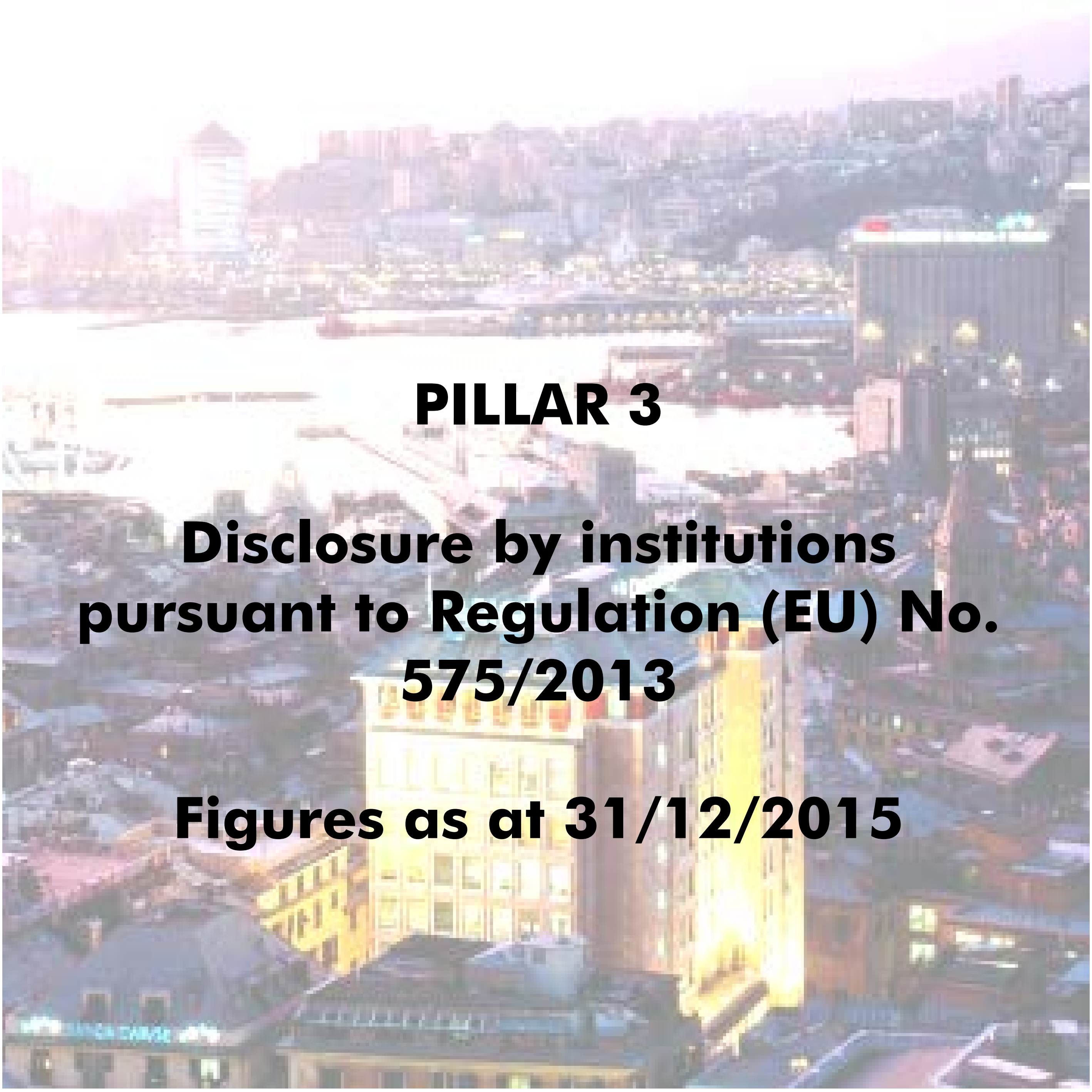


PILLAR 3

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

Figures as at 31/12/2015

GRUPPO BANCA CARIGE

INTRODUCTION

With effect from 1 January 2014, the reforms on Basel Committee Accords ("Basel 3") were ratified into the EU legal framework, aimed to improve:

- the banking sector's ability to absorb shocks arising from financial and economic stress;
- risk management and governance;
- banks' transparency and disclosures.

Within this context, the Committee maintained the approach based on three Pillars, underlying the previous Capital Accord known as "Basel 2", supplementing and strengthening it in order to increase the quantity and quality of intermediaries' capital, and introducing counter-cyclical regulatory instruments, provisions for managing liquidity risk and reducing financial leverage.

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

– EU Regulation no. 575/2013 of 26 June 2013 ("CRR"), which sets out prudential requirements for credit institutions and investment firms and public disclosure (Third Pillar);

– EU Directive 2013/36 of 26 June 2013 ("CRD IV"), which, among others, covers the conditions for accessing banking business, the freedom of establishment and the freedom to provide services, prudential supervision, additional capital reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy (Circular no. 285 of 17 December 2013 as subsequently updated), which includes the prudential supervisory provisions to which banks and the Italian banking groups are subject, revised and updated in order to bring the internal regulations in line with the new international regulatory framework, with particular reference to the new regulatory and institutional structure of the EU banking supervision.

The aforementioned Circular does not set specific standards for the publication and preparation of "Pillar 3 - Disclosure by institutions according to Regulation (EU) No. 575/2013", but confines itself to reporting the list of provisions envisaged for that purpose by the CRR. The issue is, therefore, directly regulated by:

- the CRR, Part Eight "Disclosure by institutions" Art. 431 - 455) and Part Ten, Title 1, Chapter 3 "Transitional provisions for disclosure of own funds" (Art. 492);
- European Commission Regulations, whose preparation is entrusted to the European Banking Authority (EBA), containing the regulatory or implementing technical standards to regulate uniform templates for the disclosure of different types of information.

Further information was provided by the EBA with a specific document on the issues of materiality, confidentiality and frequency of disclosure to Public(Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No. 575/2013); moreover, the foregoing was subject to analysis by the Basel Committee with its document "Revised Pillar 3 disclosure requirements" (January 2015), which sets forth the introduction of international standard schemes with reference to figures as at end-2016.

Banca Carige (hereinafter the "Parent Company", "Banca Carige", "Carige" or "the Bank") fulfils its disclosure obligation at a consolidated level for the Banca Carige Group (hereinafter the "Carige Group" o "the Group") and prepares the document complying with the aforementioned regulations, on a consolidated basis with reference to a "prudential" scope of consolidation, essentially corresponding to the Supervisory definition of banking group.

According to Part Eight of CRR, 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 completeness of information, it should be noted that:

- information relating to own funds and capital absorptions are published in Part F of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2015 (hereinafter "2015 Financial Statements");
- further information relating to the risks to which the Carige Group is exposed are reported in Part E of the Explanatory Notes to the 2015 Financial Statements;
- all information on Carige's Governance is reported in the "Report on corporate governance and ownership structure for 2015" under "Company Documents" in the "Governance" section of the Group's corporate website www.gruppocarige.it;
- all the information requested at Art. 450 of CRR on the remuneration policy and practices of the institutions for those categories of staff whose professional activities have a material impact on the Bank's risk profile, are included in the "Remuneration Report", under "Shareholders Meetings" in the "Governance" section of the corporate website.

Given its public relevance, this report is submitted to the Board of Directors of the Parent Company for approval and, pursuant to Art. 154-bis of the Italian Legislative Decree no. 58/98 (the Consolidated Law on Finance, "TUF"), it is certificated by the Manager responsible for preparing the financial reports.

The report is available under "Basel Report – Pillar 3" in the "Investor Relations" section of the corporate website.

Unless otherwise specified, all the amounts are stated in thousands of EUR.

1. RISK MANAGEMENT OBJECTIVES AND POLICIES

QUALITATIVE DISCLOSURES - Art. 435 OF THE CRR

1.1 Introduction

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

a) the definition of risk management strategies, with particular reference to the Group's risk tolerance and risk appetite, formulated by the Management Bodies of the Parent Company;

b) the ruling of the methods for identifying, measuring and controlling the various risks to which the Group's activity is exposed to;

c) the management of the risks identified;

d) the adequacy assessment of the system of risk measurement and management.

The Group's activities aimed at achieving the foregoing objectives are detailed in the following paragraphs.

A. Definition of risk management strategies

In 2015, the Risk Management department launched a number of measures to implement the provisions set forth in the 15th revision of the Bank of Italy Circular no. 263/2006. More specifically, the following activities were carried out:

- implementation of the Risk Appetite Framework (hereinafter also "RAF"), whose process was defined and measurement metrics identified;
- implementation of the identification and assessment process of the Most Significant Transactions (*Operazioni di Maggior Rilievo*, hereinafter "MST"), which resulted in the definition of the relative policies (definitions and organisation of the MST management process);
- activities relating to the new monitoring area set out in the 15th revision of the Bank of Italy Circular no. 236/2006 relating to: 1) 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 supervisory regulations, following approval of the Risk Appetite Framework on 17/06/2014 and subsequent amendments in 2015, the Board of Director of the Parent Company identified the risk-return target profile, which the Banking Group intends to pursue, and in line with the strategic targets, the business model and the competencies of the Group.

The risks and the relative indicators to be monitored as part of the RAF are primarily six risk profiles: solvency, profitability, credit risk, market risk, interest rate risk, liquidity risk. Pursuant to supervisory regulations, a system of quantitative thresholds broken down into risk appetite, risk tolerance, risk capacity and risk profile was defined for each of the indicators selected.

With regard to the main risk profiles included in the RAF, the Board of Directors defined risk appetite thresholds consistent with the strategy set out in the Business Plan and tolerance limits aimed at ensuring that capacities are complied with, including under stress conditions.

Together with the definition of indicators, the Board of Directors also approved the rules for the RAF governance process, in terms of updating and review, monitoring and escalation processes.

As for the reporting to the Board of Directors, the Risk Management is required to periodically monitor RAF indicators in order to assess the evolution of risk profiles over time and measure their consistency with risk/return targets set. , Should risk tolerance levels set for the different indicators not be complied with, the Board of Directors is also involved in the escalation mechanisms approving the implementation of the action plans prepared by the assigned functions.

B. Methods for identifying, measuring and controlling risks

As part of the activities preliminary to ICAAP reporting, approved by the BoD of the Parent Company on 30/04/2015, and in line with RAF provisions, the risks which the Group is exposed to were identified, taking into account business activities and reference markets: after having identified the risk map and the relative assessment criteria (quantitative, where measurement methods exist; qualitative, if related to organisational controls), a consistent framework of management activities implemented was defined, aimed at integrating the risks which the Group is exposed to.

These assessment activities on company's operations and associated risks are carried out at least on a yearly basis and in line with procedures aimed at the ongoing monitoring of the main risk factors and at identifying potential new types of risks.

When approving ICAAP reporting, the Board of Directors also defined the map of risks to which the Group is exposed, which includes:

- credit and counter-party risk;
- market risk;
- operational risk;
- concentration risk;
- rate risk (in relation to the banking book);
- real estate risk;
- liquidity risk;
- residual risk;
- securitisation risk;
- strategic risk;
- reputational risk;

- country risk;
- transfer risk;
- base risk;
- risk of excessive financial leverage.

Risk measurement methods were brought to the attention of the Board of Directors, which assessed their adequacy in order to measure the risks to which the Group is exposed, including on a prospective basis.

C. Management of identified risks

As part of the monitoring process for the risks undertaken or that may be undertaken by the Group, organisational and information obligations where set, which allow for an updated reporting system for the various roles involved in risk management and control, fostering the prompt identification of irregularities and their management consistently with the risk/return target defined by the top management.

The reporting to the Board of Directors on the second level controls performed by the Risk Management includes a well-structured set of reports relating to the development of the risk profiles set forth by the EU Regulation no. 575/2013 and by the Bank of Italy Circular no. 285/2013, with a further focus on the evolution of RAF indicators over time, the Group's loan portfolio and the performance of the internal rating system. Below is a list of the main information flows to the Board of Directors:

- quarterly monitoring of Risk Appetite Framework indicators;
- half-year report on the characteristics of non-performing loans and the risk profiles of performing loans;
- annual analysis of rating provided by ECAI on Corporate counter-parties;
- annual report, which include the findings of validation activities on the rating system as a whole;
- annual report on the Internal Capital Adequacy Assessment Process (ICAAP);
- annual report on the activities performed by the risk control function.

