	Regulatory treatment	
4	Transitional CRR rules	Additional Tier 1 capital EUR 64 mln were reclassified in Tier 2 capital
5	Post-transitional CRR rules	Not eligible
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual and Consolidated level
7	Instrument type (types must be specified for each jurisdiction)	Bond - Art. 51 and 484 CRR
8	Amount recognised in regulatory capital (EUR/mln, at the most recent reference reporting date)	160
9	Nominal amount of instrument	EUR 160,000,000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities - Amortised cost
11	Original date of issuance	04/12/2008
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	4/12/2018 at par; early repayment for tax and regulatory events is an option
16	Subsequent call dates, if applicable	Quarterly on 4/3, 4/6, 4/9 and 4/12 of each year as of 4/12/2018
	Coupon/dividend	
17	Fixed or floating dividend/coupon	Fixed to floating
18	Coupon rate and any related index (if any)	8.338% as at 4/12/2018; then 3-month Euribor + 550 bps
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of time)	Fully discretionary
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	Yes
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in the subordination hierarchy in case of liquidation (specify instrument type immediately senior to instrument)	Upper Tier II
36	Non-compliant transitioned features	YES
37	If yes, specify non-compliant features	Non-compliance with letter g) and n) of art. 52 CRR

(1) "N/A": The information does not apply to the instrument

3. Tier 2 capital (T2).

Tier 2 capital consists of:

- own T2 instruments
- T2 instruments subject to transitional provisions (grandfathering)
- impacts on T2 due to the transitional arrangements

It should be noted that T2 grandfathering includes EUR 64 mln from the AT1 instrument that does not qualify for inclusion in Additional Tier 1 capital.

T2 also includes the portion of third parties' interest eligible for inclusion as a result of transitional provisions

The main features of Tier 2 capital instruments are shown below.

Capital instruments' main features template (1)		
1	Issuer	Banca Carige S.p.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	IT0004429137
3	Governing law(s) of the instrument	Italian
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual and Consolidated level
7	Instrument type (types must be specified for each jurisdiction)	Bond - Art. 62 CRR
8	Amount recognised in regulatory capital (EUR/mln, at the most recent reference reporting date)	67 repurchases and amortisation
9	Nominal amount of instrument	EUR 150,000,000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities - Amortised cost
11	Original date of issuance	29/12/2008
12	Perpetual or dated	Dated
13	Original maturity date	29/12/2018
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividend	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index (if any)	3-month Euribor + 200 bps
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of time)	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in the subordination hierarchy in case of liquidation (specify instrument type immediately senior to instrument)	Lower Tier II
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	-

(1) "N/A": The information does not apply to the instrument

Capital instruments' main features template (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	XS0524141057
3	Governing law(s) of the instrument	ENGLISH - ITALIAN
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual and Consolidated level
7	Instrument type (types must be specified for each jurisdiction)	Bond - Art. 62 CRR
8	Amount recognised in regulatory capital (EUR/mln, at the most recent reference reporting date)	4 net of amortisation
9	Nominal amount of instrument	EUR 20,000,000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities - Amortised cost
11	Original date of issuance	30/06/2010
12	Perpetual or dated	DATED
13	Original maturity date	30/06/2017
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividend	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index (if any)	5.70%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of time)	MANDATORY
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	MANDATORY
21	Existence of step up or other incentive to redeem	NO
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	NON-CONVERTIBLE
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in the subordination hierarchy in case of liquidation (specify instrument type immediately senior to instrument)	SENIOR
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	-

(1) "N/A": The information does not apply to the instrument

Capital instruments' main features template (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	XS0542283097
3	Governing law(s) of the instrument	ENGLISH - ITALIAN
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual and Consolidated level
7	Instrument type (types must be specified for each jurisdiction)	Bond - Art. 62 CRR
8	Amount recognised in regulatory capital (EUR/mln, at the most recent reference reporting date)	43 net of amortisation
9	Nominal amount of instrument	EUR 50,000,000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities - Amortised cost
11	Original date of issuance	17/09/2010
12	Perpetual or dated	DATED
13	Original maturity date	17/09/2020
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividend	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index (if any)	5.70%
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partly discretionary or mandatory (in terms of time)	MANDATORY
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	MANDATORY
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	NON-CONVERTIBLE
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in the subordination hierarchy in case of liquidation (specify instrument type immediately senior to instrument)	SENIOR
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	-

