



## **CONSOLIDATED RESULTS AS AT 31 MARCH 2017**

- **TREND REVERSAL IN REVENUES (+5.6% vs 4Q16) WITH NET INTEREST INCOME AND NET FEE AND COMMISSION INCOME ON THE INCREASE**
- **DECREASE IN OPERATING EXPENSES WITH EUR 8.1 MLN ADDITIONAL SAVINGS (-5.8% vs. 4Q16)**
- **GROSS OPERATING INCOME AT EUR 26.7 MLN (EUR 10.3 MLN IN 4Q16)**
- **CONSOLIDATED NET PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY -EUR 41.1 MLN, AFTER RECOGNITION OF LOAN LOSS PROVISIONS FOR AN AMOUNT OF EUR 76.2 MLN**
- **CONTROL OVER NON-PERFORMING LOANS FURTHER STRENGTHENED: 46.4% COVERAGE OF NPLs AND 63.4% COVERAGE OF BAD LOANS**
- **LIQUIDITY: LCR AT 119%, IN EXCESS OF SREP TARGET (90%)**
- **CAPITAL: TCR AT 13.2%, PHASED-IN CET1r AT 10.9% AND LEVERAGE RATIO AT 6.7%(ESTIMATES)**

*Genoa, 9 May 2017* – The Board of Directors has approved the separate and consolidated results of the first quarter of 2017, in the course of which the Group operated for the purposes of executing the Strategic Plan Update approved on 28 February 2017. In this connection, activities continued in support of a return to profitability and a structural reduction of operating expenses.

### **Profit and Loss highlights for the Carige Group**

In the first quarter of 2017, revenues showed a reversal of trends, with a pick-up in all of their components; more specifically, an increase in both Net Interest Income (EUR 72.5 mln, +4.3% vs 4Q16) and Net fee and commission income (EUR 62.3 mln, +10.4% vs 4Q16) was registered in 1Q17; Net income from trading/valuation of financial assets (Finance) also contributed a positive EUR 15.5 mln (+15.2% vs 4Q16). The initiatives put in place in the past quarters, aimed at reducing personnel and administrative expenses, generated additional benefits contributing to the reduction of operating expenses to EUR 131.5 mln (-5.8% vs 4Q16).

Loan loss provisions, amounting to EUR 76.2 mln, were down compared to both 2016 first quarter (-15.2%) and last quarter (-16.3%), reflecting a downtrend which, however, is in no way detrimental to the level of coverage of non-performing exposures (up further to 46.4%).

Net of contributions and other banking system charges, the Net Profit (Loss) attributable to the Parent Company amounted to a negative -EUR 41.1 mln.

More specifically, Net Interest Income (EUR 72.5 mln) was up 4.3% during the quarter on the back of a decrease in the average cost of funding and a slight pick-up in customer spreads, which worked as an offset to historically low interest rates and decreasing funding and lending volumes. Net fee and commission income (EUR 62.3 mln) was up +10.4% Q/Q as a result of renewed marketing policies and trends in the insurance and AuM business. Net income from trading/valuation of financial assets (Finance) contributed a positive EUR 15.5 mln (+15.2% Q/Q) partly on the back of dividends earned in the first quarter on the investment in the Bank of Italy (instead of in the second quarter as in 2016).

The positive impacts from cost-curbing actions continued in 1Q17, with a 5.8% reduction in operating expenses (EUR 131.5 mln): core administrative expenses registered a notable decrease to EUR 43.6 mln during the quarter (-15.3%); personnel expenses totalled EUR 78.2 mln.

Totalling EUR 26.7 mln, gross operating income was stable on 1Q16 levels, but has almost tripled compared to the fourth quarter of 2016.

In addition to impairment losses on balance-sheet loans to customers totalling EUR 76.2 mln, the negative net result includes approximately EUR 14.5 mln gross non-operating expenses (EUR 10.3 mln net) consisting in DTA fees (EUR 3.5 mln gross; 2.5 mln net) and contributions and other banking system charges, e.g. ordinary contributions to the National Resolution Fund (EUR 7.5 mln gross and EUR 5.5 mln net) and impairment losses on the investment in the Atlante Fund (EUR 3.5 mln gross and EUR 2.3 mln net).