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

Please refer to paragraph 1.3 of this Chapter for a detailed analysis about the measurement, management and control systems adopted for the risks undertaken or that may be undertaken by the Group.

D. Adequacy assessment of the systems of risk measurement and management

In order to guarantee sound and prudent management which reconciles the pursuit of profitability with consistent risk-taking and a conduct of business driven by the criteria of transparency and fairness, the Parent Banca Carige, in compliance with the law and regulations and the provisions of the Corporate Governance Code of listed companies, has adopted an Internal Control System (ICS) designed to detect, measure and continually verify the risks typical of the Bank's activities.

The prerequisite for a well-working internal control system is the proper subdivision of the Corporate Organizational System.

The Corporate Organizational Structure comprises 5 systems:

- the organisational and corporate governance system
- the operational management system
- the risk measurement and assessment system
- the capital adequacy self-assessment system
- the internal control system.

It is designed and continually monitored to ensure coherence at all times with the supervisory organizational model, i.e. the set of provisions of law and regulations that together govern the processes, procedures and organizational structure.

The active involvement of Bank's governing bodies in adapting the corporate organizational system to the supervisory regulations is vitally important. The regulations set out precisely the duties and responsibilities of the governing bodies in defining the banks' internal control systems.

The strategic supervision unit is in charge of defining the business model, the strategic guidelines, the acceptable levels of risk and approval of the most important company processes (e.g., risk management, assessment of company activities and approval of new products and services).

The individual processes making up the corporate organisational system are described in specific regulations which constitute the first level regulatory sources, and given further detail in the second level internal regulatory sources.

The main purpose of the regulations governing the processes of the corporate organizational system is to regulate the risks to which the Group is exposed, especially the risk of regulatory non-compliance, i.e. the risk that the processes do not comply with the legislation and supervisory regulations (external rules). The foregoing regulatory framework is therefore designed to:

- set out, in compliance with the external rules, the Bank's rules (internal rules) on corporate processes as a whole, including corporate governance and control;

- periodically assess:
    a. the organisational risk of non-compliance of the internal process-governing rules with relative external rules (regulatory compliance), indicating the extent of any deviation from the external rules;

b. the organisational risk of non-compliance of the activities performed in the processes with the relative external rules (operational compliance), indicating the extent of any deviation from the external rules;

- ensure the accuracy of the risk assessment by continual verification of compliance of the procedures used to carry out the assessment;

- periodically inform the governing bodies of the results of the inspections performed i.e. regarding the organizational risk of regulatory and operational non-compliance of the processes;

- take steps necessary to eliminate any deficiencies found by the inspections and in particular the most important deficiencies, i.e. those which might impact the management of risk and the pursuit of the Bank's targets.

The Banca Carige Internal Control System, periodically examined and modified in the light of changes in the Bank's operations and the business environment, is based on a set of rules, procedures and organizational structures designed to ensure conformity with company strategies and balanced operational management.

It should be recalled that in 2014 a number of significant measures were taken to strengthen the Internal Auditing and Compliance functions from a qualitative and quantitative point of view and further activities are in progress to reinforce the supporting information systems.

The adequacy and effectiveness of the ICS as a whole is assessed by internal audits.

As far as Internal Control System is concerned, risk management controls (second level controls) are designed to verify the company processes' regulatory and operational compliance with the law and regulations, define risk measurement methods, verify compliance with the limits assigned to the various operating units and monitor the achievement of their risk-return targets. They are performed by a number of distinct structures.

More specifically, Risk Management, in accordance with the provisions of the Bank of Italy, operates with complete independence of judgement and action, is part of the Chief Executive Officer's staff, and can report directly, via its Manager, to the governing and control bodies of the Parent Company and the Group banks which outsource this function to the Parent Company. Risk Management has the power to assess:

- the correct recognition and measurement of all risks facing the Group;
- capital adequacy (overall capital) in relation to the summation of risks (overall internal capital);
- operational compliance of the process followed by the organizational units responsible for credit classification, expected loss determination and debt collection;
- compliance with the RAF limits laid down by the Board of Directors;
- operational compliance of ICAAP process.

Risk Management performs its functions for the Parent Company, the Group banks and the consumer credit company Creditis which outsource this function to the Parent, working in conjunction with various corporate structures and with the support of special representatives in each of the companies concerned.
In the context of adopting the supervisory instructions of the Bank of Italy (Circular no. 263 of 27/12/2006, update no. 15) the gradual adaptation of the tools for Risk Management is underway, in view of the expansion of the area of responsibility that the supervisory instructions assign to this Unit.

The Risk Management structure reflects the Group's will to control the relevant risk measurement models through specialised structures, as part of both measurements pursuant 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 of the Banca Carige Group is structured as follows:

- Risk Strategy and Monitoring: is responsible for ensuring that regular and structured information is provided to the management/control bodies in terms of the Group's overall level of capital and risks, identifying the main weaknesses and proposing remedial actions to management/control bodies
- Rating Desk: is responsible for controlling that the ratings of the Large Corporate segment and the SMEs override process are up-to-date;
- Credit Risk Management: is responsible for managing, at Group's level, the activities relating to measurement, monitoring and mitigation of the credit and concentration risk;
- Operational Risk Management : is responsible for managing, at Group's level, the activities relating to measurement, monitoring and mitigation of operational risks;
- Financial Risk Management Department: is responsible for both managing, at Group's level, the activities relating to relating to measurement, monitoring and mitigation of market risk, interest rate on banking book, structural and operational liquidity, and implementing RM activities on individual portfolio management;
- Ratings Validation: is part of the Risk Management staff and it is responsible for ensuring the analysis and the internal validation of ratings, systems, units and processes involved in the Group's risk management.

Considering the importance that the Supervisory Authority ascribes to the banks' capacity to manage risks and foster their sound and prudent management, at the beginning of 2016, the Bank has launched a number of initiatives aimed at improving control functions, through the progressive adaptation of the corporate organisational structure with a view to promoting a more efficient and sound risk governance.
In this context, Chief Risk Officer (CRO) was on-boarded and changes were made to the organisational structure of the Risk Control function, with a view to fully comply with the Supervisory instructions and ensure both an adequate organizational "stature" to the CRO in terms of powers and authority granted, and its efficient interaction with the Board, which are deemed key elements for an adequate risk management by international guidelines (the EBA Guidelines on internal governance and the FSB Thematic Review on Risk Governance).

The main improvements in Risk Management Department have had an impact on:

- the position of the operational unit in charge of risk measurement validation systems in the organisation chart since, in line with current Supervisory provisions, it should be independent from the units in charge of system development;
- the segregation of risk modelling from risk control functions;

- the adaptation of the structure to the ever-growing need for developing an integrated vision of bank-wide risks, partly via the identification of middle management roles.

The structure has therefore been revised as follows:

- the Chief Risk Officer Area , which reports directly to the Chief Executive Officer and is organised in the following units and offices:
  - Internal Validation Office, which is part of the CRO staff
  - Risk Management Unit, comprising:
    - Risk Modelling office
    - Risk Strategy office
    - Rating Desk office
  - Risk Management Unit, comprising:
    - Credit Risk Control office
    - Financial Risk Control office
    - Operational Risk Control office

1.2 Risk Governance: the Board of Directors and the Appointment Committee - compositions and roles

A. The Board of Directors: composition

Several times in the document mentioned has been made of the Board of Directors' functions and key role in risk governance, in the definition and assessment of the Group's risk appetite, as well as in the process for assessing the adequacy of the risk measurement and management system . Set out below is a description of its distinctive features.

The Board of Directors of Banca CARIGE S.p.A. - Cassa di Risparmio di Genova e Imperia can be comprised of a minimum of eleven and a maximum of eighteen members, as established by the Shareholders' Meeting, which shall be solely responsible for the appointment of the Chairman and Deputy Chairman of the Board.

The Directors shall remain in office for three financial years and their term of office shall expire on the date of the shareholders' meeting called for approving the financial statements of the latest financial year of their term. Directors may be re-elected. The election of the members of the Board of Directors shall occur on the basis of lists submitted by the Shareholders under the terms of the Articles of Association.

The directors perform their duties diligently, bearing in mind their position and the number of positions held in other banking, financial, insurance companies either listed or of significant size.

The new Supervisory Regulations on Corporate Governance also require that:

- members of corporate governing bodies devote adequate time and resources to the complexity of their office;

- members of corporate governing bodies guarantee adequate time to their office, bearing in mind: (i) the nature and quality of the work required and the duties they perform in the bank, given its characteristics; (ii) any other positions in companies, bodies, or business undertakings, without prejudice to the limits on the cumulation of positions pursuant to Directive 2013/36/EU - CRD IV (awaiting ratification) or statutory or legal provisions.

Specifically, article 18, paragraph 5, of the Articles states that the non-executive directors may hold a maximum of ten positions of management and control (of which a maximum five executive positions) in other companies listed in regulated markets and in banking, financial or insurance companies or companies of considerable size (i.e. public companies with a share capital not less than two mln euros) which do not belong to the Group, with a maximum limit of five positions of management and control in listed companies other than Carige.

Article 18, paragraph 6, of the Articles of Association, instead states that the executive directors may take on a maximum of six positions of management and control (of which a maximum three executive positions) in other companies listed on regulated markets and in banking, financial or insurance companies or companies of a considerable size which do not belong to the Group, with a maximum limit of three governance or control positions in listed companies other than Carige.

On 27/10/2015 the Board of Directors approved an Articles Modification Project, in respect of which the Bank of Italy issued the necessary authorisation,, to be submitted to an extraordinary session of the Ordinary Shareholders' Meeting convened to approve the Financial Statements as at 31 December 2015, which provides, in compliance with the Instructions on Corporate Governance, for the Board of Directors to include a minimum of seven and a maximum of fifteen members, and the provision requiring at least one fourth of the Directors to meet the independence requirements (percentage to be complied with also within the lists submitted for the purposes of appointing Directors).

The table below shows the number of positions held by current Directors in listed companies on Regulated Markets, including foreign markets, and in banking, financial or insurance companies or companies of considerable size which do not belong to the Carige Group.

Director	Number of positions
Cesare CASTELBARCO ALBANI	2
Alessandro REPETTO	-
Piero Luigi MONTANI	-
Beniamino ANSELMI	-
Jérome Gaston Raymond BONNET	-
Remo Angelo CHECCONI	1
Evelina CHRISTILLIN	-
Philippe Marie Michel GARSUAULT	1
Marco MACCIÒ	-
Guido PESCIONE	1
Giampaolo PROVAGGI	5
Lorenzo ROFFINELLA	1
Elena VASCO	2
Lucia VENUTI	1
Philippe WATTECAMPS	2

B. The Board of Directors: role

Pursuant to article 20 of the Articles of Association, the Board of Directors possesses all powers of ordinary and extraordinary administration. More specifically, as for risk governance, the Board of Directors has exclusive competence for the following matters:

- definition of the nature and level of risks compatible with the Bank's strategic objectives;

- assessment of the adequacy of the organizational, administrative and accounting structures of Carige and its strategically important subsidiaries, and in particular the Internal Control and Risk Management System;

- assessment of the company's operations, in particular taking account of any information received from the delegated bodies, as well as regular tracking of results against planning;

- assessment, at least once a year, of the workings of the Board and its committees, including their size and composition, bearing in mind factors such as the professional characteristics, general and managerial experience, and gender of its members, as well as how long they have been in office;

- definition of a procedure to manage the internal communication and external disclosure of all information regarding the company, with particular reference to sensitive information, to ensure that such information is properly managed.

In addition, with reference to the Bank of Italy's rules on prudential supervision:

- the Carige Board of Directors some time ago approved the "ICAAP Process Governance Model", a map of risks to which Banca Carige is exposed and the "Operating Manual for the Capital Adequacy Assessment Process", as well as the "Governance Model for the Public Reporting Process - Pillar 3" and the "Information Collection and Publication Process - Pillar 3". It has also approved the constitution of the ICAAP Committee charged with assisting and supporting the definition and maintenance of the process currently being updated;

- implementing the Supervisory Regulations on the Internal Control System, the Board of Directors approved the Risk Appetite Framework (RAF) for Banca Carige Group, defining the risk/return targets which the Bank intends to pursue (Risk Appetite Statement), the types of risk to be monitored and the relative indicators, the thresholds for all selected indicators as well as the RAF processes and governance.