(1) "N/A": The information does not apply to the instrument

Capital instruments' main features template (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placements)	XS0570270370
3	Governing law(s) of the instrument	ENGLISH - ITALIAN
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual and Consolidated level
7	Instrument type (types must be specified for each jurisdiction)	Bond - Art. 62 CRR
8	Amount recognised in regulatory capital (EUR/mln, at the most recent reference reporting date)	179 net of amortisation
9	Nominal amount of instrument	EUR 200,000,000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities - Amortised cost
11	Original date of issuance	20/12/2010
12	Perpetual or dated	DATED
13	Original maturity date	20/12/2020
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividend	N/A
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index (if any)	7.321%
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partly discretionary or mandatory (in terms of time)	MANDATORY
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	MANDATORY
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	NON-CONVERTIBLE
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in the subordination hierarchy in case of liquidation (specify instrument type immediately senior to instrument)	SENIOR
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	-

(1) "N/A": The information does not apply to the instrument

QUANTITATIVE INFORMATION – art. 437/492 CRR

3.1 Breakdown of own Funds as at 30 June 2016

	30/06/2016
A. Common Equity Tier 1 (CET1) prior to the application of prudential filters	2,264,702
o.w. CET1 instruments subject to grandfathering/transitional adjustments	11,533
B. CET1 prudential filters (+/-)	75,440
C. CET1 gross of deductions and effects from transitional adjustments (A+/-B)	2,340,142
D. Items to be deducted from CET1	(338,460)
E. Transitional adjustments – Effect on CET1 (+/-), including non-controlling interests subject to transitional adjustments	202,929
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	2,204,611
G. Additional Tier 1 Capital (AT1) gross of deductions and effects from transitional adjustments	96,091
o.w. AT1 instruments subject to grandfathering/transitional adjustments	96,000
H. Items to be deducted from AT1	-
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional adjustments	(80,673)
L. Additional Tier 1 Capital (AT1) (G-H+/-I)	15,418
M. Tier 2 Capital (T2) gross of deductions and effects from transitional adjustments	356,863
o.w. T2 instruments subject to grandfathering/transitional adjustments	64,000
N. Items to be deducted from T2	-
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional adjustments	1,397
P. Total Tier 2Capital (T2) (M-N+/-O)	358,260
Q. Total own funds (F+L+P)	2,578,289

Sterilised capital losses on debt securities issued by central governments of member countries of the European Union, included in the "Available-for-sale assets" portfolio, amounted to EUR 4.1 mln. If the Group had not subscribed the option, CET1 and AT1 would have decrease by EUR 2.5 mln and EUR 1.6 mln respectively.

3.2 RECONCILIATION TABLE BETWEEN THE PRUDENTIAL BALANCE-SHEET ITEMS USED FOR CALCULATING BOTH OWN FUNDS AND REGULATORY OWN FUNDS

Assets	30/06/2016	Impact on CET1	Impact on AT1	Impact on T2	Total impact Own Funds
130. Intangible assets	54,540	(54,540)			(54,540)
of which:					-
goodwill	-	-			-
140. Tax assets	2,181,701	(175,220)			(175,220)
a) current	1,171,791				-
b) deferred	1,009,910	(175,220)			(175,220)
o.w. under Law no. 214/2011	615,164				-
Total Assets	28,174,078	(229,760)	-	-	(229,760)

Liabilities and Shareholders' Equity	30/06/2016	Impact on CET1	Impact on AT1	Impact on T2	Total impact Own Funds
30. Securities issued	6,888,209		96,000	356,863	452,863
140. Valuation reserves:	(149,743)	(18,925)	-	89	(18,836)
financial assets available for sale	(3,697)	268	-	89	357
cash-flow hedges	(126,853)	-			-
net actuarial losses	(20,462)	(20,462)			(20,462)
equity investments valued at equity	1,269	1,269			1,269
170. Reserves	(342,745)	(342,745)			(342,745)
180. Share premium reserve	175,954	175,949	5		175,954
190. Share capital	2,791,422	2,791,336	86		2,791,422
200. Treasury shares (-)	(15,572)	(15,572)			(15,572)
210. Non-controlling interests (+/-)	31,016	19,375	1,749	1,308	22,432
220. Profit (Loss) for the year (+/-)	(206,056)	(123,634)	(82,422)		(206,056)
Total Liabilities and Shareholders' Equity	28,174,078	2,485,784	15,418	358,260	2,859,462

