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PRESS RELEASE



CONSOLIDATED RESULTS AS AT 30 JUNE 2017 APPROVED

- **FINALISATION OF THE GACS-BACKED DISPOSAL OF A BAD LOAN PORTFOLIO WITH A GBV OF EUR 938.3 MLN, WITH P&L IMPACT RECOGNISED IN THE QUARTER**
- **DOWNSIZING OF THE NPE PORTFOLIO AND COVERAGE UP TO 47.3% INCLUDING WRITE-OFFS; BAD LOAN COVERAGE AT 67.7%**
- **ATTENTIVE MANAGEMENT OF LIQUIDITY, ADEQUATE FOR CURRENT MARKET ENVIRONMENT: LCR AT 115% VS SREP REQUIREMENT OF 90%, NSFR ABOVE 100%**
- **BRANCH NETWORK EFFICIENCY IMPROVEMENT CONTINUED WITH CLOSURE OF 58 BRANCHES, IN LINE WITH OPERATING EXPENSES REDUCTION TARGET: -5.7% Y/Y**
- **COMPETITIVE BIDDING PROCESSES INITIATED FOR ASSET DISPOSALS AS PER CAPITAL STRENGTHENING PLAN**
- **CAPITAL INCREASE AND LIABILITIES OPTIMISATION MEASURES**
- **Q2 CONSOLIDATED NET PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY -EUR 113.8 MLN, AFTER RECOGNITION OF A GROSS EUR 66.0 MLN LOSS ON THE GACS-BACKED BAD LOAN DISPOSAL AND OTHER NON-RECURRING COMPONENTS, NET OF WHICH IT WOULD HAVE BEEN -EUR 48.1 MLN**

Genoa, 3 August 2017 – Banca Carige's Board of Directors has approved the Group's consolidated results as at 30 June 2017. In the quarter just ended, the Group focused its activities on derisking the loan book by improving control and asset quality, as well as by implementing the first bad loan securitisation transaction to draw on the Italian Government guarantee (hereinafter 'GACS-backed disposal').

“In collaboration with a management team which was enriched with newly on-boarded professionals, we have initiated a strategic review of the asset portfolio with a view to both identifying capital strengthening actions and defining new guidelines for the NPE strategy with the deconsolidation of bad loans (sofferenze)”, Paolo Fiorentino, CEO of Banca Carige, commented. “The new strategic approach will be characterised by rapid execution and the concurrent reduction of execution risks, with the aim to achieve material results by the end of the year. We have great confidence in the Bank’s prospects”.

During the period, the Group likewise focused on an attentive management of liquidity, which maintains a stable profile. As at 30 June, the Liquidity Coverage Ratio (LCR) was 115%, broadly in excess of regulatory requirements, with cash and unencumbered eligible assets totalling EUR 2.0 bn, after repayment of EUR 600 mln in senior bonds, EUR 205 mln in retail bonds and EUR 20 mln in LT2 subordinated debt during the six-month period.

Direct funding from customers (retail and corporate) totalled EUR 15.4 bn as at 30 June 2017 (-EUR 0.4 bn compared to December 2016). Indirect funding, totalling EUR 21.1 bn (-EUR 0.4 bn compared to 31 December 2016), was essentially stable compared to the same period of last year (-0.4%) and is characterised by the good performance of Asset Management growing to EUR 11.2 bn (+4.8% and +3.1% in the 12 and 6 months, respectively), driven by mutual funds and insurance products.

Deleveraging continued in lending, with loans climbing to EUR 21.2 bn, down 2.2% with respect to 31 December 2016. In parallel, loan granting continued with mortgage loans to households amounting to EUR 245.0 mln (+15.0% from EUR 213.0 mln in the first half of 2016) and loans to businesses totalling EUR 355.9 mln (-18.0% from EUR 434.1 mln in the first half of 2016).

During the quarter, as an integral part of its new NPE management strategy, the Banca Carige Group carried out a securitisation transaction on a EUR 938.3 mln bad loan portfolio (Gross Book Value as at the cut-off date of 31 August 2016), pursuant to art.58 of Legislative Decree no. 385/1993 and articles 1 and 4 of Italian Law no. 130/99, with a view to reducing the Group's risk profile. The associated loss on disposal (EUR 66.0 mln) was recognised in the profit and loss statement under Item 130 a) "Net losses/recoveries on impairment of loans", whereas balance-sheet impacts will be recognised in Q3.

The non-performing exposure portfolio fell to gross EUR 7.2 bn (EUR 6.3 bn net of the portfolio sold), down from over EUR 7.3 bn as at 31 December 2016 and the first quarter of 2017; the change is attributable to the overall improvement in credit quality with the gradual reduction in inflows to NPE status and in the stock of Unlikely-to-Pay (UTP) exposures. The coverage of total Non-Performing Exposures grew to 48.9% (50.2% including write-offs).