Please refer to the "Corporate Governance and Ownership Structure Report" for further details on the activities carried out by the Board of Directors.

C. Board of Directors: selection policy

The election of members of the Board of Directors occurs on the basis of the lists submitted by the members as follows: members who, individually or jointly with other members, prove that they are the holders of at least 1% of the ordinary share capital, or another lower threshold of ownership - under the prevailing legislation - and named in the call notice of the Meeting convened to decide upon the appointment of the directors, may submit or send in a list of candidates which may include as many names as the maximum number of directors provided by the Articles of Association, numbered progressively and deposited at the head office of the Company, on pain of cancellation, within the deadline laid down by the prevailing law and regulations, (currently, by the twenty-fifth day prior to the date of the Shareholders' Meeting), and indicated in the convening notice.

The lists presenting at least three candidates must comply with the criterion of gender balance as per the existing regulations and the Articles of Association.

The lists are made available to the public at the Company's head office, on the Bank's website and in other ways prescribed by prevailing law and regulations, within the deadline established by them (currently, by the twenty-first day prior to the date of the Shareholders' Meeting). Ownership of the minimum shareholding required to present a list shall be attested via the procedures and terms prescribed by prevailing law and regulations, in accordance with the instructions given in the convening notice. Each shareholder may only submit and vote for one list of candidates and each candidate shall only appear on one list, under penalty of ineligibility.

No later than by the deadline scheduled for deposit, each list shall be filed with the Company's registered office together with each candidate's curriculum vitae and a declaration, whereby each candidate accepts his/her candidature and attests, under his/her own responsibility, the non-existence of any grounds for ineligibility and incompatibility, compliance with the requirements provided for by the law and regulations in force for the office of Director, the list of governing and control positions held at other companies, and any mention of suitability to qualify as independent Director - pursuant to Article 18, paragraph 4.

Any list submitted in non-observance of the prescriptions referred to above shall be rejected.

For further information about the selection policy, please refer to Chapter 4 on the Board of Directors, and more specifically to Paragraphs 4.1 "Appointment and Replacement" and 4.2 "Composition", which also provide for a short curriculum vitae of each Director in office, outlining, among other aspects, their professional standing and experience;

Please refer to paragraph A above for further information on the amendments to the Articles of Association, with reference, among other aspects, to the composition of the lists of candidates for the office of Director, which will be submitted to the extraordinary session of the Ordinary Shareholders' Meeting convened to approve the Financial Statements as at 31/12/2015.

D. The Board of Directors: policy on diversity

In compliance with the Articles of Association, the composition of the Board of Directors must ensure at least the minimum gender balance required by the prevailing laws or regulations in force.

The mechanisms set forth in the Articles of Association for appointing Directors and Statutory Auditors via the voting list system ensure compliance with such provisions. In particular:

- the lists presenting at least three candidates must comply with the criterion of gender balance as per the foregoing;
- if, at the end of the voting procedure, Directors meeting the gender balance requirements are not elected in sufficient number, the candidate with the lowest ratio whose election would result in a

gender imbalance is excluded. The excluded candidates shall be replaced by the next candidates in the ranking, whose election would meet the criteria laid out above;

- as for the election of the Board of Statutory Auditors, lists presenting at least three candidates must guarantee the representation of both genders in the identification of the first two candidates to the position of Standing Auditor.

Pursuant to the supervisory regulations, the Board of Directors, by appointing or co-opting Directors, decides in advance on the optimal size and qualities of the Board, giving its reasoning behind for the ideal profile (including professionalism and eventual independence) for the best candidates, and providing, inter alia, for the presence within the Board of adequate elements of differentiation, especially with reference to gender profiles.

E. The Risk Committee: composition

The Risk Committee was constituted within the Board of Directors of Carige with the aim to make proposals and offer consultation in particular to the Board of Directors in assessing the adequacy of the system of internal control and risk management. The Risk Committee thus supports the Board of Directors:

- in the definition of principles to follow in setting up the system of internal controls and corporate organisation;

- in setting the Company's risk parameters and limits (risk appetite, risk tolerance, risk capacity, risk limits);

- in verifying observance of the above limits, after making sure that they are correctly measured/assessed;

- in verifying the adequacy of the Bank's capital to cover all risks at present, in the future and during periods of stress (ICAAP).

The Committee is composed of non-executive directors and a majority of independent directors, including the members elected by minorities, whose number (from a minimum of three to a maximum of five) is fixed by the Board of Directors on the appointment of the Committee based on the complexity of the mandate assigned to it by the Board. Committee members must possess the professional qualifications for the office and a specific knowledge of governance and risk management enabling them to examine and monitor the approaches and strategies of the competent offices.

The Committee appoints a Chairman to coordinate its business from among its independent members.

Also attending the Committee Meetings is at least one member of the Board of Statutory Auditors and a person from Corporate and Group Affairs who has the task of taking minutes.

The chairman may invite other officers and department heads as well as external advisors to the meetings.

During the financial year the Risk Committee met 21 times, for an average of around 2 hours.

F. The Risk Committee: role

The Risk Committee has the task of supporting, after thorough investigation, the assessments and decisions of the Board of Directors with regard to the Internal Control and Risk Management System, and the approval of the periodic financial statements.

More specifically, the Risk Committee offers the Board of Directors proposals regarding:

- the strategic guidelines and risk governance policies needs to define the various corporate risks (RAF), in line with the strategic plan and the business model. In addition it recommends: a) the maximum risk which can be assumed (risk capacity) in relation to the technical capacities of the company in compliance with the regulations and other commitments undertaken with regard to the shareholders and/or Supervisory Authorities; b) the total risk which can be assumed for each risk type in the pursuit of the targets set out in the aforementioned plan (risk target or risk propensity); c) the maximum deviance from the risk target which can be tolerated (risk tolerance) in order to continue to operate in periods of stress within the agreed risk limits;

- the operating risk limits bearing in mind the risk appetite established for each kind of risk, by number and/or line of business, line of product and type of client;

- the data flows on risk matters to be sent to the Committee by the competent units and the control officers.

Among the wide range of controls it carries out, the Risk Committee also assesses:

- at least quarterly, the correct implementation of the strategies, policies of governance and risk management and the RAF;

- at least annually, without prejudice to the competences of the Remuneration Committee, that the incentives underlying the Bank's remuneration and incentive system are coherent with the risk appetite framework (RAF);

- correct application of the criteria for risk measurement/assessment and the ICAAP statement submitted to the Board of Directors, to verify its adequacy against the general guidelines of the Board before the statement is sent to the Bank of Italy.

In practice the Committee reports to the Board at least every six months, on the occasion of the approval of the annual and half-year management report on operations, on its activities and on the adequacy of the Internal Control and Risk Management System. The Committee may also report to the Board of Directors and to the Board of Statutory Auditors through the chairman, even verbally, if necessary and whenever it deems fit.

Please refer to Chapter 10 of the Corporate Governance and Ownership Structure Report for further information regarding the Composition, Functioning and Duties of the Risk Committee.

G. Coordination between persons involved in the Internal Control and Risk Management System

In compliance with Principle 7.P.3 of the Corporate Governance Code and the prevailing supervisory regulations, given that the circulation of information between and within the corporate boards is indispensable to the achievement of the goals of management efficiency and effectiveness of control, Carige takes special care to design complete, timely and accurate lines of communication and exchange of information between and within the boards responsible for strategic supervision, management and control, depending on their individual competences.

In this regard company rules specify the persons charged with sending regular data flows to the company boards, establishing in particular which control officers in the Bank's organizational structure shall report directly to the Board of Directors, the Risk Committee or the Board of Statutory Auditors.

In addition, the “Group Regulations for the Coordination of Control Boards and Control Officers” sets out the specific activities of coordination between the boards and officers of the Parent, and between the boards and officers of the various members of the Group, in the individual steps of the control process.

For further information, please refer to the information flows between the boards and the control officers set out in further detail in the Corporate Governance and Ownership Structure Report, Chapter 11, Paragraph 11.6 "Coordination between persons involved in the Internal Control and Risk Management System", Chapter 4, Paragraph 4.3 "Role and duties".

1.3 Risk Governance: definition, strategy and monitoring of the Group's risks

The previous paragraphs focused on the Group's activities of risk management and the description of the parties involved. The paragraphs below, by contrast, will provide an overview of the different risks that the Bank has assumed or can assume, with a view to identifying for each of them the main connotations, the counter-strategies as well as the monitoring and measuring methods.

A. The Credit Risk

Credit risk is generally defined as the risk that a Bank borrower will be unlikely either to repay his/her credit obligations in full or to repay them within agreed maturities.

In broader terms, credit risk also refers to the change in value of credit assets arising from a change in the counterparty's credit worthiness, when the change in risk is not offset by an adjustment of the economic conditions applied to the customer.

Strategy

The Parent Company's credit offer mainly targets households, small businesses, small and medium-sized companies and the public administration, as well as the corporate segment.

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 objective outside the Liguria region is to make the most of the network's potential to expand the customer base, with particular reference to the private, small businesses, small and medium-sized companies.

The main guidelines for the Group's credit policies focus on the:

- containment of credit risk to be pursued through selective lending growth, guided by the borrowers' rating class and area of business, combined with a renewed emphasis on collateral;

- remixing of the loan book in accordance with the prospects for growth in the markets of operation;

- containment of concentration risk for loans to single-name customers or customer groups;

- reinforcing 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 Group Regulations under the existing statutory framework.

Monitoring and measuring methods

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 internal limits and supervisory regulations on risk concentration and capital adequacy with respect to the assumed credit risk; specific loan portfolio control processes were implemented, in accordance with the supervisory regulations on second-level controls by the Risk Management Unit;

- activities of an operational nature, to monitor the quality of loans granted. Specifically, a tool for the operational monitoring of credit ("Monitora" established within the Credit Division) is in place and allows for the various areas of control activities to be combined with risk indicators developed according to the IRB approach, with a view to improving monitoring efficiency and managing credit with an approach ever more consistent with customer risk profiles. To this end, in 2015 the monitoring process was strengthened by defining final deadlines for the solution of credit positions showing major performance irregularities, after which, failing normalisation, they are classified as non-performing.

These activities feed into a reporting system to be used by the various company units responsible for monitoring Group credit risk.

Internal rating models were developed by the Parent Company based on historic data for the Retail segment (Consumers, Small Market players and Small Business) and Corporate segment (SMEs and Large). Banca Carige also implemented models for determining, at a consolidated level, the probability of default (PD), loss given default (LGD), exposure at default (EAD).

The information sources used to estimate the probability of default (PD) pertain to three main areas of analysis that are used in varying degrees for the assessment of the segment by bank branches: financial information (financial statement data), performance-related information (in-house data and Central

Credit Register data) and customer records. With regard to the SME and Large Corporate segments, the statistical rating override procedure makes it possible to take account of 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 route for loan applications in relation to counterparties from the retail segment (Consumers, Small market players and Small Businesses) and Corporate segment (SMEs and Large Corporate).

Risk parameters (PD and LGD) are recalibrated in order to reflect the most recent risk developments in the Group's loan book.

Classification of non-performing assets is based on an ongoing process which involves monitoring activities focused on the prompt identification of any irregularities in relationship management, changes in rating scores over time and any emerging events pointing to a potential impairment of the account.

Moreover, on behalf of all subsidiary banks, the Parent Company has introduced operating procedures for the automated flagging of positions with irregular loan repayment and IT monitoring tools to make credit management consistent with the risk profiles identified.

Measures triggered by the aforementioned monitoring activities are differentiated according to the degree of anomaly identified and comply with regulations approved by the Boards of Directors of all Carige Group banks.

Receivables that were classified - not automatically - as non-performing are reclassified to performing status subject to a positive assessment of the financial capacity of customers who, having overcome the difficulties that led to non-performing classification, are considered to be fully capable to fulfil their commitments with the Bank.

Credit risk mitigation techniques

The Group's credit policy focuses on the utmost care in the selection of credit, financed initiatives and borrowers and on the monitoring of customer relationship performance. 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 backed by mortgages and, if a higher risk profile is identified, credit facilities are backed by personal guarantees (standard and omnibus) and guarantees by loan-guarantee consortia.