Other accounting elements related to Own Funds	Impact on CET1	Impact on AT1	Impact on T2	Total impact Own Funds
Changes in own credit standing	(47,601)			(47,601)
Regulatory value adjustments	(3,812)			(3,812)
Total other accounting elements related to Own Funds	(51,413)	-	-	(51,413)
TOTAL OWN FUNDS	2,204,611	15,418	358,260	2,578,289

TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

	Common Equity Tier 1 (CET1): instruments and reserves	(A) AMOUNT AS AT DISCLOSURE DATE	(B) REFERENCE ARTICLE OF REGULATION (EU) NO. 575/2013	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO. 575/2013 TREATMENT OR RESIDUAL AMOUNT REQUIRED BY REGULATION (EU) NO. 575/2013
1	Capital instruments and related share premium reserves	2,967,284	26 (1), 27, 28, 29, EBA List 26 (3)	
	o.w.: tier 1 instruments	2,967,284	EBA List 26 (3)	
2	Retained earnings	(394,018)	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(98,470)	26 (1)	
5	Non-controlling interests (amount allowed in consolidated CET1)	19,375	84, 479, 480	7,842
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,494,172		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(3,812)	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	(54,540)	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of tax liabilities, where the conditions set forth by art. 38(3) are met) (negative amount)	(163,049)	36 (1) (c), 38, 472 (5)	108,699
11	Fair value reserves, related to gains and losses (generated by cash flow hedges)	126,853	33 (a)	
14	Gains or losses on liabilities valued at fair value, resulting from changes in own credit standing	(47,602)	33 (b)	
16	Common Equity Tier 1 Own Instruments, directly or indirectly held by the institution (negative amount)	(15,572)	36 (1) (f), 42, 472 (8)	
25a	Losses for the current financial year (negative amount)	(123,634)	36 (1) (a), 472 (3)	82,422
26	Regulatory adjustments applied to Common Equity Tier 1, in respect of amounts subject to pre-CRR treatment	(12,171)		
26a	Regulatory adjustments relating to unrealised gains or losses pursuant to Articles 467 and 468	3,965		
	o.w.: unrealised net gains on equities	(179)	467	
	o.w.: unrealised net losses on debt securities issued by Central Administrations belonging to EU	4,144		
28	Total regulatory adjustments on Common Equity Tier 1 (CET1)	(289,561)		
29	Common Equity Tier 1 capital (CET1)	2,204,611		

Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and related share premium reserves	91	51, 52	
31	o.w.: classified as equity under applicable accounting standards	91		
33	Amount of qualifying items referred to in Art. 484(4) and related share premium reserves, subject to phase out from AT1	96,000	486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 (including minority interest not included in row 5) issued by subsidiaries and held by third parties	1,749	85, 86, 480	1,749
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	97,841		
Additional Tier 1 (AT1) capital: regulatory adjustments				
41c	Amount to be deducted from or added to additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	(82,422)	467, 468, 481	(82,422)
	o.w.: any filter for losses not realised	(82,422)	467	(82,422)
43	**Total regulatory adjustments on Additional Tier 1 (AT1) capital**	(82,422)		
44	**Additional Tier 1 (AT1) capital**	15,418		
45	**Tier 1 capital (T1=CET1+AT1)**	2,220,029		
Tier 2 (T2) capital: instruments				
46	Capital instruments and related share premium reserves	308,354	62, 63	
47	Amount of qualifying items referred to in Article 484(5) and related share premium reserves, subject to phase out from T2	64,000	486 (4)	
48	Qualifying own funds instruments included in consolidated T2 (including non-controlling interest and Additional Tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	1,308	87, 88, 480	1,308
51	**Tier 2 (T2) capital, before the regulatory adjustments**	373,661		
Tier 2 (T2) capital: regulatory adjustments				
52	T2 capital own instruments, directly or indirectly held by the institution, and subordinated loans (negative amount)	(15,490)	63 (b) (i), 66 (a), 67, 477 (2)	
56a	Residual amounts deducted from T2 with regard to deduction from Common Equity Tier 1 capital during the transitional period, pursuant to article 472 of EU Regulation no. 575/2013	89	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	89	467, 468, 481	
	o.w.: unrealised gains on AFS securities subject to additional national filter	89	467	
57	**Total regulatory adjustments on Tier 2 (T2) capital**	(15,401)		
58	**Tier 2 (T2) capital**	358,260		
59	**Total Capital (TC=T1+T2)**	2,578,289		
60	**Total of risk-weighted assets**	17,960,183		

Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.3%	92 (2) (a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	12.4%	92 (2) (b), 465	
63	Total Capital (as a percentage of risk exposure amount)	14.4%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with art. 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.0%	CRD 128, 129, 130	
65	o.w.: capital conservation buffer requirement	2.5%		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	3.9%	CRD 128	
Capital ratios and buffers				
72	Equity of financial sector entities, in which the the institution doesnot have a significant investment (amount below 10% threshold and net of eligible short positions)	24,597	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liabilities, where the condition in art. 38(3) are met) (negative amount)	122,997	36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2				
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
82	Current cap on AT1 instruments subject to phase out arrangements	96,000	484 (4), 486 (3) & (5)	
83	Amount excluded from AT1 due to cap (excess over cap after maturities and redemptions)	64,000	485 (4), 486 (3) & (5)	
84	Current cap on T2 instruments subject to phase out arrangements	198,818	484 (5), 486 (4) & (5)	

4 CAPITAL REQUIREMENTS

QUALITATIVE INFORMATION – art. 438 CRR

One of the main strategic objectives of the Group is to strengthen its capital position and mitigate risk profiles by identifying a gradual return to profit in conditions of capital balance with capitalisation objectives consistent with the specific prudential requirement at the consolidated level of Banca Carige as notified by the European Central Bank ("ECB"). Common Equity Tier 1 ratio (CET1r) of 11.25%.

QUANTITATIVE INFORMATION – art. 438/445 CRR

Capital ratios as at 30 June 2016 were significantly higher than the minimum capital requirements set out by prevailing regulations as at the reporting date:

- Common Equity Tier 1 ratio ("CET1 ratio"): the ratio was 12.3% with respect to a minimum level of 7% (4.5% + Capital Conservation Buffer, CCB, of 2.5%);
- Tier 1 ratio: the ratio was 12.4% with respect to a minimum level of 8% (5.5% + 2.5% of CCB);
- Total Capital Ratio: the ratio was 14.4% with respect to a minimum level of 10.5% (8% + 2.5% of CCB).

The CET1 Ratio is essentially stable compared to the level as at 31 December 2015. It has benefited from the reduction in risk-weighted assets and the application of transitional regulations during the year, under the prudential supervision framework in force.
In this latter respect, supervisory regulations allow for a percentage part of the loss for the period to be included in Common Equity Tier 1 capital during the year (60% for 2016 and 80% for 2017). Were this option not available, the CET1 Ratio would be 11.8%.
Moreover, the decrease in risk-weighted assets was primarily due to higher provisions on non-performing loans, lower lending and optimisation initiatives introduced (including, in particular, the adoption of an External Credit Assessment Institution – ECAI – to provide a rating for part of the corporate portfolio).

CAPITAL REQUIREMENTS RELATING TO THE INDIVIDUAL TYPE OF RISK
CAPITAL ADEQUACY

TYPE OF RISK	UNWEIGHTED AMOUNTS	WEIGHTED AMOUNTS	REQUIREMENT
REGULATORY CAPITAL REQUIREMENTS	29,915,958	16,744,378	1,339,550
1. Credit and counterparty risk			
Central administrations and central banks	5,934,975	938,706	75,096
Institutions	2,225,185	416,118	33,289
Regional administration and local authorities	730,130	150,955	12,076
Multilateral development banks	-	-	-
International organisations	383	38	3
Public sector bodies	467,640	467,635	37,411
Businesses	5,397,796	4,752,745	380,220
Retail exposures	2,956,782	1,883,432	150,675
Real-estate backed exposures	6,685,899	2,457,775	196,622
Defaulted exposures	3,835,578	4,317,556	345,404
High-risk exposures	8,214	12,322	986
Short-term exposures/businesses	-	-	-
Exposures towards UCI	20,827	20,827	1,666
Equity instruments	400,730	400,730	32,058
Other positions	1,243,422	923,860	73,909
Elements representing positions vs securitisation	8,396	1,679	134
2. CVA risk (standard method)			1,024
3. Market risks (standard method)			307
generic risk - debt securities			274
generic risk - equity securities			-
specific risk - debt securities			12
specific risk - equity securities			-
specific risk - securitisations			-
position risk on units in UCITS			-
generic risk on gamma and vega factors			-
exchange risk			21
4. Operating risk (base method)			95,933
5. Other prudential requirements			-
6. Total regulatory requirements			1,436,815
REGULATORY RATIOS			
Risk-weighted assets			17,960,183
Common Equity Tier 1/Risk-weighted assets (Common Equity Tier 1 capital ratio)			12.3%
Tier 1 capital/Risk-Weighted Assets (Tier 1 capital ratio)			12.4%
Own Funds/Risk-Weighted Assets (Total capital ratio)			14.4%

