PILLAR 3

Disclosure by institutions according to Regulation (EU) No. 575/2013

Figures as at 31/12/2014

GRUPPO BANCA CARIGE

INTRODUCTION

Since 1st January 2014, the EU legal framework has adopted the reviews of the Basel 3 Accord concerning the banking sector's ability to absorb shocks arising from financial stresses, with the aim of improving risk management and governance, strengthening at the same time banks' transparency and disclosures.

In this context, the Basel Committee maintained its approach based on three pillars (which was the base of the former Capital Accord, known as Basel 2 Accord):

- "Pillar 1", which introduced a capital requirement to face the typical banking and financial risks, also providing for alternative methods to calculate capital requirements, has been strengthened through a more balanced definition of capital and higher capital requirements, the introduction to a limit to leverage, new requirements and liquidity risk monitoring tools;

- "Pillar 2", which required banks to be equipped with a strategy and an Internal Capital Adequacy Assessment Process - ICAAP, has been strengthened through regulatory requirements concerning corporate governance framework and an internal control system for intermediaries;

- "Pillar 3", relating to disclosure requirements on capital adequacy, risk exposure and features of control and risk management systems, has been reviewed with reference to the new transparency requirements, more information on regulatory capital and the calculation of debt-to-equity ratios.

Within the European Union, Basel 3 contents have been transposed by issuing:

– EU Regulation no. 575/2013 of 26th June 2013 ("CRR"), which regulates prudential requirements for credit institutions and investment firms and disclosure requirements;

– EU Directive 2013/36 of 26th June 2013 ("CRD IV"), which also concerns conditions for access to banking activity, the freedom of establishment and the freedom to provide services, prudential control systems, additional capital reserves.

The regulations issued by the Bank of Italy (Circular no. 285 of 17th December 2013 and following amendments), which include the prudential supervisions applicable to banks and Italian banking groups, reviewed and updated in order to bring the internal regulations in line with the new international regulatory framework, with particular reference to the new legal and institutional structure of the EU banking supervision, as well as to consider the needs arising from the supervisory activity on banking groups and intermediaries, complete the aforementioned regulation.

The aforementioned Circular does not set specific standards for the publication and preparation of Pillar 3 - as it did in the past- but it only reports the list of provisions laid down in the CRR.
The subject matter is therefore regulated by:

- the CRR, Section 8 "Disclosure by institutions" art. 431 - 455) and Section 10, Title 1, Chapter 3 "Transitional provisions with regard to own funds" (art. 492);

- European Commission Regulations, prepared by the European Banking Authority concerning the technical or implementing standards to regulate uniform templates for the purposes of disclosure of different types of information.

The European Banking Authority provided further information with a specific document relating to the information to be provided for in the third pillar - Pillar 3: Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432 (1), 432 (2) and 433 of Regulation No. (EU) 575/2013, published on 23rd December 2014.
The Pillar 3 disclosure has been also reviewed by the Basel Committee, suggesting in its document "Revised Pillar 3 disclosure requirements" the introduction of international regulatory standards starting from the beginning of 2016.

As far as the Banca Carige Group is concerned, the Parent Company Banca Carige (hereinafter the "Parent Company", "Banca Carige", "Carige" or "the Bank") meets the disclosure requirement at a consolidated level, preparing the document complying with the aforementioned regulations, on a consolidated basis with reference to the prudential regulatory consolidation area, which coincide with the definition of banking group supervision. In this respect, it should be noted that such scope is substantially the same used to calculate the regulatory capital of 31st December 2013.

The document aims at providing qualitative and quantitative information, should the conditions apply to the Group, and it is published along with the financial statements.

For the purposes of completeness, it should be noted that the information relating to own funds and capital absorptions have been published in the Supplementary Notes (Part F) of the Consolidated Financial Statement of the Group as at 31 December 2014.

Further information relating to which the Carige Group is exposed are reported in the Supplementary Notes (Part E) of the Consolidated Financial Statement.
The Report on the Corporate Governance and Ownership Structure for 2014 contains all the information relating to the governance of the Group. This document is available on the corporate website in the Governance section.

The Remuneration Report contains all the information required by art. 450 of CRR on remuneration policies and practices, relating to those categories of employees whose professional activities have a material impact on the risk profile of the Bank. This document is available on the corporate website in the Governance section - Shareholders' Meetings.

Considering the public relevance of such disclosure, it shall be approved by the Board of Directors of the Parent Company and, pursuant to the art. 154-bis of the Italian Legislative Decree 58/98 (Consolidated Law on Finance), certificated by the Manager responsible for preparing the financial reports. To the aim of drafting this disclosure, Banca Carige has defined a process, with reference to the Banking Group, which identifies:

- how the Corporate Governance subdivides the process of disclosure of information ex Pillar 3;
- the macrostructure of such process, recognizing in each phase, roles and responsibilities of corporate bodies and functions involved, as well as methodologies for monitoring/control activities to be implemented.

The Banca Carige Group publishes its Pillar 3 Report on the corporate website www.gruppocarige.it in the Investor Relations section - Basel Report 2 - Pillar 3.

Unless otherwise specified, amounts are expressed in thousands of Euro.

1. TARGETS AND RISK MANAGEMENT POLICY

QUALITATIVE INFORMATION – art. 435 CRR

Risk monitoring is one of the main goals of the Banca Carige Group and it consists of four phases:

a) the establishment of risk management strategies, with particular reference to the risk tolerance and risk appetite of the organization, expressed by the Management Bodies of the Parent Company;
b) the ruling of the methods for identifying, measuring and managing the various risks to which the activity of the Group is subjected to;
c) the management of the risks identified;
d) the adequacy assessment of the system to measure and manage such risks.

During 2014, the Risk Management department has been implementing some actions pursuant to the 15th amendment of the Bank of Italy Circular 263/2006. More specifically, the following activities were carried out:

- Risk Appetite Framework implementation (hereinafter also "RAF"), also defining its process and identifying the measuring metrics;
- implementation of the identification and assessment process of the Most Significant Transactions (hereinafter "MST"), which resulted in a definition of the relative policies (definitions and articulation of the process MST management);
- activities relating to the new monitoring area set out in the 15th amendment of the Bank of Italy Circular 236/2006 relating to: 11)second-level controls on loan portfolio on the correct classification of positions and on the consistency of impairment losses on non-performing loans; 2) adequacy assessment of recovery processes.

In accordance with the supervisory regulations, approving the Risk Appetite Framework, the Board of Director of the Parent company identified the risk-return profile, which the banking group intend to achieve and in line with the strategic guidelines defined, business model selected and the competencies of the Group.

According to RAF, risks to be monitored and their indicators are basically related to six risk profiles: solvency, profitability, credit risk, market risk, interest rate risk, liquidity risk. In accordance with the supervisory regulations, a system of quantitative thresholds for the aforementioned indicators has been defined and it is articulated into risk appetite, risk tolerance, risk capacity and risk profile.
As far as the main risk profiles included in RAF are concerned, the Board of Directors has defined risk appetite thresholds consistent with the strategy set out in the Business Plan and tolerance limits aimed at ensuring the respect of capacities also in stress conditions.

Together with the definition of indicators, the Board of Directors also approved those mechanism regulating RAF governance process, in terms of updating and review process, monitoring and escalation.
The disclosure provided to the Board of Directors required the Risk Management Department to implement a periodic monitoring of RAF indicators in order to assess the development of the risk profiles over time and its consistency with risk/yield targets. The Board of Directors is also involved in escalation mechanisms, may the violation of risk tolerance levels set for the different indicators occur, approving action plans arranged by the designated functions.

As part of the activities preliminary to ICAAP accounting, and consistency with RAF provisions, the risks to which the Group is exposed have been identified, considering Bank's operations and relevant markets: after having defined the risk map and its assessment criteria (quantitative, if measuring methods exist or qualitative, if related to organisational patterns), an organic framework of the outstanding management activities has been defined, according to a logic of integration of risks to which the Group is exposed.

Such assessment activities on corporate operations and risks associated are carried out at least annually and on the basis of procedures aimed at a continuous monitoring of the main risk factors and at identifying possible new types of risks.

Together with the approval of ICAAP accounting activity, the Board of Directors defined the risk map of the Group, which includes the following risks:

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

Methods for measuring risks have been submitted to the attention of the Board of Directors, which assessed their adequacy for the purpose of measure the risks to which the Group is exposed, also from a prospective point of view.

As part of the process of monitoring those risks, which are already undertaken or may be undertaken by the Group, organizational and informative control units have been arranged. They allow the production of an updated reporting system for the various roles involved in risk management, fostering a prompt identification of anomalies and a management consistent with the risk and return target defined by the top management.

The disclosure provided to the Board of Directors on second level control performed by the Risk Management Department includes a well-structured set of reports relating to the development of risk profiles defined by the EU Regulation no. 575/2013 and by the Bank of Italy Circular no. 285/2013, with a further focus on the development of RAF indicators over time, on the loan portfolio of the Group and on the performance of the internal rating system. A list of the main information flows addressed to the Board of Directors are provided below:

- quarterly monitoring of Risk Appetite Framework indicators;
- half-year report on non-performing loans and risk profiles of performing loan portfolio;
- annual analysis of rating provided by ECAI on Corporate counterparties;
- annual report, which include the findings of validation activities on rating system;
- annual report on Internal Capital Adequacy Assessment Process (ICAAP);
- annual report on the activities performed by the Risk Management Department.

Furthermore, the Board of Directors is informed about the activities performed by the control and risk committee, which supports corporate bodies and/or board committees in the integrated risk management.

Risk Management and Control System

In line with legal and supervisory regulations, and in compliance with the Code of Conduct for Listed Companies, in order to ensure a sound and prudent management which combines business profitability with a consistent assumption of risks and operations based on criteria of transparency and correctness, the Parent Bank set up an internal control system (the "Internal Control System or ICS") to continuously detect, measure and verify the typical risks of the company's business.

The prerequisite for a well-functioning internal control system is an appropriate articulation of the corporate organizational structure.

The corporate organizational structure, consisting of 5 systems:

– Organisational and corporate governance system

– Management system

– Risk assessment system

– Internal Capital Adequacy Assessment Process

– Internal control system,

is constantly monitored and aims at continuously ensuring the consistency with the supervisory organizational model, i.e. with law and supervisory provisions regulating processes, procedures and organizational setup.

The active involvement of corporate bodies in adjusting the corporate organizational structure to the supervisory provisions is particularly important: the aforementioned regulations has clearly outlined tasks and responsibilities of corporate bodies in the definition of internal control systems of banks.

More specifically, the body entrusted with strategic supervision duties is charged of defining the business model, strategic guidelines, accepted risk levels and the approval of the most important corporate processes (such as risk management, assessment of corporate activities and the approval of new products/services).

Processes constituting corporate organizational structure are regulated and described by specific Regulations, which constitute the internal primary sources of law and further detailed in the internal secondary sources of law.

Regulations relating to the functioning of processes, which constitute corporate organizational structure, aim at managing those risks to which the Group is exposed, especially non-compliance risk, i.e. the risk that processes may not comply with legal framework and supervisory provisions (external rules).

Therefore, the regulatory framework previously described aims at enabling to:

– continuously define, in compliance with external rules, corporate provisions (internal rules) relating to corporate processes, including corporate governance and control processes;
– periodically evaluate:
    a. the organizational risk for which internal rules regulating processes may not comply with external rules (regulatory compliance), with reference to the significance of any deviation from the aforementioned regulations;
    b. the organizational risk to not comply with those activities carried out in processes with respect to those provided for by external regulations (operational compliance), with reference to the significance of the eventual gap between the aforementioned activities and external regulations;
– ensure the reliability of the risk assessment through a continuous assessment of compliance of evaluating processes;
– periodically inform corporate bodies on the results of assessment conducted, i.e. on organizational risk of regulatory and operational compliance of processes;
– take the necessary measures to eliminate possible deficiencies pointed out by the aforementioned assessments and, in particular, significant deficiencies, i.e. those interfering with risk management and the achievement of company goals.

The Internal Control System of Banca Carige, periodically subject to recognition and adjustments relating to the development of corporate operations and reference context, focuses on a set of rules, procedures and organizational setup aiming at ensuring compliance with corporate strategies and operational balance.

It should be noted that in 2014 significant qualitative and quantitative improvements in Internal Auditing and Compliance departments have been implemented, and further activities with the aim of strengthening their information system are being implemented.

The adequacy and effectiveness of ICS has been assessed by the Internal Audit department.

As far as Internal Control System is concerned, risk management controls (second level controls) are aimed at verifying compliance of corporate processes with supervisory regulations, defining the methods for measuring risk and verifying compliance with the limits assigned to the various operating functions and monitoring the attainment of their respective risk-return objectives; these controls are assigned to units other than operating units.

More specifically, pursuant to provisions issued by the Bank of Italy, the Risk Management Department works in complete independence of judgment and action and it is part of the staff of CEO, with power to directly report, through its relevant person in charge, to management and supervisory bodies of the Parent company and of the Banks and Group companies, which outsource this function to the Parent company. The Risk Management Department has the following responsibilities, which include controls about:

- correct identification and assessment of risks to which the Banking Group is exposed;
- capital adequacy (aggregate principal amount) compared to total risks (aggregate internal capital);
- the organizational compliance with process carried out by the organizational units responsible for loan classification, related loss expectations and loan recovery;
- the respect of RAF indicators set by the Board of Directors;
- operational compliance with ICAAP process.

The Risk Management Department carries out its function both for the Parent company and the Banks of the Group, which outsource this function to the Parent company with the assistance of the various corporate structures and the support of specific reporting member within each company involved.

In order to implement the supervisory provisions of the Bank of Italy (15th amendment Circular no. 263 of 27/12/20016), the instruments used by the Risk Management Department are currently being updated in light of the expansion of the scope of responsibilities assigned to the department by the supervisory provisions.

The current feature of the Risk Management Department reflects the will of the Group to control the relevant models for measuring risks through specialized structures as part of both measurements related to the first Pillar of the new Basel 3 Accord, and activities preliminary to the Internal Capital Adequacy Assessment Process (ICAAP). More specifically, the Risk Management Department of the Banking Group is set out as follows:

- Risk Strategy and Monitoring Department: it has the task of ensuring a periodic and structured information regarding overall capital and the risks of the Group, identifying the main critical situations and proposing corrective measures to management/control bodies;
- Rating Desk Department: it has the task of updating the ratings of the Large Corporate segment and the SMEs override process;
- Credit Risk Management Department: it has the task of managing, at Group's level, those activities relating to measuring, monitoring and credit and concentration risk mitigating;
- Operational Risk Management Department: it has the task of managing, at Group's level, those activities relating to measuring, monitoring and operational risks mitigating;
- Financial Risk Management Department: it has the task of managing, at Group's level, those activities relating to measuring, monitoring and market risk mitigating, interest rate

on banking book, structural and operational liquidity, and of implementing RM activities on individual portfolio management;

- Rating Models Validation Department: it has the task of ensuring the analysis and the internal validation of rating models, systems, departments and processes involved in the risk management of the Banking Group.

Credit Risk

Generally speaking, the Credit Risk refers to the risk that a Bank debtor fails to wholly meet a contractual obligation or that it occurs later than the due dates agreed.
In a broader meaning, credit risk also refers to the change in value of credit assets connected to the variation of the counterparty's creditworthiness, may the change of riskiness be not offset by an adjustment of economic conditions applied to the customer.

Strategy

The credit offer of the Group is mainly focused on families, small businesses, small and medium-sized companies and public authority segments.

The Parent Company pursues the policy of consolidating its current market position through actions aimed at increasing the level of penetration on current customers, mainly via cross-selling, in any event without neglecting new business initiatives. Development activities target the individual and small business segments, as well as the corporate segment.

The main target outside the Liguria region is to enhance the branch network potential in order to expand the client base, with particular reference to the individual, SEO and SME segments.

The main lending policies provide for:

- the mitigation of credit risk, through a selective growth of lending, driven by the rating class of counterparties and by the business sector, together with a renewed momentum to issue guarantees;
- the re-composition of the loan portfolio in line with the growth prospects of the footprint;
- the mitigation of the risk of concentration of funding on individuals or groups of customers;
- the strengthening of non-performing loan collection activities in terms of effectiveness and efficiency.

Organisational Aspects

The lending process provides for decision-making decentralisation within the scope of the decision-making powers defined by the Parent Company Board of Directors. Credit facility proposals are normally formulated by the branches and advisory teams, then submitted for approval by the authorised decision-making bodies - both "peripheral" and "central" - on the basis of qualitative and quantitative aspects of any credit facilities and expected loss assigned to the counterparty for rated segments. Subsidiary banks act within the limits of their powers and restrictions as established by the Parent Company, through specific directives issued in accordance with and compliant with Group Regulations.

Measurement, management and control systems

In relation to decision-making decentralisation, central departments have been assigned the task of verifying that assumed risk levels comply with the strategic policies expressed by the Boards of Directors, with regard to counterparty credit ratings and in terms of formal compliance with internal and external codes of conduct.

The Carige Group credit risk measurement, management and monitoring process involves:

- Credit Risk Management activities, aimed at a strategic governance of the Group's lending activities, through a portfolio quality monitoring based on the performance analysis of risk indicators from rating sources (PD, and LGD) and other phenomena of interest, with accurate control of compliance with the limits envisaged in supervisory regulations on risk concentration and capital adequacy with respect to the assumed credit risk; specific processes of loan portfolio controls have been implemented, in accordance with the supervisory regulations on second-level controls up to the Risk Management Department;
- activities of an operational nature, aimed at monitoring the quality of loans disbursed. More specifically, a tool for the operational monitoring of credit is operational and allows for the combination of the various control activities with risk indicators developed according to IRB approach, to improve the monitoring efficiency and achieve a management activity increasingly consistent with customer risk profiles. To this end, in 2014 the monitoring process has been strengthened defining, for those credit positions characterized by relevant anomalous trend, deadlines for their resolution. In case of overcoming and without regularization, they will be classified as non-performing loans.

These activities fuel a reporting system for the various Corporate departments responsible for monitoring Group credit risk.

Internal rating models were developed by the Parent Company based on historic data for the Retail (Individuals, Small Economic Operators and Small Business) and Corporate (SMEs and Large) segments. Banca Carige has also implemented models for determining, at a consolidated level, the probability of default (PD), loss in the event of insolvency (Loss given default – LGD), exposure in the event of insolvency (Exposure at default –EAD).

The information sources used to estimate the probability of default (PD) concern three main areas of investigation, which are used in varying degrees in the assessment depending on the segment: financial (financial statements data) and performance disclosures (in-house data and Central Credit Register data) and company records. With regard to the SME and Large Corporate segments, the override procedure of statistical rating offers enhancement of any significant data for the purpose of correct customer classification.

2009 saw the introduction of Expected Loss (the product of PD, LGD and EAD) as the parameter used to determine the decision-making process for lending practices in relation to counterparties of both retail (Individuals; Small Economic Operators and Small Business) and Corporate (SME and Large Corporate) segments.

Risk parameters (PD and LGD) have been adjusted in order to include the recent developments of the risk of the loan portfolio of the Group.

Non-performing assets are classified on the basis of a continuous process performed through monitoring activities focused on a prompt identification of anomalies in the management of customer relations, on changes in rating scores and on symptomatic events of potential degeneration of the relation which may arise.

The Parent Company, on behalf of all subsidiaries, has implemented operational procedures determining automatisms in the qualification of those positions with irregular loan repayments and IT monitoring instruments that support a management consistent with risk profiles identified.

Measures originating from the aforementioned monitoring activities are differentiated according to the degree of anomaly detected and comply with regulations approved by the Boards of Directors of the banks of the Group.

The reclassification to performing status of those loans classified - not automatically - among non-performing assets takes place following the positive assessment of the financial standing of customers who, after having overcome the difficulties that led to that classification, are considered fully able to meet their obligations towards the Bank.

Credit risk mitigation techniques

The credit policy of the Group relies on the utmost attention in the selection of credit, financed initiatives and borrowers and account monitoring. Creditworthiness assessment is based on statistical indicators and qualitative information with the aim of assessing the borrower’s capacity to generate financial resources in line with the debt repayment.

Medium/long-term loans are mainly secured by mortgages and, if a more significant risk profile is identified, the credit facilities are backed by personal guarantees (standard and omnibus) and CONFIDI guarantees.

Given that, in this context, the Bank acquire only those personal guarantees and collaterals deemed appropriate for credit risk mitigation, also considering the impact of mortgage loans on the aggregate portfolio and in compliance with regulatory provisions. A value monitoring process for the assets lodged as security has also been implemented.

More specifically, for a proper assessment of the extent of loan hedging for the calculation of capital requirements, the value of mortgaged property is subject to periodic revaluation based on statistical data obtained from a leading specialist in real economy studies.

Moreover, this process provides for a new appraisal to be carried out in case of a significant decrease in the market value of the asset, with the aim of implementing the most suitable management measures to safeguard disbursed loans; a similar process is operative on properties and pledged loans against facilities granted to customers.

For those properties to be placed as collateral of significant exposure, it is provided a periodic control of the value of guarantees, through an assessment of the value of the asset performed by a team of independent specialists.

Market risk

The market risk refers to value changes of a financial instrument or financial instruments portfolio relating to unexpected changes in market variables (interest rate, security prices, exchange rates etc.).

The EU Regulation 575/2013 ("CRR") deals with the market risk in the Section 3, Title IV, and it is broken down in the following risk categories:

Position risk	It represents the risk arising from price fluctuations of financial instruments and attributable to the market trend ("generic" position risk) and to the specific situation of the issuer company ("specific" position risk)
Foreign exchange risk	It expresses the risk of incurring losses due to adverse changes in foreign currencies
Position risk on goods	Risk arising from changes in prices of goods

As far as market risk is concerned, basis risk represents the risk of incurring losses due to out-of-line changes of positions with opposite sign, similar but not identical. For further details on basis risk, please refer to this Chapter where it is specifically discussed.

Furthermore, in Section 3, Title V, the CRR deals with Settlement Risk, which is the risk in those transactions on financial instruments where the counterparty has not discharged its obligations after the due date.

Strategy

The Board of Directors of the Parent Company defines the strategic guidelines relating to market risk and it identifies Risk Appetite and Risk Tolerance levels within the Risk Appetite Framework of the Group.

The Control and Risk Committee monitors the trends in market risk and compliance with indicators, while the Finance and ALM Committee oversees the market risk management, operatively performed by the Finance Department.

The Risk Management Department ensures a constant measurement and control of the Group exposure to market risk, through the Value at Risk (VaR) monitoring on a daily basis and in stress hypothesis.

The main sources of market risk arising from changes in interest rates include activities carried out on bonds and on interest rate derivatives (both regulates and OTC); on the other hand, the main sources of market risk arising from changes in security prices include activities performed on share financial instruments, equity funds and equity derivatives.

The management activity of the investment portfolio in Group securities portfolio has been carried out with a substantially conservative profile, in order to maintain a balanced risk/yield ratio and with special attention to the liquidity profiles of the Group and, therefore, to the trends in counterbalancing capacity.

Monitoring and measuring methods

For management purposes, the Risk Management Department of the Parent Company provides for a daily monitoring of market risk of securities and derivatives portfolio, both at Group and single Banks level, verifying at the same time compliance with operational limits currently in force, as well as with Tolerance levels within the Risk Appetite Framework.

The market risk is assessed through the Value at Risk (VaR), which indicates the maximum potential loss in a financial instruments portfolio, in a defined time period and with a certain probability.

The Risk Management Department uses the VaR with the aim of measuring both the risks of financial instruments included in Held for Trading portfolios and those risks of financial instruments allocated in AFS banking portfolios, and monitoring their trends and constantly verifying compliance with limits.

Up to 31st December 2014, the VaR has been calculated with simulation methods (Monte Carlo methods), while since 1st January 2015, the Group has adopted a different methodological approach, based on historical VaR; both methodological methods provide for measurements carried out with confidence interval of 99%and a ten-day holding period.

Stress tests performed highlight the impacts in terms of both VaR and pre-established shocks on the present value, which recall specific events of the past. Stress tests scenarios are defined on the basis of particularly strict market conditions, taking into account the actual composition of portfolios.

Operational risk

The operational risk represents the risk of incurring losses arising from internal or external frauds, inadequacy or a malfunctioning of corporate processes, errors or shortcomings of human resources and internal systems, interruptions or malfunctioning of services or systems (including those relating to IT), errors or omissions while supplying services, or from external events; it also includes legal risk (for example customer complaints and risks relating to distribution of products non-compliant with regulations to protect the banking, investment and insurance activities, and with sanctions arising from regulation violations, as well as the failure to comply with procedures relating to identification, monitoring and management of such risks).

Strategy

The strategic policies for the containment of operational risks to which the Group activity is exposed, consist of the development of survey methods and the definition of monitoring processes aimed at implementing the most suitable technical/organisational solutions to reduce the exposure to such risks and, in perspective, at improving the methods for the allocation of the corporate capital.

To this end, and as part of the re-organisation of central departments carried out in 2014, the Group has implemented the Operational Risk Management Department within the Risk Management Department, launching activities with the aim of implementing a measuring, management and monitoring framework for operational risks in line with the system's best practices in order to establish a standardized approach for the determination of the relating regulatory requirements.