Given that, in this context, personal guarantees and collaterals are obtained – as deemed appropriate for credit risk mitigation, considering the mortgage loans' share of the aggregate portfolio and in compliance with regulatory provisions – a value monitoring process for the assets pledged as collateral has been put in place.

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

Moreover, the process envisages that a new appraisal will be carried out if there is a significant impairment in the market value of the asset, with the aim of implementing the most suitable credit protection measures. A similar process is in place for leased real estate properties and securities pledged as collateral for loans to customers.

A quarterly process to control the value of the guarantee is in place for those properties pledged as collateral for significant exposures, which is carried out with the support of an appraisal report of the carrying amount of the asset drawn up by a team of independent experts.

B. Residual risk

Residual risk means "the risk that recognised credit risk mitigation techniques used by the Bank prove less effective than expected".

Residual risk may thus arise on the Credit Risk Mitigation (CRM) techniques used by the Group in the credit process and determining the relative capital requirement required for supervisory purposes.

Monitoring and measuring methods

This type of risk is not subject to quantitative measuring: its management is thus part of the qualitative recognition and measurement processes, which are aimed at achieving an overall control, through expert quality assessment methods (scorecard approach), with a view to defining corporate control units and enabling measures of remediation and/or mitigation.

The scorecard is developed on the basis of a qualitative questionnaire; the questions therein have been selected with the aim of highlighting certain aspects which may characterise the onset of residual risk within the overall process of collateral management, irrespective of the analysis of the minimum requirements relating to the admissibility of guarantee coverage, which have already been covered within the assessments/measurements of Pillar 1 credit risk.

The scorecard is organised into separate phases, through which the preliminary and legal aspects relating to guarantee acquisition and the various activities for managing, monitoring and potentially enforcing the guarantee are assessed.

On the basis of the score assigned by identified representatives, an overall score is generated, which is normalised on a scale of values ranging from 1 to 5 in a logic of increasing levels of risk.

Given that, in the current crisis context that has hit both the national and international economy, with the consequent significant increase in the level of non-performing loans in the last years, the control of guarantees acquired has proven especially significant, the Group's plan of interventions launched in 2013 continued with a view to strengthening guarantee management processes and fine-tuning the procedural and operational aspects.

C. Market risk

Market risk is understood as the risk of variation in the value of a financial instrument or of a portfolio of financial instruments due to unexpected changes in market conditions(interest rate, share prices, exchange rates, etc.).

EU Regulation no. 575/2013 (the "CRR") covers market risk in Section 3, Title IV, breaking it down in the following risk categories:

Position risk	It indicates the risk arising from financial instruments price changes due to the market trend ("general" risk) and to the specific situation of the issuing company ("specific" risk)
Foreign-exchange risk	It indicates the risk of incurring losses due to adverse changes in currency exchange rates
Commodities risk	The risk arising from changes in the prices of goods

As part of market risk, basis risk represents the risk of incurring losses due to misaligned changes of positions with opposite sign, similar but not identical. Please refer to the specific paragraph in this Chapter for further details on basis risk.

Furthermore, Section 3, Title V of the CRR covers "Own funds requirements for settlement risk", which is the risk that arises in transactions on financial instruments when, after the expiry of the contract, the counterparty is in default with regard to its obligations.

Strategy

The Board of Directors of the Parent Company defines the strategic policies and guidelines related to the assumption of market risk and identifies the levels of Risk Appetite and Risk Tolerance within the scope of the Risk Appetite Framework.

The Risk Control Committee monitors the dynamics of market risk and compliance with the limits, whereas the Finance and ALM Committee monitors the market risk management actions, operationally implemented by the Finance department.

The Risk Management Function guarantees the ongoing measurement and control of Group exposure to market risk by monitoring the Value at Risk (VaR) on a daily basis, also under stress scenarios.

The main sources of interest rate risk are activities carried out on bond-related financial assets and interest rate derivatives, both regulated and OTC, whereas the main sources of price risk are activities carried out on equity-related financial assets, equity funds and equity derivatives.

The management of the Group's securities investment was characterised by a substantially conservative profile, with the target of maintaining a balanced risk/yield ratio and with special attention to both the Group's liquidity profiles and counterbalancing capacity.

Monitoring and measuring methods

For operational management purposes, the Risk Management Unit of the Parent Company provides the service of daily monitoring of market risk on securities and derivatives portfolio, both at a Group and single Banks level, at the same time checking compliance with the established operational limits, as well as with Tolerance levels within the Risk Appetite Framework.

Market risk is assessed via the Value at Risk (VaR), i.e. the value indicating the maximum possible loss on a portfolio of financial instruments within a given timespan and with a certain probability.

Risk Management uses VaR with the objective of measuring both the risks associated with financial instruments held in HFT portfolios and the risks associated with financial instruments allocated in the Bank's AFS portfolios, monitoring dynamics over time and constantly verifying compliance with operational limits.

The VaR is calculated using a methodology based on a 1-year historical approach, with a 99% confidence interval and a 10-dayholding period.

Stress test analyses are also carried out that highlight the impact in terms of both VaR and present value resulting from pre-set shocks that refer to specific past events. Stress tests scenarios are defined on the basis of particularly severe market conditions, taking into account the actual composition of portfolios.

D. Operational risk

The operational risk consists in the risk of suffering losses deriving from internal or external fraud, inadequacy or incorrect functioning of company procedures, human resource or internal system errors or deficiencies, interruptions or malfunctioning of services or systems (including IT), errors or omissions when performing the offered services, or exogenous events; it also includes legal risk (for example, customer claims and risks connected with the distribution of products that do not comply with regulations governing the provision of banking , investment and insurance services, and sanctions deriving from regulatory violations as well as non-compliance with procedures relative to the identification, monitoring and management of risks.

Strategy

The strategic guidelines for containing operational risks to which the Group's activity is exposed, consist in the definition of both identification methods and monitoring processes aimed at implementing the most appropriate technical and organisational solutions to reduce the exposure to such risks and at improving the corporate capital-allocation methods in the future.

In this context, in 2014 the Group has created, on occasion of the organisational structure review of the Parent Company, the Operational Risk Management function within the Risk Management Unit, launching activities for measuring, managing and monitoring operational risks in line with the best practices in the banking system in order to adopt a standardized approach for the determination of the regulatory requirements.

During 2015, the processes of the framework of Operational Risk Management (ORM), approved by the Board of Directors of the Parent Company in July 2015, were defined, structured and regulated. Over the following months, the main process of the ORM framework were operationally initiated, ensuring compliance with minimum requirements (art. 320 of EU Regulation no. 575/13, also known as "CRR") for the adoption of the standardised method for quantifying capital requirements for operational risk, including the operational start-up of the *Historical Data Collection* (HDC) and *Risk Self-Assessment* processes.

Monitoring and measuring methods

In 2015, the Group set up and implemented a process of decentralised collection of operating losses - Historical Data Collection (HDC) -, accompanied by a process of Risk Self-Assessment (RSA) used to investigate the future level for risk perceived by the various Risk Owners identified within the project activities. As part of the ORM Framework appropriate links and synergies are planned to be established with reputational risk monitoring and management (see below: Reputational risk) and the aspects of IT Risk management monitored in the ICT field, in compliance with the provisions of the 15th update of Circular No. 263/06 of the Bank of Italy.

As part of ORM processes, the activities for preparing and populating the Italian Operating Loss Database (*Database Italiano Perdite Operative* - DIPO) established in 2003 by ABI, and which the Carige Group has supported since its establishment, are being suitably integrated.

In addition to the monitoring and control of quantitative aspects, the Group arranges the systematic analysis of operational processes by means of a self-assessment approach so as to supplement 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 and maintains a business continuity and disaster recovery plans to identify measures necessary to restore normal Group operations in the event of crisis situations.

E. Interest rate risk

The interest rate risk of the banking book is the risk that a variation in market interest rates may have a negative effect on the value of equity (a risk associated with equity) and on Net Interest Income (a risk associated with earnings) in relation to assets and liabilities in the Financial Statements that are not allocated to the trading book for supervisory purposes.

The exposure to such type of risk, with reference to transactions with a floating interest rate, is a direct consequence of balance sheet structures that are mismatched in terms of both maturity dates (maturity gap) and interest refixing (refixing gap). Exposure for transactions with a fixed interest rate depends on the maturity gap.

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

Repricing risk	The risk connected to maturity mismatch (fixed rate), assets and liabilities re-fixing methods and timeline (floating rate), which exposes the Bank to changes (shocks) - also parallel - 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 the interest rates against which transactions at floating interest rate are indexed may react with different timings and intensity when market conditions change, thus resulting in a non-perfect correlation between funding and lending interest rate benchmark.
Optionality risk	Risk connected to the existence of "stand-alone" or "embedded" options in the Bank's assets and liabilities. Certain contractual forms include optional components, which require an analytic assessment in order to measure interest rate exposure. Particular reference is made to both the options for the early repayment of loans (prepayment) or bonds (callability and putability), and to cash withdrawal/paying-in from commercial on demand funding and lending products

Strategy

The Board of Directors of the Parent Company defines the strategic policies and guidelines related to the assumption of interest rate risk in the banking book and identifies the levels of Risk Appetite and Risk Tolerance within the scope of the Risk Appetite Framework.

The Risk Control Committee monitors the dynamics of interest rate risk in the banking book and compliance with the limits, whereas the Finance and ALM Committee monitors the actions for managing interest rate risk in the banking book, which are operationally implemented by the Finance department.

Monitoring and measuring methods

The Risk Management Unit guarantees the ongoing measurement and control of Group exposure to interest rate risk for the banking book, from both an equity and earnings perspective.

The objective of monitoring the interest rate risk in the banking book consists in measuring the impact of variations in interest rates on the fair value of the equity and on the interest income expected over a predefined time period (gapping period).

Please refer to Chapter 10 below "Exposure to interest rate risk on positions not included in the trading book" for further details on the methods used to measure exposure to interest rate risk.

Hedging activity

Interest risk hedged transactions mainly concern the funding and lending component with an original medium/long-term duration.

Fair value hedging aims to immunise changes in the fair value of deposits and loans against changes in the financial market. The Risk Management Unit 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.

The aims and strategies underlying these hedging transactions are to reduce interest rate risk by entering into unquoted OTC derivative contracts.

Risk hedging transactions carried out according to the Cash Flow Hedge methodology are aimed at avoiding that unexpected variations in market interest rates may have negative repercussions on Net Interest Income. In particular, the aim of cash flow hedges is to immunise changes in cash flows against changes in the interest rate curve. Interest rate risk is covered with the use of unlisted derivative instruments (interest rate swaps). The effectiveness of this hedge is checked periodically by the Risk Management Function.

F. Real Estate Risk

The Carige Group's real-estate risk consists in potential losses due to the negative fluctuation of the Group companies' real-estate portfolio value; customer-owned mortgaged properties are excluded.

When calculating the risk arising from properties a distinction is made between properties used in the business (branches and agencies) and properties that are not used in the banking and financial activities.

Strategy

The risk is measured over the time horizon (2015), in line with the provisions of the 2015-2019 Business Plan: the scope of reference therefore is the one comprising real estate owned by the Group's Banks.

Monitoring and measuring methods

The assessment of real-estate risk and the consequent absorption of internal capital makes reference to the methodology used for the ECB's Comprehensive Assessment and is diversified depending on whether the property is used or not used in the business.

G. Liquidity Risk

Liquidity risk, in its main meaning as funding liquidity risk, is the risk of the Bank not being able to meet its cash outflow obligations (both expected and unexpected) and its need for collateral at an economical price, without jeopardising the core business or financial situation of the Group.

A liquidity risk can be generated by events that are closely connected with the Group and its core business (idiosyncratic) and/or with external events (systemic). The two types of factors are not alternatives and may thus occur jointly. Liquidity risk can generally be divided in:

Funding liquidity risk	Inability to obtain adequate funding
Market liquidity risk	Existence of limits to divestment of assets

Liquidity risk also comprises the risk to meet payment obligations above-market costs, thus incurring in a high funding cost.

Strategy

Liquidity risk control, management and monitoring entails fostering the balance between inflows and outflows in the short term and, at the same time, minimizing structural imbalances in the mid-long term liquidity profile, in order to ensure a high solvency level and optimise the cost of funding.