GACS effect apart, the bad loan portfolio stood at less than gross EUR 3.0 bn (EUR 1.0 bn net), with coverage rising to 65.7% and reaching 67.7% when including write-offs; UTPs totalled EUR 3.2 bn gross (EUR 2.3 bn net), with coverage rising to 28.2% (28.4% when including write-offs), as compared to 27.6% as at December 2016.

Net impairment losses on balance-sheet loans to customers for the second quarter of 2017 totalled EUR 142.7 mln (-35.8% from EUR 222.1 mln in the same period of last year) and include the loss from the GACS-backed disposal (EUR 66.0 mln gross), net of which the annualised cost of credit is 173 bps (311 bps in the first half of 2016 and 169 bps in the first quarter of 2017).

Confirming the cost-curbing policy already long underway, operating expenses for the six-month period -net of non-recurring items- totalled EUR 262.7 mln, down 5.7% from the same period of last year. In particular, amortisation of property, equipment and intangible assets was reduced (-13.3% to EUR 19.9 mln) and personnel expenses were gradually down from both their normalised amount for the first half of 2016 (-8.3% to EUR 151.8 mln) and the first quarter of 2017 (-5.8% to EUR 73.6 mln).

Against the background of all-time-low interest rates in the banking system, the deleveraging policy affected Net Interest Income in the second quarter (EUR 68.1 mln), which was down 6.2% from Q1. As for the trend in funding/lending, AuM fees and commissions (EUR 35.3 mln) were up 2.4% Y/Y, whereas the overall figure for the six-month period (EUR 123.2 mln) was down 1.9% Y/Y. Contribution from Finance is consistent with a securities portfolio maintaining a low risk profile in terms of both sizing (EUR 1.8 bn net of the equity investment in the Bank of Italy) and duration (3.2 years).

The Parent Company's share of profit/loss for the quarter was a negative EUR 113.8 mln and was affected by the combined impacts of the EUR 66.0 mln loss from the GACS-backed disposal, GACS deal structuring costs (EUR 3.6 mln), the write-down of the stakes held in the Atlante Fund (EUR 7.2 mln) and provisions for risks and charges relating to guarantees given as part of the Insurance Companies' sales agreement (EUR 14.5 mln), net

of which the net result is -EUR 48.1 mln. The Parent Company's share of net profit (loss) for the period was a negative EUR 154.9 mln

The phased-in CET1 ratio is 10.3% and includes the loss on the GACS-backed disposal, whose RWA effect (of approx. 10 bps) will materialise in the next quarter. The CET1 Ratio is higher than both the regulatory limits and the 9% minimum threshold required by the ECB under the SREP process for 2017, but lower than the recommended threshold (inclusive of the Pillar 2 Guidance) of 11.25%. The capital strengthening actions set out in the new strategic guidelines will make it possible to restore the recommended level. The Leverage Ratio is 6.5%¹, continuing to be amongst the highest in the Italian banking system.

Implementation of the new strategic guidelines

As part of the strategic guidelines approved by the Board of Directors in its meeting of 3 July 2017, actions were identified to promptly give effect to the turnaround of the Group's business via commercial relaunch and operating efficiency. Commercial relaunch offers major opportunities for income growth, with productivity (Net interest and other banking income per FTE) being today 40% lower than peers' average and profitability underperforming Italy's banking system average by 30%. Besides optimising the Bank's geographical footprint, the levers which will be operated to achieve the turnaround will include a new relationship-driven customer management model, enhanced empowerment of branch managers for faster response and an advisory-centred branch model; these initiatives will be combined with a high-quality offering of in-house developed banking products and specialist-partnered higher sophistication products, such as Asset Management and personal

¹ Ratio as at 30/06/2017 calculated on the basis of operational estimates.

loans. Operating efficiency will be pursued through an attentive management of administrative expenses, entailing stricter cost management and a zero-based budgeting approach, with the adoption of solutions apt to ensure quality and efficiency in IT and Back-Office management. Additional momentum will come from high-return investments including in the branch network, digitalisation and human resources.

Capital strengthening

Giving effect to the strategic guidelines, the Board of Directors -in line with information provided in the Board of Directors' meeting of 3 July- has confirmed its preference for proceeding with a share capital increase via a rights issue in a divisible form. Nevertheless, in order to provide the flexibility required for implementing the Bank's capital strengthening plan, the Board of Directors has deemed it opportune to submit a proposal to the soon-to-be-convened Shareholders' Meeting for broader delegated powers to be conferred on the Board of Directors.

Consequently, subject to the prior release of the necessary authorisations, the Board of Directors has approved a proposal to be submitted to the soon-to-be-convened Shareholders' Meeting for broader delegated powers to be conferred on the Board of Directors under art. 2443 of the Italian Civil Code -to be exercised by no later than 31 December 2017- for the purpose of increasing share capital for cash consideration, including possibly in indivisible form, with pre-emptive rights and/or without pre-emptive rights under art 2441, para. 5 of the Italian Civil Code, in one or more issues and in one or more tranches, via the issuance of new ordinary shares for a maximum total amount of EUR 560 mln, one tranche of which for a maximum amount of EUR 60 mln to be possibly

reserved for one or more categories of subordinated bondholders opting to take part in a potential *liability management* transaction.