Monitoring and measuring methods

The Group intends to structure and implement a process of Historical data collection (HDC), together with a Risk Self Assessment (RSA) process relating to future riskiness perceived by the various Risk Owners identified within the current planning activities. These activities provide for the development of a measuring, management and monitoring framework for reputational risk (please, see the following section: Reputational risks), paying particular attention the synergistic aspects of the operational risk management framework. During the first phase, particular attention has been paid to the synergy with the IT Risk Management aspects, in compliance with the 15th amendment of the Bank of Italy Circular no. 263/06 within the ICT.

As part of planning activities, the processes relating to the preparation and input of data in the Database Italiano Perdite Operative (DIPO - Italian Database of Operational Losses), established in 2003 on the initiative of ABI - Italian Banking Association, and to which the Carige Group participates since its establishment.

It should be noted that, after quantitative findings, the Group provides for a systematic analysis of operational processes through a self-assessment approach, in order to integrate the quantitative aspects with qualitative analysis. The IT system for all Group companies is centrally located at the Parent Company which, in relation to the risk of operational failure, defines a business continuity and disaster recovery plans to identify measures necessary to restore normal Group operations in the event of crisis situations.

Interest rate risk

The interest rate risk on banking portfolio represents the risk that changes in interest market rates negatively affect the economic value of the capital (risk in capital perspective) and the contribution to Net Interest Income (risk in income perspective) of assets and liabilities which are not allocated in the regulatory trading portfolio.

The exposure to such type of risk and with reference to transactions at variable interest rate follows from misaligned balance sheet structures in terms of both maturities (maturity gap) and features and audit period of remuneration conditions (refixing gap). The exposure to risk of transactions at fixed rate depends on their maturity gap.

More specifically, the interest rate risk can be further broken down into:

Repricing risk	Risk connected to the misalignment of maturities (at fixed rate), methods and re-fixing times (at variable rate) of assets and liabilities, and which exposes the Bank to changes (shocks) in the interest rate curve
Yield curve risk	Risk connected to unexpected changes in the slope or in the structure of the interest rate curve (non-parallel shock)
Basis risk	Risk that interest rates against which transactions at variable interest rate are indexed could react in different times and intensity when market conditions change, and resulting in an imperfect correlation among indexing parameters of loans and deposits
Optionality risk	Risk connected to explicit/implicit options in assets and liabilities of the Bank. Certain contractual forms include optional components, which require an analytic assessment with the aim of measuring the exposure to interest rate risk. Particular reference can be made to prepayments of loans or bonds (callability and putability) and to cash withdrawal/deposit from commercial funding and lending products with sight maturity

Strategy

The Board of Directors of the Parent Company defines the strategic guidelines relating to the assumption of interest rate risk on banking portfolio and it identifies Risk Appetite and Risk Tolerance levels within the Risk Appetite Framework of the Group.

The Control and Risk Committee monitors the trends in interest rate risk on banking portfolio and compliance with indicators, while the Finance and ALM Committee oversees the interest risk on banking portfolio management, operatively performed by the Finance Department.

Monitoring and measuring methods

The Risk Management Department ensures a constant measurement and control of the Group exposure to interest rate risk on banking portfolio, both in capital and in income perspective.

The monitoring of interest rate risk on banking portfolio consists in the measurement of interest rate on fair value assets and on expected Net Interest Income in a defined time period (gapping period).

For further details relating to methods used to measure the interest rate exposure, please refer to the following section, Chapter 10 "Exposure to interest rate risk on positions not included in trading portfolio".

Hedging activity

Operations subject to interest rate risk hedge mainly concern the funding and lending component with an original medium/long-term duration.

Fair value hedging aims at immunizing changes in the fair value of funding and lending, due to changes in the financial scenario. The Risk Management Department monitors hedge effectiveness for hedge accounting purposes in compliance with international accounting standards, with particular reference to the identification and documentation of the hedging relation through the production of hedging cards. Effectiveness controls are performed through both prospective and retrospective testing on a quarterly basis.

Goals and strategies underlying these hedging transactions aims at reducing interest rate risk by entering into unlisted OTC derivative contracts.

Hedging transactions performed in compliance with Cash Flow Hedge methods have the aim of avoiding unexpected changes in market rates negatively affect Net Interest Income. More specifically, the aim of cash flow hedges is to immunize changes in future cash flows due to changes in the interest rate curve. Risk hedge is performed through non-listed derivative instruments (interest rate swap). Hedge effectiveness is periodically verified by the Risk Management Department.

Liquidity Risk

Liquidity risk, in its main meaning of Funding liquidity risk, represents the risk to not be able, in accordance with economic criteria, to cope with its outflows (whether expected or not) and its collateral needs, without damaging its typical operations or the financial situation of the Group.

The liquidity risk can arise from events strictly relating to the Group and its typical operations (idiosyncratic) and/or external events (systemic) and it can be further broken down into:

Funding liquidity risk	Inability to raise funds
Market liquidity risk	Existence of limits to divestment of assets

Liquidity risk also includes the risk to meet its payment commitments above-market costs, i.e. incurring in a high funding cost.

Strategy

Liquidity risk control, management and monitoring aims at supporting cash flows balance (inflows and outflows) in the short term and, at the same time, minimizing structural imbalances in medium/long term liquidity profile, in order to ensure a high solvency level and to increase funding cost efficiency.

The liquidity risk can arise from events strictly relating to the Group and its typical operations (idiosyncratic) and/or external events (systemic). These risk factors are not alternative and they may jointly occur.

From the organizational model point of view, the separation between management processes and liquidity risk management process - through the assignment of specific roles and responsibilities to the various corporate bodies and functions involved - is a leading principle for the liquidity risk management model of the Group.

The Board of Directors of the Parent Company defines the strategic guidelines relating to the assumption of liquidity risk in terms of Risk Appetite and Risk Tolerance.

The Control and Risk Committee monitors the trends in liquidity risk and compliance with indicators, while the Finance and ALM Committee oversees the liquidity risk management, operatively performed by the Finance Department.

The Liquidity Policy of the Banca Carige Group provides for the centralisation of the liquidity risk management and monitoring process in the Parent Company Banca Carige. More specifically, the Parent Company is responsible for the liquidity policy update and it manages funding and the liquidity risk at Group level.

The Liquidity Policy also includes a specific limit system for short-term (with maturity shorter than one year) and medium/long term (with maturity longer than one year) liquidity profiles.

The aim of the short-term liquidity management (operating liquidity) is to ensure that the Group can meet its payment commitments (whether expected or not) in a twelve-month period, without compromising the normal continuity of operations. Short-term liquidity management aims at constantly balancing inflows and outflows liquidity flows.

The aim of medium/long-term liquidity management (structural liquidity) is to ensure an adequate ratio between assets and liabilities, reducing pressures on funding activities in the short-term. Structural liquidity management aims at both redistributing maturities of financing transactions, in order to reduce the less stable funding sources, and at financing the Group's growth through funding activities which are strategic from the point of view of maturities.

Monitoring and measuring methods

The Risk Management Department ensures a constant measurement and control of the Group exposure to liquidity risk, both operating liquidity (at short-term) and structural liquidity (at medium/ long-term).

Operating liquidity is measured and monitored on a daily basis through operating maturity ladder. Operating maturity ladder enables a temporal breakdown analysis of positive and negative cash flows, of possible gaps, as well as counterbalancing capacity available to face such gaps.

The Risk Management Department constantly monitors compliance with operational limits for liquidity flows balances as well as overall liquidity flows balances and reserve balances. The Group carries out a stress activity with reference to the operational maturity ladder in order to analyse the effect of crisis scenario on liquidity and to assess the consistency of the liquidity reserves held, which are subjected to a stressed assessment.

In addition to liquidity indicators, the Liquidity Coverage Ratio (LCT), which compares the high liquidity assets value with net cash outflows ratio in a 30-day stress scenario.

Structural liquidity is measured and monitored through operating maturity ladder.

Structural maturity ladder relies on a maturity mismatch model, and it has a time-horizon which includes customer-originated items and stretches over more 20 years. It also includes principal cash flows, both definite or modelled, arising from all balance sheet items. As far as maturity ladder is concerned, gap ratio indicators on maturities above one year have been defined, as well as the relating limits monitored by the Risk Management Department.

In addition to operating indicators, the Net Stable Funding Ratio (NSFR) is monitored, which compares the amount of available funding with the compulsory funding, according to the types of liquidity and the residual life of the various assets held.

Medium/long-term liquidity management policies, at Group level, take account of these limits as regards strategic and budget planning.

The Group has adopted a Contingency Funding Plan (CFP) which strives for the protection of the Group itself and single societies caused by stress conditions or different types of crisis, ensuring continuity of operations against unexpected contractions of available liquidity. With regard to the Contingency Fund Plan, Early Warning Indicators, which allow to anticipate stress situations or liquidity crisis, are also monitored.

Residual risk

Residual risk refers to "the risk that recognised credit risk mitigation techniques used by institutions prove less effective than expected".

Residual risk may be reflected in Credit Risk Mitigation (CRM) techniques used by the Group in the loan management process and in the determination of the relative capital requirement for the Supervisory reporting.

Monitoring and measuring methods

These type of risks are not subjected to quantitative measuring methods: its management is carried out through survey/ assessment processes, aimed at controlling, through expert assessment methods (scorecard approach), aimed at defining management organisation units and at enabling mitigation and/or corrective actions.

The scorecard is developed on the basis of qualitative questionnaire; its questions have been selected with the aim of highlighting those aspects which can led to the onset of residual risk within the overall process of guarantees management, leaving aside the analysis of those minimum requirements related to the admissibility of security coverage, already addressed within the assessments/measurements of credit risk in Pillar 1.

The scorecard is structured in different steps, through which the preliminary and legal aspects connected to guarantee acquisition and the various and the different activities related to the management, monitoring and the possible enforcement of such guarantees are assessed.

An overall and normalised score on a scale of values ranging from 1 to 5 is provided on the basis of the score assigned by the persons identified and in a logic of increasing level of risk.

In a crisis context like the one characterizing both national and international economy and which has been producing a significant growth in non-performing loans for the last years, it is particularly relevant the management of guarantees obtained. Since 2013, the Group has been continuing its intervention plan aimed at strengthening the guarantee management process, also providing for a refining of procedural and operational aspects.

Risk arising from securitisation transactions

The Risk arising from securitisation transactions represents the risk that the economic substance of securitisation transactions may not be fully reflected in risk assessment and management decisions.

The quantitative assessment of the risk arising from securitisation transactions carried out by the Banca Carige Group is performed in compliance with the related regulatory framework.

Monitoring and measuring methods

As far as the measurement of risk related to the various transactions performed by the Group are concerned, a qualitative assessment method has been implemented through the arrangement of a scorecard, which is filled out by the various persons involved in such process, including those assessments connected to three specific areas of investigation relating to:

- expected cash flow;
- legal aspects;
- involved entities.

A score is assigned to each area of investigation, and it is then weighted and standardized on a scale according to a logic of increasing level of risk.

For further details relating to existing transactions, their financial/economic profiles, their monitoring methods and relating organisation units, as well as signalling methods, please refer to the following section Chapter 8 "Securitization exposure".

Strategic Risk

Current or prospective risk of a reduction in earnings or capital due to changes in the operating context or inadequate corporate decisions, improper implementation of decisions, lack of responsiveness to changes in the business environment.

Monitoring and measuring methods

Strategic Risk is not subjected to quantitative measurements and it is managed through the definition of adequate organisation units. The Group assesses the aforementioned risk on the basis of a qualitative approach aiming at guiding management interventions.

Such assessment is performed through a dedicated scorecard, which analyses in general terms the strategic planning process and, more specifically, the process leading to the Business Plan, whose underlying assumptions are assessed through sensitivity analysis of the results to changes in most significant items.

Reputational risk

Current or future risk of a loss or decline in profits or share value as a result of a negative perception of the bank's image by customers, counterparties, bank shareholders, investors or regulators.

Monitoring and measuring methods

Due to its transverse and pervasive nature, reputational risk is not easy to assess. At the same time, management policies and assessment analysis of more risk areas can be defined with the aim of promoting a culture of risk prevention and of identifying corrective and mitigation actions.

To this end, the Carige Group manages its reputational risk through:

a) the definition of adequate organisation units designed to control and mitigate the aforementioned risk;

b) a qualitative assessment in order to guide management actions for corrective and/or mitigating purposes.

Organisational units defined involve several functions and departments, each one with separate competences and responsibilities of monitoring and control of specific risk areas, including but not limited to Compliance Department, the Control and Risk Committee, the Supervisory Authority in accordance with Legislative Decree 231/2001, the Person in Charge pursuant to Legislative Decree 81/08.

Furthermore, the Group has adopted a Code of Ethics expressing those values on which it bases its identity and principles of conduct to which the activity of the Group is inspired. Any person who directly or indirectly deals with the Group (suppliers, business partners, contractors, etc.) should comply with the Code of Ethics.

As far as qualitative assessment is concerned, it is performed paying particular attention to events which may generate reputational risks, as well as relevant stakeholders to preserve the image and reputation of the Group.

Areas under examination concern complaint handling, retention of customers with assessment of acquisition and development rates of retail and small-business customers, loyalty of shareholders and bondholders, level of customer satisfaction through customer satisfaction surveys, media exposure through a periodic media monitoring activity.

With particular reference to compliant handling, the Group carries out an analysis of rate and distribution of complaints, which are brought to the attention of Ombudsman and petitions sent to the Bank of Italy. A comparison between the figures of the Group and those of the banking system is performed through a further elaboration of figures provided in the IBA Monitoring document.

Qualitative index for an evaluation of the relationship with employees, such as quality of training provided, performances achieved, the ability to retain well-qualified resources are examined for assessment purposes.

With the aim of strengthening the control on such risk, the Group launched a project for implementing a measuring, management and monitoring framework of reputational risks, through processes, methods and instruments in line with the best practices of the system, the indications provided in the related regulatory framework (e.g. Guidelines on common procedures and methodologies for the supervisory review and evaluation process, SREP, European Banking Authority) and consistent with features and peculiarities of the Group. Planning activity is carried out in close synergy with operational risk and IT risk management development framework activities; more specifically, peculiar aspects necessary for the assessment of the reputational section have been integrated in processes of both operational losses collection - Historical Data Collection, HCD - and future riskiness assessment (Risk Self Assessment, RSA).

More specifically, the evolving process of reputational risk management pursues the following goals:

- prevention, in order to reduce cases of reputational risk on the basis of what has already been presented (retrospective analysis) and developing a perspective assessment of what may occur (perspective analysis). The ongoing monitoring of risk exposure provides the informative elements in support of definition of actions aimed at containing/mitigating the possibility of events with negative effects on corporate reputation;
- optimisation of organisation and control units against reputational risk;
- containment and restoration, in order to adequately and promptly respond to reputational damages caused by specific reputational crisis situations (ex post management), also through suitable escalation mechanisms.

Concentration risk

Concentration risk represents the risk arising from the exposure to single customers or interrelated groups of customers (single name concentration) or to counterparties belonging to the same business sector (geo-sectorial concentration) and which thus show a correlated trend due to their exposure to same risk factors.

The quantification of additional capital requirements to face the aforementioned risk covers the hypothesis of coarseness of loan book underlying standard and IRB credit risk models.

Strategy

The loan portfolio of the Carige Group, consistently with the traditional orientation for retail customers and Italian SMEs, shows a good fractionalization level, with significant exposure in a limited number of groups, part of them classified as non-performing loans following - especially in the last two-year period - crisis situations mainly due to the difficult macroeconomic context, which negatively affected certain productive sectors. As far as borrowers are concerned, it should be noted the significant share of public bodies or persons referable to them.

From a geo-sectorial point of view, the traditional strong presence in the Liguria region results in a certain degree of concentration, which shows a sharp decrease following the significant territorial development of the Group in the last years.

However, the Group clearly pursues a policy aimed at diversifying the loan book from both a dimensional and business sector point of view, in order to reduce the exposure to systemic risk and therefore to stabilize the risk/yield ratio in accordance with medium-term development strategies outlined by the governing bodies.

Monitoring and measuring methods

For the purposes of single name concentration risk measurement, within the Internal Capital Adequacy Process, ICAAP, the Supervisory Authority identified a simplified[1] approach for the quantification of the capital requirement of Pillar 2, which is a result of the following elements:

- Exposure at Default (EAD) to each counterparty;
- Herfindahl index, calculated on EAD of counterparties;
- A proportionality constant, considered in view of the average risk of the typical portfolio of the Bank and summarized by the Probability of Default (PD).

Within the ICAAP process, the quantification of capital requirement for geo-sectorial concentration risk is set through IBA simplified model, which allows the quantification of an add-on on capital absorption proportional to the difference of concentration between Carige's portfolio and the national benchmark portfolio.

Sectors considered are: agriculture, business, construction, service, households, insurance and financial businesses, public bodies. According to this model, concentration levels lower than benchmark portfolio do not imply internal capital adjustments, while higher levels are mainly attributable to capital requirements on the basis of a recharge rate on capital requirements.

[1] Please refer to the Circular No. 285, Title III, Chapter 1, Annex B, issued by the Bank of Italy.

The Group has also implemented measurement methods for concentration risk exposure based on a simulation approach, which led also to the identification of specific credit limits at both consolidated and single legal entity levels.

Country risk

Risk of incurring losses due to political events or other events taking place in countries other than Italy. The concept of country risk is broader than the one of sovereign risk, as it includes all exposures regardless of the nature of counterparties, whether physical persons, businesses, banks or public bodies.

Strategy

Considering the typical operations of the Carige Group, mainly addressed to domestic market, exposures potentially subjected to such risk are secondary.
The above provided and from a management point of view, the risk profile assessment connected to events in the country of origin which may endanger the solvency of borrowers falls into the broader and more articulated creditworthiness assessment of the counterparty, particularly at the moment of risk-taking, in case of both debt securities and loans granted.
Lending policies of the Group consider this specific type of risk.

Monitoring and measuring methods

Country risk is measured through the assessment of security and loan exposures of the Banks of the Banca Carige Group[2] in counterparties (sovereign governments, financial institutions, businesses, physical persons, etc.) resident in foreign countries and potentially subjected to political events or other events, which may cause a partial or total default of the borrower.
A country rating, expressed by a third party and on the basis of such risk, is associated with each recognised exposure; the exposure is measured with reference to the risk assessment expressed in country rating and the overall amount of risk-weighted exposures constitutes the exposure to such kind of risk.

Transfer risk

Risk for a bank, exposed to a person operating in a currency different from the one in which it collects its primary sources of revenue, of incurring losses due to problem for the debtor in converting its currency in the currency of the exposure.
Transfer risk is often considered part of country risk, specifically relating to events concerning currency convertibility, capital movement restrictions, strong write-downs and similar events, in which each person collecting its primary sources of revenue in risk currencies is exposed to.

[2] Due to their specific operations, credit assets of Creditis Servizi Finanziari SpA - consumer credit company of the Group - are not included in country risk.

Strategy

Considering the typical operations of the Carige Group, mainly addressed to domestic market, exposures potentially subjected to such risk are secondary.
Similarly to country risk, the assessment of possible risk profiles relating to possible conversion restrictions and/or currency in circulation in certain countries, which may endanger the solvency of borrowers, falls into the broader and more articulated creditworthiness assessment of the counterparty, particularly at the moment of risk-taking.
Lending policies of the Group consider this specific type of risk.

Monitoring and measuring methods

Provided that - in principle - transfer risk exposure depends, at single counterparty level, on the amount of cash flows expressed in risk currencies and relating to overall corporate size (turnover, invested capital, alternative flows, etc.), it is approximately considered necessary to identify the scope of the possible exposure to transfer risk with portfolio of those customer/issuer resident in countries considered at risk from the currency convertibility point of view.

Transfer risk is measured through the assessment of security and loan exposures with the Banks of the Banca Carige Group[3] in counterparties (sovereign governments, financial institutions, businesses, physical persons, etc.) resident in foreign countries and potentially subjected to conversion restriction or circulation for their national currency.
A country rating, expressed by a third party and on the basis of such specific risk (different from the broader meaning of country risk), is associated with each recognised exposure; the exposure is measured with reference to the risk assessment expressed in the rating relating to currency conversion and the overall amount of risk-weighted exposures constitutes the exposure to such kind of risk.

Basis Risk

As far as market risk is concerned, basis risk represents the risk of incurring losses due to out-of-line changes of positions with opposite sign, similar but not identical. While considering this risk, the Supervisory Authority provides for particular attention for those banks, calculating capital requirements for position risk according to the standardized approach, offset positions in one or more equities included in a share index with one or more future positions or other derivatives related to such index, or which offset opposite positions in future on share index and which are not identical in relation to their maturity and/or composition.

Strategy

Basis risk exposure is included in market risk assessment, performed on a daily basis by the Risk Management Department through VaR analysis. Furthermore, in its entirely, market risk is not significant, given the size of trading portfolio and basis risk constitutes a residual amount.

[3] Due to their specific operations, credit assets of Creditis Servizi Finanziari SpA - consumer credit company of the Group - are not included in country risk.

Monitoring and measuring methods

From a management point of view, basis risk is assessed through the internal VaR model, aiming at more completely measuring market risk of trading book, which also includes the risk of out-of-line movements in exposures with opposite sign within the portfolio.

Risk of excessive leverage

The Supervisory Authority defines the risk of excessive leverage as "the risk that a particularly higher indebtedness than its own funds may make the bank vulnerable, making it necessary the adoption of corrective measures to its Business Plan, including the sale of assets with losses recognition and which may led to loan loss provisions also on remaining assets"[4].

Monitoring and measuring methods

The leverage is measured through the leverage ratio indicator, which compares corporate assets (TIER1) with total assets, which include off-balance sheet assets, whose exposure is quantified through dedicated conversion factors. Leverage ratio is one of RAF indicators, in which Risk Appetite and Risk Tolerance values - which are specifically monitored - have been defined.

As far as information requested by Article 435, Section 2 of CRR are concerned, please see the "Report on corporate governance and ownership structure for 2014", prepared pursuant to the Article 123bis of the Italian Consolidated Law on Finance in line with the format issued by Borsa Italiana SpA in January 2015 and published on the corporate website, which also includes the following information:

a) number of offices as director of the members of the Board of Directors: required information derive from Annex 2 of the aforementioned Report (page 105) and relating to offices held by the Directors of Carige in listed companies, banking, financial and insurance companies or of significant dimensions and not belonging to the Group, as assessed in the meeting on 27th March 2014 of the Board of Directors. For further information, please see the section relating to the Board of Directors in Chapter 4, more specifically Paragraph 4.2 "Composition" (page 17), where a short curriculum vitae of all executives in charge is provided, showing competences and professional experiences gained;

b) recruitment policy for the selection of the members of the Board of Directors and their actual knowledge, competences and experience: such information derive from the aforementioned Report of Chapter 4 relating to the Board of Directors, more specifically: Paragraph 4.1 "Appointment and Replacement" - page 14, Paragraph 4.2 "Composition" - page 17;

[4] Please refer to the New Supervisory Instructions for Banks (Circular No. 285/2013, Title III – Chapter 1, Annex A – Risks to be assessed within the ICAAP).

c) diversification policy adopted in the selection of the members of the Board of Directors, associated goals and possible targets within the aforementioned policy, as well as how such goals and targets have been achieved: in compliance with laws and supervisory regulations and for purposes of appointment or co-optation of Board Members, the Board of Directors identifies in advance its ideal qualitative and quantitative composition, identifying and explaining the appropriate theoretical profile (including professional features and possible independence) of the candidates, and providing, inter alia, for the presence within the Board of appropriate elements of differentiation, with reference to the geographical origin (national and international) of the Board members, as well as gender, registry and seniority profiles. Such information derive from the aforementioned Report of Chapter 4 relating to the Board of Directors, more specifically: Paragraph 4.1 "Appointment and Replacement" - page 14, Paragraph 4.2 "Composition" - page 17 and Paragraph 4.3 "Role of the Board of Directors" (page 24);

d) whether the body has set up a specific risk committee and how many times it has met: the Bank has implemented the Control and Risk Committee within the Board of Directors as Standing Committee, in compliance with Principle 7.P.3 of the Code of Conduct, as specified in the relevant Regulation. Information regarding Composition and Functioning and Duties attributed derive from Chapter 10 (page 48);

e) the description of information flows on risks addressed to the Board of Directors: in line with legal and supervisory regulations, and in compliance with the Code of Conduct, in order to ensure sound, prudent management which combines business profitability with a consistent assumption of risks and operations based on criteria of transparency and correctness, Banca Carige has set up an internal control system (the "Internal Control System or ICS") to continuously detect, measure and verify the typical risks of the company's business. Information connected with the feature of the such system derive from Chapter 11 of the aforementioned Report "Internal Control and Risk Management System" (page 54); Paragraph 11.6 "Coordination among persons involved in the Internal Control and Risk Management System" (page 72) describes the information flow on risks addressed to the Board of Directors.
   Furthermore, as specified also in Chapter 4 Paragraph 4.3 of the aforementioned Report "Role of the Board of Directors" (page 24), the Group Regulations for the coordination of control bodies and functions defines sets out specific coordination activities among bodies and functions of the Parent Company, as well as among bodies and functions of the various members of the Group in each phase of control processes.