From an organisational model point of view, a fundamental principle of the Group's liquidity risk management model is the separation between liquidity risk management and monitoring processes to be achieved through the assignment of specific roles and responsibilities to the various corporate bodies and functions involved.

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

The Risk Control Committee monitors the dynamics of liquidity risk and compliance with the limits, whereas the Finance and ALM Committee monitors the actions for managing liquidity risk, which are operationally implemented by the Finance department.

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

The Liquidity Policy also includes a separate system of limits for short-term (with maturity of less than 1 year) and medium/long term (with maturity over 1 year) liquidity position.

The objective of controlling operational liquidity (short-term) is to guarantee that the Group will be able to face its expected and unexpected payment obligations over a reference period of 12 months, without jeopardising day-to-day operations. Short-term liquidity management thus aims at constantly balancing liquidity inflows and outflows.

The objective of controlling structural mid-long term liquidity is to guarantee the maintenance of a suitable ratio between assets and liabilities, limiting pressure on short-term funding. Structural liquidity management aims at both redistributing maturities of financing transactions, in order to reduce less stable funding sources, and at financing the Group's growth through strategic funding activities in terms of maturities.

Monitoring and measuring methods

The Risk Management Function regularly guarantees the measurement and control of the exposure of the Group to the liquidity risk, both operational (short-term) and structural (medium to long term).

Operational liquidity is measured and monitored on a daily basis with the operational maturity ladder. The operational maturity ladder enables an analysis of the distribution of positive and negative cash flows over time, any gaps, as well as the reserves (counterbalancing capacity) that are available to deal with such gaps.

The Risk Management Function constantly monitors the observance of the operating limits that apply to the balances of cash flows only as well as to the total balances of the cash flows and reserves. The Group also performs a stress test activity with regard to the maturity ladder in use with a view to analysing the effect of crisis scenarios on the liquidity position and assessing the adequacy of liquidity reserves in place. which are in turn subject to a "stressed" value creation.

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

Structural liquidity is measured and monitored with the structural maturity ladder. The structural maturity ladder is based on the maturity mismatch model and includes demand items covering a period of up to 20 years and beyond and includes certain or modelled capital flows generated by all the balance sheet items. In this regard the Risk Management Function has defined indicators in terms of a gap ratio on maturity dates beyond one year and the relative monitoring limits.

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

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

Lastly, the Group has adopted a Contingency Funding Plan (CFP), to protect the Group and the individual companies from stress conditions or from any other type of crisis, guaranteeing business continuity when faced with a sudden reduction of available liquidity. For this reason, Early Warning Indicators (EWI) that can forecast the emergence of stress conditions or liquidity crisis are monitored.

H. Risk arising from securitisation transactions

Risk arising from securitisation transactions means the risk that the economic substance of the securitisation transactions is not fully reflected in risk assessment and management related decisions.

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

Monitoring and measuring methods

As for the measurement of risks relating to the Group's transactions performed over time, a quality assessment method was set up, which foresees the drafting of a scorecard that is filled out by the representatives involved in the process and includes the assessments on three investigation areas, more specifically:

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

Each area of investigation is assigned a score, which is weighted and normalised on a scale according to a logic of increasing risk levels.

For further details on existing transactions, their financial/economic profiles, the monitoring methods, the organisational control units and the reporting methods, please refer to the Chapter 8 "Securitisation exposures".

I. Strategic Risk

Current or prospective risk of a reduction in profits or capital due to changes in the operating context, erroneous corporate decisions, inadequate implementation of decisions or poor reaction to changes in the competitive context.

Monitoring and measuring methods

Strategic Risk is not subject to quantity measurements and is managed via adequate organisational control units; the Group assesses the risk on the basis of a quality approach with a view to directing management strategies, if any.

The assessment is carried out by using special scorecards, which analyses the strategic planning process in general terms and, more specifically, the process for preparing the Business Plan, whose underlying assumptions are assessed through sensitivity analysis of the results to changes in most significant items.

J. Reputational risk

Given its transverse and pervading nature, reputational risk is not easily measured. At the same time, the definition of management policies and assessment analysis for the most risk-prone areas aims at both promoting a culture of risk prevention and identifying corrective and mitigation actions.

To this end, the reputational risk of the Carige Group is managed via:

a) the definition of adequate organisational units designed to control and mitigate the aforementioned risk. The foregoing organisational control units involve several functions and boards, each of which having separate competences and responsibilities in the monitoring and control of specific risk areas, such as, but not be limited to, Compliance, the Control and Risk Committee, the Supervisory Body in accordance with Legislative Decree no. 231/2001, the Person in Charge pursuant to Legislative Decree no. 81/08.

Furthermore, the Group adopted a Code of Ethics which sets the values on which its identity and principles of conduct inspiring its business are built. The Code of Ethics shall be complied with by any person who, directly or indirectly, has any relation whatsoever with the Group (suppliers, business partners, contractors, etc.).

b) a qualitative assessment aimed at directing remedial and/or mitigating management actions. It is carried out taking into account both events potentially capable of generating reputational risks, and the relevant stakeholders in order to preserve the Group's image and reputation.

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

With particular reference to compliant management, the Group carries out an analysis on the rate and distribution of the both complaints brought to the attention of the Ombudsman and petitions sent to the Bank of Italy. The Group's data are then compared with those of the banking system via further processing of figures provided in the Italian Banking Authority (ABI) Monitoring document.

For the purposes of the assessment, an analysis is carried out on qualitative indexes for assessing the relationship with employees, such as the quality of training provided, performances achieved and the ability to retain well-qualified resources.

With the aim of strengthening the control on the foregoing risk, in 2015, the Group prepared, organised and approved a framework for measuring, managing and monitoring reputational risks, by setting forth processes, methods and instruments both in line with the best practices of the system and 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. As part of the framework, appropriate synergies were established with the activities for developing the operational risk management framework; more specifically, the specific aspects necessary for assessing reputational aspects were included in the Historical Data Collection (HCD) the Risk Self-Assessment, (RSA) processes.

More specifically, the ongoing process for managing reputational risk pursues the following objectives:

- prevention, in order to minimise the occurrence of events that may generate a reputational risk by analysing events that have already occurred (retrospective analysis) and developing a perspective assessment of what may occur (perspective analysis). The ongoing monitoring of risk exposure provides the information necessary to define the actions aimed at containing/mitigating the potential occurrence of events with negative effects on corporate reputation;

- optimisation of organisational and control units in relation to reputational risk;

- containment and restoration, in order to adequately and promptly respond to reputational damages caused by specific reputational crisis situations (ex post management), partly through suitable escalation mechanisms.

K. Concentration risk

Concentration risk is a risk resulting from the exposures to single customers or interrelated groups of customers (single name concentration) or to counterparties in the same economic sector (geo-sectorial concentration) and which thus show a trend more closely related between them 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 counterparts;
- 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.

M. 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.

N. Transfer risk

[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.

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.

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.

O. Basis Risk

[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.

As part of market risk, basis risk represents the risk of incurring losses due to misaligned 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.

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.

P. Risk of excessive financial 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 lead 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.

[4] Please refer to the Bank of Italy's "New Regulations for the Prudential Supervision of Banks" (Circular No. 285/2013, Title III – Chapter 1, Annex A – Risks to be covered by the ICAAP assessment).

2. SCOPE OF APPLICATION

QUALITATIVE DISCLOSURES - Art. 436 OF THE 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. The concept of control applied is that outlined in the new IFRS 10 - Consolidated financial statements. At the reporting date, no jointly controlled companies were identified, to which the new IFRS 11 - Joint Arrangements applies. 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. After the disposal of the insurance companies, the differences between consolidated civil balance sheet and consolidated balance sheet relating to the prudential regulatory consolidation area are based only on income statement figure, while balance sheet figures are aligned.

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

It is noted that the special-purpose vehicles Argo Mortgage 2 Srl, Lanterna Finance Srl, Carige Covered Bond Srl and Carige Covered Bond 2 Srl were all consolidated line by line.

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.

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

The Banks of the Group, with no capital deficiencies at a consolidated level, reduce their individual capital requirement by 25%.

QUANTITATIVE INFORMATION – art. 436 CRR

2.1 Scope of Consolidation as at 31 December 2015

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	fully consolidated	fully consolidated
3. Banca del Monte Lucca SpA	Lucca	Lucca	A1.1	60.00	fully consolidated	fully consolidated
4. Banca Cesare Ponti SpA	Milan	Milan	A1.1	100.00	fully consolidated	fully consolidated
5. Creditis Servizi Finanziari SpA	Genoa	Genoa	A1.1	100.00	fully consolidated	fully consolidated
6. Centro Fiduciario C.F. SpA	Genoa	Genoa	A1.1	96.95	fully consolidated	fully consolidated
7. Argo Mortgage 2 Srl	Genoa	Genoa	A1.1	60.00	fully consolidated	fully consolidated
8. Carige Covered Bond Srl	Genoa	Genoa	A1.1	60.00	fully consolidated	fully consolidated
9. Carige Covered Bond 2 Srl	Genoa	Genoa	A1.1	60.00	fully consolidated	fully consolidated
10. Lanterna Finance Srl (1)	Genoa	Genoa	A1.1	5.00	fully consolidated	fully consolidated

(1) Self-securitisation SPV, controlled under the requirements of IFRS 10.

The scope of consolidation changed with respect to that used for the preparation of the financial statements as at 31/12/2014 following the sale on 5/6/2015 of the investments in Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A. The disposal also involved removal from the scope of consolidation for the companies Dafne Immobiliare S.r.l, I.H. Roma S.r.l and Assi 90 S.r.l because they were controlled by the companies sold. These sold companies, for prudential purposes, were consolidated using the equity method. It should also be noted that the SPV Lanterna Finance Srl, which was established to implement a multi-originator self-securitisation (mortgages transferred by the Group's Banks, with the exception of Banca Cesare Ponti, and junior and senior securities repurchased by the transferring banks themselves) was included in the scope of consolidation, albeit 5% owned.

Also note that, during the year, the investments in Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A. increased, respectively, from 95.90% and 90.00% to 100% following the transfers made upon completion of the share capital increase with consideration, exempt from the pre-emptive rights of the Fondazione Agostino de Mari Cassa di Risparmio di Savona and the Fondazione Cassa di Risparmio di Carrara. Subsequently, the following companies were merged by absorption into Banca Carige: Cassa di Risparmio di Savona, Cassa di Risparmio di Carrara, Columbus Carige Immobiliare and Immobiliare Carisa. The merger had no effect on either shareholders' equity or consolidated results.

3. OWN FUNDS

QUALITATIVE DISCLOSURES - Art. 437 OF THE CRR

The Company's own funds were determined on the basis of the new harmonised legislation for banks and investment entities included in the EU Regulation no. 575/2013, (CRR), and the EU Directive 36/2013 (CRD4) which transpose the standards defined by the Basel Committee on banking supervision in the European Union. 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.

Following the disposal of the insurance companies in 2015 the scope of consolidation used to prepare the annual report remains unchanged from the scope of consolidation used for supervisory purposes.

It should be noted that, transitory provisions on own funds (see Second Part, Chapter 14, Section II, of Circular letter no. 285), set out that banks are entitled 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 in Europe, which will supersede IAS 39 as regards financial instruments (see Section II, par. 2, last line).

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– CET 1

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

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

- Cash flow hedges
- Gains or losses from own liabilities evaluated at fair value due to credit rating
- Fair value gains or losses arising from its own credit risk correlated to derivative liabilities
- Supervisory loan loss provisions

The deductions from CET 1 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 a 10% threshold consisting of a) differed tax assets that are based on future income and that emerge from temporary differences b) significant investments in CET 1 instruments from other entities in the financial sector. This deduction is no longer included in the calculation of own funds as at 31/12/2015 following the transfer of the insurance companies and the increase in the threshold following the increase in capital subscribed during the financial year.