Subject to the necessary authorisations being obtained, the Board of Directors has also approved a *liability management* transaction aimed at further strengthening the Bank's capital position, which may concern the swap of certain subordinated financial instruments issued by the Bank on the wholesale market with the same amount of Senior notes issued by the Bank.

Finally, the Chairman of the Board of Directors has been conferred the mandate to convene the Shareholders' Meeting, which will presumably be held in the second half of September, including in consideration of the time required to obtain the necessary authorisations.

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)

Pursuant to Article 154-bis, paragraph 2, of the Italian Consolidated Law on Finance, the Manager responsible for preparing Banca Carige S.p.A.'s financial reports, Mr. Mauro Mangani, declares that the accounting information contained in this Press Release corresponds to the underlying documentary evidence, books and accounting records.

The Banca Carige Group's results as at 30 June 2017 will be presented to the financial community in a conference call scheduled for 3 August 2017 at 5.45 p.m. (CET). A live webcast will also be available.

Dial in numbers and other details to access the conference call can be found on the Bank's corporate website (www.gruppocarige.it) under 'Investor Relations'.

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RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(see reclassification criteria at the end of this document)

Amounts in EUR/mln

	Situation as at		Change	
	1H2017	1H2016(*)	absolute	%
RECLASSIFIED INCOME STATEMENT				
Net interest income	140.6	159.6	(19.1)	(11.9)
Net fee and commission income	123.2	125.6	(2.4)	(1.9)
Net income from trading/valuation of financial assets (Finance) ⁽¹⁾	18.7	44.7	(26.0)	(58.2)
Other operating income ⁽²⁾	14.8	17.4	(2.6)	(14.9)
NET OPERATING INCOME	297.3	347.4	(50.1)	(14.4)
Personnel expenses	(151.8)	(143.2)	(8.5)	6.0
Net adjustments to/ recoveries on property and equipment, and on intangible assets	(19.9)	(23.0)	3.1	(13.3)
Core administrative expenses ⁽³⁾	(94.6)	(90.1)	(4.5)	5.0
OPERATING EXPENSE	(266.3)	(256.3)	(9.9)	3.9
GROSS OPERATING PROFIT	31.0	91.1	(60.0)	(65.9)
Net losses/recoveries on impairment of loans ⁽⁴⁾	(218.8)	(311.8)	93.0	(29.8)
Net losses/recoveries on impairment of other financial assets ⁽⁵⁾	(0.4)	4.9	(5.3)	...
NET OPERATING PROFIT	(188.2)	(215.9)	27.8	(12.9)
Net provisions for risks and charges	(17.5)	(0.2)	(17.3)	...
Profits (losses) on equity investments and on disposal of investements ⁽⁶⁾	5.8	2.3	3.5	...
Impairment on goodwill	-	(19.9)	19.9	(100.0)
PROFIT (LOSS) BEFORE TAX FROM OPERATIONS	(199.9)	(233.8)	33.9	(14.5)
Taxes ⁽⁷⁾	59.1	68.8	(9.7)	(14.1)
Contributions and other banking system charges (SRF, DGS, Voluntary scheme and Atlante) after tax	(12.6)	(6.7)	(5.9)	88.5
DTA fees after tax	(5.0)	(15.1)	10.0	(66.6)
NET PROFIT (LOSS) FOR THE PERIOD	(158.4)	(186.7)	28.3	(15.2)
Non-controlling interests	(3.5)	(2.4)	(1.1)	47.4
NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY	(154.9)	(184.4)	29.4	(16.0)

(*) With respect to published accounts, the balances of previous year are reflective of changes from the application of provisions of IAS 8 "Accounting policies, changes in accounting estimates and errors"

(1) Includes income statement items 70, 80, 90, 100(b), 100(c), 100(d) and 110

(2) Income statement item 220 net of tax recoveries

(3) Income statement item 180(b) net of banking system charges, DTA fees and tax recovered from customers

(4) Income statement item 130(a) (net losses on impairment of loans to banks and customers)

(5) Includes income statement items 130(b) and 130(d)

(6) Includes income statement items 240 and 270

(7) Item 290 of the income statement net of the tax effects relating to the components under Contributions and other banking system charges and DTA fees

QUARTERLY TREND RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(see reclassification criteria at the end of this document)