## **Balance Sheet highlights for the Carige Group**

Funding and lending volumes with customers were broadly in line with levels as at the end of December 2016.

Direct funding from retail and corporate customers stood at EUR 15.7 bn (EUR 15.8 bn as at 31 December 2016), with a remix in current accounts and funding from bonds, whose decline was offset by the growth in savings deposits. The institutional/wholesale funding component fell to EUR 3.0 bn, primarily on the back of a EUR 600 mln government-backed bond issuance coming to maturity. As a combined result of the above factors, total direct funding amounted to EUR 18.7 bn as at 31 March 2017 (EUR 19.6 bn at the end of 2016).

Indirect funding is stable at EUR 21.5 bn, with a shift towards Assets under Management (+2.0%), driven by funding from bancassurance (+7.5% Y/Y and +1.4% Q/Q).

Loans to households and businesses (EUR 21.0 bn) were also stable in Q1 (EUR 21.1 bn as at 31 December 2016), with new mortgage loans to households amounting to EUR 115.2 mln and loans to businesses totalling EUR 218.1 mln. The institutional component remains unchanged (EUR 0.6 bn) in the period.

The NPL portfolio has remained stable at a pre-provision total of EUR 7.3 bn, whereas, in net terms, it slightly decreased to EUR 3.9 bn (EUR 4.0 bn at the end of 2016), on the back of an additional 1 p.p. increase in the coverage ratio to 46.4%. The coverage ratio of the bad loan portfolio thus continues to be close to the highest in the system: 63.4% (65.0% when including write-offs) as compared to the Italian banking system's average<sup>1</sup> of 62.3%; the coverage of unlikely-to-pay exposures is 28.1% (29.7% including write-offs).

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<sup>1</sup> Source: Bank of Italy, Financial Stability Report no. 1 - April 2017

The government bond portfolio stood at EUR 1.7 bn, maintaining a low risk profile in terms of both sizing and duration (3.4 years). Net of the stake held in the Bank of Italy, 97.2% of the securities portfolio consists of Italian Government bonds.

The Group's capital ratios are as follows<sup>2</sup>: phased-in Total Capital Ratio of 13.2%, phased-in Tier I Ratio of 11.4% and a phased-in Common Equity Tier 1 Ratio of 10.9%. The CET1 Ratio is higher than both the regulatory limits and the 9% minimum threshold required by the ECB under the SREP process for 2017, but lower than the recommended threshold (inclusive of the Pillar 2 Guidance) of 11.25%. Noteworthy in this regard is that this circumstance is not a consequence of specific operational factors, but is rather traceable to changes occurring between 31 December 2016 and 31 March 2017 following the introduction of the transitional prudential arrangements. More specifically, the CET1 reduction was contributed to by the higher deduction of the portion of eligible DTAs (80% on the basis of the 2017 transitional rules vs 60% under the 2016 transitional rules), which accounts for approximately 55 bps.

The measures set out in the 2016-2020 Strategic Plan Update, which was approved on 28 February 2017, are adequate to reinstate a CET1 Ratio in excess of the above threshold of 11.25%.

The liquidity profile remains adequate, with the LCR at 119% as at 31 March 2017, broadly in excess of the 90% SREP target.

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<sup>2</sup> Pending official reporting, the capital ratios were calculated based on operational estimates.

## **Execution of the 2016-2020 Strategic Plan**

With reference to the progress status of the key initiatives aimed at gaining tighter control over the Bank's balance sheet structure as set out in the 2016-2020 Strategic Plan Update, which was approved on 28 February 2017, the Board of Directors' meeting of 21 March 2017 approved the Guidelines of the 2017-2020 Strategic Plan of the soon-to-be-formed Carige REOCO S.p.A., whose primary aim will be to achieve, enhance and maximise financial recovery on real estate projects funded by the Bank that are facing financial hardship, as well as to extend the scope of its activity to selling Bank properties not used in the business.