2. SCOPE OF APPLICATION

QUALITATIVE INFORMATION – art. 436 CRR

The scope of application of this document is the perimeter of the Banca Carige Banking Group. Subsidiaries carrying out banking, financial and business-related activities belong to the Banking Group. Subsidiaries carrying out dissimilar activities are included in the scope of consolidation of financial statements prepared in compliance with IAS/IFRS, but they are excluded from the scope of application of this disclosure.

As regards the scope of business, subsidiaries can be divided into banking institutions (Banca Carige SpA, Banca Carige Italia SpA, Cassa di Risparmio di Savona SpA, Cassa di Risparmio di Carrara SpA, Banca del Monte di Lucca SpA, Banca Cesare Ponti SpA), consumer credit companies (Creditis Servizi Finanziari SpA), trust companies (Centro Fiduciario SpA) special-purpose vehicles for securitisations (Argo Mortgage 2 Srl), special-purpose vehicles for the issuance of covered bonds (Carige Covered Bond Srl and Carige Covered Bond 2 Srl), insurance companies (Carige Vita Nuova SpA, Carige Assicurazioni SpA), real estate (Columbus Carige Immobiliare SpA, Immobiliare Carisa Srl, Dafne Immobiliare Srl and I.H. Roma Srl) and insurance companies (Assi 90 Srl).
The special purpose vehicles Argo Mortgage 2, Carige Covered Bond and Carige Covered Bond 2 were consolidated using the line-by-line method.

With regard to the securitisation of Banca Carige's performing loans carried out by Argo Mortgage 2 in 2004, as the transaction does not fully satisfy the conditions of the substantial transfer to third parties of related risks and rewards, consolidation was carried out on the basis of the company's segregated assets.

As regards factoring aimed at issuing covered bonds, receivables have not been derecognised from the financial statements of the respective assignors, as they provide the substantial retention of all connected risks and rewards.

As far as insurance companies of the Group (Carige Vita Nuova, Carige Assicurazioni, Assi 90, Dafne Immobiliare and I.H. Roma) are concerned, they constitute for IVASS purposes an Insurance Group subjected to its specific supervision; it should be noted that, following the correct solvency verification as at 31st December 2014, pursuant to Article 217 of Legislative Decree 209/2005 and performed as required by ISVAP Regulation no. 18 of 12th March 2008, a EUR 143.8 mln worth of excess emerges, a clear improvement as compared to the EUR 15.4 mln worth of shortfall recognised in 2013.

The negative result of last year was affected by some extraordinary components, which characterised the financial year of both Companies. More specifically, write-downs of real estate properties and technical receivables were the most significant components.
In 2014, an EUR 92 mln worth of capital increase of Carige Assicurazioni has been completed, in order to obtain an available solvency margin of around 120% of the required solvency margin, as required by the Supervisory Authority.
This action, together with the considerable improvement of the results of the Companies, has restored the correct solvency Companies of the insurance segment, close to their disposal in light of the strategic focus on the assets of the Carige Group.

QUANTITATIVE INFORMATION – art. 436 CRR

2.1 Scope of Consolidation as at 31st December 2014

Company name	Operating Offices	Registered Office	Shareholding relationship		Treatment	
			held by	Shareholding %	in the financial statement	in prudential reports
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 consolidated	full consolidated
3. Cassa di Risparmio di Savona SpA	Savona	Savona	A1.1	95.90	full consolidated	full consolidated
4. Cassa di Risparmio di Carrara SpA	Carrara	Carrara	A1.1	90.00	full consolidated	full consolidated
5. Banca del Monte Lucca SpA	Lucca	Lucca	A1.1	60.00	full consolidated	full consolidated
6. Banca Cesare Ponti SpA	Milan	Milan	A1.1	100.00	full consolidated	full consolidated
7. Creditis Servizi Finanziari SpA	Genoa	Genoa	A1.1	100.00	full consolidated	full consolidated
8. Centro Fiduciario C.F. SpA	Genoa	Genoa	A1.1	76.95	full consolidated	full consolidated
			A1.3	20.00	full consolidated	full consolidated
9. Argo Mortgage 2 Srl	Genoa	Genoa	A1.1	60.00	full consolidated	full consolidated
10. Carige Covered Bond Srl	Genoa	Genoa	A1.1	60.00	full consolidated	full consolidated
11. Carige Covered Bond 2 Srl	Genoa	Genoa	A1.1	60.00	full consolidated	full consolidated
12. Columbus Carige Immobiliare SpA	Genoa	Genoa	A1.1	100.00	full consolidated	full consolidated
13. Immobiliare Carisa Srl	Savona	Savona	A1.3	100.00	full consolidated	full consolidated
Insurance companies						
14. Carige Assicurazioni SpA	Milan	Milan	A1.1	99.999	full consolidated	equity method
15. Carige Vita Nuova SpA	Genoa	Genoa	A1.1	100.00	full consolidated	equity method
Other companies						
16. Dafne Immobiliare Srl	Milan	Milan	A1.14	100.00	full consolidated	equity method
17. I. H. Roma Srl	Milan	Milan	A1.15	100.00	full consolidated	equity method
18. Assi 90 Srl	Genoa	Genoa	A1.14	39.75	full consolidated	equity method
			A1.15	60.25	full consolidated	equity method

Within prudential reports, insurance companies are evaluated on the basis of the equity method and, subsequently, according to IFRS 5 provisions "Non-current Assets Held for Sale and Discontinued Operations", as their fair value less cost to sell was lower than their accounting value. Since they represent significant holdings, values obtained have been deducted from capital through the threshold mechanisms specified in the CRR.

It should be noted that no legal impediment preventing the transfer of assets or funds within the Group exists.

3. OWN FUNDS

QUALITATIVE INFORMATION – art. 437 CRR

Own funds were determined on the basis of the new harmonised regulations for banks and investment companies contained in the CRR and CRD IV, which transpose in the European Union the standards defined by the Basel Committee for bank supervision. Provisions issued by the Bank of Italy through Circulars 285/2015 and 286/2013 and following amendments - with particular reference to the exercise of national discretions - have also been considered.

It should be noted that transitory provisions on own capitals (see Second Part, Chapter 14, Section II, of Circular letter no. 285) set out that banks are eligible to keep a prudential filter on unrealized profits and losses related to exposures to central governments and classified as "Available-for-sale assets", until the adoption in Europe of IFRS 9 standard, which will supersede IAS 39 as regards financial instruments (see Section II, Paragraph 2, last subsection).

This faculty was exercised by the Group within the terms set via notice sent to the Bank of Italy.

Table relating to the details of capital instruments

Following tables are organized on the basis of the tables included in the EU Regulation no. 1423 of 20th December 2013 establishing those implementing standards relating to the disclosure of own funds requirements for institutions according to EU Regulation No. 575/2013 of the European Parliament and of the Council.

More specifically, Annex II of the aforementioned Regulation provides for a specific disclosure pattern of main details of capital instruments.

1.Common Equity Tier 1 – CET1

Common Equity Tier 1 (CET1) before the application of prudential filters consists of the following positive or negative elements:

- Share capital
- Share premium reserve
- Reserves net of negatives
- Own shares in portfolio
- Profit (loss) for the period

- Other balance sheet items collected
- Minority interests

CET1 prudential filters consist of the following elements:

- Cash flow hedges
- Profits on own liabilities designated at fair value due to its own creditworthiness
- Fair value profits resulting from own credit risk correlated to liabilities
- Supervisory loan loss provisions

Deductions from CET1 consist of:

- Goodwill
- Other intangible assets
- Deferred tax assets based on future profitability and do not derive from temporary differences (net of the relative tax liabilities)
- Deductions with 10% threshold including a) deferred tax assets based on future profitability and arising from temporary differences b) significant investments in CET1 instruments of other subjects of the financial sector
- Deductions with 17.65% threshold (up to 2017 a 15% threshold provided in the temporary regime is applied) with reference to total elements specified in the previous point and under the 10% threshold.
- Other negative elements

Impacts on CET1 and attributable to the temporary regime have been added to the aforementioned elements.

2. Additional Tier 1 – AT1

Additional Tier 1 consists of:

- Paid-up share capital (savings shares)
- Share premium on savings shares

- AT1 instruments subjected to transitional provisions (grandfathering))
- Impacts on AT1 attributable to temporary regime

AT1 also includes interest share of third parties computable as a result of transitional provisions.

The main features of calculated Additional Tier 1 are outlined below.

Capital instruments main features templates (1)		
1	Issuer	Banca Carige S.p.A.
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	XS0400411681
3	Legislation applicable to the instrument	English - Italian
	Regulatory treatment	
4	Transitional CRR rules	Additional Tier 1 Eur 32 mln have been riclassified in Tier 2 capital
5	Post transitional CRR rules	Non eligible
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
	Instrument type (types must be specified for each jurisdiction)	Bond - Art. 51 and 484 CRR
8	amount recognised in regulatory capital (millions of Eur, at the most recent reporting reference date)	160
9	Instrument nominal amount	EUR 160,000,000
9a	Issue price:	100
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	04/12/2008
12	Perpetual or dated	Perpetual
13	Original Maturity Date	No maturity
14	Issuer call subject to prior Supervisory approval	Yes
15	Date of the voluntary early redemption, dates of the possible early redemption and redemption amount	4/12/2018 at par value; it is also foreseen an early repayment, related to tax and regulatory events
16	Subsequent call dates, if applicable	quarterly on 4/3, 4/6, 4/9 and 4/12 of each year starting from 4/12/2018
	Coupon/dividends	
17	Fixed or floating Dividends/coupons	Fixed to floating
18	Coupon interest rate, and any related index	8.338% until 4/12/2018; then Euribor 3M + 550 bps
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partly discretionary or mandatory (in terms of amounts)	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 the type of the senior instrument)	Upper Tier II
36	Non-compliant transitioned features	Yes
37	If yes, specify non-copmpliant features	Non compliant with CRR art. 52 - letter g) and n)
(1) "N/A" if the information is not applicable		

3. Tier 2 Capital – T2

Tier 2 capital consists of:

- Own T2 instruments
- T2 instruments subjected to transitional provisions (grandfathering)
- Impacts on T2 attributable to temporary regime

T2 also includes interest share of third parties computable as a result of transitional provisions.

The main features of Tier 2 capital are outlined below.

Capital instruments main features templates (1)		
1	Issuer	Banca Carige S.p.A
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	IT0004429137
3	Legislation applicable to the instrument	Italian
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 Capital
5	Post transitional CRR rules	Tier 2 Capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
	Instrument type (types must be specified for each jurisdiction)	Bond art. 62 CRR
8	amount recognised in regulatory capital (millions of Eur, at the most recent reporting reference date)	120 repurchases and amortisations
9	Instrument nominal amount	EUR 150,000,000
9a	Issue price:	100
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	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	Date of the voluntary early redemption, dates of the possible early redemption and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividends	
17	Fixed or floating Dividends/coupons	Floating
18	Coupon interest rate, and any related index	Euribor 3M + annual 200 bps spread
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amounts)	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 the type of the senior instrument)	Lower Tier II
36	Non-compliant transitioned features	No
37	If yes, specify non-copmpliant features	-
(1) "N/A" if the information is not applicable		

Capital instruments main features templates (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	XS0437305179
3	Legislation applicable to 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; consolidated; solo & consolidated	Solo & consolidated
	Instrument type (types must be specified for each jurisdiction)	Bond art. 62 CRR
8	amount recognised in regulatory capital (millions of Eur, at the most recent reporting reference date)	30 amortisation
9	Instrument nominal amount	EUR 100,000,000
9a	Issue price:	100
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	29/06/2009
12	Perpetual or dated	Dated
13	Original Maturity Date	29/06/2016
14	Issuer call subject to prior Supervisory approval	No
15	Date of the voluntary early redemption, dates of the possible early redemption and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividends	
17	Fixed or floating Dividends/coupons	Fixed
18	Coupon interest rate, and any related index	6.14%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amounts)	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 the type of the senior instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-copmpliant features	-
(1) "N/A" if the information is not applicable		

Capital instruments main features templates (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	XS0524141057
3	Legislation applicable to 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; consolidated; solo & consolidated	Solo & consolidated
	Instrument type (types must be specified for each jurisdiction)	Bond art. 62 CRR
8	amount recognised in regulatory capital (millions of Eur, at the most recent reporting reference date)	10 amortisation
9	Instrument nominal amount	EUR 20,000,000
9a	Issue price:	100
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	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	Date of the voluntary early redemption, dates of the possible early redemption and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividends	
17	Fixed or floating Dividends/coupons	Fixed
18	Coupon interest rate, and any related index	5.70%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amounts)	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 the type of the senior instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-copmpliant features	-
(1) "N/A" if the information is not applicable		

Capital instruments main features templates (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	XS0542283097
3	Legislation applicable to 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; consolidated; solo & consolidated	Solo & consolidated
	Instrument type (types must be specified for each jurisdiction)	Bond art. 62 CRR
8	amount recognised in regulatory capital (millions of Eur, at the most recent reporting reference date)	50
9	Instrument nominal amount	EUR 50,000,000
9a	Issue price:	100
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	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	Date of the voluntary early redemption, dates of the possible early redemption and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividends	
17	Fixed or floating Dividends/coupons	Fixed
18	Coupon interest rate, and any related index	5.70%
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amounts)	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 the type of the senior instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-copmpliant features	-
(1) "N/A" if the information is not applicable		

Capital instruments main features templates (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	XS0570270370
3	Legislation applicable to 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; consolidated; solo & consolidated	Solo & consolidated
	Instrument type (types must be specified for each jurisdiction)	Bond art. 62 CRR
8	amount recognised in regulatory capital (millions of Eur, at the most recent reporting reference date)	200
9	Instrument nominal amount	EUR 200,000,000
9a	Issue price:	100
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	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	Date of the voluntary early redemption, dates of the possible early redemption and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividends	N/A
17	Fixed or floating Dividends/coupons	Fixed
18	Coupon interest rate, and any related index	7.321%
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amounts)	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 the type of the senior instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-copmpliant features	-
(1) "N/A" if the information is not applicable		

The main features of Tier Capital 2 instrument subjected to transitional provisions (grandfathering) are outlined below:

Capital instruments main features templates (1)		
1	Issuer	BANCA CARIGE SpA
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	XS0256396697
3	Legislation applicable to the instrument	English - Italian
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 Capital
5	Post transitional CRR rules	Non eligible
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
	Instrument type (types must be specified for each jurisdiction)	Bond art. 62 and 484 CRR
8	amount recognised in regulatory capital (millions of Eur, at the most recent reporting reference date)	143 repurchases and amortisations
9	Instrument nominal amount	EUR 500,000,000
9a	Issue price:	99.86
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	07/06/2006
12	Perpetual or dated	Dated
13	Original Maturity Date	07/06/2016
14	Issuer call subject to prior Supervisory approval	Yes
15	Date of the voluntary early redemption, dates of the possible early redemption and redemption amount	7/6/2011 at par value; it is also foreseen an early repayment, related to tax events
16	Subsequent call dates, if applicable	on a quarterly basis, at par value, on 7/3, 7/6, 7/9 and 7/12 of each year
	Coupon/dividends	
17	Fixed or floating Dividends/coupons	Floating
18	Coupon interest rate, and any related index	Coupons Indexed Euribor 3M + 102 bps
19	Existence of a dividend stopper	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amounts)	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 the type of the senior instrument)	Senior
36	Non-compliant transitioned features	Yes
37	If yes, specify non-copmpliant features	Non compliant with CRR art. 63 - letter (h)
(1) "N/A" if the information is not applicable		

It should be noted that T2 grandfathering also includes EUR 32 mln worth of AT1 instrument, which could not be included in AT1.

QUANTITATIVE INFORMATION – art. 437 / 492 CRR

3.1 Own funds composition as at 31 December 2014

	Total 31/12/2014
A. Common Equity Tier 1 (CET1) prior to the application of prudential filters	1,783,207
o.w. CET1 instruments subject to grandfathering/transitional adjustments	18,475
B. CET1 prudential filters (+/-)	115,405
C. CET1 gross of deductions and effects from transitional adjustments (A+/-B)	1,898,612
D. Items to be deducted from CET1	-493,112
E. Transitional adjustments – Effect on CET1 (+/-), including non-controlling interests subject to transitional adjustments	318,103
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	1,723,603
G. Additional Tier 1 Capital (AT1) gross of deductions and effects from transitional adjustments	128,739
o.w. AT1 instruments subject to grandfathering/transitional adjustments	128,000
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	-68,910
L. Additional Tier 1 Capital (AT1) (G-H+/-I)	59,829
M. Tier 2 Capital (T2) gross of deductions and effects from transitional adjustments	585,148
o.w. T2 instruments subject to grandfathering/transitional adjustments	175,404
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	-67,237
P. Totale Tier 2Capital (T2) (M-N+/-O)	517,911
Q. Totale own funds (F+L+P)	2,301,343

Capital losses sterilised on debt securities issued by central governments of members of the European Union and included in the "Available-for-sale assets" portfolio, amounted to EUR 8.2 mln. If the aforementioned option would have not been implemented, CET1 would have decreased of EUR 1.3 mln, AT1 of EUR 5.1 mln and T2 of EUR 0.8 mln. As a consequence overall positive impact on own funds and attributable to such option amounts to EUR 1.4 mln.

The table of 2013 Regulatory capital prepared pursuant to Basel 2 regulations is provided below. Regulatory amendments introduced do not enable a comparative representation.

3.2 Regulatory capital composition as at 31 December 2013

	Total 31/12/13
A. Tier 1 capital prior to the application of prudential filters	1,441,206
B. Prudential filters for tier 1 capital:	(32,398)
B.1 IAS/IFRS positive prudential filters (+)	-
B.2 IAS/IFRS negative prudential filters (-)	(32,398)
C. Tier 1 capital before deductions (A+B)	1,408,808
D. Deductions from Tier 1 capital	151,322
E. Total Tier 1 capital (TIER 1) (C-D)	1,257,486
F. Tier 2 capital prior to the application of prudential filters	864,880
G. Prudential filters for Tier 2 capital:	(3,717)
G.1 IAS/IFRS positive prudential filters (+)	-
G.2 IAS/IFRS negative prudential filters (-)	(3,717)
H. Tier 2 capital before deductions (F+G)	861,163
I. Deductions from Tier 2 capital	151,322
L. Total Tier 2 capital (TIER 2) (H-I)	709,841
M. Deductions from Tier 1 and Tier 2 capital	-
N. Regulatory capital (E+L-M)	1,967,327
O. Tier 3 capital	9,723
P. Regulatory capital including TIER 3 (N+O)	1,977,050

No benefit connected with the accounting of Bank of Italy's new quotas is included while determining Tier 1 as at 31st December 2013.

The reconciliation between consolidated balance sheet published and consolidated balance sheet related to the prudential regulatory consolidation area is provided below. Group companies, which are excluded from the prudential regulatory consolidation area, belong to the Insurance Group (Carige Vita Nuova SpA, Carige Assicurazioni SpA, Assi 90 Srl, Dafne Immobiliare Srl and I.H.Roma Srl). These companies have been classified in 2014 balance sheet as disposal group held for sale and, as a consequence, the difference between consolidated balance sheet published and consolidated balance sheet relating to the prudential regulatory consolidation area mainly affects Item 150 "Non-current assets and disposal groups held for sale" and Item 90 "Liabilities associated with assets held for sale".

3.3 CORRELATION TABLE BETWEEN PUBLISHED CONSOLIDATED FINANCIAL STATEMENT AND PRUDENTIAL CONSOLIDATED FINANCIAL STATEMENT

Assets	31/12/2014 Financial Statement Perimeter	Δ	31/12/2014 Prudential perimeter
10. Cash and cash equivalents	329,394		329,394
20. Financial assets held for trading	67,762		67,762
30. Financial assets designated at fair value	-		-
40. Financial assets available for sale	3,037,414		3,037,414
50. Financial assets held to maturity	-		-
60. Loans and advances to banks	754,732		754,732
70. Loans and advances to customers	23,682,831		23,682,831
80. Hedging derivatives	201,525		201,525
90. Change in value of macro-hedged financial assets (+/-)	-		-
100. Equity investments	92,482		92,482
110. Technical reserves / reinsurers	-		-
120. Tangible assets	769,760		769,760
130. Intangible assets	116,148		116,148
of which:			
goodwill	57,145		57,145
140. Tax assets	2,032,517	-	2,032,517
a) current	1,034,463		1,034,463
b) deferred	998,054		998,054
pursuant to Law 214/2011	753,312		753,312
150. Non-current assets and groups of assets held for sale	6,854,768	(5,814,949)	1,039,819
160. Other assets	370,227	6,107	376,334
Total Assets	**38,309,560**	**(5,808,842)**	**32,500,718**

Liabilities and Shareholders' Equity	31/12/2014 PUBLISHED	Δ	31/12/2014 PRUDENTIAL
10. Deposits from banks	1,877,094		1,877,094
20. Deposits from customers	17,332,987	254,317	17,587,304
30. Debt securities in issue	8,121,888	39,336	8,161,224
40. Financial liabilities held for trading	11,667		11,667
50. Financial liabilities designated at fair value	964,726		964,726
60. Hedging derivatives	515,252		515,252
70. Value adjustment of financial liabilities subject to macro hedging (+/-)	-		-
80. Tax liabilities	24,421	-	24,421
a) current	12,891		12,891
b) deferred	11,530		11,530
90. Liabilities associated with individual assets held for sale	6,474,615	(6,097,946)	376,669
100. Other liabilities	640,768	(4,546)	636,222
110. Provision for employee severance pay	82,588		82,588
120. Provisions for risks and charges:	446,011		446,011
a) pension fund and similar obligations	393,563		393,563
b) other provisions	52,448		52,448
130. Technical reserves	-		-
140. Valuation reserves	(190,025)		(190,025)
150. Redeemable shares	-		-
160. Equity instruments	-		-
165. Advances on dividends (-)	-		-
170. Reserves	(426,348)		(426,348)
180. Share premium reserve	368,856		368,856
190. Share capital	2,576,863		2,576,863
200. Treasury shares (-)	(20,283)		(20,283)
210. Minority interests (+/-)	52,071	(3)	52,068
220. Net income (loss) (+/-)	(543,591)		(543,591)
Total Liabilities and Shareholders' Equity	**38,309,560**	**(5,808,842)**	**32,500,718**

3.4 RECONCILIATION TABLE BETWEEN THE PRUDENTIAL BALANCE SHEET ITEMS USED FOR THE CALCULATION OF BOTH THE OWN FUNDS AND THE REGULATORY OWN FUNDS

Assets	31/12/2014 Prudential perimeter	Impact on CET1	Impact on AT1	Impact on T2	Total impact Own funds
130. Intangible assets	116,148	(116,148)			(116,148)
of which:					-
goodwill	57,145	(57,145)			(57,145)
140. Tax assets	2,032,517	(35,198)			(35,198)
a) current	1,034,463				-
b) deferred	998,054	(35,198)			(35,198)
pursuant to Law 214/2011	753,312				-
150. Non-current assets and groups of assets held for sale	1,039,819	(56,183)	(69,614)	(69,614)	(195,411)
of which significant investments outside of the prudential scope	306,691	(34,807)	(69,614)	(69,614)	(174,035)
of which goodwill	19,942	(19,942)			(19,942)
of which other intangible assets	1,434	(1,434)			(1,434)
Total Assets	**32,500,718**	**(207,529)**	**(69,614)**	**(69,614)**	**(346,757)**

Liabilities and Shareholders' Equity	31/12/2014 Prudential perimeter	Impact on CET1	Impact on AT1	Impact on T2	Total impact Own funds
30. Debt securities in issue	8,161,224		128,000	585,149	713,149
140. Revaluation reserves:	(190,025)	(32,821)	-	1,015	- 31,806
financial assets available for sale (*)	(5,633)	(1)		1,015	1,014
Cash-flow hedges	(151,572)	-			-
net actuarial losses (*)	(102,029)	(102,029)			- 102,029
shareholdings carried at equity	69,209	69,209			69,209
170. Reserves	(426,348)	(426,348)			- 426,348
180. Share premium reserve	368,856	368,763	93		368,856
190. Share capital	2,576,863	2,576,216	647		2,576,863
200. Treasury shares (-)	(20,283)	(20,283)			(20,283)
210. Minority interests (+/-)	52,068	45,363	703	1,361	47,427
220. Net income (loss) (+/-)	(543,591)	(543,591)			(543,591)
Total Liabilities and Shareholders' Equity	**32,500,718**	**1,967,299**	**129,443**	**587,525**	**2,684,267**

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	(31,340)			(31,340)
Regulatory value adjustments	(4,827)			(4,827)
Other accounting elements related to Own Funds	**(36,167)**	**-**	**-**	**(36,167)**
TOTAL OF OWN FUNDS	**1,723,603**	**59,829**	**517,911**	**2,301,343**