- 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. This deduction is also no longer included in the calculation of own funds as at 31/12/2015 following the transfer of the insurance companies and the increase in the threshold following the capital increase completed during the financial year.
- Other negative elements

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

2. Additional Tier 1 capital (AT1)

Additional Tier 1 consists of:

- Paid-up share capital (savings shares)
- Share premium on savings shares
- AT1 instruments subject to transitional provisions (grandfathering)
- Impacts on AT1 attributable to temporary regime

The AT1 capital tool subject to the transitional provisions has the following characteristics:

- Nominal value issued: EUR 160,000,000 divided into bonds with a unit par value of EUR 50,000; amounts qualifying for inclusion in AT1 capital EUR 112 mln, and T2 capital EUR 48 mln;

- Rate: 8.338% p.a. until 4 December 2018, then at the 3-month Euribor rate plus 550 b.p.s. unless the early redemption option is exercised;
- Maturity: irredeemable securities with maturity no later than that of the Bank (currently 31 December 2050); redemption of the bond loan must receive prior approval by the Supervisory Authority;

- Subordination clause: in the event of winding up of the Bank,, the bondholders - with priority over the shareholders - shall be subordinated to all other creditors. Interest payouts must be suspended if the Bank’s capital ratio falls below the minimum regulatory requirement as a result of losses for the year and the if the Bank has not paid dividends to shareholders. Interest is not cumulative: if unpaid the right to interest payout is permanently lost. On 12/11/2015, following t the ECB' decision on dividend distribution restrictions of 10 March 2015, the Parent Company announced that under Condition 5(b) of the Regulation for these securities, Banca Carige had not paid any interest on these bonds as at the date of interest payout (04 December 2015) so the right of holders to receive dividend payment was entirely and irrevocably cancelled and waived;

- Special clauses: early redemption option in favour of the issuer from 4 December 2018.

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

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 instruments qualifying for inclusion in T2 capital are represented by the following subordinated loans:

1) Upper Tier II subordinated bond loan issued by the Bank, with the following characteristics:

- Nominal value issued: EUR 150,000,000 divided into bonds with a unit par value of EUR 50,000, outstanding securities as at 31.12.2015 for a nominal amount of EUR 135,000,000 and an amount qualifying for inclusion in T2 capital of EUR 80,926,027;
- Rate: 7% p.a. for the first coupon payable on 29 March 2009; subsequently, at a gross annual rate equal to the 3-month Euribor plus 200 basis points (2%) spread.
- Maturity: 29.12/2018;
- Subordination clause: in the event of winding-up, bondholders will be repaid after all other creditors of the Bank not equally subordinated. If losses for the period result in a reduction of paid-up share capital and reserves to below the minimum regulatory capital requirement for authorised banking activity, amounts relating to capital and accrued interest can be used to offset losses. If operating performance proves negative, the right to payouts may be suspended;
- Bond redemption shall be possible only with prior authorisation from the Bank of Italy.

2) Lower Tier II subordinated bond loan with the following characteristics:

- Nominal value issued: EUR 100,000,000 divided into bonds with a unit par value of EUR 50,000. Outstanding residual value as at 31/12/2015: EUR 100,000,000, and an amount qualifying for inclusion in T2 capital EUR 9,906,951;

- Rate: 6.14% p.a. nominal;
- Maturity: 29.06/2016;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with priority over shareholders, holders of innovative capital instruments and holders of hybrid capitalisation instruments - will be subordinated to all other creditors.

3) Lower Tier II subordinated bond loan with the following characteristics:
- Nominal value issued: EUR 20,000,000 divided into bonds with a unit par value of EUR 50,000. Outstanding residual value as at 31/12/2015: EUR 20,000,000, and an amount qualifying for inclusion in T2 capital EUR 5,991,238;
- Rate: 5.70% p.a. nominal;
- Maturity: 30.06/2017;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with priority over shareholders, holders of innovative capital instruments and holders of hybrid capitalisation instruments - will be subordinated to all other creditors.

4) Lower Tier II subordinated bond loan with the following characteristics:
- Nominal value issued: EUR 50,000,000 divided into bonds with a unit par value of EUR 50,000. Outstanding residual value as at 31/12/2015: EUR 50,000,000, and an amount qualifying for inclusion in T2 capital EUR 47,267,048;
- Rate: 5.70% p.a. nominal;
- Maturity: 17.09.2020;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with priority over shareholders, holders of innovative capital instruments and holders of hybrid capitalisation instruments - will be subordinated to all other creditors.

5) Lower Tier II subordinated bond loan with the following characteristics:
- Nominal value issued: EUR 200,000,000 divided into bonds with a unit par value of EUR 50,000. Outstanding residual value as at 31/12/2015: EUR 200,000,000, and an amount qualifying for inclusion in T2 capital EUR 198,795,840;
- Rate: 7.321% p.a. nominal;
- Maturity: 20.12.2020;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with priority over shareholders, holders of innovative capital instruments and holders of hybrid capitalisation instruments - will be subordinated to all other creditors.

6) The main features issued by Banca del Monte di Lucca do not contribute to consolidated regulatory capital since it is wholly owned by the Parent Company Banca Carige.

The Tier 2 Capital instrument subject to transitional provisions (grandfathering) has the following characteristics:

- Nominal value issued: EUR 500,000,000 divided into bonds with a unit par value of EUR 1,000, outstanding securities as at 31.12.2015 for a nominal amount of EUR 323,036,000 and an amount qualifying for inclusion in T2 capital EUR 28,128,545;

- Rate: 3-month Euribor + 42 bps.; from June 2011, 3-month Euribor +102 b.p.s.;
- Maturity: 07.06.2016;
- Special clauses: early redemption option in favour of the issuer as of June 2011
- Subordination clause: in the event of voluntary or compulsory winding-up, bondholders will be reimbursed after all other Bank creditors not equally subordinated.

It should be noted that T2 grandfathering also includes EUR 48 mln from the AT1 instrument that does not qualify for inclusion in additional Tier 1 capital.

Models on the main features of equity instruments 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 48 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		

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)	81 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)	10 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)	6 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)	47 amortisation
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)	199 amortisation
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		

Capital instruments main features templates (1)		
1	Issuer	BANCA MONTE LUCCA SpA
2	Unique identifier (e.g.CUSIP, ISIN or Bloomberg identifier for private placements)	IT0004618598
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
7	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)	0 at a consolidated level ias in Parent Company's portaflio 9 at the level of individual institutions - amortization
9	Instrument nominal amount	EUR 10,000,000
9a	Issue price:	100
9b	Redemption Price	100
10	Accounting classification	Liabilities - amortised cost
11	Original Issue Date	29/06/2010
12	Perpetual or dated	Dated
13	Original Maturity Date	29/06/2020
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	29/06/2015 at par value
16	Subsequent call dates, if applicable	on a half-year basis, at par value, on 29/6 and 29/12 of each year
	Coupon/dividends	
17	Fixed or floating Dividends/coupons	Floating
18	Coupon interest rate, and any related index	Coupons Indexed Euribor 6M + 270 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	No
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)	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)	28 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		

QUANTITATIVE INFORMATION – art. 437 / 445 / 492 CRR

3.1 Own Funds Composition at 31 December 2015

	Total 31/12/2015	Total 31/12/2014
A. Common Equity Tier 1 (CET1) prior to the application of prudential filters	2,467,413	1,783,207
of which CET1 instruments subject to grandfathering/transitional adjustments	11,871	18,475
B. CET1 prudential filters (+/-)	97,378	115,405
C. CET1 gross of deductions and effects from transitional adjustments (A+/-B)	2,564,791	1,898,612
D. Items to be deducted from CET1	(229,900)	(493,112)
E. Transitional adjustments - Effect on CET1 (+/-), including minority interests subject to transitional adjustments	100,217	318,103
F. Total Common Equity Tier 1 capital (CET1) (C-D+/-E)	2,435,108	1,723,603
G. Additional Tier 1 (AT1) gross of deductions and effects from transitional adjustments	112,111	128,739
of which AT1 instruments subject to grandfathering/transitional adjustments	112,000	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	1,272	(68,910)
L. Additional Tier 1 capital (AT1) (G-H+/-I)	113,383	59,829
M. Tier 2 capital (T2) gross of deductions and effects from transitional adjustments	419,016	585,148
of which T2 instruments subject to grandfathering/transitional adjustments	76,129	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	2,733	(67,237)
P. Total Tier 2 capital (T2) (M-N+/-O)	421,749	517,911
Q. Total own funds (F+L+P)	2,970,240	2,301,343

Capital losses sterilised on debt securities issued by central governments of member countries of the European Union, included in the "Available-for-sale assets" portfolio, amounted to EUR 6.9 mln. If the option had not been considered, CET 1 would have decreased by EUR 2.8 mln, AT1 by EUR 4.1 mln, T2 would have been unvaried; therefore the overall positive impact on own funds due to this option amounts to EUR 6.9 mln.

It should be noted that, following the transferring of Insurance Group's companies (Carige Vita Nuova SpA, Carige Assicurazioni SpA, Assi 90 Srl, Dafne Immobiliare Srl e I.H. Roma Srl) the consolidation area adopted for drawing up the consolidated statement as at 31 December 2015 coincides with consolidation area adopted for prudential purposes.

3.2 Reconciliation between conservative balance sheet items, used for the calculation of own funds, and regulatory capital

Assets	31/12/2015	Impact on CET1	Impact on AT1	Impact on T2	Total impact Own funds
130. Intangible assets	78,062	(78,062)			(78,062)
of which:					-
goodwill	19,942	(19,942)			(19,942)
140. Tax assets	2,145,389	(68,038)			(68,038)
a) current	1,186,602				-
b) deferred	958,787	(68,038)			(68,038)
pursuant to Law 214/2011	647,443				-
Total Assets	30,298,856	(146,100)	-	-	(146,100)
	-				

Liabilities and Shareholders' Equity	31/12/2015	Impact on CET1	Impact on AT1	Impact on T2	Total impact Own funds
30. Debt securities in issue	7,327,427		112,000	419,015	531,015
140. Revaluation reserves:	(198,017)	(58,249)	(44)	1,742	(56,551)
financial assets available for sale	(1,159)	2,293	(44)	1,742	3,991
Cash-flow hedges	(136,316)	-			-
net actuarial losses	(61,750)	(61,750)			(61,750)
shareholdings carried at equity	1,208	1,208			1,208
170. Reserves	(832,387)	(832,387)			(832,387)
180. Share premium reserve	811,949	811,924	25		811,949
190. Share capital	2,791,422	2,791,336	86		2,791,422
200. Treasury shares (-)	(15,572)	(15,572)			(15,572)
210. Minority interests (+/-)	33,398	24,836	1,316	992	27,144
220. Net income (loss) (+/-)	(101,741)	(101,741)			(101,741)
Total Liabilities and Shareholders' Equity	30,298,856	2,620,147	113,383	421,749	3,155,279

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	(34,297)			(34,297)
Regulatory value adjustments	(4,642)			(4,642)
Other accounting elements related to Own Funds	(38,939)	-	-	(38,939)
TOTAL OF OWN FUNDS	2,435,108	113,383	421,749	2,970,240

3.3 Transitory model for the publication of the information relating to own funds

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	3,603,260	26 (1), 27, 28, 29, EBA List 26 (3)	
	of which: tier 1 instruments	3,603,260	EBA List 26 (3)	
2	Retained profits	(883,812)	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)	(146,592)	26 (1)	
5	Minority interests (amount allowed in the consolidated Common Equity Tier 1)	24,836	84, 479, 480	26,888,229
6	Common Equity Tier 1 (CET1), before the regulatory corrections	2,597,692		
Common Equity Tier 1 (CET1): regulatory corrections				
7	Additional value adjustments (negative amount)	(4,642)	34, 105	0
8	Non tangible assets (net of the related tax liabilities) (negative amount)	(78,063)	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)	(55,867)	36 (1) (c), 38, 472 (5)	43,373,910
11	Fair value reserves, related to profits and losses generated by cash flow hedges	136,317	33 (a)	
14	Profits or losses on liabilities, evaluated at fair value, generated by creditworthiness evolution	(34,297)	33 (b)	
16	Common Equity Tier 1 Own Instruments, directly or indirectly held by the institution (negative amount)	(15,572)	36 (1) (f), 42, 472 (8)	
25a	Losses of the current period (negative amount)	(101,741)	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	(12,171)		
26a	Regulatory correction related to unrealised profits or losses in accordance with arts. 467 and 468	3,451		
	of which: unrealised net profits on debt securities issued by institution different from Central Administrations belonging to EU	44	467	
	of which: unrealised net profits on equity securities	(3,483)	467	
	of which: unrealised net losses on debt securities issued by Central Administrations belonging to EU	6,890		
28	Total regulatory corrections on Common Equity Tier 1	(162,584)		
29	Common Equity Tier 1 (CET1)	2,435,108		