On 28 April 2017, the Board of Directors approved of the transfer -to be accomplished by no later than 30 June 2017- of a portfolio of non-performing loans approximately amounting to EUR 950 mln (whose final identification is being completed) to a securitisation vehicle at a value at least in line with Plan forecasts, using the Italian Government Guarantee Scheme (GACS) for the senior tranche.

The Strategic Plan's initiatives of organisational streamlining and a stronger core-business focus continued in the quarter: 2 May saw the launch of the reorganisation of the sales and distribution network (3 Market Divisions - Retail, Corporate and Private - and 11 Local Commercial Areas) with a view to improving the coverage of the local market, which is now broken down into smaller areas, yet with greater negotiating and credit powers; moreover 58 soon-to-be-closed branches were identified, whose closure is scheduled to be completed by the end of this quarter.

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Please note that, upon preparation of the 2016 Financial Statements, the Bank restated the balances of financial year 2015 in accordance with the provisions of IAS 8 (Accounting standards, changes in accounting estimates and errors), in order to:

- correctly recognise the amortised cost of certain bond issuances; and
- correct errors in the calculation of loan losses relating to the discounting of expected recoveries on certain exposures.

A restatement of the balances of similar items for the first quarter of 2016 was accordingly required.

After tax, the foregoing adjustments entailed an overall EUR 50.0 mln reduction of equity as at 1 January 2016, a EUR 1.1 mln positive effect on the 1Q16 income statement and an overall EUR 48.9 mln reduction of equity as at 31 March 2017, with respect to the balances communicated during the presentation of the financial results for the first quarter of 2016.

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*It is noted that, following amendments made to the Italian Consolidated Law on Finance (Testo Unico della Finanza, TUF), additional periodic financial disclosures as at 31 March and 30 September are published on a voluntary basis and consist in a press release and an explanatory presentation, which are made available on the Group's website ([www.gruppocarige.it](http://www.gruppocarige.it)), in the Investor Relations section.*

*As at 31 March 2017, in consideration of the extraordinary transactions set forth in the 2016-2020 Strategic Plan Update approved on 28 February 2017, the additional periodic financial disclosures also include, on a non-recurring basis, an information document (the "Interim Financial Report"), inclusive of the Interim Consolidated Financial Statements, which was prepared in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) and submitted to the Independent Auditors' limited review, to be published shortly on the Group's website, in the Investor Relations section.*

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***Declaration of the Manager responsible for preparing the Company's financial reports pursuant to art. 154-bis, para. 2 of Legislative Decree no. 58/1998 (Consolidated Law on Finance)***

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

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Provided below are breakdown tables, including the consolidated Balance Sheet and Income Statement and the reclassified consolidated Income Statement.

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# RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(see reclassification criteria at the end of this document)

Amounts in EUR/mln

RECLASSIFIED INCOME STATEMENT	Situation as at		Change	
	1Q2017	1Q2016(*)	absolute	%
Net interest income	72.5	82.9	(10.3)	(12.5)
Net fee and commission income	62.3	60.5	1.8	3.0
Net income from trading/valuation of financial assets (Finance) <sup>(1)</sup>	15.5	15.0	0.5	3.5
Other operating income <sup>(2)</sup>	8.0	9.4	(1.4)	(15.3)
<b>NET OPERATING INCOME</b>	<b>158.3</b>	<b>167.7</b>	<b>(9.5)</b>	<b>(5.6)</b>
Personnel expenses	(78.2)	(82.1)	3.9	(4.8)
Net adjustments to/ recoveries on property and equipment, and on intangible assets	(9.7)	(11.3)	1.5	(13.7)
Core administrative expenses <sup>(3)</sup>	(43.6)	(46.1)	2.5	(5.4)
<b>OPERATING EXPENSE</b>	<b>(131.5)</b>	<b>(139.5)</b>	<b>7.9</b>	<b>(5.7)</b>
<b>GROSS OPERATING PROFIT</b>	<b>26.7</b>	<b>28.3</b>	<b>(1.5)</b>	<b>(5.4)</b>
Net losses/recoveries on impairment of loans <sup>(4)</sup>	(76.2)	(89.8)	13.6	(15.2)
Net losses/recoveries on impairment of other financial assets <sup>(5)</sup>	4.2	2.1	2.1	98.6
<b>NET OPERATING PROFIT</b>	<b>(45.2)</b>	<b>(59.4)</b>	<b>14.2</b>	<b>(23.9)</b>
Net provisions for risks and charges	(1.1)	0.6	(1.7)	...
Profits (losses) on equity investments and on disposal of investments <sup>(6)</sup>	0.9	2.3	(1.4)	(61.2)
<b>PROFIT (LOSS) BEFORE TAX FROM OPERATIONS</b>	<b>(45.4)</b>	<b>(56.5)</b>	<b>11.1</b>	<b>(19.6)</b>
Taxes <sup>(7)</sup>	14.6	21.4	(6.9)	(32.1)
Contributions and other banking system charges (SRF, DGS, Voluntary scheme and Atlante) after tax	(7.8)	(6.7)	(1.1)	16.5
DTA fees after tax	(2.5)	-	(2.5)	...
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(41.2)</b>	<b>(41.8)</b>	<b>0.6</b>	<b>(1.5)</b>
Non-controlling interests	(0.1)	(1.9)	1.8	(96.5)
<b>NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>(41.1)</b>	<b>(39.9)</b>	<b>(1.2)</b>	<b>3.1</b>