(*) including the related "of which" of the reserves on assets held for sale

	Common Equity Tier 1: instruments and reserves	(A) AMOUNT AT THE INFORMATION DATE	(B) Reference art. of EU Regulation no. 575/2013	(C) AMOUNTS SUBJECT TO PRE-EU REGULATION NO. 575/2013 TREATMENT, TREATMENT OR RESIDUAL AMOUNT REQUIRED BY EU REGULATION NO. 575/2013
1	Capital instruments and related share premium reserves	2,944,979	26 (1), 27, 28, 29, EBA List 26 (3)	
	of which: tier 1 instruments	2,944,979	EBA List 26 (3)	
2	Retained profits	-477,979	26 (1) (c)	
3	Other accumulate elements of the Comprehensive Income Statement (together with other reserves, including profits and losses not realised under the framework of the applicable accounting rules)	-138,394	26 (1)	
5	Minority interests (amount allowed in the consolidated Common Equity Tier 1)	45,363	84, 479, 480,	26,888,229
6	Common Equity Tier 1 (CET1), before the regulatory corrections	2,373,969		
Common Equity Tier 1 (CET1): regulatory corrections				
7	Additional value adjustments (negative amount)	-4,827	34, 105	0
8	Non tangible assets (net of the related tax liabilities) (negative amount)	-137,524	36, (1) (b), 37, 472, (4)	0
10	Deferred tax activities based on the future profitability, excluding those arising from temporary differences (net of tax liabilities, in which the conditions set forth by art. 38 are met (3)) (negative amount)	-10,843	36 (1) (c), 38, 472 (5)	43,373,910
11	Fair value reserves, related to profits and losses generated by cash flow hedges	151,572	33 (a)	
14	Profits or losses on liabilities, evaluated at fair value, generated by creditworthiness evolution	-31,340	33 (b)	
16	Common Equity Tier 1 Own Instruments, directly or indirectly held by the institution (negative amount)	-20,283	36 (1) (f), 42, 472 (8)	
19	Common Equity Tier 1 instruments of operators in the financial sector, directly-, indirectly or synthetically held by the institution, when it has a significant investment in these subjects (amount higher than 10% and net of eligible short positions) (negative amount)	-25,963	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 da (1) a (3), 79, 470, 472 (11)	103,852,160
21	Deferred tax activities arising from temporary differences (amount higher than 10%, net of the related tax liabilities, in which the conditions set forth by art. 38 are met (3)) (negative amount)	-1,499	36 (1) (c) , 38, 48 (1) (a), 470, 472 (5)	17,182,480

22	Amount exceeding the 15% threshold (negative amount)	-17,688	48 (1)	121,174,281
23	of which: Common Equity Tier 1instruments of operators in the financial sector, directly or indirectly held by the institution, when it has a significant investment in these subjects (amount higher than 10% and net of eligible short positions) (negative amount)	-8,844	36 (1) (i), 48 (1) (b), 470, 472 (11)	60,587,141
25	of which: tax assets arising from temporary differences	-8,844	36 (1) (c), 38, 48 (1) 8a), 470, 472 (5)	60,587,141
25a	Losses of the current period (negative amount)	-543,591	36 (1) (a), 472 (3)	
26	Regulatory corrections, to be applied to Common Equity Tier 1, in relation to the amounts subject to pre-CRR treatment	-14,012		
26a	Regulatory correction related to unrealised profits or losses in accordance with arts. 467 and 468	5,632		
	of which: unrealised net profits on debt securities issued by institution different from Central Administrations belonging to EU	-1,853	467	
	of which: unrealised net profits on equity securities	-686	467	
	of which: unrealised net losses on debt securities issued by Central Administrations belonging to EU	8,170		
28	Total regulatory corrections on Common Equity Tier 1	-650,367		
29	Common Equity Tier 1 (CET1)	1,723,603		
Additional Common Equity Tier 1: instruments				
30	Capital instruments and related share premium reserves	740	51, 52	
31	of which: classified as net equity in accordance with the applicable accounting discipline	740		
33	Amount of the eligible elements as per art. 484 (4) and their related share premium reserved, subject to phase out from Additional Tier 1	128,000	486 (3)	
34	Eligible Common Equity Tier 1 included in consolidated Additional Tier 1 (including minority interest not included in Line 5) issued by subsidiaries and held by third parties	703	85, 86, 480,	703,375
35	of which: instruments issued by subsidiaries subject to phase out	703	486 (3)	
36	Additional Tier 1 before the regulatory corrections	129,443		703,375
Additional Tier 1: regulatory corrections				
41a	Residual amounts deducted from Additional Tier 1 in relation to the deduction from Common Equity Tier 1 during the transition period, in accordance with art. 472 of EU regulation no. 575/2013	-69,614	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	of which: own funds instruments of operators in the financial sector in which the institution has a significant investment	-69,614		
43	Total regulatory corrections on Additional Tier 1	-69,614		
44	Additional Tier 1	59,829		
45	Common Equity Tier 1 (T1=CET1+AT1)	1,783,432		

Tier 2 (T2): instruments				
46	Capital instruments and related share premium reserves	419,744	62, 63	
47	Amount of the eligible elements as per art. 484 (5) and their related share premium reserved, subject to phase out from T2	175,404	486 (4)	
48	Eligible own funds instruments included in consolidated T2 (including minority interest and Additional Tier 1 instruments not included in Line 5 nor in Line 34) issued by subsidiaries and held by third parties	1,361	87, 88, 480,	1,360,901
51	Tier 2 Capital (T2), before the regulatory corrections	596,509		
Tier 2 Capital (T2): regulatory corrections				
52	T2 own Instruments, directly or indirectly held by the institution, and subordinated loans (negative amount)	-10,000	63 (b) (i), 66 (a), 67, 477 (2)	
56a	Residual amounts deducted from T2 in relation to the deduction from Common Equity Tier 1 during the transition period, in accordance with art. 472 of EU regulation no. 575/2013	-69,614	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	of which items to be detailed on a line-by-line basis, e.g. reciprocal cross holdings in Additional Tier 1 instruments, non significant investments held directly in the equity of other operators in the financial sector, etc.	-69,614		
56c	Amount to be deducted from-, or to be added to, T2 in relation to the additional filters an deductions foreseen by the pre-CRR treatment	1,015	467, 468, 481	
	of which: unrealised profits on AFS securities subject to additional national filter	1,015	467	
57	Total regulatory corrections on Tier 2 capital (T2)	-78,598		
58	Common Equity Tier 2 (T2)	517,911		
59	Total Capital (TC=T1+T2)	2,301,343		
	of which: elements not deducted from Common Equity Tier 1 (EU regulation no. 575/2013), residual amounts: risk weighted exposures on non-significant investments in own funds of other operators in the financial sector	31,239	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	of which: elements not deducted from Common Equity Tier 1 (EU regulation no. 575/2013), residual amounts: risk weighted exposures on significant investments in own funds of other operators in the financial sector	331,641		
	of which: elements not deducted from Common Equity Tier 1 (EU regulation no. 575/2013), residual amounts: DTA based on future profitability, and arising from temporary differences	463,035		
60	Total of risk-weighted assets	20,473,687		

Ratios and capital reserves				
61	Common Equity Tier 1 (as a percentage of the risk exposure amount)	8.4%	92 (2) (a), 465	
62	Common Equity Tier 1 (as a percentage of the risk exposure amount)	8.7%	92 (2) (b), 465	
63	Totale Equity (as a percentage of the risk exposure amount)	11.2%	92 (2) (c)	
64	Specific institution's equity reserve requirement (requirement related to Common Equity Tier 1, in accordance with art. 92 (1) (a)), requirements of capital conservation buffer, of countercyclical capital buffer, of capital reserve against systemic risk, of capital reserve pertaining to systemic relevance institutions (G-ICS or O-ICS reserve), (as a percentage of risk exposure amount)	7.0%	CRD 128, 129, 130	
65	of which: requirement of capital conservation buffer	2.5%		
68	Common Equity Tier 1 available for reserves (as a percentage of the risk exposure amount)	0.7%	CRD 128	
Ratios and capital reserves				
72	Equity of operators in the financial sector, directly or indirectly held, when the institution has not a significant investment in these subjects (amount lower than 10% threshold and net of eligible short positions)	29,961	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Common Equity Tier 1 instruments of operators in the financial sector, directly or indirectly held by the institution, when it has a significant investment in these subjects (amount lower than 10% threshold and net of eligible short positions)	176,875	36 (1) (i), 45, 48, 470, 472 (11)	
75	Deferred tax activities arising from temporary differences (amount lower than 10%, net of the related tax liabilities, in which the conditions set forth by art. 38 are met (3)) (negative amount)	176,875	36 (1) (c), 38, 48, 470, 472 (5)	
Capital instruments subject to phasing out (only applicable between 1 January 2013 and 1 January 2022)				
82	Current ceiling on Additional Tier 1 instruments subject to phase out	128,000	484 (4), 486 (3) & (5)	
83	Amount excluded from Additional Tier 1 with regard to the ceiling (ceiling overshoot after maturities and redemptions)	32,000	485 (4), 486 (3) & (5)	
84	Current cap on Tier 2 instruments subject to phase out arrangements	265,224	484 (5), 486 (4) & (5)	

4. CAPITAL REQUIREMENTS

QUALITATIVE INFORMATION – art. 438 CRR

Strategic goals of the Group include the strengthening of its capital position and the mitigation of risk profiles, defining a path for a gradual return to profitability and in conditions of financial stability, considering capital requirements in compliance with the specific prudential requirements for Banca Carige at a consolidated level and communicated by the European Central Bank (ECB): Common equity Tier 1 ratio (CET1r) at 11.5%.

This approach, formalised within the RAF process, led to the identification of a risk appetite level (for 2015) quantified in terms of prudential regulations of 12 % of Common Equity Tier 1 Ratio in both Pillar 1 and Pillar 2.

A minimum level of capitalisation (risk tolerance) equal to a Common Equity Tier 1 Ratio of 11.5% has also been identified.

QUANTITATIVE INFORMATION – art. 438 / 445 CRR

4.1 - Capital requirements and supervisory ratios

Type of risk	Non-Weighted amounts	Weighted amounts	REQUIREMENT
REGULATORY CAPITAL REQUIREMENTS	33,601,274	18,920,409	1,513,633
1. Credit and counterparty risk			
Central administrations and central banks	8,976,319	1,169,296	93,544
Entities	1,715,024	545,426	43,634
Adm. Regional and local authorities	601,140	131,248	10,500
Multilateral development banks,	0	0	0
Public sector bodies	396,107	396,107	31,689
Companies	5,977,168	5,789,386	463,151
Retail exposures.	2,644,237	1,714,984	137,199
Exposures guaranteed by real estate properties	7,295,616	2,711,764	216,941
Exposures in default conditions	4,160,252	4,775,179	382,014
High-risk exposures	8,453	12,680	1,014
Short-term exposures towards companies	-	-	-
Exposures towards UCI	9,434	9,434	755
Equity instruments	517,437	699,777	55,982
Other positions	1,284,442	954,178	76,334
Elements representing positions vs securitisation	15,646	10,950	876
2. CVA risk (standard method)			1,785
3. Market risks (standard methodology)			1,866
generic risk - debt securities			1,595
generic risk - equity securities			4
specific risk - debt securities			8
specific risk - equity securities			4
specific risk - securitisations			-
position risk on OEIC units			254
generic risk on gamma and vega factors			1
exchange risk			-
4. Operating risk (base method)			120,611
5. Other prudential requirements			-
6. Total regulatory requirements			1,637,895
REGULATORY RATIOS			
Risk-weighted assets			20,473,687
Common Equity Tier 1/Risk-weighted assets (Common Equity Tier 1 capital ratio)			8.4%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			8.7%
Own funds/Risk-weighted assets (Total capital ratio)			11.2%

Regulatory amendments introduced in the regulatory framework as of 1st January 2014 do not provide for a comparison with data as at 31st December 2013.

Capital ratios as at 31st December 2014 are considerably higher than minimum requirements provided for by the regulatory framework effective at the reporting date:

- Common Equity Tier 1 Ratio ("CET1 ratio"): the ratio is 8.4% as compared with a 7% minimum requirement (4.5% + Capital Conversation Buffer - "CCB"- of 2.5%);
- Tier 1 ratio: the ratio is 8.7% as compared with a 8% minimum requirement (5.5% + 2.5% CCB);
- Total Capital Ratio: the ratio is 11.2% as compared with a 10.5% minimum requirement (8% + 2.5% CCB).

CET1 at year-end - which includes the effects of the full recognition of loan loss provisions identified during the Asset Quality Review (AQR) as further specified later in this chapter - and considering also the effects from the disposal of Insurance Companies (whose closing is subject to the issue of the IVASS authorisation) rises to 8.7%.

For purposes of providing complete disclosures, it should be noted that EU Regulation no. 1024 of 15th October 2013 empowers the European Central Bank to require Banks under supervision to maintain their level of own funds higher than minimum capital requirements set in the regulations in force. In this respect, it should be noted that at the end of the Supervisory Review and Evaluation Process (SREP), the European Central Bank has identified specific obligations on additional own funds at a consolidated level, which provide for the achievement of a 11.5% CET1 ratio by the end of July 2015 and the dividend distribution ban.

In this respect, it should be noted that on 19th March 2015, the Board of Director of the Parent Company has approved the 2015 - 2019 Business Plan ("the Plan" o "the Business Plan"), which includes among its initiatives a capital increase for a maximum amount of EUR 850 mln, to be submitted to the approval of the extraordinary shareholders' meeting called on 23rd April 2015. By virtue of the capital strengthening actions defined in the Plan, at the end of 2014 the CET1 Ratio of the Group is expected to improve of further 400 bps reaching 12.7%, not including the benefits arising from the disposal assets and the Capital Plan submitted to the ECB (coverage of the shortfall identified during the Comprehensive Assessment through a capital increase, asset disposal operations and reorganisation of the subsidiary banks' non-controlling interests).

The Business plan continues and strengthens the turnaround strategy started in 2014 and aimed at bringing the Group back to its tradition of a sound locally rooted retail bank for households and businesses, focused on the most important region of Northern and Central Italy with a low risk profile, and through a better credit management and characterised by the "Efficient Distributor" role.

The Group has been preparing the ICAAP Report on data relating to 31st December 2014 and with projections up to 31st December 2015, with a view to the final document to be sent to the Bank of Italy by 30th April 2015. Preliminary findings of ICAAP process do not show elements, which do not allow to confirm the capital adequacy of the Group, also in light of the aforementioned capital increase and the approval of the Business plan: as a result of what the Board of Directors of the Parent Company has approved, the available financial resources can cover, with sufficient margins, all current and future risks, also in stress conditions.

Results of the ECB Comprehensive Assessment

In October, the Comprehensive Assessment[5] ("CA") preliminary to the set-off of the Supervisory Single Mechanism (SSM) and conducted in compliance with the situation as at 31st December 2013 has been concluded.

Comprehensive Assessment - broken down into the phases of risk analysis, asset quality review (AQR) and stress testing - was conducted by the ECB in collaboration with national central banks and on the basis of criteria provided by the European Banking Authority (EBA). The CA is an exercise with primarily prudential implications, based on the conservative application of assessment criteria, including statistical methods, and that the join up of the AQR results with the Stress Test made the latter more conservative than similar tests conducted in the past.

In the case of Banca Carige, the application of the Stress Tests to the financial year 2013 – which was adversely affected by the one-off initiatives implemented by the Bank in the course of the year – has amplified the impacts on the reported capital shortfall. The CA results for Banca Carige did not consider the major actions to improve the capital structure and risk profile implemented by the Bank in 2014, which allowed the Group to confirm its capital adequacy and thanks to them a capital surplus emerges as compared to the AQR minimum capital requirements (EUR 69.6 mln worth of capital surplus).

The Stress Test exercise has identified a need for additional capital ("shortfall") in the amount of EUR 813.4 mln (under the adverse scenario, in which the banks' resilience to particularly unfavourable, extreme conditions was assessed).

While acknowledging the CA results, the Board of Directors of Banca Carige has approved a Capital Plan, which ensure the coverage of the aforementioned shortfall, providing also for the aforementioned capital increase.

More specifically, informative elements relating to the accounting effects of quantitative results of the AQR are provided below.

Credit File Review

The Credit File Review (CFR) carried out during the AQR highlighted a need for higher loan loss provisions (net of reversals) for an overall amount of EUR 216 mln at Group's level.

The Bank has accurately analysed each indicated position in order to implement the suitable adjustments, in light of an updated information framework on the situation of the debtors and the value of guarantees as compared to the one available when the 2013 Full-Year Report was being prepared. On the basis of the analysis conducted, the Bank registered on positions identified during the AQR as non-performing exposures (belonging to the whole portfolio subject to the Credit File Review) significant value adjustments and positions sent to losses with a consequent increase of allowance for impairment for an overall amount of EUR 222 mln, as compared to the EUR 216 mln requested at Group's level (the increase of allowance for impairment for Banca Carige amounted to EUR 147.4 mln).

[5] The Comprehensive Assessment – broken down into the phases of risk analysis, asset quality review (AQR) and stress testing – was conducted by the ECB in collaboration with national Central Banks and on the basis of criteria provided by the European Banking Authority (EBA).

During the year, certain positions classified as performing exposures during the AQR were reclassified as non-performing loans due to their natural evolution. As a consequence, allowance for impairment increased of further EUR 82 mln.

Projection of Findings

The Projection of Findings of the Credit File Review highlighted a EUR 94 mln worth of adjustments. While observing that such projections, arising from statistical methods used within a prudential exercise and will not automatically be reflected in the balance sheet, the Bank has taken into account the provisions identified by the ECB, implementing some refinement in policies, procedures and parameters used during the asset quality review.

More specifically, the specific guidelines to objectively identify losses events have been refined, and as part of second level controls, the logics behind the AQR process have been adopted.

In compliance with guidelines provided for by the ECB during the AQR, within the assessment of smaller non-performing loans subjected to flat assessment, a dedicated adjustment concerning the Loss Given Default (LGD) has been introduced according to the logics explained in the following section Collective Provisioning, with an EUR 27 mln worth of effect (EUR 18.7 mln for Banca Carige) on the Consolidated Balance Sheet as at 31st December 2014.

Further initiatives to be completed by the end of 2015 have been launched in order to further improve updating procedures of recovery time and interest rates used to determine the current recoverable value in order to consider the effects of the current business cycle.

As a result of these updates, the Bank has verified the adequacy of provisions calculated for the unsampled credit portfolio.

This analysis revealed that during 2014 the increase in allowance for impairment on the aforementioned loan portfolio following the constant update of the valuation of the exposures amounted to EUR 126 mln (of which EUR 49.5 mln for Banca Carige) as compared to the values arising from the projection of findings carried out during the AQR and amounting to EUR 94 mln, but considering only those position, which as at 31st December 2014 were classified as bad/substandard loans.

Collective provisioning

The Collective Provisions Analysis carried out during the AQR highlighted higher loan loss provisions on performing loans for an overall amount of EUR 106 mln. In compliance with the guidelines provided for by the ECB on risk parameters and in order to anticipate the effects of the review of rating models which will be implemented in 2015, an adjustments for collective write-downs has been introduced in the 2014 Full-Year Report in order to recognize the effect of a recalibration of the Probability of Default and LGD on shorter time period and adding Down Turn factors on the corporate segment. An approach more oriented to point-in-time logics (specifically requested by the ECB) has been adopted but safeguarding at the same time overall consistency with methodological methods forming the basis of the credit assessment model of the Group.

The refinement of parameters used to calculate the collective provisioning determined an increase in provisions on the whole performing loans portfolio for an overall amount of EUR

90 mln (of which EUR 52.4 relating to Banca Carige) of which EUR 83 mln on the corporate segment, which during 2014 reported an EUR 1.5 bn worth of decrease in exposures.

As far as coverage ratio is concerned, the implementation of the aforementioned adjustment on positions subjected to collective provisioning (performing) determined, as compared to the end of 2013, an increase in hedge rates of about 60 bps; more specifically, performing corporate portfolio recorded an increase in coverage ratio of approximately 140 bps, from 1.6% (end of 2013) to 3.0% as at 31/12/2014. As a consequence, applying such coverage ratio to the exposure as at 31/12/2013, the total amount of impairment losses would have amounted to EUR 102 mln.

Fair Value Level 3

For the Carige Group, assets categorized within level 3 of the fair value hierarchy have not been analysed during the AQR.

5. CREDIT RISK

5.1 LOAN LOSS PROVISIONS

QUALITATIVE INFORMATION – art. 442 CRR

Loans include financial assets due from customers and banks with fixed or determinable payments and not listed in an active market. These are recognised at the date of subscription, which generally corresponds with the date of disbursement of the counterparty.

After initial recognition, loans, should the conditions exist, are measured at amortised cost, which, using the effective interest rate method, allows to distribute the economic effect of costs/incomes relating to the single operation during all the expected full term of the loan.

Should a deterioration in creditworthiness led a Bank's customer to not meet its obligations towards a Group's Bank, if the criticalities arisen while monitoring are confirmed, such position will be classified as non-performing loan (unless this classification will take place automatically if the conditions provided for in the regulatory framework are met)[6].

Non-performing loans (NPLs) can be broken down into the following categories:

Bad Loans: exposure to customers which are insolvent or in equivalent situations.

Substandard Loans: transactions with customers in temporary difficult situation, which can be overcome in a reasonable time-period; the Supervisory Authority also defines specific default and/or overdraft cases in which these positions should be considered as substandard loans ("delinquent loans").

Restructured Loans: exposures to counterparties with which, within debt restructuring transactions, standstill and/or renegotiation agreements have been drawn up, sometimes with a partial waiver to part of the loan. Positions of significant amount are analytically assessed, while positions of not relevant amount are assessed through a standardised approach.

Past Due Loans: in compliance with the provisions of Art. 178 of the CRR, since 1st January 2014 the Group has decided to quantify past due loans per debtor. Customers with past due/overdraft loans for more than 90 days have been classified, whether the past due/overdraft part or the relative daily average in the last quarter was equal or higher than 5% of the overall exposure to the counterparty, net of possible compensations with an available margin on other credit facilities of the same customer.

Since 31/12/2013, Forborne Loans have been quantified. This specific kind of loans has been introduced by the EBA and it indicates situations of redefinition of terms conceded to customers facing difficult economic situations. This typology of loans is included in those positions already classified as non-performing loans, or as performing loans (in this case a precautionary rating).

[6] It should be noted that since 1st January 2015, with the 7th amendment of the Bank of Italy 272/2008 other definitions of "Non-performing Assets" have been introduced in order to come into line with EU norms: in brief, Substandard loans are replaced by the category of probable default, which also includes those Restructured Loans that cannot be classified as Bad Loans; treatment of Past Due Loans and Bad Loans remains unchanged.

Within non-performing loans, bad loans, substandard loans and restructured loans of significant amount are analytically assessed, while those of not relevant amount are assessed at flat rate. Past Due Loans are always tested on a collective basis, regardless of the amount of the loan.

More specifically, analytical assessment are carried out on the basis of expected cash flows, at the estimated realisable value of the guarantees in support of the loan[7] and on the basis of the costs in which the bank may incur versus a possible forced collection. Those items are discounted at the current rate at the moment of classification as non-performing loans, if the expected timeframe for the collection of the aforementioned cash flows are higher than 12 months. In order to comply with Basel 2 prudential regulations, those positions of not significant amount are depreciated on the basis of risk indicators developed together with internal rating models used for all the Banks of the Carige Group.

Similarly, as far as performing loan portfolio is concerned, there are not elements showing a long-term impairment and a collective write-down is performed, always through indicators from rating sources.

[7] Given the ongoing difficult situation of the Real Estate market, the Carige Group applies supervisory haircuts during the assessment of forced collection of mortgages; these haircuts are broken down on the basis of the different typologies of assets and procedures.

QUANTITATIVE DISCLOSURE - Art. 442 CRR

The receivable valuations carried out in year 2014 are affected both by the worsening of the global macro-economic framework (particularly the Italian one) and by the fine-tunings performed on policies, procedures and parameters used in the credit risk assessments in order to comply with the guidelines foreseen by the ECB as the basis for its Asset Quality Review (AQR) tests. For more details please refer to the paragraph "ECB Comprehensive Assessment results", contained in Chapter 4 "Capital Requirements" of this document, in the Management Report and in the information illustrated in the Financial Statement Dossier as at 31/12/2014, "Part A - Accounting policies"

5.1.1 Breakdown of credit exposure by portfolios and credit quality (gross and net values)

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	2,440	789	1,651	X	X	64,488	66,139
2. Financial assets available for sale	986	986	-	2,691,471	-	2,691,471	2,691,471
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans and advances to banks	18,021	10,260	7,761	746,971	-	746,971	754,732
5. Loans and advances to customers	6,482,471	2,588,885	3,893,586	19,995,941	206,696	19,789,245	23,682,831
6. Financial assets designated at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	30,415	19,921	10,494	655,992	4,424	651,568	662,062
8. Hedging derivatives	-	-	-	X	X	201,525	201,525
Total A	6,534,333	2,620,841	3,913,492	24,090,375	211,120	24,145,268	28,058,762

The given values correspond to those indicated in Part E of the Notes to the Consolidated Financial Statement, Table A.1.2 "Credit exposure distribution, breakdown by portfolio and credit quality", in the part related to the Group.
As regards Loans to customers portfolio, it should be noted that, as at the reporting date, the total amount of partial eliminations on impaired loans is equal to Euro 226.6 million. The amount does not include EUR 17.5 million, accounted for by the Special Purpose Vehicles Argo Finance Srl and Priamar Finance Srl before they transferred their portfolios to the Group.
Financial assets held for sale refer to Banca Cesare Ponti SpA and Creditis Servizi Finanziari SpA.