5 CREDIT RISK

QUALITATIVE INFORMATION – art. 444 CRR

The Carige Group determines the requirement according to the standardised approach, which, in brief, weights credit exposures based on their inclusion in one of the regulatory portfolios, defined in relation to the characteristics of the borrower or the transaction entered into with the customer, which the Basel Committee recognises as having uniform risk profiles. The Standardised approach also uses different risk-weightings based on the external rating of specialised agencies (External Credit Assessment Institutions, ECAI), specifically approved by the Supervisory Authority.

Against this background, provided below is an update on the mix of risk assets as at 30 June 2016, detailing the creditworthiness class associated with rating scores issued by Moody's or Cerved Group.

For the purpose of prudential regulation, should two distinct ECAI assessments exist, the worst creditworthiness class is selected.

QUANTITATIVE INFORMATION – art. 444 CRR

STANDARDISED APPROACH - ON AND OFF BALANCE SHEET RISK

PORTFOLIOS	EAD
Central governments and central banks	5,934,975
credit quality class 3	4,918,581
unrated	1,016,394
Institutions	2,225,185
credit quality class 1*	2,161
credit quality class 2	9,571
credit quality class 3	214,592
credit quality class 4 - 5	392
unrated	1,998,469
Regional administration and local authorities	730,130
unrated	730,130
Public sector bodies	467,640
unrated	467,640
Businesses	5,397,796
credit quality class 2	528
credit quality class 3	17,655
credit quality class 4	4,611
credit quality class 5	25,179
unrated	5,349,823
Retail exposures	2,956,782
unrated	2,956,782
Real estate backed exposures	6,685,899
unrated	6,685,899
Defaulted exposures	3,835,578
credit quality class 4	177
unrated	3,835,401
High-risk exposures	8,214
unrated	8,214

Other positions	**1,243,422**
credit quality class 4	
unrated	1,243,422
International organisations	**383**
unrated	383
Exposures towards UCI	**20,827**
unrated	20,827
Elements representing securitised positions	**8,396**
unrated	8,396
Equity instruments	**400,730**
unrated	400,730
TOTAL	29,915,958

With regard to exposures to central administrations and central banks, it should be noted that credit quality step 3 includes investments in Italian government bonds, to which supervisory rules assign a 0% risk weight irrespective of the one associated with the rating of the issuing country.

Please refer to the Half-Year financial report as at 30 June 2016 for further information concerning the trend in risks associated with the Group's funding and lending activities.

5.1 ENCUMBERED AND UNENCUMBERED ASSETS

QUALITATIVE INFORMATION – art. 443 CRR

In total, encumbered assets account for 29.91% of the Group's assets.

The transactions for which the Bank earmarks part of its financial assets, i.e. transactions in which the Bank uses assets received as collateral, include the following types:

- repurchase agreement (liabilities) on securities;
- collateralisation agreements for derivative contracts in which collateral is used to guarantee the fair value
- assets pledged as security for funding from the European Investment Bank (EIB) and *Cassa Depositi e Prestiti* (CDP);
- securities pledged as collateral for bankers' drafts issued;
- transactions concluded through the *Cassa di Compensazione e Garanzia* (Clearing House), which requires collateral (securities and cash) to be pledged in order to access its services in accordance with the agreed amounts;
- refinancing operations with the European Central Bank;
- securitisation transactions with non-derecognised underlying assets;
- issuances of covered bonds requiring "cover pool" segregation;
- transactions in listed derivatives requiring pledging of collateral;
- security deposits paid for leased properties used by the Bank.

QUANTITATIVE INFORMATION – art. 443 CRR

The Template A-assets below highlights collateral (credits and securities) used to guarantee these transactions.