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

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

(2) Income statement item 220 net of tax recoveries

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

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

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

(6) Includes income statement items 240 and 270

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

## QUARTERLY TREND RECLASSIFIED CONSOLIDATED INCOME STATEMENT

*(see reclassification criteria at the end of this document)*

Amounts in EUR/mln

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

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

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

(2) Income statement item 220 net of tax recoveries

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

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

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

(6) Includes income statement items 240 and 270

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

## CONSOLIDATED BALANCE SHEET

### ASSETS (EUR/000)

	31/03/2017	31/12/2016	Change	
			absolute	%
<b>10 - CASH AND CASH EQUIVALENTS</b>	266,442	297,412	(30,970)	-10.4
<b>20 - FINANCIAL ASSETS HELD FOR TRADING</b>	6,688	7,683	(995)	-13.0
<b>40 - FINANCIAL ASSETS AVAILABLE FOR SALE</b>	2,072,117	2,319,613	(247,496)	-10.7
<b>60 - LOANS TO BANKS</b>	3,163,154	1,958,763	1,204,391	61.5
<b>70 - LOANS TO CUSTOMERS</b>	18,040,102	18,246,327	(206,225)	-1.1
<b>80 - HEDGING DERIVATIVES</b>	35,895	39,233	(3,338)	-8.5
<b>100 - EQUITY INVESTMENTS</b>	95,068	94,235	833	0.9
<b>120 - PROPERTY AND EQUIPMENT</b>	757,638	761,274	(3,636)	-0.5
<b>130 - INTANGIBLE ASSETS</b>	52,183	56,654	(4,471)	-7.9
<i>of which:</i>				
- goodwill	-	-	-	...
<b>140 - TAX ASSETS</b>	2,021,048	2,063,984	(42,936)	-2.1
<i>a) current</i>	1,006,168	985,651	20,517	2.1
<i>b) deferred</i>	1,014,880	1,078,333	(63,453)	-5.9
<i>b1) of which pursuant to Law no. 214/2011</i>	531,393	617,758	(86,365)	-14.0
<b>160 - OTHER ASSETS</b>	249,982	265,826	(15,844)	-6.0
<b>TOTAL ASSETS</b>	<b>26,760,317</b>	<b>26,111,004</b>	<b>649,313</b>	<b>2.5</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY (EUR/000)