Amounts in EUR/mln

RECLASSIFIED INCOME STATEMENT	2Q2017	1Q2017	4Q2016	3Q2016(*)	2Q2016(*)	1Q2016(*)
Net interest income	68.1	72.5	69.5	70.3	76.8	82.9
Net fee and commission income	60.9	62.3	56.4	59.0	65.1	60.5
Net income from trading/valuation of financial assets (Finance) ⁽¹⁾	3.2	15.5	13.4	16.8	29.8	15.0
Other operating income ⁽²⁾	6.8	8.0	10.5	11.2	8.0	9.4
NET OPERATING INCOME	139.0	158.3	149.9	157.4	179.6	167.7
Personnel expenses	(73.6)	(78.2)	(70.0)	(82.9)	(61.2)	(82.1)
Net adjustments to/ recoveries on property and equipment, and on intangible assets	(10.2)	(9.7)	(18.1)	(10.1)	(11.7)	(11.3)
Core administrative expenses ⁽³⁾	(51.0)	(43.6)	(51.5)	(41.5)	(44.0)	(46.1)
OPERATING EXPENSE	(134.8)	(131.5)	(139.6)	(134.4)	(116.9)	(139.5)
GROSS OPERATING PROFIT	4.3	26.7	10.3	23.0	62.8	28.3
Net losses/recoveries on impairment of loans ⁽⁴⁾	(142.6)	(76.2)	(88.6)	(72.6)	(222.0)	(89.8)
Profits (losses) on disposal or repurchase of loans	-	-	0.0	(0.0)	-	-
Net losses/recoveries on impairment of other financial assets ⁽⁵⁾	(4.6)	4.2	4.9	(1.1)	2.7	2.1
NET OPERATING PROFIT	(143.0)	(45.2)	(73.4)	(50.7)	(156.5)	(59.4)
Net provisions for risks and charges	(16.4)	(1.1)	(17.4)	(3.5)	(0.8)	0.6
Profits (losses) on equity investments and on disposal of investments ⁽⁶⁾	4.9	0.9	(0.2)	4.3	0.0	2.3
Impairment on goodwill	-	-	-	-	(19.9)	-
PROFIT (LOSS) BEFORE TAX FROM OPERATIONS	(154.5)	(45.4)	(91.1)	(49.9)	(177.3)	(56.5)
Taxes ⁽⁷⁾	44.6	14.6	31.3	19.0	47.4	21.4
Contributions and other banking system charges (SRF, DGS, Voluntary scheme and Atlante) after tax	(4.8)	(7.8)	(16.9)	(6.8)	0.0	(6.7)
DTA fees after tax	(2.5)	(2.5)	7.5	(2.5)	(15.1)	-
NET PROFIT (LOSS) FOR THE PERIOD	(117.2)	(41.2)	(69.1)	(40.2)	(144.9)	(41.8)
Non-controlling interests	(3.4)	(0.1)	(1.4)	(0.6)	(0.4)	(1.9)
NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY	(113.8)	(41.1)	(67.7)	(39.6)	(144.5)	(39.9)

(*) Redetermined partly on the basis of operational data, for the quarterly trend to reflect the restatement of yearly comparative balances pursuant to IAS 8 "Accounting standards, changes in accounting estimates and errors"

(1) Includes income statement items 70, 80, 90, 100(b), 100(c), 100(d) and 110

(2) Income statement item 220 net of tax recoveries

(3) Income statement item 180(b) net of contributions and other banking system charges (SRF and DGS), DTA fees and tax recoveries

(4) Income statement item 130(a) (net losses on impairment of loans to banks and customers)

(5) Includes income statement items 130(b) and 130(d) net of banking system charges (Voluntary scheme and Atlante)

(6) Includes income statement items 240 and 270

(7) Item 290 of the income statement net of the tax effects relating to the components under Contributions and other banking system charges and DTA fees

CONSOLIDATED BALANCE SHEET

ASSETS (EUR/000)

	30/06/2017	31/12/2016	Change	
			absolute	%
10 CASH AND CASH EQUIVALENTS	286,583	297,412	(10,829)	-3.6
20 FINANCIAL ASSETS HELD FOR TRADING	5,917	7,683	(1,766)	-23.0
40 FINANCIAL ASSETS AVAILABLE FOR SALE	2,074,642	2,319,613	(244,971)	-10.6
60 LOANS TO BANKS	2,618,849	1,958,763	660,086	33.7
70 LOANS TO CUSTOMERS	17,625,627	18,246,327	(620,700)	-3.4
80 HEDGING DERIVATIVES	56,469	39,233	17,236	43.9
100 EQUITY INVESTMENTS	97,131	94,235	2,896	3.1
120 PROPERTY AND EQUIPMENT	765,600	761,274	4,326	0.6
130 INTANGIBLE ASSETS	48,684	56,654	(7,970)	-14.1
140 TAX ASSETS	1,996,479	2,063,984	(67,505)	-3.3
a) current	938,931	985,651	(46,720)	-4.7
b) deferred	1,057,548	1,078,333	(20,785)	-1.9
b1) of which pursuant to Law no. 214/2011	531,309	617,758	(86,449)	-14.0
160 OTHER ASSETS	333,420	265,826	67,594	25.4
TOTAL ASSETS	25,909,401	26,111,004	(201,603)	-0.8

LIABILITIES AND SHAREHOLDERS' EQUITY (EUR/000)