5.1.2 Distribution of performing credit exposures by pertinent portfolio, renegotiated and not renegotiated

Portfolios / Time past due	Forborne exposures under renegotiation as part of Collective Agreements					Forborne exposures not under renegotiation as part of Collective Agreements					Total Forborne (net exposure)	Totale Forborne (provisions)	Other exposures					Total (net exposure)
	Past due for up to 3 months	Past due for 3 to 6 months	Past due for 6 months to 1 year	Past due for over 1 year	Not past due	Past due for up to 3 months	Past due for 3 to 6 months	Past due for 6 months to 1 year	Past due for over 1 year	Not past due			Past due for up to 3 months	Past due for 3 to 6 months	Past due for 6 months to 1 year	Past due for over 1 year	Not past due	
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,488	64,488
2. Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,691,471	2,691,471
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	-	-	-	-	-	-	-	-	-	4,777	-	-	-	742,194	746,971
5. Loans to customers	2,535	668	41	-	50,167	78,069	44,597	59,474	928	688,180	924,659	30,433	352,370	85,071	118,066	10,154	18,298,925	19,789,245
6. Financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	26	-	-	-	3,286	3,312	25	54,515	597	-	-	593,144	651,568
8. Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	201,525	201,525
Total 31/12/2014	2,535	668	41	-	50,167	78,095	44,597	59,474	928	691,466	927,971	30,458	411,662	85,668	118,066	10,154	22,591,747	24,145,268

5.1.3 Banking Group - Breakdown of on- and off-balance-sheet exposures to banks by geographic area (book values)

Exposure / Geographic Areas		Italy		OTHER EUROPEAN COUNTRIES		America		Asia		Rest of the world	
		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet											
A.1 Non performing loans		1,266,816	1,796,563	19,047	23,201	656	2,299	-	-	17	16
A.2 Watchlist loans		2,225,053	713,681	74,167	9,804	2,409	511	-	-	1	-
A.3 Restructured loans		167,195	37,570	-	-	-	-	-	-	-	-
A.4 Past due		147,767	25,030	956	130	1	1	-	-	-	-
A.5 Other exposures		22,985,262	193,726	77,932	10,222	4,103	16	20,222	613	8,716	6,543
Total A		26,792,093	2,766,570	172,102	43,357	7,169	2,827	20,222	613	8,734	6,559
B. Off-balance-sheet exposures											
B.1 Non-performing		12,578	7,247	-	-	-	-	-	-	-	-
B.2 Watchlist loans		235,946	15,023	-	1	-	-	-	-	-	-
B.3 Other impaired assets		34,553	3,690	-	2	-	-	-	-	-	-
B.4 Other exposures		2,149,033	30,829	11,084	15	5	-	-	-	390	4
Total B		2,432,110	56,789	11,084	18	5	-	-	-	390	4
Total (A+B)	31/12/2014	29,224,203	2,823,359	183,191	43,372	7,174	2,827	20,222	613	9,125	6,563
Total (A+B)	31/12/2013	33,330,474	2,192,416	504,688	36,488	25,111	2,821	21,206	342	10,358	2,321

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table B.2 with the same object. The following chart indicates the territorial breakdown of on- and off-balance sheet credit exposures in the Italian area.

5.1.4 Banking Group - Breakdown of on- and off-balance-sheet exposures to customers by geographic area (book values)

Exposure / Geographic Areas		North western Italy		North eastern Italy		Central Italy		Southern Italy / Islands	
		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure									
A.1 Non performing loans		800,639	1,092,717	134,794	196,283	239,501	369,534	91,882	138,029
A.2 Watchlist loans		1,569,626	515,328	329,798	93,135	238,092	69,556	87,537	35,662
A.3 Restructured loans		71,886	18,459	90,982	16,872	2,943	903	1,384	1,336
A.4 Past due		101,500	16,992	8,445	1,356	22,054	3,833	15,768	2,849
A.5 Other exposures		9,856,961	133,676	2,112,501	20,904	10,039,881	29,335	975,919	9,811
Total A		12,400,612	1,777,172	2,676,520	328,550	10,542,471	473,161	1,172,490	187,687
B. Off-balance-sheet exposures									
B.1 Non-performing loans		10,655	5,677	936	664	975	885	12	21
B.2 Watchlist loans		213,977	13,071	16,954	981	4,505	864	510	107
B.3 Other impaired assets		3,126	175	30,626	3,426	798	89	3	-
B.4 Other exposures		1,073,431	21,217	211,137	1,486	828,580	6,506	35,885	1,620
Total B		1,301,189	40,140	259,653	6,557	834,858	8,344	36,410	1,748
Total (A+B)	31/12/2014	13,701,801	1,817,312	2,936,173	335,107	11,377,329	481,505	1,208,900	189,435
Total (A+B)	31/12/2013	15,593,146	1,389,359	3,196,905	251,913	13,225,768	388,992	1,314,654	162,152

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table B.2.1 with the same object.

5.1.5 Banking Group - Breakdown of on- and off-balance-sheet exposures to banks by geographic area (book values)

Exposure / Geographic Areas		Italy		OTHER EUROPEAN		America		Asia		Rest of the world	
		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure											
A.1 Non performing loans		-	-	-	986	7,761	10,260	-	-	-	-
A.2 Watchlist loans		-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans		-	-	-	-	-	-	-	-	-	-
A.4 Past due		-	-	-	-	-	-	-	-	-	-
A.5 Other exposures		204,197	-	543,627	-	38,013	-	1,527	-	757	-
Total A		204,197	-	543,627	986	45,774	10,260	1,527	-	757	-
B. Off-balance-sheet exposures											
B.1 Non-performing loans		-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans		-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-	-	-	-	-	-
B.4 Other exposures		56,850	1,477	92,246	-	-	-	130	-	-	-
Total B		56,850	1,477	92,246	-	-	-	130	-	-	-
Total (A+B)	31/12/2014	261,047	1,477	635,873	986	45,774	10,260	1,657	-	757	-
Total (A+B)	31/12/2013	578,735	8,909	830,457	899	24,083	10,064	1,691	-	774	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table B.3 with the same object and, compared with Table 5.1, they also include financial exposures (including Government Securities). The following chart indicates the territorial breakdown of on- and off-balance sheet credit exposures in the Italian area.

5.1.6 Banking Group - Breakdown of on- and off-balance-sheet exposures to banks by geographic area (book values)

Exposure / Geographic Areas		North western Italy		North eastern Italy		Central Italy		Southern Italy / Islands	
		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure									
A.1 Non performing loans		-	-	-	-	-	-	-	-
A.2 Watchlist loans		-	-	-	-	-	-	-	-
A.3 Restructured loans		-	-	-	-	-	-	-	-
A.4 Past due		-	-	-	-	-	-	-	-
A.5 Other exposures		99,448	-	9,576	-	95,173	-	-	-
Total A		99,448	-	9,576	-	95,173	-	-	-
B. Off-balance-sheet exposures									
B.1 Non-performing loans		-	-	-	-	-	-	-	-
B.2 Watchlist loans		-	-	-	-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-	-	-	-
B.4 Other exposures		7,800	-	-	-	49,050	1,477	-	-
Total B		7,800	-	-	-	49,050	1,477	-	-
Total (A+B)	31/12/2014	107,248	-	9,576	-	144,223	1,477	-	-
Total (A+B)	31/12/2013	278,121	3,572	57,187	-	243,427	5,337	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table B.3.1 with the same object.

5.1.7 Banking Group - Breakdown of on- and off-balance sheet exposures to customers by business segment (book values)

Exposure/Customers	Governments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance-sheet exposure																		
A.1 Non performing loans	-	-	x	-	-	x	8,263	29,033	x	-	-	x	943,568	1,509,121	x	334,705	283,925	x
A.2 Watchlist loans	-	-	x	674	5,342	x	173,366	48,047	x	-	-	x	1,864,933	545,021	x	262,657	125,586	x
A.3 Restructured loans	-	-	x	-	-	x	2,467	481	x	-	-	x	145,659	33,769	x	19,069	3,320	x
A.4 Past due	-	-	x	-	51	x	197	65	x	-	-	x	93,098	16,716	x	55,429	8,329	x
A.5 Other exposures	2,812,965	x	120	823,304	x	824	4,845,024	x	5,583	-	x	-	8,100,822	x	188,138	6,514,120	x	16,455
Total A	2,812,965	-	120	823,978	5,393	824	5,029,317	77,626	5,583	-	-	-	11,148,080	2,104,627	188,138	7,185,980	421,160	16,455
B. Off-balance-sheet exposures																		
B.1 Non-performing loans	-	-	x	-	-	x	-	-	x	-	-	x	12,413	7,188	x	165	61	x
B.2 Watchlist loans	-	-	x	-	-	x	1,905	263	x	-	-	x	233,497	14,525	x	543	235	x
B.3 Other impaired assets	-	-	x	-	-	x	-	-	-	-	-	x	34,549	3,689	x	4	1	x
B.4 Other exposures	28,307	x	-	53,368	x	10	695,817	x	222	8,085	x	-	1,173,099	x	30,164	201,837	x	453
Total B	28,307	-	-	53,368	-	10	697,722	263	222	8,085	-	-	1,453,558	25,402	30,164	202,549	297	453
Total (A+B) 31/12/2014	2,841,272	-	120	877,346	5,393	834	5,727,039	77,889	5,805	8,085	-	-	12,601,644	2,130,026	218,302	7,388,529	421,457	16,908
Total (A+B) 31/12/2013	6,113,474	-	582	1,000,008	4,273	984	3,956,309	28,786	1,375	71,523	-	-	15,416,859	1,756,252	153,387	7,333,663	277,917	10,832

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table B.1 "Breakdown of on- and off-balance sheet exposures to customers by business segment".

Tab. 5.1.8 – Time breakdown of financial assets by residual term to maturity

Items / Time bands	At sight	Over 1 day less than 7 days	Over 7 days less than 15 days	Over 15 days less than 1 month	Over 1 month less than 3 months	Over 3 months less than 6 months	Over 6 months less than 1 year	Over 1 year less than 5 years	Over 5 years	Indeterminate duration
Balance-sheet assets	4,107,438	2,227,022	463,667	429,527	1,114,208	1,528,569	1,979,966	7,319,690	8,970,231	85,152
A.1 Government securities	376	-	455	-	450,253	164,840	883,104	975,369	165,239	-
A.2 Other debt securities	165	-	329	300	-	63	32,952	22,746	3,370	5
A.3 Shares in CIS	14,507	-	-	-	-	-	-	-	-	-
A.4 Financing	4,092,390	2,227,022	462,883	429,227	663,955	1,363,666	1,063,910	6,321,575	8,801,622	85,147
- Banks	636,147	-	-	-	20,000	-	-	7,761	-	85,147
- Customers	3,456,243	2,227,022	462,883	429,227	643,955	1,363,666	1,063,910	6,313,814	8,801,622	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- Long positions	13	31,401	61,170	70,338	147,773	249,076	18,050	5,500	961	-
- Short positions	14	54,580	64,462	75,578	154,566	233,377	18,178	4,933	630	-
C.2 Financial derivatives without exchange of principal										
- Long positions	6,454	97	-	3,257	10,632	21,707	59,576	-	-	-
- Short positions	114,047	90	-	1,759	13,481	13,483	23,733	-	-	-
C.3 Deposits and financing receivable										
- Long positions	-	(99,816)	-	-	-	-	-	-	-	-
- Short positions	-	99,816	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance										
- Long positions	(62,163)	(573,973)	(61)	(765)	(3,044)	(10,135)	(22,322)	(280,890)	(447,501)	-
- Short positions	1,400,856	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	10,424	-	-	-	-	489	1,453	8,510	7,894	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, in three tables differentiated between currencies, in Section 1.3 "Liquidity Risk".

5.1.9 Banking Group - Balance-sheet exposure to banks: changes in overall value adjustments

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	10,963	2,829	-	-
- of which: sold but not de-recognised	-	-	-	-
B. Increases	435	1,541	-	-
B.1 value adjustments	87	166	-	-
B.1 bis losses from disposal	-	-	-	-
B.2 transfers from other impaired loans	-	-	-	-
B.3 other increases	348	1,375	-	-
C. Other decreases	152	4,370	-	-
C.1 write-backs from valuation	152	1,375	-	-
C.2 write-backs from collection	-	-	-	-
C.2 bis profits from disposal	-	-	-	-
C.3 write-offs	-	2,995	-	-
C.4 transfers to other categories of impaired exposure	-	-	-	-
C.5 other decreases	-	-	-	-
D. Closing balance of overall adjustments	11,246	-	-	-
- of which: sold but not de-recognised	-	-	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table A.1.5 with the same object.

5.1.10 Banking Group - Balance-sheet exposure to customers: changes in overall value adjustments

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	1,486,735	492,332	30,488	36,109
- of which: sold but not de-recognised	7,083	581	4	106
B. Increases	519,765	405,208	18,346	3,855
B.1 value adjustments	299,176	404,765	9,918	660
B.1 bis losses from disposal	-	-	-	-
B.2 transfers from other impaired loans	131,211	336	8,428	85
B.3 other increases	89,378	107	-	3,110
C. Other decreases	184,421	173,544	11,264	14,803
C.1 write-backs from valuation	52,892	24,627	6,605	2,908
C.2 write-backs from collection	19,098	7,295	3,015	-
C.2 bis profits from disposal	-	-	-	-
C.3 write-offs	111,723	2,890	1,229	74
C.4 transfers to other categories of impaired exposure	205	138,693	415	747
C.5 other decreases	503	39	-	11,074
D. Closing balance of overall adjustments	1,822,079	723,996	37,570	25,161
- of which: sold but not de-recognised	8,333	860	1	120

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table A.1.8 with the same object.

5.1.11 Net losses on impairment: breakdown

Transactions / P&L items	Value adjustments (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2014	31/12/2013
	Write-offs	Other		A	B	A	B		
A. Loans and advances to banks	-	(166)	-	-	1,527	-	-	1,361	(2,920)
- Loans	-	-	-	-	152	-	-	152	(91)
- Debt securities	-	(166)	-	-	1,375	-	-	1,209	(2,829)
B. Loans and advances to customers	(27,764)	(684,773)	(61,236)	27,405	99,157	-	323	(646,888)	(1,047,562)
Deteriorated loans acquired	-	-	x	-	-	x	x	-	-
- Loans	-	-	x	-	-	x	x	-	-
- Debt securities	-	-	x	-	-	x	x	-	-
Other loans	(27,764)	(684,773)	(61,236)	27,405	99,157	-	323	(646,888)	(1,047,562)
- Loans	(27,764)	(684,773)	(61,236)	27,405	99,157	-	323	(646,888)	(1,047,562)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(27,764)	(684,939)	(61,236)	27,405	100,684	-	323	(645,527)	(1,050,482)

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table 8.1 with the same object It has to be noted that in item 310 "Profit (loss) of groups of assets held for sale" within the Consolidated Income Statement are recognised value adjustments for EUR 5.674 million and value recoveries for EUR 763,000, related to Banca Cesare Ponti SpA and Creditis Servizi Finanziari SpA.

5.2 ENCUMBERED AND UNENCUMBERED ASSETS

Transaction for which the Group binds part of its financial activities, or received *collateral* , refer to following cases:

- reverse repos on securities;
- securitisation agreements; *collateral* used as a guarantee for the fair value of derivative contracts, assets pledged as a guarantee for funding subsidised rate transactions with the European Investment Bank and the Cassa Depositi e Prestiti SpA, securities used to warrant issued bank drafts;
- *collateral* pledged with Cassa di Compensazione e Garanzia (Central Counterparty Clearing) as a condition of accessing its services;
- refinancing transactions (T-LTRO) with ECB;
- assets underlying the securitisation not deleted from Assets;
- assets included in "cover pools" used to warrant covered bond issues.

Receivables, which represent about 75% of the Group's assets (see Template A below), are used to warrant following operations:

- issues of covered bonds on the market;
- *retained* covered bonds and senior securities, related to the securitisation, pledged as a guarantee for T-LTRO;
- "ABACO" loans[8] pledged as a guarantee for T-LTRO;
- loans received from the European Investment Bank and from Cassa Depositi e Prestiti (CDP);
- Deposits placed as guarantee of the fair value of non-listed derivative contracts.

Besides, 24% of the Group's pledged assets (see Template A below) is made up of owned securities, pledged to guarantee following operations:

- Payables for reverse repos;
- T-LTRO;
- bank drafts issued by the Parent Company;
- funding received from the European Investment Bank (EIB).

In the area of received guarantees (see Template B below), the ones received by the Group are related to securities received as a guarantee for repos, and subsequently recommitted.
Within the "Other assets" item (see Template A below), equal to EUR 22.9 billion, the assets not immediately committable - related to deferred tax assets, tangible- and non-tangible assets, assets for derivative contracts - amount to about EUR 4.7 billion (equal to 20.4% of the total).

[8] Acronym of Collateralised Banking Assets (Attivi Bancari Collateralizzati), instrument preparatory for funding activities, studied for managing lending pools and securities sold in guarantee to the Bank of Italy, as foreseen by ECB regulations.

Encumbered assets evolution in 2014

As major fact, it should be noted that, at the end of September 2014, the LTRO funding (for a total of EUR 7 billion) existing with the ECB has been reimbursed in full; Banca Carige participated to the new funding programme with the ECB (T-LTRO) for a total of 1.1 billion.

Over-collateralisation

Excluding the securities and the loans which had been established as a guarantee for T-LTRO, as at 31/12/2014 the remaining eligible securities and loans included in the "pool account" with the Bank of Italy amount to about 0.9 billion.

Within the two Covered Bond programmes, the rating agencies request an additional portfolio part, which has to be held as collateral for the covered bank bonds issued in order to ensure an appropriate level of rating (over-collateralisation). As a matter of fact, when assigning a rating the agencies define a level of *asset percentage*[9] (through which the transferred portfolio is weighted). The value of the weighted portfolio, which is also influenced by the possible devaluation/revaluation of the asset pledged as collateral for both the transferred loans and the same loans' performance, must be increased by any cash reserve existing in the vehicle, and decreased by the loan reserves requested by the rating agencies as a collateral for *set off*[10], *commingling*[11] and *negative carry* risks, as well as by the amount of the still existing covered bank. The Programme's "*credit support*" is thereby obtained, which provides an indication of the actual overcollateralisation level.

In the context of the securitisation transaction, the rating agencies request a "*credit enhancement*", constituted by cash reserves agreed during the structuring phase of the transaction.

Information disclosure on the engaged/non-engaged activities

Following information refer to the actual data as at 31/12/2014, i.e. the first period in which the new prudential regulation on *Asset encumbrance* entered into force, and has been drawn up in accordance with the guidelines issued by EBA as a consequence of the CRR provisions (art. 433).

---

[9] The asset percentage currently used in Programme OBG 1 is equal to 80.0%, while the one used in Programme OBG 2 equals 73.3%

[10] Risk that the vehicle could not receive, in whole or in part, the revenues deriving from the loans repayment caused by the compensation of the receivables claimed by the assigned debtors towards the related transferring banks.

[11] Risk that the vehicle could not receive, in whole or in part, the loans repayment instalments already collected by the transferring banks in their role as servicer but still forwarded to the vehicle as a consequence of the servicer being subject to insolvency procedures.

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 of the reporting institution	8,544,951,015		23,955,767,242	
030	Equity instruments	-	-	347,565,099	347,565,099
040	Debt securities	2,044,576,102	2,044,609,134	665,104,353	665,414,630
120	Other assets	6,500,374,913		22,943,097,790	

Euro amount in full

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.3 "Liquidity risk", Table 2.

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 by the reporting institution	1,490,851,594	2,773,436,173
150	Equity instruments	-	-
160	Debt securities	1,490,851,594	2,773,436,173
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	837,610,959	1,874,168,421

Euro amount in full

Template C-Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent 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	7,547,406,788	9,328,387,142

Euro amount in full

5.3 USE OF THE ECAI

QUALITATIVE DISCLOSURES - Art. 444 CRR

For the purposes of the calculation of the capital requirements for credit risk, the prudential supervision provisions provide two methods: *Standardized* (*STD*) and *Internal Rating Based* (*IRB*).

Currently, the Carige Group determines the requirement through the Standard method which, essentially, takes into account the weighting of the credit exposures according to their inclusion in one of the supervisory portfolios, as defined in relation with either the beneficiary of the loans or the transaction completed with the customer, to which the Basel Committee recognises homogeneous risk profiles. The Standard method also contemplates different weightings, based on the rating issued by specialized agencies (*External Credit Assessment Institutions*, ECAI), specifically authorised by the Supervisory Authority.

The Group decided to adopt the Moody's Investors Service's solicited evaluations for following portfolios.

- Exposures to central governments or central banks;
- Exposures to international organisations;
- Exposures to multilateral development banks;
- Exposures to corporates and other subjects;
- Exposures to Undertakings for Collective Investment (UCIs);
- Securitisation exposures.

The Carige Group decided to adopt the same association - contained in the reference standard (Regulation UE 575/2013 CRR) - between credit quality and weighting factor.

QUANTITATIVE DISCLOSURE - Art. 444 CRR

The following information regards risk weighted exposures according to the standard method, the values with- and without credit risk mitigation combined with each credit quality class for each regulated portfolio, and also the exposure values which had not been taken into account in determining the risk weighted assets, as they have been directly deducted from the eligible own funds (as at 31/12/2014, no such exposure is existing).

5.3.1 STANDARDISED METHODOLOGY - ON- AND OFF BALANCE SHEET RISK ASSETS

PORTFOLIO	EAD	Guaranteed exposures			exposures deducted from Supervisory Capital
		Collaterals	Personal guarantees	credit derivatives	
Central administrations and central banks	**8,976,319**	**579,801**	**-**	**1**	**-**
Credit quality rating class 1	-			-	-
Credit quality rating class 2	-				
Credit quality rating class 3	4,518,350			-	-
Credit quality rating class 4-5	-				
Credit quality rating class 6	-				
Not rated	4,457,969			-	-
Entities	**1,715,024**	**-**	**-**	**-**	**-**
Credit quality rating class 1*	2,376			-	-
Credit quality rating class 2	225,257			-	-
Credit quality rating class 3	286,132			-	-
Credit quality rating class 4-5	16,536			-	-
Credit quality rating class 6	-			-	-
Not rated	1,184,722			-	-
Adm. Regional and local authorities	**601,140**	**-**	**-**	**-**	**-**
Credit quality rating class 1*	601,140			-	-
Credit quality rating class 2				-	-
Credit quality rating class 3-4				-	-
Not rated				-	-
Public sector bodies	**396,107**	**-**	**-**	**-**	**-**
Credit quality rating class 1	-			-	-
Credit quality rating class 3-4-5	-			-	-
Not rated	396,107			-	-
Businesses	**5,977,158**	**-**	**-**	**-**	**-**
Credit quality rating class 1				-	-
Credit quality rating class 2	29,619			-	-
Credit quality rating class 3-4	5,293			-	-
Credit quality rating class 5-6	6,924				
Not rated	5,935,322			-	-
Retail exposures.	**2,644,237**	**-**	**-**	**-**	**-**
Exposures guaranteed by real estate properties	**7,295,616**	**-**	**-**	**-**	
Exposures in default conditions	**4,160,252**	**-**	**-**	**-**	**-**
High-risk exposures	**8,453**	**-**	**-**	**-**	**-**
Other positions	**1,284,442**	**51,804**	**-**	**-**	**-**
Exposures towards UCI	**9,434**	**-**	**-**	**-**	**-**
Elements representing positions vs securitisation	**15,646**	**-**	**-**	**-**	**-**
Credit quality rating class 2	9,393	-	-	-	-
Credit quality rating class 3	6,253				
Equity instruments	**517,632**				
TOTAL	**33,601,458**	**631,605**	**-**	**1**	**-**

5.4 USE OF THE IRB METHOD

QUALITATIVE DISCLOSURES - Art. 452 CRR

Even if the Carige Group - which currently adopts the Standard approach in the quantification of capital requirements for credit risk - is not required to disclose the use of Internal Rating Based (IRB) methods, considering the importance of the internal rating system management (which informs on every phase of the credit process), it is deemed as useful to provide a disclosure on the main characteristics of the rating system which has been internally developed.

Method

The Carige Group developed internal rating models for each of the main five customer segments, which represent the core component of the loan portfolio of the Group: three models aimed to the retail sector, including households and small economic operators (Privates, Small Economic Operators and Small Business); two models focused on the more structured corporates (SME and Large Corporate).

Rating models

The rating models related to the aforementioned segments have been developed and monitored on historical data referring to an appropriate time frame; on the Large Corporate sector, considering the peculiar nature of the entities, the choice fell on an approach able to enhance the judgmental components of the evaluation.
The information sources which have been used for the estimate- and the subsequent implementation of the aforementioned models refer to four main investigation areas which - in different degrees - are involved in the segment-based evaluation: financial information (balance sheet data), performance information (Bank's internal data and Central Risks Database data), personal information and qualitative information, these latter particularly important for the more structured corporates, on which the override process can be activated, in order to incorporate in the evaluation also elements not covered by the model, but nonetheless important for a proper risk assessment of the counterparty.