	31/03/2017	31/12/2016	Change	
			absolute	%
<b>10 - DUE TO BANKS</b>	5,092,376	3,468,322	1,624,054	46.8
<b>20 - DUE TO CUSTOMERS</b>	13,374,636	13,710,208	(335,572)	-2.4
<b>30 - SECURITIES ISSUED</b>	4,850,184	5,443,294	(593,110)	-10.9
<b>40 - FINANCIAL LIABILITIES HELD FOR TRADING</b>	1,274	2,064	(790)	-38.3
<b>50 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	449,620	459,198	(9,578)	-2.1
<b>60 - HEDGING DERIVATIVES</b>	234,398	259,037	(24,639)	-9.5
<b>80 - TAX LIABILITIES</b>	34,366	20,464	13,902	67.9
<i>(a) current</i>	20,357	5,918	14,439	...
<i>(b) deferred</i>	14,009	14,546	(537)	-3.7
<b>100 - OTHER LIABILITIES</b>	468,733	438,198	30,535	7.0
<b>110 - EMPLOYEE TERMINATION INDEMNITIES</b>	64,330	65,769	(1,439)	-2.2
<b>120 - ALLOWANCES FOR RISKS AND CHARGES:</b>	101,528	106,171	(4,643)	-4.4
<i>a) post-employment benefits</i>	35,729	37,179	(1,450)	-3.9
<i>b) other allowances</i>	65,799	68,992	(3,193)	-4.6
<b>140 - VALUATION RESERVES</b>	(166,345)	(158,100)	(8,245)	5.2
<b>170 - RESERVES</b>	(684,469)	(392,732)	(291,737)	74.3
<b>180 - SHARE PREMIUM RESERVE</b>	175,954	175,954	-	-
<b>190 - SHARE CAPITAL</b>	2,791,422	2,791,422	-	-
<b>200 - TREASURY SHARES</b>	(15,572)	(15,572)	-	-
<b>210 - NON-CONTROLLING INTERESTS (+/-)</b>	28,978	29,044	(66)	-0.2
<b>220 - PROFIT (LOSS) FOR THE PERIOD (+/-)</b>	(41,096)	(291,737)	250,641	-85.9
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>26,760,317</b>	<b>26,111,004</b>	<b>649,313</b>	<b>2.5</b>

## CONSOLIDATED BALANCE SHEET

*Restatement of the opening balances of previous year in compliance with IAS 8*

### ASSETS (EUR/000)

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

### LIABILITIES AND SHAREHOLDERS' EQUITY (EUR/000)

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

## CONSOLIDATED INCOME STATEMENT

(EUR/000)