- o issuance of covered bonds on the market;
- o securitisations placed with third parties;
- o loans received from the European Investment Bank (EIB) and from Cassa Depositi e Prestiti (CDP);
- o repurchase agreements (liabilities);
- o ECB refinancing operations (TLTROII);
- o repos on Lanterna Finance junior tranche;
- o bankers' drafts issued by the Parent Company;
- o collateral lodged with *Cassa di Compensazione e Garanzia* as a condition to access its services;
- o transactions in listed derivatives requiring pledging of collateral;

- allocated receivables for the foregoing transactions account for about 80.00% of the Group's encumbered assets;
- allocated securities for the foregoing transactions account for about 20.00% of the Group's encumbered assets.

The information below makes reference to the data calculated as the average of closing data for the four quarters from September 2015 and June 2016. It should be noted that for published tables referring to 31 December 2014 and 30 June 2015, as no historical data series were available, end-of-period data were provided. The indication of end-of-period data, rather than period averages, was possible in the first year of entry into force of the legislation.

Template A-Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Assets	8,843,019,537		20,718,248,441	
030	Equity instruments	-	-	353,615,703	353,615,703
040	Debt securities	1,767,488,562	1,767,576,821	1,323,499,152	1,323,116,368
120	Other assets	7,075,530,975		19,041,133,586	

Figure in units pof Euro

Under the heading "Other unencumbered assets" (see Template A above), amounting to approximately EUR 19.041 billion, assets which cannot be immediately encumbered (related to deferred tax assets, tangible and intangible assets, assets for derivative contracts) amount to approximately EUR 2.246 bn, equal to approximately 11.80% of the Group's total unencumbered assets (figures are expressed as averages of the September 2015-June 2016 period).

Encumbered collateral received by the Group (see Template B-Collateral received) relates to securities received to guarantee repo transactions that are subsequently pledged again.

Template B-Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received**	539,151,662	791,619,469
150	Equity instruments	-	-
160	Debt securities	158,607,940	791,619,469
230	Other collateral received	380,543,722	-
240	**Own debt securities issued other than own covered bonds or ABSs**	-	1,709,462,655

Figure in units of Euro

The Template C provides information on the volumes of the different sources of encumbrance for the Bank and its collateral (with reference to both assets recognised and assets not recognised in the financial statements). At the end of June 2016, the liabilities included EUR 2.5 bn referring to deposits from the Bank of Italy (TLTRO II) and approximately EUR 3 bn in issuance of covered bonds (issued but not retained).

Approximately EUR 3.5 bn worth of collateral is encumbered for TLTRO refinancing operations, and includes balance sheet assets, covered bonds and retained ABS. Approximately EUR 3.7 mln assets were considered encumbered for the issuance of Covered Bonds as at the end of June 2016.

Template C-Encumbered assets/collateral received and associated liabilities

		Matching liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	Carrying amount of selected financial liabilities	6,485,108,226	8,898,258,018

Figure in units of Euro

As at 30 June 2016, overall mortgages segregated in the Carige Covered Bond S.r.l. vehicle for the OBG1 Covered Bond Programme totalled EUR 4,573 mln, whereas overall mortgages segregated in the Carige Covered Bond 2 S.r.l. vehicle for the OBG2 Covered Bond Programme amounted to EUR 737.65 mln.

Evolution of encumbered assets in the first half of 2016

During the first part of 2016, the Group implemented a number of transactions with the aim of maintaining an adequate level of encumbered reserves (Cash & Collateral) and complying with the liquidity indicators levels required by the Supervisory Authorities.

Below is a list of transactions finalised in the first half of 2016:

February 2016:

- transfer to the Carige Covered Bond s.r.l. vehicle of approximately EUR 355 mln in residential mortgages and approximately EUR 90 mln in commercial mortgages granted by the Banca Carige Group, with a view to increasing the collateral available for new Covered Bond issuances under the OBG1 programme;
- retained covered bonds issued under the OBG1 Covered Bond programme for a nominal amount of EUR 500 mln. The bond is used as collateral to guarantee refinancing transactions with the ECB;
- retained covered bonds issued under the OBG2 Covered Bond programme for a nominal amount of EUR 350 mln. The bond is used as collateral to guarantee the refinancing operations with the ECB. This issuance partly replaced another retained issuance that came to maturity on 28 February 2016.