The definition of default underlying the estimate and the application of the rating models is consistent with the regulations time by time issued by the Supervision Authority: the models have been recalibrated in order to include the most recent evolutions of the loan portfolio risk of the Carige Group.

LGD Model

Similarly to the rating models, the LGD models of the Carige Group have been estimated according to a statistical approach and on the basis of the same definition of default which has been used when estimating the rating models. Among the main drivers for the LGD determination are the customer segment, the nature and amount of the acquired guarantees, the exposure amount and the product category. Three different models have been developed, one dedicated to residential mortgage loans and the other two respectively focused on

"Corporates" and "Private individuals and Small Economic Operators". The Downturn Factor has been also quantified, i.e. a corrective action which allows the LGD estimates to include the resilience of the Bank to the effects of a negative economic cycle, caused by a lengthening in the guarantee enforcement times and /or a guarantee depletion due to adverse market dynamics.
Models have been recalibrated in order to include the most recent evolutions of the Group resilience.

Processes

Rating development and assignment

The Supervisory Provisions request a threefold articulation of the company functions:

- a function focused on developing the rating system, both in the starting phase and in any subsequent adjustment;
- a validating function, with the task of evaluating the accuracy of the estimates of every relevant risk component and expressing an overall judgement on the proper functioning, the predictive capabilities and the overall performance of the IRB system adopted;
- an internal audit function, able to review the validation process.

The development and maintenance of the rating system are attributed to the Risk Management Structure, and particularly to its Credit Risk Management Dept., and are governed by specific internal manuals, which define criteria and rules of implementation of the activities related to estimate-, control- and reviews of the models.

The rating assigning process is a substantial part of the credit worthiness assessment process of the counterparty, and its preparatory for the credit grating to customers.

The rating, therefore, constitutes the key element of the processes of credit granting, renewal and monitoring. Rating furthermore provides, based on a scale of values, the credit worthiness level of the customer, to which it corresponds a "probability of default" range.

Normally, ratings are updated on an annual basis, more frequently in the event of a significant change in the credit worthiness of the counterparty.

The rating is also automatically calculated each month, and used for management- and monitoring purposes: in fact, using updated information about the internal and external (Central Risks Database) business relationships - possibly including balance sheet data - it's possible to effectively monitor the customer risk evolution.

The rating assignment process can take on different features depending on whether the rating model is purely statistical or, if the core characteristic of a customer segment make it appropriate (which, as above stated, is foreseen for the SME- and Corporate customers), it has to be integrated with subjective elements (override).

In order to verify the reasons of the request , avoiding at the same time any conflict of interest when assigning a rating, the override proposal shall be submitted to a validation by the Rating Desk Dept., a third party independent from the credit deliberative chain.

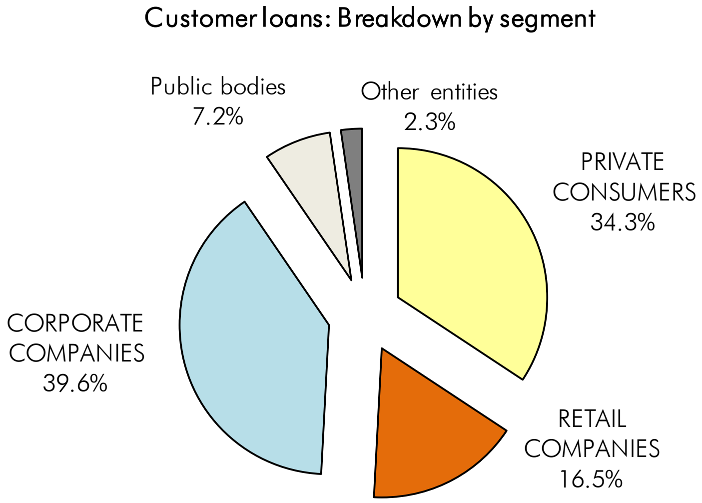
Supervisions

The main types of supervision implemented on the rating assignment process are:

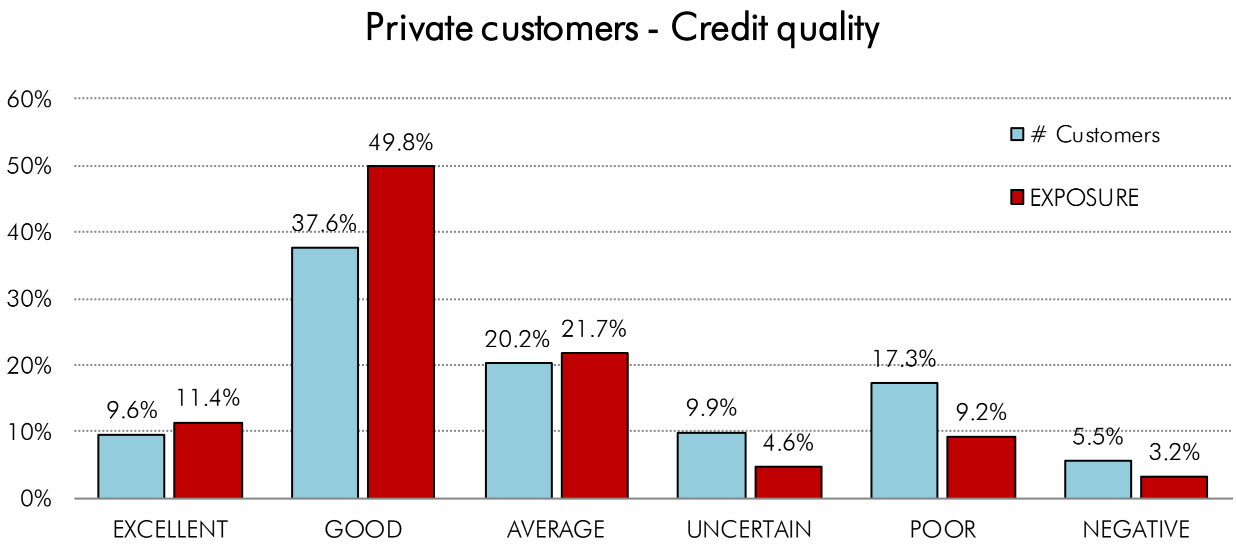
- First level supervision: organisational (line controls) and procedural (automated controls) oversights.
- Second level supervision: periodic controls aimed to verify over time the resilience of the rating assignment process and of the system as a whole, among which the validation process stands out, constituted by a formalised set of activities, instruments and procedures aimed to continuously and iteratively evaluate the reliability of the rating system results as well as its consistent compliance with the prescriptive regulations, the company operating needs and the evolution of the reference market.
- Third level supervision: assessment of the functionality of the overall rating system control structure, with the verification of the adequacy and completeness of the validation activities as well as of the coherence and consistency of its results and the compliance of the IRB system with the requirements set forth by the regulations.

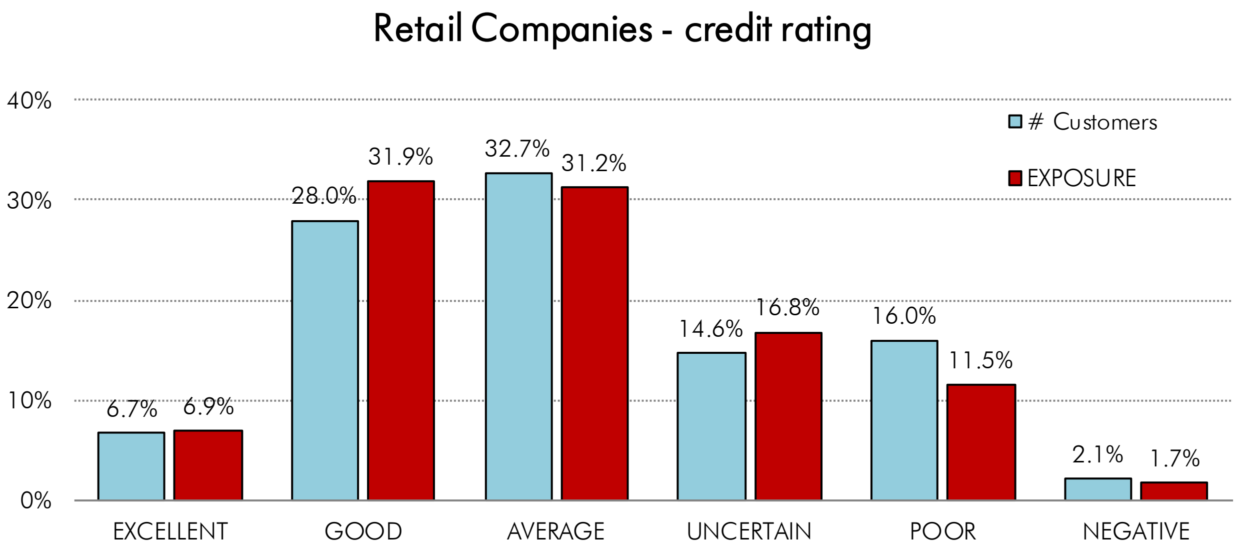
QUANTITATIVE DISCLOSURE - Art. 452 CRR

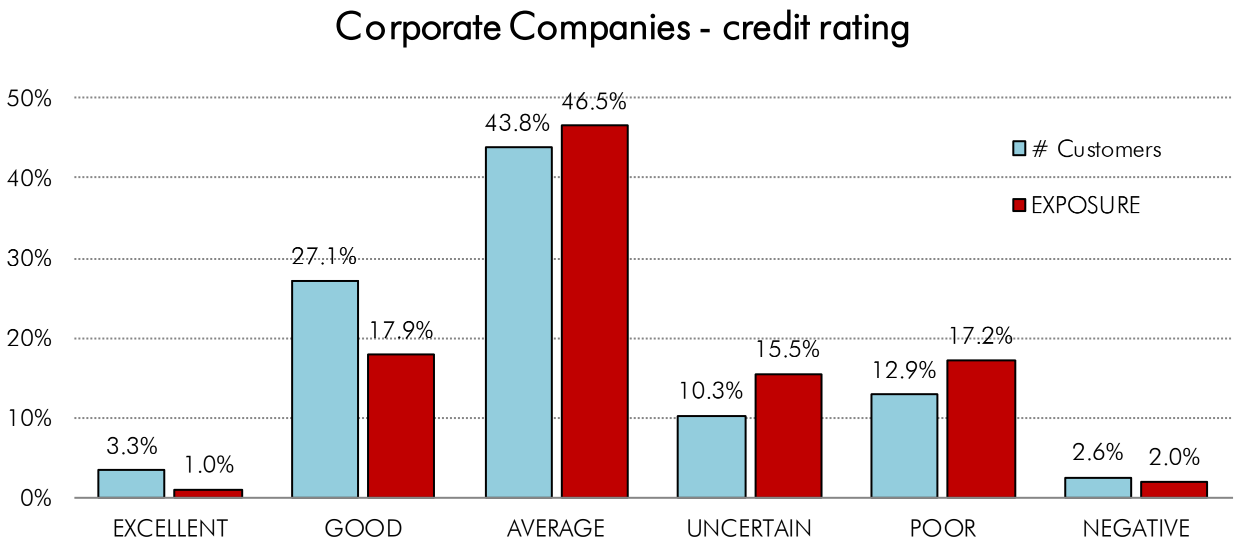
The charts below offer a graphic representation of the Group's performing loans distribution for each customer segment as at 31/12/2014, net of financial components as classified within heading 70 of Assets (e.g. repurchase agreements, guarantee deposits for margin lendings etc.): 90% of the exposures is related to the segments on which internal rating models have been developed, and about a further 7% is attributable to transactions carried out with public administration entities.



The following charts show, by three macro-typologies of customers, the loans distribution by rating clusters as at 31/12/2014, to which corresponds a synthetic evaluation on the included counterparties' credit worthiness.







It is noted that:

- the portfolio quota characterised by lower quality profiles ("poor" and "negative") is significantly influenced by the decision of assigning a precautionary rating in case of existing forbearance measures: this represents about 50% of the aggregate characterised by a higher risk level.
- More generally, the loans distribution shows a higher exposure of the company-related segments, particularly the biggest ones, to the negative trend of the economic cycle, whilst the household-related segment shows a higher resistance (about 83% of the private customers portfolio volumes is characterised by overall positive quality profiles).

5.5 USE OF CREDIT RISK MITIGATION TECHNIQUES

QUALITATIVE DISCLOSURES - Art. 453 CRR

Compensation processes and policies on- and off-balance sheet

The Carige Group adopts risk reduction policies through the signing of netting agreements and collateral agreements for derivative repurchase agreements and stock lending positions.

The aforementioned agreements are represented, for example, by the *Credit Support Annex - CSA* netting agreements; repurchase agreements compliant with the TBMA/ISDA international standards are represented by the Global Master Repurchase Agreements (GMRA); the stock lending positions compliant with the TBMA/ISDA international standards are represented by the Global Master Securities Lending Agreements (GMSLA) and by all the related rights on financial collaterals.

Generally speaking, the Companies of the Group can use budgetary compensations if they are able to determine at any given moment the net value of the position (i.e. which assets and liabilities are within the netting agreement), monitoring and supervising payables, receivables and net value.

The Bank periodically analyses all types of master netting agreements, or similar agreements, which might be eligible for offsetting. As at 31/12/2014 the banks of the Group do not apply any offsetting on these exposures.

The following can be inferred from the analysis made:

- master netting agreements (ISDA), concluded by Group banks do not comply with the accounting offsetting criteria based on the joint provisions of paragraphs AG38A and AG38B of IAS 32;
- repurchase transactions on securities with Cassa di Compensazione e Garanzia do not comply with criteria for the accounting offsetting as they are substantially governed by a collateral agreement;
- transactions in listed derivatives, given the irrelevance of the phenomenon for the Carige Group, were excluded from the analysis.

As at 31/12/2014, the Carige Group has 37 existing collateralisation agreements (CSA, Credit Support Annex) with institutional counterparties within the scope of OTC derivate contracts (more than 600 margin contracts).

Policies and processes for collateral valuation and management

The Management of Collaterals

The disbursement of loans secured by collaterals is subject to specific control measures, differentiated by type of guarantee pledged, which are applied during the phase of disbursement and monitoring. Two main types of guarantees, subject to different regulations, can be identified by volumes of loans granted and number of customers, namely Mortgages and Pledges (Cash and Securities).

With reference to compliance with the main organisation requirements for the mitigation of risk, the Group ensured:

- the presence of an IT system in support of the life cycle phases of the guarantees (acquisition, valuation, management, re-valuation and enforcement);
- Regulated policies for the management of guarantees (principles, practices, processes), available to the users;
- the presence of regulated, documented procedures for the management of guarantees (principles, practices, processes), available to the users.

In order to contain the risks related to either the termination or the value depletion of the guarantees (so-called "Residual Risk"), the Group is entitled to request additional accessory guarantees such as, for example, the subscribing of insurance policies.

When the value of the collateral is subject to market- or foreign exchange risk, the Group may employ valuation haircuts, expressed as a percentage of the offered collateral value, according to the market volatility of the value of the security. The monitoring phase requires the adjustment of the guarantees with a market value lower than the value approved, net of the differential.

Description of the main types of collateral accepted by the Group

According to the principles and rules as defined by the regulations, a supervision process of the guarantees value has been activated, in which the monitoring over time of the value of the mortgaged estates is particularly relevant.

Particularly, the control systems are ensured by the setting of specific rules for the identification of the so-called "significant decrease" of value, on the basis of which are also defined specific activities to be carried out by the branches. More in detail, when a "significant decrease" occurs on the value of an estate given as collateral, the branch concerned must request a new assessment of the estate carried out by a trusted expert, in order to update the original collateral value and - in case the value decrease should be confirmed - to take adequate measures.

Moreover, always in coherence with the regulatory framework, as concerns the positions characterized by mortgage, linked to credit lines for amounts greater than either EUR 3 million or 5% of Own Funds, the estates given as collateral are periodically (every three years) appraised.

Every year, in addition to the monitoring activity, a process of centralised statistical revaluation has been activated on each estate either given as collateral or financed through a leasing transaction. This revaluation is carried out through the use of statistical indexes, provided by a leading institution in the field of real economy, and allows the assessment of the market value of the estate through the discounting of the original collateral value.

As concerns the financial collaterals, given that the prudential regulations provide for their updating to the "fair value" at least once every six months, the revaluation is performed on a monthly basis with a view on calculating the risk-adjusted assets.

As explained in Chapter 1, on the issue Residual Risk, it should be noted that the Carige Group is continuing with the programme of interventions aimed to the strengthening of the collateral management processes, in order to ensure over time full compliance with the eligibility requirements such as Credit Risk Mitigation techniques aimed to quantifying the capital requirements, fine-tuning at the same time any procedural- and operational aspect-.

Main types of guarantor and credit derivative counterparties, and their creditworthiness.

Within the scope of the risk-mitigation techniques framework, CRR defines the eligible guarantors, differentiating between Standard- and IRB methods; in the Standard method, the eligible guarantors are States, Banks, Insurance companies and local authorities.

In order to assess the capital requirements, the Carige Group - in accordance with these rules - only accepts guarantees provided by these types of counterparties.

That being said, the most popular personal guarantees are those given by natural persons in favour of either other natural persons or their enterprise (specific- and omnibus); less popular are on the contrary the personal guarantees given by legal persons in the way of comfort letter.

As mentioned above, considering the specific requirements and the types of guarantors allowed under the cautionary surveillance regulations, most of these personal guarantees are in fact not used for credit risk mitigation purposes when determining the minimum capital requirements.

As shown in the following table, the personal guarantees cover just a residual share of the credit exposures, not only due to the short list of the guarantors considered as eligible for the risk mitigation, but also due to the Italian State rating that, over the recent years, suffered many downgradings, thus making irrelevant the presence or not of the guarantees released by the Supervised Intermediaries, in which are also included the "Confidi" as per Art. 107[12].

Information about market or credit risk concentrations within the credit risk mitigation instruments adopted.

[12] For cautionary purposes, the treatment of banks and public-sector bodies not specifically rated as counterparts depends on the credit worthiness recognised on the Italian State, which rating (Baa2) making a 100% risk weighting to all Italian supervised intermediaries and public-sector bodies.

As mentioned above, the highest risk concentration is found in the guarantee type rather than in the single guarantor: as a matter of fact, the greatest incidence is due to mortgages which, however, considering the high number of such transactions and the noticeable portfolio granularity, are not deemed to expose the Banks of the Group to any particular risk of concentration, although the difficult period faced by real estate markets could - in this phase - adversely affect the performance of a possible realization.

QUANTITATIVE DISCLOSURE - Art. 453 CRR

5.5.1 GUARANTEED EXPOSURES AGGREGATE AMOUNT - STANDARDISED METHOD

Type of exposure	Financial collaterals	Other guarantees	Personal guarantees and credit derivatives
Central administrations and central banks	579,801	-	1
Regulated intermediaries,	-	-	-
Territorial entities		-	-
No profit entities and public sector entities	-	-	-
Multilateral development banks,	-	-	-
International bodies	-	-	-
Businesses	-	-	-
Retail exposures.	-	-	-
Short-term exposures towards companies	-	-	-
UCIT - Undertaking for Collective Investment in Transferable Securities	-	-	-
Exposures guaranteed by real estate properties	-	-	-
Exposures in the form of covered bank bonds	-	-	-
Past-due	-	-	-
High-risk exposures	-	-	-
Other exposures	51,804	-	-
Total	**631,605**	**-**	**1**

6. EXPOSURE TO COUNTERPARTY RISK

QUALITATIVE DISCLOSURES - Art. 439 CRR

The Group is aware of the counterparty risk monitoring, understood as the risk that the counterparty of a transaction concerning certain financial instruments - such as OTC derivatives, forward settlement transactions, SFT transactions (Securities Financing Transactions, i.e. lending- or deposit repo transactions, securities or commodities lending or borrowing transactions, and margin financings) - could be in default before the settlement of this transaction.

The Group bases its monitoring and measuring methods of the counterparty risk exposure on the notional value of the existing transactions.

From an operational point of view, this activity may be broken down into two macro-segments on the basis of both the counterparties characteristics (ordinary clients and institutional counterparties) and the operational and monitoring methods put in place by the Group.

Synthetically, the process of definition, data collection and monitoring of the counterparty risk covers:

- Credit lines: with regard to the ordinary activity of the Finance Dept., carried out with financial institutions, the investigation activities related to concession of credit lines are internally managed by the Finance Structure, whilst the same activities involving ordinary customers (Corporate segment) are directly managed by the branch network structure. In both cases, a periodical (at least once a year) review of the limits laid down is foreseen.
- Monitoring – the counterparty limits coming from the credit lines are implemented in the systems focused on the positions management and monitoring, whether institutional counterparties or ordinary customers are involved. On a daily basis, the Finance Structure verifies the credit line uses as well as the compliance with the limits, starting the adequate procedures in case of limit exceeding. Possible overruns involving ordinary customers will be reported to the branch network structure in order for them to take appropriate measures.

The counterparty risk is measured in terms of expected potential market values. Concerning OTC derivative products, calculation is based on the potential exposure, in several time horizon points, up to 20 years. The perimeter involves all the counterparties with no existing collateralisation contracts (CSA).

In order to mitigate the counterparty risk associated with OTC derivative positions, the Carige Group entered into 37 CSA (Credit Support Annex) contracts. These are bilateral contracts which define terms and rules for a reciprocal collateral swap, i.e. a guarantee deposit, between the counterparties with existing derivative contracts. The technical functioning of these agreements can be summarized as follows:
At each established assessment date (daily or weekly), the net market value balance (in order to avoid any dispute on the assessment, a settlement agent is usually appointed) is determined, for every OTC derivative transactions existing between the parties. The party showing a negative balance will have to transfer to its counterparty (as a guarantee, on an

account with this latter) an amount equal to this balance, as margin or collateral. Usually, either a minimum threshold (below which no margin lending has to be placed) or a minimum transfer amount are established. At other times, an initial fixed deposit (independent amount) can be defined, to be paid by one or both parties as additional guarantee. The calculation is performed at each new valuation date proceeding, when deemed necessary, to the margin adjustment, either supplementing the payment or getting back the difference. The deposit may be a sum of money or consisting of securities, and it will be remunerated as agreed (usually at Eonia interest rate in case of money, or in coupons in case of securities).

The risk arising from repurchase agreements transactions is mitigated through contracts called GMRA (Global Master Repurchase Agreements), whilst the risk arising from securities lending is mitigated through GMSLA (Global Master Securities Lending Agreements); both contracts are stipulated with a view to put in place a system of reciprocal financial guarantees.

Forward exchanges (outright and forex swap) with market counterparties can be included in CSA contracts, being therefore subject to margining practices, like OTC derivatives.

On regulatory purposes, the counterparty risk is measured through the "market value" method, which is based on the quantification of exposure, increasing the market value of the derivative contract by an amount that depends on the type of the financial instrument.

QUANTITATIVE DISCLOSURE - Art. 439 CRR

6.1 Regulatory trading book: end of period and average notional amounts

Underlying asset/Type of derivative	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. 1) Debt securities and interest rate	1,149,785	-	1,963,695	-
a) Options	135,139	-	793,724	-
b) Swaps	1,014,646	-	1,169,971	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	3	-	38	1,211
a) Options	3	-	38	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	1,211
e) Other	-	-	-	-
3. Exchange rates and gold	216,702	-	402,846	-
a) Options	51,961	-	48,582	-
b) Swaps	-	-	-	-
c) Forward	164,741	-	354,264	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	1,366,490	-	2,366,579	1,211
Average amounts	1,867,602	340	2,518,208	1,211

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Table A.1 with the same subject.

6.2 Banking book: end of period and average notional amounts - Hedging derivatives

Underlying asset/Type of derivative	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. 1) Debt securities and interest rate	4,380,142	-	5,264,777	-
a) Options	-	-	-	-
b) Swaps	4,380,142	-	5,264,777	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2) Equity securities and stock indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	462,576	-	80,801	-
a) Options	-	-	-	-
b) Swaps	1,439	-	-	-
c) Forward	461,137	-	80,801	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	4,842,718	-	5,345,578	-
Average amounts	5,163,552	-	8,211,978	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Tables A.2.1 with the same object.

6.3 Banking book: end of period and average notional amounts

Underlying asset/Type of derivative	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. 1) Debt securities and interest rate	970,883	-	1,047,243	-
a) Options	-	-	-	-
b) Swaps	970,883	-	1,047,243	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	-	-	11,966	-
a) Options	-	-	11,966	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	970,883	-	1,059,209	-
Average amounts	1,037,589	-	1,062,707	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Tables A.2.2 with the same object.

6.4 Financial derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair Value			
	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	119,402	-	100,916	-
a) Options	1,314	-	7,734	-
b) Interest rate swaps	115,773	-	84,645	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	2,315	-	8,537	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - Hedging	201,525	-	129,352	-
a) Options	-	-	-	-
b) Interest rate swaps	201,525	-	128,666	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	666	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	48,549	-	41,688	-
a) Options	-	-	-	-
b) Interest rate swaps	48,549	-	41,688	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	369,476	-	271,956	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Table A.3 with the same subject.