	1Q2017	1Q2016(*)	Change	
			absolute	%
10 - INTEREST AND SIMILAR INCOME	132,090	154,965	(22,875)	- 14.8
20 - INTEREST AND SIMILAR EXPENSE	(59,566)	(72,096)	12,530	- 17.4
<b>30 - NET INTEREST INCOME</b>	<b>72,524</b>	<b>82,869</b>	<b>(10,345)</b>	<b>- 12.5</b>
40 - FEE AND COMMISSION INCOME	69,713	69,071	642	0.9
50 - FEE AND COMMISSION EXPENSE	(7,435)	(8,589)	1,154	- 13.4
<b>60 - NET FEE AND COMMISSION INCOME</b>	<b>62,278</b>	<b>60,482</b>	<b>1,796</b>	<b>3.0</b>
70 - DIVIDENDS AND SIMILAR INCOME	10,558	-	10,558	...
80 - NET PROFIT (LOSS) FROM TRADING	3,803	(4,803)	8,606	...
90 - NET PROFIT (LOSS) FROM HEDGING	(61)	(1,156)	1,095	- 94.7
100 - PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	795	20,565	(19,770)	- 96.1
<i>b) financial assets available for sale</i>	28	15,594	(15,566)	- 99.8
<i>d) financial liabilities</i>	767	4,971	(4,204)	- 84.6
110 - PROFITS (LOSSES) FROM FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE	391	361	30	8.3
<b>120 - NET INTEREST AND OTHER BANKING INCOME</b>	<b>150,288</b>	<b>158,318</b>	<b>(8,030)</b>	<b>- 5.1</b>
130 - NET LOSSES/REVERSALS ON IMPAIRMENT OF:	(75,396)	(87,682)	12,286	- 14.0
<i>a) loans</i>	(76,169)	(89,808)	13,639	- 15.2
<i>b) financial assets available for sale</i>	(3,468)	(207)	(3,261)	...
<i>d) other financial transactions</i>	4,241	2,333	1,908	81.8
<b>140 - NET INCOME FROM BANKING ACTIVITIES</b>	<b>74,892</b>	<b>70,636</b>	<b>4,256</b>	<b>6.0</b>
<b>170 - NET INCOME FROM BANKING AND INSURANCE ACTIVITIES</b>	<b>74,892</b>	<b>70,636</b>	<b>4,256</b>	<b>6.0</b>
180 - ADMINISTRATIVE EXPENSES:	(145,648)	(151,115)	5,467	- 3.6
<i>a) personnel expenses</i>	(78,162)	(82,068)	3,906	- 4.8
<i>b) other administrative expenses</i>	(67,486)	(69,047)	1,561	- 2.3
190 - NET PROVISIONS FOR RISKS AND CHARGES	(1,103)	621	(1,724)	...
200 - NET ADJUSTMENTS TO/ RECOVERIES ON PROPERTY AND EQUIPMENT	(3,801)	(4,909)	1,108	- 22.6
210 - NET ADJUSTMENTS TO/ RECOVERIES ON INTANGIBLE ASSETS	(5,934)	(6,369)	435	- 6.8
220 - OTHER OPERATING INCOME/EXPENSE	20,836	23,150	(2,314)	- 10.0
<b>230 - OPERATING EXPENSES</b>	<b>(135,650)</b>	<b>(138,622)</b>	<b>2,972</b>	<b>- 2.1</b>
240 - PROFITS (LOSSES) ON EQUITY INVESTMENTS	857	2,257	(1,400)	- 62.0
270 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	21	5	16	...
<b>280 - PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(59,880)</b>	<b>(65,724)</b>	<b>5,844</b>	<b>- 8.9</b>
290 - TAXES ON INCOME FROM CONTINUING OPERATIONS	18,717	23,951	(5,234)	- 21.9
<b>300 - PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>(41,163)</b>	<b>(41,773)</b>	<b>610</b>	<b>- 1.5</b>
<b>320 - NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(41,163)</b>	<b>(41,773)</b>	<b>610</b>	<b>- 1.5</b>
330 - NON-CONTROLLING INTERESTS	(67)	(1,916)	1,849	- 96.5
<b>340 - NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>(41,096)</b>	<b>(39,857)</b>	<b>(1,239)</b>	<b>3.1</b>

(\*) With respect to published accounts, 1Q2016 balances are reflective of changes from the application of provisions of IAS 8 "Accounting policies, changes in accounting estimates and errors"

## CONSOLIDATED INCOME STATEMENT

*Restatement of 1Q16 accounts in compliance with IAS 8*

(EUR/000)