	30/06/2017	31/12/2016	Change	
			absolute	%
10 DUE TO BANKS	4,441,673	3,468,322	973,351	28.1
20 DUE TO CUSTOMERS	13,303,259	13,710,208	(406,949)	-3.0
30 SECURITIES ISSUED	4,577,242	5,443,294	(866,052)	-15.9
40 FINANCIAL LIABILITIES HELD FOR TRADING	1,307	2,064	(757)	-36.7
50 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	443,188	459,198	(16,010)	-3.5
60 HEDGING DERIVATIVES	224,190	259,037	(34,847)	-13.5
80 TAX LIABILITIES	42,175	20,464	21,711	...
(a) current	28,164	5,918	22,246	...
(b) deferred	14,011	14,546	(535)	-3.7
100 OTHER LIABILITIES	721,102	438,198	282,904	64.6
110 EMPLOYEE TERMINATION INDEMNITIES	62,353	65,769	(3,416)	-5.2
120 ALLOWANCES FOR RISKS AND CHARGES:	110,131	106,171	3,960	3.7
a) post-employment benefits	34,790	37,179	(2,389)	-6.4
b) other allowances	75,341	68,992	6,349	9.2
140 VALUATION RESERVES	(155,233)	(158,100)	2,867	-1.8
170 RESERVES	(684,469)	(392,732)	(291,737)	74.3
180 SHARE PREMIUM RESERVE	175,954	175,954	-	-
190 SHARE CAPITAL	2,791,422	2,791,422	-	-
200 TREASURY SHARES	(15,572)	(15,572)	-	-
210 NON-CONTROLLING INTERESTS (+/-)	25,587	29,044	(3,457)	-11.9
220 PROFIT (LOSS) FOR THE PERIOD (+/-)	(154,908)	(291,737)	136,829	-46.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,909,401	26,111,004	(201,603)	-0.8

CONSOLIDATED BALANCE SHEET

Restatement of prior-period opening balances in compliance with IAS 8

ASSETS (EUR/000)

	01/01/2016	IAS 8 Correction to bonds	IAS 8 Correction to NPL discounting	01/01/2016 restated
10 CASH AND CASH EQUIVALENTS	324,395	-	-	324,395
20 FINANCIAL ASSETS HELD FOR TRADING	15,065	-	-	15,065
40 FINANCIAL ASSETS AVAILABLE FOR SALE	3,803,770	-	-	3,803,770
60 LOANS TO BANKS	1,220,489	-	-	1,220,489
70 LOANS TO CUSTOMERS	21,472,616	-	(32,628)	21,439,988
80 HEDGING DERIVATIVES	54,730	-	-	54,730
100 EQUITY INVESTMENTS	92,536	-	-	92,536
120 PROPERTY AND EQUIPMENT	783,816	-	-	783,816
130 INTANGIBLE ASSETS	78,062	-	-	78,062
<i>of which:</i>				
- goodwill	19,942	-	-	19,942
140 TAX ASSETS	2,145,389	4,151	9,427	2,158,967
a) current	1,186,602	1,269	-	1,187,871
b) deferred	958,787	2,882	9,427	971,096
b1) of which pursuant to Law no. 214/2011	647,443	-	2,697	650,140
160 OTHER ASSETS	307,988	-	-	307,988
TOTAL ASSETS	30,298,856	4,151	(23,201)	30,279,806

LIABILITIES AND SHAREHOLDERS' EQUITY (EUR/000)

	01/01/2016	IAS 8 Correction to bonds	IAS 8 Correction to NPL discounting	01/01/2016 restated
10 DUE TO BANKS	2,824,957	-	-	2,824,957
20 DUE TO CUSTOMERS	15,536,566	-	-	15,536,566
30 SECURITIES ISSUED	7,327,427	30,938	-	7,358,365
40 FINANCIAL LIABILITIES HELD FOR TRADING	4,824	-	-	4,824
50 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	557,795	-	-	557,795
60 HEDGING DERIVATIVES	220,628	-	-	220,628
80 TAX LIABILITIES	18,303	-	-	18,303
(a) current	6,735	-	-	6,735
(b) deferred	11,568	-	-	11,568
100 OTHER LIABILITIES	922,239	-	-	922,239
110 EMPLOYEE TERMINATION INDEMNITIES	72,235	-	-	72,235
120 ALLOWANCES FOR RISKS AND CHARGES:	324,830	-	-	324,830
a) post-employment benefits	244,932	-	-	244,932
b) other allowances	79,898	-	-	79,898
140 VALUATION RESERVES	(198,017)	-	-	(198,017)
170 RESERVES	(832,387)	(24,131)	-	(856,518)
180 SHARE PREMIUM RESERVE	811,949	-	-	811,949
190 SHARE CAPITAL	2,791,422	-	-	2,791,422
200 TREASURY SHARES	(15,572)	-	-	(15,572)
210 NON-CONTROLLING INTERESTS (+/-)	33,398	-	-	33,398
220 PROFIT (LOSS) FOR THE PERIOD (+/-)	(101,741)	(2,656)	(23,201)	(127,598)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	30,298,856	4,151	(23,201)	30,279,806

CONSOLIDATED INCOME STATEMENT

(EUR/000)