Additional Common Equity Tier 1: instruments				
30	Capital instruments and related share premium reserves	111	51, 52	
31	of which: classified as net equity in accordance with the applicable accounting discipline	111		
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	112,000	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	1,316	85, 86, 480,	703,375
35	of which: instruments issued by subsidiaries subject to phase out	1,316	486 (3)	
36	Additional Tier 1 before the regulatory corrections	113,427		703,375
Additional Tier 1: regulatory corrections				
41c	Amount to be deducted from or to be added to Additional Tier 1 in relation to additional filters and duductions provided for pre-CRR tratments	(44)	467, 468, 481	
	of which: unrealised losses' filter	(44)	467	
43	Total regulatory corrections on Additional Tier 1	(44)		
44	Additional Tier 1	113,383		
45	Common Equity Tier 1 (T1=CET1+AT1)	2,548,491		
Tier 2 (T2): instruments				
46	Capital instruments and related share premium reserves	360,865	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	76,129	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	992	87, 88, 480,	1,360,901
51	Tier 2 Capital (T2), before the regulatory corrections	437,986		
Tier 2 Capital (T2): regulatory corrections				
52	T2 own Instruments, directly or indirectly held by the institution, and subordinated loans (negative amount)	(17,978)	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	1,742	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
56c	Amount to be deducted from-, or to be added to, T2 in relation to the additional filters an deductions foreseen by the pre-CRR treatment	1,742	467, 468, 481	
	of which: unrealised profits on AFS securities subject to additional national filter	1,742	467	
57	Total regulatory corrections on Tier 2 capital (T2)	(16,236)		
58	Common Equity Tier 2 (T2)	421,749		
59	Total Capital (TC=T1+T2)	2,970,240		
60	Total of risk-weighted assets	19,976,587		

Ratios and capital reserves				
61	Common Equity Tier 1 (as a percentage of the risk exposure amount)	12.2%	92 (2) (a), 465	
62	Common Equity Tier 1 (as a percentage of the risk exposure amount)	12.8%	92 (2) (b), 465	
63	Totale Equity (as a percentage of the risk exposure amount)	14.9%	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)	4.3%	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)	22,751	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
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)	171,677	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	112,000	484 (4), 486 (3) & (5)	
83	Amount excluded from Additional Tier 1 with regard to the ceiling (ceiling overshoot after maturities and redemptions)	48,000	485 (4), 486 (3) & (5)	
84	Current cap on Tier 2 instruments subject to phase out arrangements	232,071	484 (5), 486 (4) & (5)	

4. CAPITAL REQUIREMENTS

QUALITATIVE DISCLOSURES - Art. 438 OF THE 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 11.25%.

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 CAPITAL RATIOS

Type of risk	Unweighted amounts	Weighted amounts	REQUIREMENT
REGULATORY CAPITAL REQUIREMENTS	32,473,364	18,759,682	1,500,775
1. Credit and counterparty risk			
Central administrations and central banks	7,367,467	1,072,687	85,815
Entities	2,490,614	573,429	45,874
Regional administration and local authorities	790,176	163,110	13,049
Multilateral development banks	-	-	-
Public sector bodies	529,578	529,573	42,366
Companies	6,161,026	6,053,620	484,290
Retail exposures	2,462,736	1,572,756	125,820
Real estate backed loans	6,913,927	2,567,280	205,382
Defaulted exposures	4,081,147	4,897,522	391,802
High-risk exposures	7,926	11,890	951
Short-term exposures towards companies	-	-	-
Exposures towards UCI	9,352	9,352	748
Equity instruments	401,012	401,012	32,081
Other positions	1,248,477	905,467	72,437
Elements representing positions vs securitisation	9,927	1,985	159
2. CVA risk (standard method)			570
3. Market risks (standard methodology)			849
generic risk - debt securities			834
generic risk - equity securities			2
specific risk - debt securities			12
specific risk - equity securities			2
specific risk - securitisations			-
position risk on OEIC units			-
generic risk on gamma and vega factors			0
exchange risk			-
4. Operating risk (base method)			95,933
5. Other prudential requirements			-
6. Total regulatory requirements			1,598,127
REGULATORY RATIOS			
Risk-weighted assets			19,976,587
Common Equity Tier 1/Risk-weighted assets (Common Equity Tier 1 capital ratio)			12.2%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			12.8%
Own funds/Risk-weighted assets (Total capital ratio)			14.9%

Capital ratios as at 31December 2015 were significantly higher than the minimum requirements set out by prevailing regulations:

- Common Equity Tier 1 Ratio ("CET1 ratio"): the ratio is 12.2 % as compared with a 7% minimum requirement (4.5% + Capital Conversation Buffer - "CCB"- of 2.5%).
  As already pointed out in qualitative disclosures section, European Central Bank (ECB) has identified for Carige Bank a capital requirement in compliance with the specific prudential requirements equal to 11.25%;

- Tier 1 ratio: the ratio was 12.8 % with respect to a minimum level of 8.5% (6% + 2.5% of CCB);
- Total Capital Ratio: the ratio was 14.9 % with respect to a minimum level of 10.5% (8% + 2.5% of CCB).

5. CREDIT RISK

5.1 LOAN LOSS PROVISIONS

QUALITATIVE DISCLOSURES - Art. 442 OF THE 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 lead 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. Non-performing loans (NPLs) can be broken down into the following categories:

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

Unlikely to pay: Gap analysis method which, for demand deposits, takes into account the percentage of absorption by internal rates of a change in the external market rates.

Past due: Exposures, other than those classified under bad loans or unlikely to pay loans, which, at the reporting date, have been overdue and/or in excess of limits for more than 90 days and exceed a pre-set materiality threshold.
Non-performing exposures which are overdue and/or in excess of limits can, alternatively, be determined with regard to a single borrower or - for retail exposures only - to a single transaction.
The Group has decided to quantify past due loans per single 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.

With effect from 1 January 2015 (with the 7th amendment of Circular No. 272/2008 - "Accounting Matrix" issued by the Bank of Italy on 30 July 2008) the Bank of Italy issued an update to its corpus of regulations on non-performing financial assets classification, in order to adequately respond to new definitions of Non-performing-Exposures and Forbearance as in Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014, and subsequent changes or additions ("Final Draft Implementing Technical Standards on Supervisory Reporting on Forbearance and Non Performing Exposures"- EBA/ITS/2013/03/rev 1 24/7/2014).

Within non-performing loans, bad loans and unlikely-to-pay exposures 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[5] 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 3 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.

[5] 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 INFORMATION – art. 442 CRR

Figures as at 31/12/2014 were restated as per the new definition of non-performing loans (see the above paragraph). In particular, loans classified as "substandard" and "restructured" as at 31/12/2014 were posted to the "unlikely to pay" category.

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

Portfolio/Quality		Non-performing assets			Performing assets			Total (net exposure)
		Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1 Financial assets available for sale		986	(986)	-	3,461,877	-	3,461,877	3,461,877
2. Financial assets held to maturity		-	-	-	-	-	-	-
3. Loans to banks		18,369	(9,956)	8,413	1,212,076	-	1,212,076	1,220,489
4. Loans to customers		6,823,590	(2,895,721)	3,927,869	17,690,935	(146,188)	17,544,747	21,472,616
5. Financial assets designated at fair value		-	-	-			-	-
6. Financial assets held for sale		-	-	-	-	-	-	-
Total	31/12/2015	6,842,945	(2,906,663)	3,936,282	22,364,888	(146,188)	22,218,700	26,154,982
Total	31/12/2014	6,533,092	(2,621,247)	3,911,845	29,467,152	(261,675)	29,205,477	33,117,322

Portfolio/Quality		Markedly poor credit quality assets		Other assets
		Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading		217	154	14,884
2. Hedging derivatives		-	-	54,730
Total	31/12/2015	217	154	69,614
Total	31/12/2014	789	1,651	266,213

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" (gross and net values).

As regards the Loans to customers' portfolio, it should be noted that, as at the reporting date, the total amount of partial cancellations by write-offs of non-performing loans totalled EUR 288.6 mln. The amount does not include EUR 15.4 mln recognised by special purpose vehicle companies, Argo Finance One Srl and Priamar Finance Srl, prior to transfer of their portfolios to the Group Banks.

5.1.2 Breakdown of performing exposures by portfolio: past due aging analysis

Portfolio/Quality	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	
1. Financial assets available for sale	-	-	-	-	3,461,877	3,461,877
2. Financial assets held to maturity	-	-	-	-	-	-
3. Loans to banks	-	-	-	-	1,212,076	1,212,076
4. Loans to customers	340,537	104,393	160,759	20,054	16,919,004	17,544,747
5. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2015	340,537	104,393	160,759	20,054	21,592,957	22,218,700

5.1.3 Distribution by geographical area of Balance Sheet and off-Balance Sheet credit exposure to customers (book value)

Exposure/Geographical area		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 exposure											
A.1 Bad loans		1,368,614	2,092,450	19,417	24,430	2,427	3,481	-	-	13	14
A.2 Unlikely to pay		2,232,179	710,323	68,213	23,687	2	14	-	-	187	17
A.3 Non-performing past due exposures		235,944	41,224	780	74	3	-	1	-	89	7
A.4 Performing exposures		20,857,318	127,985	104,671	11,039	4,744	22	19,889	523	7,820	6,619
Total A		24,694,055	2,971,982	193,081	59,230	7,176	3,517	19,890	523	8,109	6,657
B. Off-balance-sheet exposures											
B.1 Bad loans		20,670	7,433	-	-	-	-	-	-	1	-
B.2 Unlikely to pay		201,984	15,725	-	-	-	-	-	-	1	-
B.3 Other non-performing exposures		7,154	1,104	-	-	-	-	-	-	-	-
B.4 Performing exposures		2,624,988	16,360	4,839	5	4	-	-	-	222	-
Total B		2,854,796	40,622	4,839	5	4	-	-	-	224	-
Total A+B	31/12/2015	27,548,851	3,012,604	197,920	59,235	7,180	3,517	19,890	523	8,333	6,657
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

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 Distribution by geographical area of Balance Sheet and off-Balance Sheet credit exposure to customers (book value)

Exposure/Geographical area		North West Italy		North East Italy		Central Italy		South and 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 Bad loans		847,478	1,263,337	160,834	238,756	249,704	422,889	110,598	167,468
A.2 Unlikely to pay		1,603,528	520,150	310,966	86,743	232,629	71,574	85,056	31,856
A.3 Non-performing past due exposures		164,803	30,358	14,084	1,758	39,305	6,425	17,752	2,683
A.4 Performing exposures		9,442,118	82,036	2,298,627	16,432	8,196,462	22,657	920,111	6,860
Total A		12,057,927	1,895,881	2,784,511	343,689	8,718,100	523,545	1,133,517	208,867
B. Off-balance-sheet exposures									
B.1 Bad loans		17,012	5,132	2,701	1,505	945	776	12	21
B.2 Unlikely to pay		175,284	10,672	23,506	4,303	2,466	623	728	126
B.3 Other non-performing exposures		6,904	1,058	97	-	153	46	-	-
B.4 Performing exposures		1,436,272	10,292	212,355	690	878,073	4,639	98,288	739
Total B		1,635,472	27,154	238,659	6,498	881,637	6,084	99,028	886
Total (A+B)	31/12/2015	13,693,399	1,923,035	3,023,170	350,187	9,599,737	529,629	1,232,545	209,753
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

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 Distribution by geographical area of Balance Sheet and off-Balance Sheet credit exposure to banks (book value)

Exposure/Geographical area		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 exposure											
A.1 Bad loans		-	-	-	986	8,413	9,956	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures		604,318	-	594,700	-	28,786	-	1,092	-	556	-
Total A		604,318	-	594,700	986	37,199	9,956	1,092	-	556	-
B. Off-balance-sheet exposures											
B.1 Bad loans		-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay		-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets		-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures		10,756	682	25,751	-	-	-	145	-	-	-
Total B		10,756	682	25,751	-	-	-	145	-	-	-
Total A+B	31/12/2015	615,074	682	620,451	986	37,199	9,956	1,237	-	556	-
Total A+B	31/12/2014	261,047	1,477	635,873	986	45,774	10,260	1,657	-	757	-

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 Distribution by geographical area of Balance Sheet and off-Balance Sheet credit exposure to banks (book value)