March 2016:

- refinancing transaction of LANTERNA FINANCE TV 28/10/2065 CLASS B, via repurchase agreement;

April 2016:

- agreement entered into for the disposal of approximately EUR 434 mln of loans originated by Creditis Servizi Finanziari S.p.A. to the special purpose vehicle Lanterna Consumer S.r.l;
- issuance of a new securitisation called Lanterna Consumer consisting of two senior tranches: Lanterna Consumer Class A1 Notes, Lanterna Consumer Class A2 Notes for an aggregate nominal amount of EUR 316.8 mln; the bonds were entirely placed on the institutional market. The Lanterna Consumer Class Z Notes junior tranche (nominal amount of EUR 117.9 mln) was fully retained.

May 2016:

- agreement entered into for the disposal of approximately EUR 273 mln of loans originated by lease agreements disbursed by Creditis Servizi Finanziari S.p.A. to the special purpose vehicle Lanterna Lease S.r.l;
- issuance of a new securitisation called Lanterna Lease. The Senior Class A1 Notes tranche (nominal amount of EUR 120 mln) was entirely placed on the institutional market. The Lanterna Lease Class Z Notes junior tranche (nominal amount of EUR 156.2 mln) was fully retained.

June 2016:

- full early repayment of the financing received as part of the LTRO programme (EUR 2,300 mln); EUR 2,500 mln new funds from the T-LTRO II;
- credit facility gradually allocated, via the ABACO procedure, to the ECB pooling for approximately EUR 318 mln gross, i.e. approximately EUR 187.4 mln, net of haircuts. Said amounts are an increase over the amounts as at 31 December 2015.

Over-collateralisation

Concerning the commitments for TLTRO II Refinancing Operations, as at 30 June 2016, the pool account was "over-collateralised" by approximately EUR 470 million (haircut net amount).
Under the two Covered Bond programmes, rating agencies require an additional portfolio portion to be held as collateral for the covered bonds issued to ensure a certain level of rating (over-collateralisation).
As for the commitments for OBG1, an "over-collateralisation margin" of approximately EUR 141.78 mln is registered as at 30 June 2016;
As for the commitments for OBG2, an "over-collateralisation margin" of approximately EUR 109 mln is registered as at 30 June 2016;
As part of securitisation transactions, rating agencies require a "credit enhancement" mechanism determined by the ratio between the senior tranche and the junior/mezzanine tranche and by the cash reserves agreed upon when securitisations are structured.

Securitisation name	Credit enhancement on issue
Argo Mortgae2 s.rl.	approx. 6.5%
Lanterna Finance	approx.48.5%
Lanterna Consumer	approx.33%
Lanterna Lease	approx.59.00%

6 FINANCIAL LEVERAGE

QUALITATIVE INFORMATION – art. 451 CRR

One of the underlying features of the crisis was the accumulation of an excessive degree of financial leverage, on- and off-balance-sheet, in the banking system. In many cases, banks have accumulated excessive leverage while highlighting robust risk-based capital ratios. In the most acute phase of the crisis, the banking sector was forced by the market to reduce its leverage, which amplified the downward pressure on the prices of assets, further accentuating the spiral of losses, erosion of the capital of banks and contraction of lending.
The financial leverage ratio therefore aims to contain the accumulation of financial leverage in the banking sector, thereby contributing to avoiding the occurrence of destabilising deleveraging processes which could harm the financial system as a whole and the economy.

Measurement techniques

In its document "A global regulatory framework for more resilient banks and banking systems" (June 2011), the Basel Committee introduced a new leverage metric called "leverage ratio" which was subsequently adopted in the new Supervisory Regulation (EU Regulation no. 575/2013, the CRR).
Article 429 of the CRR defines the financial leverage ratio as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage between:

- Tier 1 capital; and
- the total exposure of the bank, calculated as the sum of the exposure values of all assets and off-balance sheet items not deducted from Tier 1 capital.

In the period from 1 January 2015 to 31 December 2021, the financial leverage ratio is calculated and reported using both of the following elements as a measure of capital:

- The "transitional" Tier 1 capital, which is the sum an institution's common equity Tier 1 capital (CET1) and additional Tier 1 capital (AT1);
- The "fully loaded" Tier 1 capital, i.e. excluding the derogations laid down in the transitional arrangements and the grandfathering clauses for capital instruments.