	1Q2016	IAS 8 Correction to bonds	IAS 8 Correction to NPL discounting	1Q2016 restated
10 - INTEREST AND SIMILAR INCOME	154,965			154,965
20 - INTEREST AND SIMILAR EXPENSE	(71,044)	(1,052)		(72,096)
<b>30 - NET INTEREST INCOME</b>	<b>83,921</b>	<b>(1,052)</b>	-	<b>82,869</b>
40 - FEE AND COMMISSION INCOME	69,071			69,071
50 - FEE AND COMMISSION EXPENSE	(8,589)			(8,589)
<b>60 - NET FEE AND COMMISSION INCOME</b>	<b>60,482</b>	-	-	<b>60,482</b>
80 - NET PROFIT (LOSS) FROM TRADING	(4,803)			(4,803)
90 - NET PROFIT (LOSS) FROM HEDGING	(1,156)			(1,156)
100 - PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	20,500	65		20,565
<i>b) financial assets available for sale</i>	<i>15,594</i>			<i>15,594</i>
<i>d) financial liabilities</i>	<i>4,906</i>	<i>65</i>		<i>4,971</i>
110 - PROFITS (LOSSES) FROM FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE	361			361
<b>120 - NET INTEREST AND OTHER BANKING INCOME</b>	<b>159,305</b>	<b>(987)</b>	-	<b>158,318</b>
130 - NET LOSSES/REVERSALS ON IMPAIRMENT OF:	(90,275)	-	2,593	(87,682)
<i>a) loans</i>	<i>(92,401)</i>		<i>2,593</i>	<i>(89,808)</i>
<i>b) financial assets available for sale</i>	<i>(207)</i>			<i>(207)</i>
<i>d) other financial transactions</i>	<i>2,333</i>			<i>2,333</i>
<b>140 - NET INCOME FROM BANKING ACTIVITIES</b>	<b>69,030</b>	<b>(987)</b>	<b>2,593</b>	<b>70,636</b>
<b>170 - NET INCOME FROM BANKING AND INSURANCE ACTIVITIES</b>	<b>69,030</b>	<b>(987)</b>	<b>2,593</b>	<b>70,636</b>
180 - ADMINISTRATIVE EXPENSES:	(151,115)	-	-	(151,115)
<i>a) personnel expenses</i>	<i>(82,068)</i>			<i>(82,068)</i>
<i>b) other administrative expenses</i>	<i>(69,047)</i>			<i>(69,047)</i>
190 - NET PROVISIONS FOR RISKS AND CHARGES	621			621
200 - NET ADJUSTMENTS TO/ RECOVERIES ON PROPERTY AND EQUIPMENT	(4,909)			(4,909)
210 - NET ADJUSTMENTS TO/ RECOVERIES ON INTANGIBLE ASSETS	(6,369)			(6,369)
220 - OTHER OPERATING INCOME/EXPENSE	23,150			23,150
<b>230 - OPERATING EXPENSES</b>	<b>(138,622)</b>	-	-	<b>(138,622)</b>
240 - PROFITS (LOSSES) ON EQUITY INVESTMENTS	2,257			2,257
270 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	5			5
<b>280 - PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(67,330)</b>	<b>(987)</b>	<b>2,593</b>	<b>(65,724)</b>
290 - TAXES ON INCOME FROM CONTINUING OPERATIONS	24,439	261	(749)	23,951
<b>300 - PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>(42,891)</b>	<b>(726)</b>	<b>1,844</b>	<b>(41,773)</b>
<b>320 - NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(42,891)</b>	<b>(726)</b>	<b>1,844</b>	<b>(41,773)</b>
330 - NON-CONTROLLING INTERESTS	(1,916)			(1,916)
<b>340 - NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>(40,975)</b>	<b>(726)</b>	<b>1,844</b>	<b>(39,857)</b>

# FINANCIAL HIGHLIGHTS OF THE BANCA CARIGE GROUP

Amounts in EUR/mln

	Situation as at		Change	
	31/03/2017	31/12/2016	absolute	%
<b>BALANCE SHEET FIGURES</b>				
Total assets	26,760.3	26,111.0	649.3	2.5
Direct deposits (a)	18,674.4	19,612.7	(938.3)	(4.8)
Indirect deposits (b)	21,475.1	21,487.9	(12.8)	(0.1)
- o.w. Assets under Management	11,076.1	10,864.2	211.9	2.0
- o.w. Assets under Custody	10,399.0	10,623.7	(224.7)	(2.1)
Overall funding (a+b)	40,149.5	41,100.6	(951.1)	(2.3)
Loans to customers <sup>(1)</sup>	18,039.6	18,245.8	(206.2)	(1.1)
Securities portfolio <sup>(2)</sup>	2,079.2	2,326.7	(247.5)	(10.6)
Group's share capital and reserves	2,101.0	2,401.0	(300.0)	(12.5)
<b>RECLASSIFIED INCOME STATEMENT FIGURES</b>				
	1Q2017	1Q2016(*)		
Net operating income	158.3	167.7	(9.5)	(5.6)
Operating expenses	(131.5)	(139.5)	7.9	(5.7)
Gross operating profit	26.7	28.3	(1.5)	(5.4)
Net operating profit	(45.2)	(59.4)	14.2	(23.9)
Profit (loss) before tax from operations	(45.4)	(56.5)	11.1	(19.6)
Net Profit (Loss) attributable to the Parent Company	(41.1)	(39.9)	(1.2)	3.1
<b>ALTERNATIVE PERFORMANCE MEASURES<sup>(3)</sup></b>				
	1Q2017	1Q2016(*)		
Cost income	83.1%	83.1%		
ROE	-2.0%	-1.6%		
Adjusted ROE	-1.8%	-1.5%		
	31/03/2017	31/12/2016		
Net bad loans/Loans to customers <sup>(1)</sup>	7.8%	7.5%		
<b>RESOURCES (end of period)</b>				
	31/03/2017	31/12/2016		
Number of branches	587	587	-	-
Headcount	4,810	4,873	(63)	(1.3)