	1H2017	1H2016(*)	Change	
			absolute	%
10 - INTEREST AND SIMILAR INCOME	259,818	302,067	(42,249)	- 14.0
20 - INTEREST AND SIMILAR EXPENSE	(119,239)	(142,432)	23,193	- 16.3
30 - NET INTEREST INCOME	140,579	159,635	(19,056)	- 11.9
40 - FEE AND COMMISSION INCOME	138,676	142,042	(3,366)	- 2.4
50 - FEE AND COMMISSION EXPENSE	(15,488)	(16,439)	951	- 5.8
60 - NET FEE AND COMMISSION INCOME	123,188	125,603	(2,415)	- 1.9
70 - DIVIDENDS AND SIMILAR INCOME	10,625	13,903	(3,278)	- 23.6
80 - NET PROFIT (LOSS) FROM TRADING	6,612	149	6,463	...
90 - NET PROFIT (LOSS) FROM HEDGING	(900)	(344)	(556)	...
100 - PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	2,825	30,986	(28,161)	- 90.9
<i>b) financial assets available for sale</i>	1,491	24,927	(23,436)	- 94.0
<i>d) financial liabilities</i>	1,334	6,059	(4,725)	- 78.0
110 - PROFITS (LOSSES) FROM FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE	(456)	45	(501)	...
120 - NET INTEREST AND OTHER BANKING INCOME	282,473	329,977	(47,504)	- 14.4
130 - NET LOSSES/REVERSALS ON IMPAIRMENT OF:	(229,792)	(306,971)	77,179	- 25.1
<i>a) loans</i>	(218,784)	(311,823)	93,039	- 29.8
<i>b) financial assets available for sale</i>	(11,151)	(641)	(10,510)	...
<i>d) other financial transactions</i>	143	5,493	(5,350)	- 97.4
140 - NET INCOME FROM BANKING ACTIVITIES	52,681	23,006	29,675	...
170 - NET INCOME FROM BANKING AND INSURANCE ACTIVITIES	52,681	23,006	29,675	...
180 - ADMINISTRATIVE EXPENSES:	(283,834)	(288,059)	4,225	- 1.5
<i>a) personnel expenses</i>	(151,787)	(143,240)	(8,547)	6.0
<i>b) other administrative expenses</i>	(132,047)	(144,819)	12,772	- 8.8
190 - NET PROVISIONS FOR RISKS AND CHARGES	(17,510)	(218)	(17,292)	...
200 - NET ADJUSTMENTS TO/ RECOVERIES ON PROPERTY AND EQUIPMENT	(7,906)	(9,813)	1,907	- 19.4
210 - NET ADJUSTMENTS TO/ RECOVERIES ON INTANGIBLE ASSETS	(11,984)	(13,141)	1,157	- 8.8
220 - OTHER OPERATING INCOME/EXPENSE	37,785	42,096	(4,311)	- 10.2
230 - OPERATING EXPENSES	(283,449)	(269,135)	(14,314)	5.3
240 - PROFITS (LOSSES) ON EQUITY INVESTMENTS	5,767	2,257	3,510	...
260 - IMPAIRMENT ON GOODWILL	-	(19,942)	19,942	- 100.0
270 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	31	38	(7)	- 18.4
280 - PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(224,970)	(263,776)	38,806	- 14.7
290 - TAXES ON INCOME FROM CONTINUING OPERATIONS	66,598	77,075	(10,477)	- 13.6
300 - PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	(158,372)	(186,701)	28,329	- 15.2
320 - NET PROFIT (LOSS) FOR THE PERIOD	(158,372)	(186,701)	28,329	- 15.2
330 - NON-CONTROLLING INTERESTS	(3,464)	(2,350)	(1,114)	47.4
340 - NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY	(154,908)	(184,351)	29,443	- 16.0

(*) With respect to published accounts, 1H2016 balances are reflective of changes from the application of provisions of IAS 8 "Accounting policies, changes in accounting estimates and errors"

CONSOLIDATED INCOME STATEMENT

Restatement of 1H16 accounts in compliance with IAS 8

(EUR/000)