Total exposure includes (cited articles are drawn from the CRR):

- Derivatives - measured in accordance with the Current Exposure Method referred to in article 274 or alternatively with the Original Exposure Method referred to in article 295; derivatives on receivables sold are measured at the gross notional amount in addition to the fair value, but with the possibility of deducting the loss of income recognised in fair value from the notional amount. In compliance with strict criteria, it is also possible to offset the notional amounts of eligible credit derivatives (protection bought) against the sold protection.

- Security Financing Transactions (SFT15) – the exposure of which is measured by two components, i.e. counter-party risk, equal to the exposure net of the collateral (and without considering the volatility effect), and the accounting value of the transaction.

- Off-balance-sheet Exposures - measured, as provided by art. 111, at their face value, but gross of value adjustments on specific receivables and subject to the application of the credit conversion factors provided for by the standard methodology for calculating RWAs.

- Other Assets – valued, according to the provisions of art. 111, at the remaining accounting value after the application of value adjustments on specific receivables, additional value adjustments and other reductions in own funds relating to the asset item.

The Basel Committee proposal provides for a minimum threshold of 3%; however, the prudential regulation contained in the CRR does not set any minimum level, deferring the introduction of the leverage ratio as a First Pillar requirement to 2018.

QUANTITATIVE INFORMATION – art. 451 CRR

The quantitative information at 30 June 2016 is set out below according to the tables provided for in the final version of the Implementing Technical Standard on Disclosure of the Financial Leverage indicator.

LRSum table: Reconciliation between the accounting assets and exposure for calculating the Financial Leverage index

	Reference period	30/06/2016
	Denomination of the Bank/Banking Group	Banca Carige Group
	Level of application	Consolidated
	LR Sum Model - Summary reconciliation of accounting assets and leverage ratio exposures	
		Applicable amounts
1	Total assets as per published financial statements	28,174,078
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulato	1,865,418
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013, the "CRR")	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	
UE-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	
UE-6B	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	
8	Total leverage ratio exposure	30,039,496

LRCom table: Information on the Financial Leverage index

	Reference period	30/06/2016
	LR Com Model - Leverage ratio common disclosure	
		Leverage ratio exposure (CRR)
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	27,261,778
2	(Asset amounts deducted in determining Tier 1 capital)	(189,141)
3	Total on-balance sheet exposure (excluding derivatives, SFTs and fiduciary assets) (sum of lines	27,072,637
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	74,084
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	11,724
UE-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	85,808
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	1,220,559
UE-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No. 575/2013	
15	Agent transaction exposures	
UE-15a	(Exempted CCP leg of client-cleared trade exposures)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	1,220,559
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	1,660,492
18	(Adjustments for conversion to credit equivalent amounts)	
19	Other off-balance sheet exposures (sum of lines 17 to 18)	1,660,492
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)		
UE-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	
UE-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	
	Capital and total exposures	
20	Tier 1 capital	2,220,029
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	30,039,496
	Leverage ratio	
22	Leverage ratio	7.390%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
UE-23	Choice on transitional arrangements for the definition of the capital measure	"Transitional"
UE-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	

LRSpl table: Subdivision of exposure

	Reference period	30/06/2016
	LR Spl Model - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
		Leverage ratio exposure (CRR)
UE-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	27,261,779
UE-2	- trading book exposures	0
UE-3	- banking book exposures, of which:	27,261,779
UE-4	- covered bonds	0
UE-5	- exposures treated as sovereigns	5,253,916
UE-6	- exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	780,704
UE-7	- institutions	1,410,252
UE-8	- secured by mortgages of immovable properties	6,654,917
UE-9	- retail exposures	2,822,075
UE-10	- corporate	4,961,856
UE-11	- exposures in default	3,696,469
UE-12	- other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,681,590

DECLARATION OF THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS PURSUANT TO ART. 154-BIS, PARA. 2 OF LEGISLATIVE DECREE NO. 58/1998 (CONSOLIDATED LAW ON FINANCE)

I the undersigned Mauro Mangani, in my capacity as the Manager responsible for preparing Banca CARIGE S.p.A.'s financial reports,

declare

that the accounting information contained in the document "Pillar 3 - Disclosure by institutions according to Regulation (EU) No. 575/2013 – Figures as at 30/06/2016" corresponds to the document results, books and accounting records.

Genoa, 5 August 2016

The Manager responsible for preparing
Banca Carige S.p.A.'s financial reports
Mauro Mangani

This document, signed in the original, was translated into English solely for the convenience of international readers.