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

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

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

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

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

## Income statement reclassification criteria

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

- **"Net Interest Income"** corresponds to item "30. Net Interest income";
- **"Net fee and commission income"** corresponds to item "60. Fee and commission income";
- **"Net income from trading/valuation of financial assets (Finance)"** includes items "70. Dividends and similar income", "80. Net profit (loss) from trading", "90. Net profit (loss) from hedging", "100b. Profits (losses) on disposal or repurchase of financial assets available for sale", "100c. Profits (losses) on disposal or repurchase of financial assets held to maturity", "100d. Profits (losses) on disposal or repurchase of financial liabilities" and "110. Profits (losses) from financial assets/liabilities designated at fair value" of the Consolidated Income Statement;
- **"Other operating income"** corresponds to item "220. Other operating income/expense", net of tax recovery included in *core* administrative expenses (EUR 12,857 thousand and EUR 13,734 thousand in 1Q17 and 1Q16, respectively);
- **"Personnel expenses"** corresponds to item "180a. Administrative expenses – personnel expenses";
- **"Net adjustments to/recoveries on property and equipment, and intangible assets"** corresponds to items "200. Net adjustments to/recoveries on property and equipment" and "210. Net adjustments to/ recoveries on intangible assets";
- **"Core administrative expenses."** corresponds to "180b. Administrative expenses – other administrative expenses", net of:
  - EUR 7.536 thousand and EUR 9.203 thousand contributions to the Single Resolution Fund (SRF) in 1Q17 and 1Q16, respectively, included – after tax – in "Contributions and other banking system charges";
  - *Deferred Tax Asset* (DTA) fees convertible into tax credits, amounting to EUR 3,468 thousand in 1Q17, included – after tax – in "Contributions and other banking system charges",and inclusive of tax recovery under item "220. Other operating income/expense" (EUR 12,857 thousand in 1Q17 and EUR 13,734 thousand in 1Q16);
- **"Net losses/recoveries on impairment of loans"** corresponds to item "130a. Net losses/recoveries on impairment of loans";
- **"Profits (losses) on disposal or repurchase of loans"** corresponds to item "100a. Profits (losses) on disposal or repurchase of loans";
- **"Net losses/recoveries on impairment of other financial assets"** includes items "130b. Net losses/recoveries on impairment of financial assets available for sale" and "130d. Net losses/recoveries on impairment of other financial transactions", net of:
  - write-down of the stakes held in the Atlante Fund (EUR 3,449 thousand in 1Q17), included – after tax – in "Contributions and other banking system charges";
- **"Net provisions for risks and charges"** corresponds to item "190. Net provisions for risks and charges";
- **"Profits (losses) on equity investments and disposal of investments"** includes items "240. Profits (losses) on equity investments" and "270. Profits (losses) on disposal of investments";
- **"Impairment on goodwill"** corresponds to item "260. Impairment on goodwill";
- **"Taxes"** corresponds to items "290. Taxes on income from continuing operations", net of tax effects relating to both "DTA fees" and the components under "Contributions and other banking system charges", specified below;
- **"Contributions and other banking system charges "** includes:
  - EUR 5.464 thousand and EUR 6,672 thousand worth of contributions to the Single Resolution Fund (SRF) respectively in 1Q17 and 1Q16, after tax;
  - write-down of the stakes held in the Atlante Fund (EUR 2,308 thousand in 1Q17, after tax);
- **"DTA fees"** corresponds to *Deferred Tax Asset* (DTA) fees convertible into tax credits, amounting to EUR 2,514 thousand in 1Q17, after tax;
- **"Profit (loss) after tax from discontinued operations"** corresponds to item "310. Profit (loss) after tax from discontinued operations";
- **"Non-controlling interests"** corresponds to item "330. Non-controlling interests".