6.5 Financial derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative Fair Value			
	Total 31/12/2014		Total 31/12/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	122,407	-	89,707	-
a) Options	1,198	-	1,348	-
b) Interest rate swaps	117,053	-	86,599	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	4,156	-	1,760	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - Hedging	515,252	-	458,023	-
a) Options	-	-	-	-
b) Interest rate swaps	515,192	-	457,931	-
c) Cross currency swaps	60	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	92	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	-	-	1.330	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	1,330	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	637,659	-	549,060	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Table A.4 with the same subject.

6.6 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

Contracts not subject to netting agreements	Governments and Central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. 1) Debt securities and interest rate							
- notional amount	-	-	15,886	60,445	-	188,193	46,360
- positive fair value	-	-	54	1,129	-	4,706	377
- negative fair value	-	-	268	-	-	6	57
- future exposure	-	-	169	102	-	326	45
2. Equity securities and stock indices							
- notional amount	-	-	2	-	-	-	1
- positive fair value	-	-	8	-	-	4	2
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional amount	-	-	113,748	-	-	66,662	82
- positive fair value	-	-	2,042	-	-	327	-
- negative fair value	-	-	777	-	-	3,898	5
- future exposure	-	-	1,135	-	-	772	1
4. 4) Other amounts							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Table A.5 with the same object.

6.7 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

Contracts subject to netting agreements	Governments and Central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate							
- notional amount	-	-	838,903	-	-	-	-
- positive fair value	-	-	109,801	-	-	-	-
- negative fair value	-	-	116,922	-	-	-	-
2. Equity securities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional amount	-	-	36,209	-	-	-	-
- positive fair value	-	-	953	-	-	-	-
- negative fair value	-	-	475	-	-	-	-
4. Other amounts							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Table A.6 with the same object.

6.8 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

Contracts not subject to netting agreements	Governments and Central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate							
- notional amount	-	-	179,195	-	-	-	-
- positive fair value	-	-	309	-	-	-	-
- negative fair value	-	-	42,828	-	-	-	-
- future exposure	-	-	1,809	-	-	-	-
2. Equity securities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional amount	-	-	462,576	-	-	-	-
- positive fair value	-	-	500	-	-	-	-
- negative fair value	-	-	18,385	-	-	-	-
- future exposure	-	-	4,625	-	-	-	-
4. 4) Other amounts							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Table A.7 with the same object.

6.9 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

Contracts subject to netting agreements	Governments and Central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate							
- notional amount	-	-	4,959,152	212,678	-	-	-
- positive fair value	-	-	190,190	10,526	-	-	-
- negative fair value	-	-	452,912	1,127	-	-	-
2. Equity securities and stock indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other amounts							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Sect. 1.2.4 "Derivative instruments", Table A.8 with the same object.

As at 31 December 2014 there are no credit derivatives.

6.10 COUNTERPARTY RISK

COUNTERPARTY RISK - COLLATERALS HELD	EAD VALUE
STANDARDISED APPROACH	**-**
- derivatives contracts	-
- SFT and Long Settlement Transactions.	-

COUNTERPARTY RISK	EAD VALUE
STANDARDISED APPROACH	**3,856,460**
- derivatives contracts	156,788
- SFT and Long Settlement Transactions.	3,699,672

The capital requirement to counter the Counterpaty Risk is **EUR 6,288 thousands** (RWA EUR 78,608 thousands)

As it can be seen in the table, the counterparty risk exposure as at 31 December 2014 equals to EUR 3.9 billion, almost entirely attributable to repurchase agreements transactions currently outstanding with the Cassa di Compensazione e Garanzia (Central Counterparty Clearing).

7. OPERATIONAL RISK

QUALITATIVE DISCLOSURES - Art. 446 CRR

The Banca Carige Groups adopts the "basic method[13]" to calculate the capital requirement for operational risk, applying the regulatory coefficient (15%) to the "relevant indicator[14]" last three years' average.

According to the mentioned calculation method, the capital requirement as at 31 December 2014 equals to EUR 120.6 million (EUR 130.7 million as at 31 December 2013).

The ongoing project (see Chapter 1 - Operating Risk) will allow the transition to the "standard method" for the calculation of the regulatory requirements.

[13] Regulation (EC) No 575/2013, Article 315.
[14] Regulation (EC) No 575/2013, Article 316.

8. EXPOSURES ON POSITIONS HELD FOR SECURITISATION

QUALITATIVE DISCLOSURES - Art. 449 CRR

As at 31 December 2014, the Carige Group has one existing securitisation operation on performing loans, realised on the first half of 2014, together with two "Covered Bond" (OBG) operations, the details of which are further specified in the specific section within Part E of the Notes to the Consolidated Financial Statement as at 31 December 2014.
Performing loans securitisations, like this one, are performed with a view of maintaining a balanced liquidity situation, containing in the meantime the funding cost.

For the purposes of promoting the common co-ordination and monitoring of securitisation transactions carried out by the Group, a specific operating unit was set up within the Planning - Research and Investor Relations division, which ensures constant monitoring of these transactions and related activities across the board by many of the company's divisions and departments.
The risks related to securitisations are evaluated in a qualitative manner within the ICAAP process, and the performance of each transaction is continuously evaluated by the functions of strategic oversight and control: on a half-yearly basis, in fact, relative informative is provided to the Board of Directors
The transaction involved transfer without recourse to the SPE Argo Mortgage 2 Srl (in which Banca Carige currently has a 60% direct holding) of 13,272 mortgage loans for a total value as at 30 June 2004 of EUR 864.5 million at a price of EUR 925.6 million. (This figure includes EUR 61.1 million as the deferred price calculated by means of a profit extraction mechanism which specifically took into account the excess spread net of transaction costs as at each payment date, the level of risk of the loans transferred and early repayment options).

To finance these transactions Argo Mortgage 2 Srl issued the following securities for Euro 864.4 million: class A Euro 808.3 million; class B Euro 26.8 million; class C Euro 29.4 million. All are listed on the Luxembourg stock exchange and a subordinated loan was granted by Banca Carige for Euro 22.8 million, which was fully repaid in 2009.

At the date of approval of this document by the Board of Directors of the Parent Company, the issued securities are rated as follows:

TITLE	CODE	FITCH	OUTLOOK	MOODYS	OUTLOOK
Class A	IT0003694129	AA+	Neg	A2	RUR UPG (*)
Class B	IT0003694137	AA+	Neg	A2	RUR UPG (*)
Class C	IT0003694145	BBB	Stab	Baa2	RUR UPG (*)

(*) under review for a possible upgrade

As at 31 December 2014 redemption of the class A securities totalled Euro 744.5 million (increasing to Euro 750.5 million after the January 2015 redemptions), compared with the initial Euro 808.3 million.

In this transactions, Carige acts as servicer (in the same role, in January 2013 Carige was accompanied by Banca Carige Italia, as a consequence of the transfer to this latter of the business unit consisting of the branches outside Liguria), taking care of credit recovery activities and realising all the other actions considered functional for its regular conduct, including company-, tax- and administrative requirements pertaining to the vehicle company; moreover, the Group supports the securitisation by providing a credit support aimed to cover possible defaults in the payment flows.

Deutsche Trustee Company Limited acts a Security Trustee; Deutsche Bank AG London acts as Calculation Agent and Paying Agent.

The risk of fluctuation in the interest rates on the securitised liabilities has been covered by the vehicle company through a swap contract stipulated with Natixis (former CDC IXIS Capital Markets).

The interventions by Moody's and Fitch on the ratings assigned to the Parent Company made it necessary to appoint - in September 2011 - Deutsche Bank AG London as Account Bank in replacement of Banca Carige. In June 2012, the same Deutsche Bank AG London has been appointed as Back-Up Servicer Facilitator (BUSF), and in January 2013 Zenith Service SpA has been appointed as Back-Up Servicer (BUS).

As a result of the transfer of the business unit to Banca Carige Italia, which took place on 31 December 2012, the receivables pertaining to the performing securitised loans of the branches outside Liguria were transferred to the new Bank and therefore the securitisation became multi-originator.

The residual credit for the deferred price to be paid to Banca Carige and Banca Carige Italia as at 31 December 2012 was Euro 47.7 million.

Collections in 2014, related to pertaining receivable accounts, amounted to Euro 25.1 million and servicing commissions totaled Euro 0.2 million.

The securitisation transaction, which does not fully reflect the conditions of substantial transfer to third parties of the associated risks and benefits, was reclassified in the Balance Sheet as from 1 January 2005.

Methods for calculating risk weighted exposures on the risk amount that the Bank applies to its securitisation activities.

Commission Regulation (EU) No 575/2013 lays down the rules for a prudential purposes treatment of the positions held for securitisation, both for those entered into by the banks and for all securities of this kind issued by other banks, purchased and held in the portfolio.

Concerning securities related to third-party transactions, the regulations require specific weightings and the possibility of using - when available - the external rating provided by an ECAI[15] recognised by the Supervisory Authority.

As regards transactions carried out directly, their treatment on prudential purposes depends from the verification of the significant transfer of risk requirement[16]: if so, the assets transferred do not fall within the scope of reporting, thus not generating any RWA[17] whilst, if not, the regulations provide the inclusion of the underlying receivables within the weighted assets of the bank, as if these receivables had never been securitised.

These conditions are fulfilled as regards Argo Mortgage 2, the sole still existing securitisation of the Group, and therefore the underlying assets are not included within the scope of the prudential reporting; it should also be noted that, as at 31 December 2014, in the Carige Group portfolio there are no junior securities related to the aforementioned securitisation.

8.1 EXPOSURES ALLOCATED ACCORDING TO RISK WEIGHTING SEGMENTS

RISK WEIGHTING SEGMENTS	Banking risk activities				Off balance sheet risk activities				Early repayment clauses	
	Own securitisations		Third party securitisations		Own securitisations		Third party securitisations		Own securitisations	
	Type		Type		Type		Type		Type	
	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic
20% Weighting				-	-	-	-	-	-	-
50% Weighting	9,393	-	-	-	-	-	-	-	-	-
100% Weighting	3,779	-	2,474	-	-	-	-	-	-	-
350% Weighting	-	-	-	-	-	-	-	-	-	-
1250% Weighting - with rating	-	-	-	-	-	-	-	-	-	-
1250% Weighting - without rating	-	-	-	-	-	-	-	-	-	-
Lock-through - second loss in ABCP	-	-	-	-	-	-	-	-	-	-
Lock-through - other	-	-	-	-	-	-	-	-	-	-
Total	**13,172**	**-**	**2,474**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[15] The use of a recognised ECAI with the purpose of determining the RWA must be formalised by the Supervisory Authority.

[16] This methodology, regulated by Commission Regulation (EU) No. 575/2013 (CRR), Art. 243, is independent from those adopted in accordance with IAS/IFRS rules in relation with the inclusion or not of the securitised assets within the consolidation of the Financial Statement.

[17] RWA are also generated by possible exposures related with securities issued by the vehicle and subscribed/repurchased by the originator Bank.

QUANTITATIVE DISCLOSURE - Art. 449 CRR

8.2 Banking group - Total amount of securitised assets underlying junior securities or other forms of credit support

Asset / Amount	Traditional securitisations	Synthetic secularisations
A. With own underlying assets:	140,507	x
A.1 Fully de-recognised	-	x
1. Non-performing loans	-	x
2. Watchlist loans	-	x
3. Restructured loans	-	x
4. Past-due	-	x
5. Other assets	-	x
A.2 Partially derecognised	-	x
1. Non-performing loans	-	x
2. Watchlist loans	-	x
3. Restructured loans	-	x
4. Past-due	-	x
5. Other assets	-	x
A.3 Not de-recognised	140,540	-
1. Non-performing loans	21,570	-
2. Watchlist loans	2,845	-
3. Restructured loans	10	-
4. Past-due	1,672	-
5. Other assets	114,443	-
B. With third-party underlying assets:	-	-
B.1 Non-performing loans	-	-
B.2 Watchlist loans	-	-
B.3 Restructured loans	-	-
B.4 Past due	-	-
B.5 Other assets	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table 5 with the same object.

Within this period, losses on transferred (but not written off) receivables equal to EUR 832,800 were accounted for.

8.3 Banking Group - Exposures arising from securitisation transactions broken down by quality of underlying assets

Quality of underlying assets/Exposures	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:	9,441	9,441	3,792	3,792	47,669	42,471	-	-	-	-	-	-	-	-	-	-	-	-
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	9,441	9,441	3,792	3,792	47,669	42,471	-	-	-	-	-	-	-	-	-	-	-	-
B. With third-party underlying assets:	2,474	2,474	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	2,474	2,474	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table C.1 with the same object.

The data disclosed in the table show the risk retention of the Group with respect to the securitisation performed in 2004, through the SPE Argo Mortgage 2 Srl, and relate to the receivables for deferred price accrued, net of its write-down (Euro 42.5 million, write-down amounting to Euro 5.2 million), as well as to SPE securities repurchased by Carige (Euro 9.4 million of the Senior Class and Euro 3.8 million of the Mezzanine Class).

8.4 Banking Group - Exposures arising from major proprietary securitisation transactions broken down by type of securitised assets and exposures

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs
A. Fully de-recognised	-		-		-													
B. Partially de-recognised																		
C. Not de-recognised	9,441		3,792		42,471	5,199												
C.1 Argo Mortgage 2 Srl																		
- non-performing loans					-	-												
- performing loans	9,441		3,792		42,471	5,199												

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table C.1.2 with the same object.

8.5 Banking Group - Exposures arising from major 'third-party' securitisation transactions broken down by type of securitised asset and type of exposure

Underlying asset type/Loans	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs
A.1 FIP Funding Srl																		
- performing loans	2,474	-																

The values shown correspond to those indicated in the "E" part of the Notes to the Consolidated Financial Statement, Table C.3 with the same object.

9. EQUITY EXPOSURES NOT INCLUDED IN THE REGULATORY TRADING BOOK

QUALITATIVE DISCLOSURES - Art. 447 CRR

The equity exposures not included in the regulatory trading book can be broken down in three macro-groups:

- Subsidiaries in companies not included in the prudential scope. Insurance companies fall into this category. In the 2014 consolidated statement of account, they have been classified as activities groups held for sale, and consolidated through the integral method. For prudential purposes, they are considered as individual assets held for sale, and in prudential reporting they contribute to the non-trading-book only for the part which is not deducted to own funds according to the rules laid down, with reference to significant investments in other operators in the financial sector.

- Equity investments in associated companies, held for strategic or institutional purposes, or purposes instrumental to the operating activities of the Bank and to the development of the commercial activities. Currently there are no companies subject to joint control.

- Equity UCIs shares and capital shares, included in the securities portfolio and held for financial investment purposes, classified among the assets available for sale (AFS). The AFS portfolio also includes minority shareholdings on which no significant influence is exercised, and held for institutional purposes (shareholdings in companies, entities and institutions related to territory) and instrumentally useful to the operational and commercial activities of the Bank.

ACCOUNTING TECHNIQUES

Capital instruments included in the non-trading-book are recorded in Balance Sheet assets either under item 40 "Assets available for sale" or under item 100 "Shareholdings". In the financial statement prepared for prudential purposes the insurance companies are recorded under item 150 "Non-current assets and group of assets held for sale", at their fair value net of sales cost, since this was lower than its book value. The following is an extract from Part A "Accounting Policies" of the Notes to the Consolidated Financial Statement, with reference to the accounting treatment of these items.

FINANCIAL ASSETS AVAILABLE FOR SALE

Non-derivative financial assets, debt securities and equities not classified as financial assets held for trading, financial assets held to maturity, financial assets designated at fair value through profit and loss, due from banks and loans to customers, are classified under this category.

This category also includes strategic investments in shares issued by another company held with the intention of establishing or maintaining a long-term working relationship, when they do not involve investments in subsidiaries and companies subject to joint control or significant influence, or investments in associates.

Financial assets available-for-sale are:

- initially recognised at fair value, including transaction costs or revenues directly attributable to the instrument, except for equities not listed on an active market - for which the fair value cannot be reliably measured - which are recognised at the acquisition cost.

  Debt securities and equities are recognised as at the settlement date;

- after initial recognition, measured at fair value, except for equities not listed on an active market - for which the fair value cannot be reliably measured - which are measured at the acquisition cost.

  Positive and negative changes in fair value (which do not qualify as durable) are recognised to a specific reserve item under Shareholders' Equity, net of the tax effect; on discontinuation of the financial asset, accrued gains or losses are recognised to the Income Statement.
  Exceptions are impairment losses and exchange gains or losses. These refer to non-cash entries not included in fair value hedges on exchange risk. They are recognised directly to the Income Statement at the time they arise.
  The impairment losses are recorded in the Income Statement item "Net losses/recoveries on impairment of financial assets available for sale" (see Item 18 - Other information for the impairment testing methods for securities, included in Part A.2 "Part relating to the main balance sheet items" of the Notes to the Consolidated Financial Statements 2014).
  If the reasons for long-term impairment cease to apply as a result of an event after the date of recognition, value write-backs are performed on debt securities, which are recorded in the Income Statement if they relate to debt securities and in shareholders' equity for equities measured at fair value. Exceptions are equities measured at cost for which the loss cannot be written back.
  Impairment testing is performed at the end of each financial year or during the year if evidence of impairment is found;
- de-recognised when the asset in question is sold, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

EQUITY INVESTMENTS

This category includes investments in associates, recognised in the financial statements according to the equity method.
Initial recognition is at the settlement date.
Classified under this category are subsidiaries excluded from full consolidation and associates excluded from application of the equity method as considered immaterial. These companies are recognised to the financial statements at cost.
Minority interests are recognised to "Financial assets available-for-sale".

At the end of each reporting period, impairment testing is performed where there is any sign that an equity investment may need to be written down. These signs are normally identified in an investment's internal and external factors, i.e.:

- a declining market value of the equity investment;
- changes in the environmental conditions under which the investee operates;
- an increase in market rates;
- a worsening of the equity investment's expected performance.

If any one of these conditions is met, the recoverable value of the investment is calculated, i.e. the higher between the fair value less costs to sell and the value in use. If the recoverable value proves less than the accounting value, the equity investment is written down.

The value in use is calculated as the current value of future cash flows generated by the investment, applying a market rate on these flows that represents the cost of capital and risks specific to the investment. When calculating the usage value, there is also a need to discount the deemed disposal value of the investment at a due time, assuming a hypothetical price agreed between independent, available and informed parties.

If the impairment recognised in previous reporting periods should reduce or no longer apply, a write-back is recognised to the income statement; in this case, the resulting value of the equity investment cannot exceed the cost prior to write-down.

Equity investments are de-recognised on disposal of the business activities in question, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

This category includes non-current assets held for sale as well as groups of assets and theit associated liabilities held for sale.

The assets held for sale must meet all the following three requirements:

1. be available for immediate sale in their present condition, only subject to the terms and conditions that generally apply to the sales of these assets;
2. their sale must be highly probable;
3. they have not to be aimed at withdrawal.

The initial classification within the category of the asset held for sale comprises the following stages:

1) immediately before the initial recognition: asset assessment performed using the adopted accounting principles; recording of depreciations and impairment test[18];

2) At initial recognition: non-current assets evaluation held for sale and discontinued operations are valued at the lower of the book value and the fair value less sale costs.

[18] IAS 36 (par. 9) states that an event such as a disposal of non-current assets represents an impairment indicator, which requires the recalculation of the assets' recoverable value. In this case, the recoverable value can be calculated by estimating the expected net sale price of the assets.

Following the first recognition, a non-current asset held for sale is evaluated at the lower of the book value and the fair value less sale costs.
The subsequent measurement of the properties held for sale provides that:

- no depreciation is made;
- any excess of the book value over the fair value net of sale costs has to be recognised in Profit and Loss account ("impairment loss");
- any further increase of the fair value net of sale costs has to be recognised in Profit and Loss account up to the amount of the cumulative impairment previously recognised in accordance with both IAS 36 and IFRS 5.

These assets are included in the specific Balance Sheet item "Non-current assets and group of assets held for sale".
Only the profits and losses (net of taxes) attributable to groups of assets and liabilities held for sale are listed under the income statement item "Profit (loss) from groups of assets held for sale net of taxes".

PRIVATE EQUITY INSTRUMENTS

QUANTITATIVE DISCLOSURE - Art. 447 CRR

With a view of realising a wide diversification of the financial instrument held in portfolio, in accordance with predefined risk thresholds, some investments have been selected, within Private Equity sector.

These are investments mainly effected in previous years, which have been recognised in the AFS (Available For Sale) sector which exposure, as at 31 December 2014, is equal to EUR 5.7 million (corresponding to 0.20% of the total financial investments).

QUANTITATIVE DISCLOSURE - Art. 447 CRR

9.1 Bank portfolio: cash exposure in equity instruments and UCIs

Item/Amount	Banking group			Total
	L1	L2	L3	
1. Non-current assets and discontinued groups of assets				
Item 150 prudential financial statement				
1. Discontinued equity investments				
1.1 Evaluated at fair value, net of divestiture costs			306,691	306,691
1. Equity investments - Item 100	-	-	92,482	92,482
1.1 Evaluated at cost or by the equity method	-	-	92,482	92,482
2. Financial assets held for sale - Item 40	6,506	1,828	337,609	345,943
1 Equity instruments	168	-	332,855	333,023
1.1 Designated at □ fair value	168	-	306,535	306,703
1.2. Carried at cost	-	-	26,320	26,320
2 Units of UCI	6,338	1,828	4,754	12,920
Total	**6,506**	**1,828**	**736,782**	**745,116**

The value of investments held for sale represents a part of item 150 "Non-current assets and groups of assets held for sale" on the financial statement prepared for prudential purposes, and described in Chapter 3 "Own funds" of this document. These significant shareholdings are deducted from own funds for an amount of EUR 174 million. The residual amount is weighted at 250%, and contributes to the calculation of non-trading-book RWA.
The value indicated with reference to the item "Shareholdings" corresponds to the amount reported in Table 10.3 "Shareholdings - annual changes" column "Banking Group" of the Notes to the Consolidated Financial Statement - Part "B", while the data related to the assets held for sale are extracted from Table 4.1 "Financial assets held for sale: composition by type" of the Notes to the Consolidated Financial Statement - Part B.

It has to be noted that the all the shareholdings registered under item 100 are unlisted and reported either through the shareholders' equity method, or at cost, if deemed as not relevant. Equity securities which fair value cannot be reliably determined are reported at cost.
Among the AFS equity securities reported at level 3 fair value, there's also the holdings in the Bank of Italy for an amount equal to EUR 302.375 million.

In this period, price gains have been realised on sales of equity securities and UCIs classified to the AFS portfolio for EUR 16.7 million, and price losses for EUR 2.6 million. With reference to shareholdings in insurance companies held for sale, a value reduction has been recognised, for an amount of EUR 218.7 million.

With reference to the equity securities and UCI shares classified to the AFS portfolio, positive and negative valuation reserves have been recognised, respectively for EUR 781,000 (group share plus minorities) and EUR 94,000 (group share plus minorities).
In the calculation of own funds, these reserves have positively impacted on Tier 2 Capital for EUR 0.3 million.

10. EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

QUALITATIVE DISCLOSURES - Art. 448 CRR

Monitoring and measuring methodologies

The Risk Management Function guarantees the measuring and the control of the Group's exposure to interest rate risk on its banking portfolio, from both an equity and an income standpoint.

From an equity point of view, the aim of monitoring the interest rate risk on banking portfolio is to measure the impact of changes in interest rates on the equity fair value, in order to preserve its stability. The variability of the equity economic value following a shock on the market interest rates is measured through two different approaches:

- Standard Supervisory Model (duration analysis): the change in the equity economic value is approximated by the duration metrics applied on an aggregate of operations classified in a reference time bucket, on the basis of either their expiry date or their repricing date;
- internal model (sensitivity analysis): the change in the equity economic value is measured, at single transaction level, as the fair value difference before and after the indicated shock. The present value of the Group's shareholders equity is calculated as the difference between this latter and the present value of each single item in the Group's assets and liabilities, adopting specific criteria for non-dated items.

Particularly, the relevant cases regarding non-dated transactions are represented by both the ones featuring an "at sight" maturity and the ones subject to a prepayment risk. The "at sight" maturity transactions can be treated with statistical and econometric methods, able to jointly recognise the masses persistence and the adjustment of the economic conditions compared to market dynamics. The transactions subject to prepayment risk are treated with reference to an amortisation plan which, including a quantification of the expected prepayment, results as accelerated, foreseeing higher repayments in the short term, and lower ones in the middle/long term when compared to the contractual plan.

In terms of profitability, the aim of monitoring the interest rate risk on the banking portfolio consists in measuring the impact of the changes of the interest rates on the expected interest margin on a predefined time horizon (gapping period).

The interest margin variability, following a shock on the market interest rates, is measured through a gap analysis approach, according to which this variability depends on both the reinvestment (refinancing) under new market condition - not known before - of the capital cash flows expiring in the reference period and the changes in the interest cash flows (in relation with the variable interest rate operations).