	1H2016	IAS 8 Correction to bonds	IAS 8 Correction to NPL discounting	1H2016 restated
10 - INTEREST AND SIMILAR INCOME	302,067	-	-	302,067
20 - INTEREST AND SIMILAR EXPENSE	(140,320)	(2,112)	-	(142,432)
30 - NET INTEREST INCOME	161,747	(2,112)	-	159,635
40 - FEE AND COMMISSION INCOME	142,042	-	-	142,042
50 - FEE AND COMMISSION EXPENSE	(16,439)	-	-	(16,439)
60 - NET FEE AND COMMISSION INCOME	125,603	-	-	125,603
70 - DIVIDENDS AND SIMILAR INCOME	13,903	-	-	13,903
80 - NET PROFIT (LOSS) FROM TRADING	149	-	-	149
90 - NET PROFIT (LOSS) FROM HEDGING	(344)	-	-	(344)
100 - PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	30,906	80	-	30,986
<i>b) financial assets available for sale</i>	24,927	-	-	24,927
<i>d) financial liabilities</i>	5,979	80	-	6,059
110 - PROFITS (LOSSES) FROM FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE	45	-	-	45
120 - NET INTEREST AND OTHER BANKING INCOME	332,009	(2,032)	-	329,977
130 - NET LOSSES/REVERSALS ON IMPAIRMENT OF:	(339,599)	-	32,628	(306,971)
<i>a) loans</i>	(344,451)	-	32,628	(311,823)
<i>b) financial assets available for sale</i>	(641)	-	-	(641)
<i>d) other financial transactions</i>	5,493	-	-	5,493
140 - NET INCOME FROM BANKING ACTIVITIES	(7,590)	(2,032)	32,628	23,006
170 - NET INCOME FROM BANKING AND INSURANCE	(7,590)	(2,032)	32,628	23,006
180 - ADMINISTRATIVE EXPENSES:	(288,059)	-	-	(288,059)
<i>a) personnel expenses</i>	(143,240)	-	-	(143,240)
<i>b) other administrative expenses</i>	(144,819)	-	-	(144,819)
190 - NET PROVISIONS FOR RISKS AND CHARGES	(218)	-	-	(218)
200 - NET ADJUSTMENTS TO/ RECOVERIES ON PROPERTY AND EQUIPMENT	(9,813)	-	-	(9,813)
210 - NET ADJUSTMENTS TO/ RECOVERIES ON INTANGIBLE ASSETS	(13,141)	-	-	(13,141)
220 - OTHER OPERATING INCOME/EXPENSE	42,096	-	-	42,096
230 - OPERATING EXPENSES	(269,135)	-	-	(269,135)
240 - PROFITS (LOSSES) ON EQUITY INVESTMENTS	2,257	-	-	2,257
260 - IMPAIRMENT ON GOODWILL	(19,942)	-	-	(19,942)
270 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	38	-	-	38
280 - PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(294,372)	(2,032)	32,628	(263,776)
290 - TAXES ON INCOME FROM CONTINUING OPERATIONS	85,966	536	(9,427)	77,075
300 - PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	(208,406)	(1,496)	23,201	(186,701)
320 - NET PROFIT (LOSS) FOR THE PERIOD	(208,406)	(1,496)	23,201	(186,701)
330 - NON-CONTROLLING INTERESTS	(2,350)	-	-	(2,350)
340 - NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY	(206,056)	(1,496)	23,201	(184,351)

FINANCIAL HIGHLIGHTS OF THE BANCA CARIGE GROUP

Amounts in EUR/mln

	Situation as at		Change	
	30/06/2017	31/12/2016	absolute	%
BALANCE SHEET FIGURES				
Total assets	25,909.4	26,111.0	(201.6)	(0.8)
Direct deposits (a)	18,323.7	19,612.7	(1,289.0)	(6.6)
Indirect deposits (b)	21,085.3	21,487.9	(402.6)	(1.9)
- o.w. Assets under Management	11,198.3	10,864.2	334.1	3.1
- o.w. Assets under Custody	9,887.0	10,623.7	(736.7)	(6.9)
Overall funding (a+b)	39,409.0	41,100.6	(1,691.6)	(4.1)
Loans to customers ⁽¹⁾	17,625.2	18,245.8	(620.6)	(3.4)
Securities portfolio ⁽²⁾	2,075.8	2,326.7	(250.9)	(10.8)
Group's share capital and reserves	2,112.1	2,401.0	(288.9)	(12.0)
RECLASSIFIED INCOME STATEMENT FIGURES				
	1H2017	1H2016(*)		
Net operating income	297.3	347.4	(50.1)	(14.4)
Operating expenses	(266.3)	(256.3)	(9.9)	3.9
Gross operating profit	31.0	91.1	(60.0)	(65.9)
Net operating profit	(188.2)	(215.9)	27.8	(12.9)
Profit (loss) before tax from operations	(199.9)	(233.8)	33.9	(14.5)
Net Profit (Loss) attributable to the Parent Company	(154.9)	(184.4)	29.4	(16.0)
ALTERNATIVE PERFORMANCE MEASURES⁽³⁾				
	1H2017	1H2016(*)		
Cost income	89.6%	73.8%		
ROE	-7.3%	-7.7%		
Adjusted ROE	-6.8%	-7.2%		
	30/06/2017	31/12/2016		
Net bad loans/Loans to customers ⁽¹⁾	7.3%	7.5%		
RESOURCES (end of period)				
	30/06/2017	31/12/2016		
Number of branches	529	587	(58)	(9.9)
Headcount	4,765	4,873	(108)	(2.2)

(*) With respect to published accounts, the balances of previous year are reflective of changes from the application of provisions of IAS 8 "Accounting policies, changes in accounting estimates and errors"

(1) Net of debt securities classified as L&R and after value adjustments

(2) Balance sheet items 20 (net of derivatives), 40, 60 (only for L&Rs) and 70 (only for L&Rs)

(3) With reference to Alternative Performance Measures (APM) consideration was given to the ESMA Guidelines on Alternative Performance Measures, which were published on 5 October 2015 and entered into force on 3 July 2016. An APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Reported below is the reference for the calculation method of selected APMs:

- Cost income ratio: ratio of operating expenses (items 180, 200 and 210 of the Income Statement net of tax recoveries contained in item 220, of contributions to single resolution fund and deposit guarantee schemes and DTA fees alignment) to net operating income (items 30, 60, 70, 80, 90, 100b-c-d, 110 and 220 of the Income Statement net of tax recoveries);
- ROE: ratio of Net Profit (Loss) for the period attributable to the Parent Company (item 340 of the Income Statement) to the Group's share capital and reserves (items 140, 170, 180, 190 and 200 of Balance Sheet Liabilities);
- Adjusted ROE: ratio of Net Profit (Loss) for the period attributable to the Parent Company (item 340 of the Income Statement) to the Group's share capital and reserves net of valuation reserves (items 170, 180, 190 and 200 of Balance Sheet Liabilities);
- Net bad loans/Loans to customers: ratio of net balance-sheet bad loans to customers to net loans to customers (item 70 of the Balance Sheet Assets net of debt securities classified as L&R).

Income statement reclassification criteria

The attached Consolidated Income Statement was reclassified in order to enhance the understandability of operating income, pursuant to the following operating criteria (where indicated, "items" correspond to the items of the Consolidated Income Statement prepared in accordance with the criteria set by the Bank of Italy):

- **"Net Interest Income"** corresponds to item "30. Net Interest income";
- **"Net fee and commission income"** corresponds to item "60. Fee and commission income";
- **"Net income from trading/valuation of financial assets (Finance)"** includes items "70. Dividends and similar income", "80. Net profit (loss) from trading", "90. Net profit (loss) from hedging", "100b. Profits (losses) on disposal or repurchase of financial assets available for sale", "100c. Profits (losses) on disposal or repurchase of financial assets held to maturity", "100d. Profits (losses) on disposal or repurchase of financial liabilities" and "110. Profits (losses) from financial assets/liabilities designated at fair value" of the Consolidated Income Statement;
- **"Other operating income"** corresponds to item "220. Other operating income/expense", net of tax recovery included in core administrative expenses (EUR 22,966 thousand and EUR 24,692 thousand in 1H17 and 1H16, respectively);
- **"Personnel expenses"** corresponds to item "180a. Administrative expenses – personnel expenses";
- **"Net adjustments to/recoveries on property and equipment, and intangible assets"** corresponds to items "200. Net adjustments to/recoveries on property and equipment" and "210. Net adjustments to/recoveries on intangible assets";
- **"Core administrative expenses."** corresponds to "180b. Administrative expenses – other administrative expenses", net of:
 - gross EUR 7.536 thousand and EUR 9.192 thousand in contributions to the Single Resolution Fund (SRF) respectively in 1H17 and 1H16, included – after tax – in "Contributions and other banking system charges";
 - Deferred Tax Asset (DTA) fees convertible into tax credits, amounting to gross EUR 6,946 thousand in 1H17 and EUR 20,802 thousand in 1H16, included – after tax – in "Contributions and other banking system charges", and inclusive of tax recovery under item "220. Other operating income/expense" (EUR 22,966 thousand in 1H17 and EUR 24,692 thousand in 1H16);
- **"Net losses/recoveries on impairment of loans"** corresponds to item "130a. Net losses/recoveries on impairment of loans";
- **"Profits (losses) on disposal or repurchase of loans"** corresponds to item "100a. Profits (losses) on disposal or repurchase of loans";
- **"Net losses/recoveries on impairment of other financial assets"** includes items "130b. Net losses/recoveries on impairment of financial assets available for sale" and "130d. Net losses/recoveries on impairment of other financial transactions", net of:
 - write-down of the stakes held in the Atlante Fund (EUR 10,609 thousand in 1H17), included – after tax – in "Contributions and other banking system charges";
- **"Net provisions for risks and charges"** corresponds to item "190. Net provisions for risks and charges";
- **"Profits (losses) on equity investments and disposal of investments"** includes items "240. Profits (losses) on equity investments" and "270. Profits (losses) on disposal of investments";
- **"Impairment on goodwill"** corresponds to item "260. Impairment on goodwill";
- **"Taxes"** corresponds to items "290. Taxes on income from continuing operations", net of tax effects relating to both "DTA fees" and the components under "Contributions and other banking system charges", specified below;
- **"Contributions and other banking system charges "** includes:
 - EUR 5.464 thousand and EUR 6,664 thousand in contributions to the Single Resolution Fund (SRF) respectively in 1H17 and 1H16, after tax;
 - write-down of the stakes held in the Atlante Fund (EUR 7,101 thousand in 1H17, after tax);
- **"DTA fees"** corresponds to Deferred Tax Asset (DTA) fees convertible into tax credits, amounting to EUR 5,036 thousand in 1H17 and EUR 15,081 thousand in 1H16, after tax;
- **"Profit (loss) after tax from discontinued operations"** corresponds to item "310. Profit (loss) after tax from discontinued operations";
- **"Non-controlling interests"** corresponds to item "330. Non-controlling interests".

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