The frequency of interest rate risk measuring on positions non included in the trading portfolio is performed at least once every quarter. For managing purposes, stress analysis on the basis of historical- and forecast scenarios are also set.

The parent company's Board of Directors has defined exposure thresholds for the interest rate risk, in terms of Risk Appetite and Risk Tolerance.

The measurements of capital absorptions towards banking book interest rate risk, addressing Pillar 2, are performed through the sensitivity analysis model approach.

QUANTITATIVE DISCLOSURE - Art. 448 CRR

The Balance Sheet impact is analysed hereunder, in terms of interest margin, net interest and other banking income, profit and shareholders' equity margins of parallel movements of the curve (+200 bps up, and -200 bps down). The following table notes the overall impact and details of the regulatory trading portfolio:

	+200 bps	-200 bps
Net interest income	**109,908.99**	**-23,298.13**
- of which EUR	99,926.67	-20,658.53
- of which other currencies	9,982.32	-2,639.60
Net profit(1)	**73,562.08**	**-15,593.44**
- of which EUR	66,880.92	-13,826.75
- of which other currencies	6,681.17	-1,766.68
Net equity	**38,328.82**	**-9,602.08**
- of which EUR	31,647.65	-7,835.39
- of which other currencies	6,681.17	-1,766.68

(1) Estimated values, assuming a 33.07% taxation

11. REMUNERATION POLICIES

QUALITATIVE DISCLOSURES - Art. 450 CRR

The remuneration policy and practices of the Banca Carige Group for those categories of staff whose professional activities have a relevant impact on its risk profile in 2014, in compliance with the applicable legal and supervisory regulations and in accordance with Banca Carige's Articles of Association, have been approved by the ordinary Shareholders' Meeting held on 30/04/2014 upon the proposal of the Board of Directors which, in 2014, implemented the same policies.

These policies have been prepared by the Human Resources Structure, with the assistance of the competent functions for the aspects of their specific competence, and have been submitted to the Remuneration Committee - set up within the Board - which ensured all the provisions of the rules and regulation, applicable from time to time, of the Articles of Association and its own Regulations, exercising the propositional, consultative and supervisory functions which are attributed to it.

The Remuneration Committee is composed by a minimum of three and a maximum of five members, chosen among the non-executive directors, the majority of whom are independent, according to their main competences and their availability in being appointed for this task. At least a member of the Committee must possess adequate knowledge and experience in financial matters, to be assessed by the Board of Directors at the time of appointment.

Among its independent members and by an absolute majority, the Committee appoints its President, charged with the task of coordinating the works of the Committee itself.
The members of the Board of Statutory Auditors can take part to the works of the Committee and, upon invitation by the President, other leading figures and managers of corporate functions as well as external consultants which shall not be in conflict with the items on the Agenda related with the remuneration policies. The Committee works are also attended by the Secretary, with minute writing functions, appointed by the Committee among the members of staff assigned to the Organs' secretariat.

The Committee must also assist the Board of Directors in ensuring that the remuneration policies could take due account of the risk containment objective, being at the same time coherent with the long-term objectives of the Bank, its corporate culture, the global corporate governance structure and the internal controls.
Furthermore the Committee, respecting the remuneration policies approved by the Meeting, provides recommendations and opinions to the Board of Directors, in relation with remuneration issues. In particular, it:

- presents proposals and opinions to the Board of Directors, in relation with the criteria on the basis of which a significant part of the retribution is determined in favour of senior managers with strategic responsibilities or, possibly, of executive Directors or those appointed with particular operational powers, in relation or not to the financial results achieved by the Company and to the attainment of specific objectives, being understood that these criteria will not be applicable to the Manager responsible for preparing the Company's financial reports and to the Managers of the internal control functions.

- periodically evaluates the adequacy, the overall coherence and the concrete application of the remuneration policy for Directors and Senior Managers with strategic responsibilities, exploiting for this purpose the information provided by the CEO or the General Manager, if appointed; monitors the implementation of the decisions adopted by the Board, verifying at the same time the actual achievement of the results and the objectives as per the previous point; formulates proposals on remuneration issues to the Board of Directors; makes qualitative judgements on the activities performed by the General Management as well as on those performed by the Manager responsible for preparing the Company's financial reports and - after consulting the Risk and Controls Committee - by the Managers of the internal control functions;

- proposes the additional remunerations, different from those determined by the Shareholders' Meeting, for the Chairman, the Deputy Chairman, the CEO, the members of the Executive Committee and of the Board Committees;

- proposes the remunerations for the Managers of the corporate control functions;

- proposes the best criteria to adopt in order to determine the remuneration policies of the Group's staff as well as of the external collaborators not linked to the Group by any regular employment contract, carrying out advisory task related to the assessment of the related criteria;

- proposes the criteria to be followed in determining - for each staff category of the parent company - the amount of the "annual bonus" accruing to the single beneficiaries of those categories;

- proposes the criteria to be followed in determining - for the members of staff of the parent company - the emoluments exceptionally paid to newly hired staff only during their first year of employment ("welcome bonus") as well as the emoluments paid in case of an early termination of the employment relationship;

- draws up recommendations on the use of other personnel incentive systems based on financial instruments (e.g. stock options). More specifically, the Remuneration Committee draws up proposals related to the incentive systems deemed as the most appropriate to adopt, monitoring its evolution and implementation over time;

- draws up proposals on the remuneration of the Directors who perform special functions, of the General Manager and of the Senior Managers who have strategic responsibilities within the subsidiaries.

Furthermore, the Committee verifies:

- on a half-yearly basis at least, the regulatory- and operational compliance of the process implemented by the Committee, in accordance with the legal provisions and supervisory requirements, thus assessing the single components' adequacy to fulfill their role. The aforementioned verification is deployed in accordance with the regulations of the self-assessment process of the Board Bodies and Sub-committees;
- on a half-yearly basis at least, the regulatory- and operational compliance of the correct implementation of the rules related to the remuneration of the Company Representatives and the Managers of the corporate control functions, in close collaboration with the Board of Statutory Auditors and with the same control functions themselves;
- the fulfilment of the conditions of access to the annual bonus for every staff category in the Parent Company.

The Regulation of the Committee provides that the Chairman convenes its meetings with the frequency deemed necessary in order to ensure an effective performance of the mandate given to him. In the practice, the Committee meetings are held whenever they are deemed necessary in the light of the functions assigned to it, and particularly before any Board of Directors Meeting in which agenda have been placed items somehow related with the activity of the Committee itself.

In 2014, the Remuneration Committee held 6 meetings, with an average duration of about thirty minutes.
As of 2015, at the approval date of this report 2 meetings of the Remuneration Committee have already been held.

The table below summarizes the attendance percentages of the current members of the Remuneration Committee, in relation with the meeting held with reference to year 2014:

Member of the Committee	Office	Number Meetings	Attendances	% Attendance
Prof. Avv. Lorenzo Cuocolo	Chairman	6	6	100%
Dott. Luca Bonsignore	Member	6	5	83%
Dr Evelina Christillin	Member	6	4	67%
Dr Philippe Marie Michel Garsuault	Member	6	0	0%
Mr. Lorenzo Roffinella	Member	6	6	100%

During the Year, the Committee has been able to operate in concrete terms as follows:

- at the time of approval, by the Board of Directors, of "The Remuneration policies of the Banca Carige Group", a document which has been subsequently submitted to the Shareholders' Meeting on 30/04/2014;
- performing the verification of the access requirements to the bonuses foreseen by the incentives system, in accordance with the provisions set forth in its Regulations and in the adopted Remuneration Policies;
- determinating the remuneration to be paid to the Manager of a Control Function;
- when appointing Directors in strategically important Subsidiaries, delivering an opinion on the determination of the related remunerations;
- at the time of disclosure to the Shareholders' Meeting of the neration policies implemented for Directors, employees or contractors of the Company: at the same meeting, the Committee also examined the report on the verification activities performed by the Internal Audit Function, in accordance to the provisions set forth by the current supervisory regulations concerning the manners through which it is possible to ensure the compliance of the remuneration practices with the legislative context;
- when determining new remuneration criteria for the corporate management, including the Managers of the control functions.

In compliance with the current supervisory regulations, the implementation of the remuneration policies approved by the Shareholders' Meeting is specifically monitored by the corporate control functions, and particularly by:

- the Compliance Function, which shall be responsible for verifying the coherence of the incentives system of the Company with the objectives of compliance with applicable regulations, the Articles of Association, possible Codes of Ethics as well as other standards of conduct applicable to the Bank, in order to avoid any recourse to methods and criteria which could encourage high-risk of non law-compliant behaviors.

- the Internal Audit Function, which on a yearly basis performs a verification on the coherence of the implemented remuneration system with the reference legislation.

It has to be noted that Banca Carige SpA was advised by a primary consulting company on compensation matters (Co.Ba.Co. Srl) for drawing up the Remuneration Policies 2014, and by a primary international managing consulting company (Hay Group Srl) for the identification of "Key Personnel".

It has to be noted that, when defining the remuneration policies, other companies' ones have not been used as reference models, apart from the necessary evaluations and/or comparisons which have been performed on the average retribution levels pertaining to the sector.

The variable remuneration system for the Carige Group's staff is compliant to the Supervisory Provisions, and it was subject to full compliance with the access requirements foreseen by the Remuneration policies approved by the Shareholders' Meeting on 30/04/2014 (access gates), which are summarised here below.
The annual bonus could be paid only after having verified the indicator of consolidated sustainability, which consists in the expectation of a consolidated net profit, and the achievement of at least 70% of the budget expected amount, on the basis of the "continuing nature of employment" clause. Apart from the controllers, the disbursement was subject to indicators of profitability, capital adequacy and consolidated-level liquidity. This was accompanied by both the operating compliance assessment expressed by the Compliance Function of the Parent Company, at a Group level, on the processes which had been year by year defined by the Board of Directors of the Parent Company, and a specific operating compliance risk assessment expressed by the Board of Statutory Auditors of the Parent Company, for all the Banks/Companies of the Group, on the relevance processes of the strategical- and management supervision bodies, of those who perform functions equivalent to the General Manager's ones, of the control Functions managers, as well as of each single process - or part of the same - Compliance Function within the Banks/Companies of the Group, pertaining to each other beneficiaries of the bonus.
The indicators which were considered in order to grant the variable remuneration possibly foreseen by the individual Corporate Contracts of the "key personnel" are coherent with those foreseen for the other staff categories.
In the event of non-respect of just one of these so-called "access gates", the annual bonus couldn't be granted. If, on the contrary, all the "access gates" requirements were fulfilled, the annual bonus was calculated by weighting the target value (defined time by time and upon proposal of the CEO, the Board of Directors of the Parent Company, after consulting the Remuneration Committee) with income, efficiency and results indicators.

The retribution policy for the Carige Group's staff is compliant with long-term strategies and foresees a correct balance between the fixed- and variable component, not increasing the corporate risks.
During 2014, the Carige Group devoted a special attention to holding down costs, by reducing both the structural cost of labor and the general expenses, in line with the provisions of the Business Plan 2014-2018 approved by the Board of Directors of Carige on 27/03/2014.
The related operations were set out on different lines, involving both the fixed- and the variable remuneration. More specifically:

In compliance with the Remuneration Policies set out for 2014, also in relation with the less than positive operating results and taking into account the industry regulations that over time have consolidated the calls related to the coherence among variable remuneration, company profitability and capital strength[19], in the year 2014 the relative bonuses have not been paid:

- ✓ to the annual incentives system related to the 2013 performance. More specifically, income results have not allowed the activation of the annual bonus payments to all staff;
- ✓ to the deferred share of prize related to the 2011 Short Term Incentives System, for the "Key Personnel";
- ✓ to the 3rd tranche of the prize related to the 2009-2011 Long Term Incentives System, for all the Management.

Still on the subject of the negative economic results, the Carige Group:

a) did not activate the Incentives Systems for the Group's staff in 2014;

b) at least one requirement has not been fulfilled, which was essential in order to allow the access to the long term incentive bonus planned for all the Management in the period 2012-2014, in payable performance unit, through their transformation (on the basis of the assigned target, the achieved performance and the price of the underlying share) in money, pro rata, at the end of the three-year "vesting" period (1/3 for each of the following three years). The aforementioned requirements refer to:

   1. the average of the positive performances achieved in the annual short term incentives system (anyway with a minimum of 2 positive years);
   2. employment with the company;
   3. equity soundness of the Bank (verification of the TIER 1 index level);
   4. profitability efficiency (the Bank and the Group must achieve operating profits);

   The unfulfilment of the requirement as per Point 1 (negative performance of 2013 short term incentives system and no activation of the 2014 short term incentives system) made impossible for the assigned performance units to be transformed in money, thus leading to their cancellation.

The ratio between the variable- and fixed component of the "Key Personnel" does not exceed 100%.
In particular, the maximum limit is foreseen only for some - the most important - employees, for which specific, individual agreements have been made.
This limit drops to 70% for the remaining "Key Personnel" cluster, and to 50% for the Managers and remaining personnel. For the controllers, the limit has been fixed at 30% of RAL.
The non-activation of an annual incentives system in 2014 has made inapplicable the fixing of the annual bonus target amounts versus fixed remuneration, and therefore also the possible ex ante "variable on fixed" ratios.

[19] With particular reference to the provisions contained in Directive 2013/36/UE of the European Parliament and of the Council of 26/06/2013 (CRDIV), to the current Supervisory Provisions issued by the Bank of Italy and to Circular n. 285 of 17/12/2013.

The non-payment, in 2014, of the 2013 incentives as well as the deferred incentives related to the short- and medium-long term incentives plans, made inapplicable the verification of the ex post "variable on fixed" ratios.

The Remuneration Policies approved during 2014 provided following rules in case of payment of the annual bonus:
- disbursement of the amount possibly granted to the "Key Personnel" in a 60% "up-front" payment and in five equal annual instalments, totally amounting to the residual 40%, deferred in a five-year period subsequent to the one in which the "up-front" payment has been effected;
- cash payment for 50% of the possible bonus, both for the "up-front" payment and the deferred ones; the remaining 50%, both for the "up-front" payment and the deferred ones, will be settled through financial instruments, performance units, Parent Company's virtual shares which value corresponds to the market value of the real shares used as benchmark and liquidated in cash at the end of the "lock-up" period;
- For the remaining personnel, including the Managers, the possible payment of bonus will be made in cash on hand.

The deferred variable remuneration system included an "ex post" correction mechanism represented by the "malus" clause, which operated during the deferral period of the annual bonus postponed instalments, before their disbursement.
In accordance with the "malus" clause, the payment of the aforementioned annual bonus deferred instalments was subject to the fulfilment of all the "access gates" set forth and the related threshold values as defined in the Remuneration Policies. When, in a given year, even just one of the aforementioned "access gates" should not be fulfilled, the related deferred "bonus" instalments will not be paid.
This "malus" mechanism, with the consequent preclusion to pay the deferred "bonus" shares, also acted in the following cases:

i) behaviors generating a significant loss for the Group or for a single Bank/Company belonging to it;
ii) infringements of the obligations provided for in Art. 36 of TUB (Consolidated Banking Act) or, when the subject is an interested party, in Art. 53 Par. 4, 4-ter, 4-quater of CBA, or remuneration- and incentives obligations;
iii) fraudulent conducts or gross negligence to the detriment of the Group or a single Bank/Company belonging to it.

In the aforementioned cases i), ii) and iii), all the "up-front" payments as well as the deferred "bonus" instalments already disbursed will have to be returned ("claw-back" clause).
The aforementioned "malus" and "claw-back" mechanisms were also applied to the variable remuneration forms foreseen by individual contracts related to "Key Personnel".
In the year 2014, the annual bonuses for 2013, as well as the deferred bonuses related to existing incentives plans, have not been paid due to the non-fulfilment of the required conditions, and on the basis of the applicable regulations.
For the sake of completeness of information, please note that the union agreement of 30/09/2014, restructuring and containing the variable remuneration contractually fixed, and eliminating retribution items related for example to additional performances of middle managers, foresaw a compensatory payment - reserved to Professional Areas and Middle

Managers - subjected to the achievement of profitability targets, as set forth in the agreement itself.
This payment has been effected in November 2014, and involved the Professional Areas and the Middle Managers of the Group.

As concerns the policies related to the payment of additional benefits, these are carefully monitored and generally aligned on market practices.

It has to be pointed out that, in 2015, the Remuneration Policies will be somehow fine-tuned, also in accordance with the new Bank of Italy Supervisory Measures, but they will substantially retrace the Politics adopted in 2014.
The major innovations will include (for more details please refer to Sect. I of the Remuneration Report 2015):

- For all members of staff, the "variable to fixed" ratio could reach 100%, with the exception of the "Key Personnel" and the personnel assigned to Control Functions for which, respectively, the expected ratio will be 30% and 50%;
- The payment of the possible annual bonus to the "Key Personnel" will be made 60% up-front and the remaining 40% in three deferred annual instalments, in a period subsequent to the one in which the up-front quota has been paid;
- The financial instruments to be used shall be shares and/or performance units.

As for severance payments for "Key Personnel", so-called "golden parachute", in accordance with the new supervisory regulations, notwithstanding the applicable law notice (12 months) and other very limited exceptions, they are subject to the variable remuneration rules (deferral, payments partly made in financial instruments, "malus", "claw-back"). Golden parachutes shall be subject to qualitative and quantitative indicators, these latter only referring to the capital adequacy index.

QUANTITATIVE DISCLOSURE - Art. 450 CRR

Obligations of disclosure to the public ex art. 450 CRR (g): Key employees

REFERENCE PERIOD 2014

	Activity lines					
	Members of the Company administrative body (1)	Investment banking (2)	Retail Banking (3)	Other company functions (4)	Corporate Control Functions	Total (5)
Number of employees	55	3	24	29	6	117
Total remuneration (6)	6,400,489	397,335	2,481,179	3,642,802	577,293	13,499,097
of which: total variable remuneration	1,496,260 (7)	-	4,860	3,000	-	1,504,120

Amounts in EUR

(1) Including amounts received as remuneration by subjects who are also Bank employees

(2) Investment Banking is represented by Finance Area

(3) Retail Banking is represented by the Commercial Structures' staff

(4) Including amounts received as remuneration by subjects being also members of the Board of Directors, but whose employee role is predominant against the Director one

(5) Of which 9 terminated during 2014

(6) Fixed + Variable + Benefits

(7) Sum of EUR 1,194,133 (of which EUR 1,079,385 recorded in 2014 as "personnel cost" and related to an one off incentive for the acceptance of CEO office and powers, EUR 114,748 as provision for a multi annual incentive - in financial instruments - for the CEO and EUR 302,127 as provision for a multi annual incentive - in cash - for the CEO).

Obligations of disclosure to the public ex art. 450 CRR (g): Key employees

REFERENCE PERIOD 2014

	PERSONNEL COSTS			
	Members of the Company administrative body (1)	Top Mamagement (2)	Other Key Employees (3)	Total
Number of employees (#)	55	19	43	117
Total fixed remuneration	4,904,362	2,813,304	4,277,445	11,995,110
Beneficiaries number (#)	55	19	43	117
Total variable remuneration	1,496,260 (4)	1,500	6,360	1,504,120
Beneficiaries number (#)	1	1	5	7
of which: variable in cash	302,127	1,500	6,360	309,987
of which: variable in shares and related instruments	-	-	-	-
of which: variable in other financial instruments	1,194,133	-	-	1,194,133
Deferred existing remuneration, granted in the previous years and not in the reference year.	-	-	-	-
of which: allocated quotas	-	-	-	-
of which: non-allocated quotas	-	-	-	-
Deferred granted remuneration, paid during the financial year	-	-	-	-
of which: reduced amount due to performance corrections	-	-	-	-
Sign-on Payments (Welcome Bonus) (5)	797,138	-	-	797,138
Beneficiaries number (#)	1	-	-	1
Payments effected for early termination of service (Golden Parachute)	-	-	-	-
Beneficiaries number (#)	-	-	-	-
Payments effected for early termination of service (Golden Parachute)	-	-	-	-
Beneficiaries number (#)	-	-	-	-
Highest amount for early termination of service of a single person	-	-	-	-

Amounts in EUR

(1) Including amounts received as remuneration by subjects who are also Bank employees
(2) Including amounts received as remuneration by subjects who are also members of the Board of Directors
(3) Including amounts received as remuneration by subjects who are also members of the Board of Directors
(4) Sum of EUR 1,194,133 (of which EUR 1,079,385 recorded in 2014 as "personnel cost" and related to an one off incentive for the acceptance of CEO office and powers, EUR 114,748 as provision for a multi annual incentive - in financial instruments - for the CEO and EUR 302,127 as provision for a multi annual incentive - in cash - for the CEO).
(5) Accounting discharge of EUR 797,138, from the Shareholders' equity reserve, related to the allocation of the first tranche of the financial instruments one off incentive for the acceptance of CEO office and powers, calculated on the basis of Carige share (Eur 0.5665) at the acceptance date.

Obligations of disclosure to the public ex art. 450 CRR (g):

Key employees with a remuneration equal at least to EUR 1 million for financial year

REFERENCE PERIOD 2014

Total remuneration			Key employees (employees #)
REMUNERATION RANGES	FROM	TO	
RANGE 1	1,000,000	1,499,999	0
RANGE 2	1,500,000	1,999,999	0
RANGE 3	2,000,000	2,499,999	1
RANGE 4	2,500,000	2,999,999	0
RANGE 5	3,000,000	3,499,999	0
RANGE 6	3,500,000	3,999,999	0
RANGE 7	4,000,000	4,499,999	0
RANGE 8	4,500,000	4,999,999	0
RANGE 9	5,000,000	5,999,999	0
RANGE 10	6,000,000	6,999,999	0
RANGE 11	7,000,000	7,999,999	0
RANGE 12	8,000,000	8,999,999	0
RANGE 13	9,000,000	9,999,999	0
RANGE 14	OVER	10,000,000	0

Amounts in EUR

(1) The CEO's total remuneration in 2014 is constituted of a fixed paid remuneration equal to EUR 850,000, an amount of EUR 16,453 as non-monetary benefits, an amount of EUR 1,194,133 (recorded as variable remuneration and constituted of: EUR 1,079,385 recorded in 2014 as "personnel cost" and related to an one off incentive for the acceptance of CEO office and powers, EUR 114,748 as provision for a multi annual incentive - in financial instruments - for the CEO and EUR 302,127 as provision for a multi annual incentive - in cash - for the CEO).

Obligations of disclosure to the public ex art. 450 CRR (g): Key employees

REFERENCE PERIOD 2014

	Total remuneration	
Members of the Board of Directors		
Chairman of Banca Carige Board of Directors - CASTELBARCO ALBANI Cesare	719,167	
Deputy Chairman of Banca Carige BoD - REPETTO Alessandro	346,482	
Banca Carige CEO - Montani Piero Luigi	2,362,714	(1)
Director - BONNET Jerome Gaston Raymond	68,000	
Director - BONSIGNORE Luca	99,000	
Director - CHECCONI Remo Angelo	238,500	
Director - CHISTILLIN Evelina	86,000	
Director - CUOCOLO Lorenzo	106,000	
Director - GARSUAULT Philippe Marie Michel	156,750	
Director - PESCIONE Guido	69,000	
Director - ROFFINELLA Lorenzo	90,000	
Director - VASCO Elena	77,000	
Director - VENUTI Lucia	89,000	
Director - WATTECAMPS Philippe	67,000	
Director - ZAMPINI Giuseppe	93,000	
Joint General Manager - Market and Products - CAVANNA Mario (2)	212,635	
Joint General Manager Administration and Human Resources - OTTONELLO Giacomo (3)	299,964	
Deputy General Manager Governance and Control - BAGNASCO Daria (4)	134,453	

Amounts in EUR

(1) The CEO's total remuneration in 2014 is constituted of a fixed paid remuneration equal to EUR 850,000, an amount of EUR 16,453 as non-monetary benefits, an amount of EUR 1,194,133 (recorded as variable remuneration and constituted of: EUR 1,079,385 recorded in 2014 as "personnel cost" and related to an one off incentive for the acceptance of CEO office and powers, EUR 114,748 as provision for a multi annual incentive - in financial instruments - for the CEO and EUR 302,127 as provision for a multi annual incentive - in cash - for the CEO); during 2014 the accounting discharge of EUR 797,138, from the Shareholders' equity reserve, has been performed, related to the allocation of the first tranche of the financial instruments one off incentive for the acceptance of CEO office and powers, calculated on the basis of Carige share (EUR 0.5665) at the acceptance date

(2) Appointed JGM until 03/08/2014 - Service terminated from 01/09/2014

(3) Appointed JGM until 03/08/2014

(4) Appointed DGM terminated on 30/04/2014 - Service terminated from 01/05/2014

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

I the undersigned Luca Caviglia, in my capacity as Manager responsible for preparing the Company's financial reports of Banca Carige SpA,

declare

that the accounting information contained in the document "Pillar 3 - Disclosure by insitutions according to Regulation (EU) No. 575/2013 – Figures as at 31/12/2014", corresponds to the document results, books and accounting records.

Genoa, 19 March 2015

The Manager responsible for preparing
the Company's financial reports
Luca Caviglia

This document has been translated into the English language solely for the convenience of international readers.
It has been signed on the Italian original version.