Exposure/Geographical area		North West Italy		North East Italy		Central Italy		South and 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 Bad loans		-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-	-	-	-
A.4 Performing exposures		79,087	-	5,479	-	519,752	-	-	-
Total A		79,087	-	5,479	-	519,752	-	-	-
B. Off-balance-sheet exposures									
B.1 Bad loans		-	-	-	-	-	-	-	-
B.2 Unlikely to pay		-	-	-	-	-	-	-	-
B.3 Other non-performing assets		-	-	-	-	-	-	-	-
B.4 Performing exposures		7,283	19	-	-	3,473	663	-	-
Total B		7,283	19	-	-	3,473	663	-	-
Total (A+B)	31/12/2015	86,370	19	5,479	-	523,225	663	-	-
Total (A+B)	31/12/2014	107,248	-	9,576	-	144,223	1,477	-	-

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 Distribution by segment of Balance Sheet and off-Balance Sheet credit exposure to customers (book value)

Exposure/Counterparts	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 Bad loans	-	-	x	-	-	x	9,734	31,968	x	-	-	x	1,033,284	1,768,217	x	347,453	320,190	x
- of which: forborne	-	-		-	-		510	159		-	-		95,236	74,441		31,712	15,385	
A.2 Unlikely to pay	-	-	x	1,880	5,858	x	146,679	64,645	x	-	-	x	2,008,422	620,209	x	143,600	43,329	x
- of which: forborne	-	-		1,193	151		22,131	8,817		-	-		1,151,998	278,773		62,065	16,460	
A.3 Non-performing past due exposures	-	-	x	49	-	x	2,421	310	x	-	-	x	159,251	30,800	x	75,096	10,195	x
- of which: forborne	-	-		-	-		1,966	247		-	-		36,711	4,163		20,418	2,002	
A.4 Performing exposures	3,535,723	x	85	814,858	x	817	2,405,624	x	6,663	-	x	-	8,207,505	x	125,735	6,030,732	x	12,888
- of which: forborne	-		-	11,840		12	1,478		38	-		-	397,188		10,433	169,764		1,319
Total A	3,535,723	-	85	816,787	5,858	817	2,564,458	96,923	6,663	-	-	-	11,408,462	2,419,226	125,735	6,596,881	373,714	12,888
B. Off-balance-sheet exposures																		
B.1 Bad loans	-	-	x	-	-	x	4,000	-	x	-	-	x	16,540	7,371	x	131	62	x
B.2 Unlikely to pay	-	-	x	-	-	x	372	73	x	-	-	x	201,445	15,592	x	168	60	x
B.3 Other impaired assets	-	-	x	-	-	x	-	-	-	-	-	x	7,054	1,102	x	100	2	x
B.4 Performing exposures	23,713	x	-	887,071	x	11	644,211	x	187	6,549	x	-	1,036,418	x	15,939	32,091	x	228
Total B	23,713	-	-	887,071	-	11	648,583	73	187	6,549	-	-	1,261,457	24,065	15,939	32,490	124	228
Total (A+B) 31/12/2015	3,559,436	-	85	1,703,858	5,858	828	3,213,041	96,996	6,850	6,549	-	-	12,669,919	2,443,291	141,674	6,629,371	373,838	13,116
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

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".

5.1.8 Time breakdown by contractual maturity of financial assets

Items / Time bands	Customer-originated	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	Dfrom one to 5 years	Further than 5 years	Indeterminate duration
Balance-sheet assets	**4,065,002**	**1,091,781**	**47,290**	**393,329**	**758,307**	**1,706,235**	**2,070,397**	**6,820,846**	**8,893,913**	**517,924**
A.1 Government Securities	27,377	-	-	145,003	368,912	781,924	832,247	492,155	652,723	1
A.2 Other debt securities	136	-	-	-	3,400	63	7,041	12,439	4,506	-
A.3 Units in UCITS	12,545	-	-	-	-	-	-	-	-	-
A.4 Financing	4,024,944	1,091,781	47,290	248,326	385,995	924,248	1,231,109	6,316,252	8,236,684	517,923
- Banks	658,265	860	-	-	20,000	-	-	8,413	9,550	517,923
- Custormers	3,366,679	1,090,921	47,290	248,326	365,995	924,248	1,231,109	6,307,839	8,227,134	-
Balance-sheet liabilities	**13,501,911**	**568,034**	**31,088**	**417,710**	**254,410**	**860,680**	**1,724,474**	**7,401,247**	**1,357,663**	**160,000**
B.1 Deposits and current accounts	13,278,490	34,666	29,257	67,058	173,768	393,986	326,581	548,122	-	-
- Banks	13,971	-	3,062	6,124	-	-	-	-	-	-
- Customers	13,264,519	34,666	26,195	60,934	173,768	393,986	326,581	548,122	-	-
B.2 Debt securities	25,214	5,685	541	350,402	79,286	447,046	1,373,780	4,384,729	1,087,217	160,000
B.3 Other liabilities	198,207	527,683	1,290	250	1,356	19,648	24,113	2,468,396	270,446	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- Long positions	27	76,750	25,381	55,517	201,922	300,445	36,875	2,408	1,267	-
- Short positions	27	94,973	25,622	55,775	205,665	287,978	37,059	1,733	1,094	-
C.2 Financial derivatives without exchange of principal										
- Long positions	2,606	86	-	1,256	1,704	10,108	10,041	-	-	-
- Short positions	33,502	-	-	-	31	725	2,007	-	-	-
C.3 Deposits and borrowings to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitment to disburse funds										
- Long positions	(314,118)	(591,413)	(279)	(3,381)	(48,796)	(24,311)	(47,538)	(639,924)	(277,977)	-
- Short positions	1,947,737	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	11,981	-	-	1	-	-	624	119	6,367	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives: with exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives: without exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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

5.1.9 Banking group - Balance Sheet credit exposures to banks: change in overall impairments

Description/Category	Non-performing loans		Unlikely to pay		Past-due	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Opening total write-downs	11,246	-	-	-	-	-
- of which: sold but not derecognised	-	-	-	-	-	-
B. Increases	348	-	-	-	-	-
B.1 write-downs	-	-	-	-	-	-
B.2 losses on disposal	-	-	-	-	-	-
B.3 transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.4 other increases	348	-	-	-	-	-
C. Decreases	652	-	-	-	-	-
C.1 write-backs from valuation	652	-	-	-	-	-
C.2 write-backs from collection	-	-	-	-	-	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other non-performing exposures	-	-	-	-	-	-
C.6 other decreases	-	-	-	-	-	-
D. Total gross write-downs	10,942	-	-	-	-	-
- of which: sold but not derecognised	-	-	-	-	-	-

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

Description/Category	Non-performing loans	Unlikely to pay	Non-performing past due exposures
A. Opening total write-downs	1,822,077	761,565	25,161
- of which: sold but not derecognised	8,333	861	120
B. Increases	452,190	312,789	37,551
B.1 write-downs	248,419	304,481	35,642
B.2 losses on disposal	-	-	-
B.3 transfers from other categories of non-performing exposures	109,282	8,175	1,702
B.4 other increases	94,489	133	207
C. Decreases	153,892	340,313	21,407
C.1 write-backs from valuation	56,802	44,080	1,340
C.2 write-backs from collection	22,159	105,674	9,412
C.3 gains on disposal	-	-	-
C.4 write-offs	73,886	81,812	26
C.5 transfers to other non-performing exposures	54	108,697	10,408
C.6 other decreases	991	50	221
D. Total gross write-downs	2,120,375	734,041	41,305
- of which: sold but not derecognised	9,063	510	117

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 (recoveries) on impairment of loans: breakdown

Transactions/P&L items	Write-downs (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2015	31/12/2014
	Write-offs	Other		A	B	A	B		
A. Loans to banks	-	-	-	155	497	-	-	652	1,361
- Loans	-	-	-	155	497	-	-	652	152
- Debt securities	-	-	-	-	-	-	-	-	1,209
B. Loans to customers	(50,834)	(537,743)	(482)	33,874	206,095	-	62,372	(286,718)	(651,799)
Purchased non-performing loans	-	-	x	-	-	x	x	-	-
- Loans	-	-	x	-	-	x	x	-	-
- Debt securities	-	-	x	-	-	x	x	-	-
Other loans	(50,834)	(537,743)	(482)	33,874	206,095	-	62,372	(286,718)	(651,799)
- Loans	(50,834)	(537,743)	(482)	33,874	206,095	-	62,372	(286,718)	(651,799)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	(50,834)	(537,743)	(482)	34,029	206,592	-	62,372	(286,066)	(650,438)

The values shown correspond to those indicated in the "C" part of the Notes to the Consolidated Financial Statement, Table 8.1 with the same object.

5.2 UNENCUMBERED ASSETS

QUALITATIVE DISCLOSURES - Art. 443 OF THE CRR

Overall, encumbered assets represent 25.3% of the total Group assets.

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

- repurchase agreement liabilities 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.

With reference to the Table below it notes the following:

- Receivables, which represent about 77.4% 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[6] pledged as a guarantee for T-LTRO;
  - loans received from the European Investment Bank and from Cassa Depositi e Prestiti (CDP);
- 22.6% 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).
  - collateral pledged with Cassa di Compensazione e Garanzia (Central Counterparty Clearing) as a condition of accessing its services;

[6] 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.

QUANTITATIVE INFORMATION – art. 443 of the CRR

The information below refers to data calculated as the average of data as at the end of the four quarters of 2015. It should be noted that, there being no historical data available, the tables published with reference to 31 December 2014 and 30 June 2015, show end-period data. The reporting of end-period figures, instead of average figures, was possible in the first year following the entry into force of the regulation.

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**	7,826,452,788		23,062,532,627	
030	Equity instruments	-	-	364,280,766	364,280,773
040	Debt securities	1,769,913,863	1,770,036,054	1,519,072,188	1,519,015,571
120	Other assets	6,056,538,925		21,179,179,673	

Amounts in units of EUR

As part of the item "Other assets - unencumbered" (see Template A), equal to EUR 21.179 bn, assets that cannot be immediately encumbered - related to deferred tax assets, tangible and intangible assets, derivative contract assets - amount to approximately EUR 2,365 bn, equal to 11.20% of the total (data are expressed as the average value of 2015 quarters).

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**	884,238,149	1,118,374,868
150	Equity instruments	-	-
160	Debt securities	503,619,160	1,118,374,868
230	Other collateral received	380,618,989	-
240	**Own debt securities issued other than own covered bonds or ABSs**	-	1,753,316,644

Amounts in units of EUR

Collateral received by the Group (see Template B) are in relation to securities offered as guarantee for repurchase agreement transactions and subsequently re-encumbered.

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	6,042,676,731	8,277,724,250

Amounts in units of EUR

Asset encumbrance evolution in the second half of 2015

- **Second half of 2015**: Increase in assets encumbered under the ECB pooling for approximately EUR 1 bn following the Bank's participation in the TLTRO auctions of September 2015 (approximately EUR 700 mln) and in December 2015 (approximately EUR 300 mln);
- **26 September 2015**: EUR 570 mln worth in residential mortgage loans issued by the Banca Carige Group were transferred to the SPV Carige Covered Bond 2 S.r.l;
- **28 October 2015**: Banca Carige S.p.a. placed a new issue of Covered Bonds at fixed rate, due in by 28 January 2021 for a total amount of EUR 500 mln. The securities pay a coupon of 1.25% gross equal to a 100 bps spread on mid swap rate, with an issue price of 99.418%. As at 31 December 2015, the total amount of mortgages under the Covered Bond Programme OBG1 totalled approximately EUR 4,488 mln. Approximately EUR 805 mln were allocated to the OBG2 Programme (fully retained – pledged as collateral for ECB refinancing);
- **17 October 2015**: a portfolio of unsecured and SME mortgage loans was sold to the securitisation vehicles Lanterna Finance S.r.l. for a total amount of EUR 713 mln, a transfer in preparation for ABS securities issuance. Loans were originated by Banca Carige, Banca Carige Italia, CR Savona, CR Carrara and Banca Monte Lucca;
- **2 December 2015**: Lanterna Finance S.r.l. issued the ABS security backed by loans to SMEs which was fully subscribed by the Group's Banks base on the share of loans conferred to the securitisation vehicles. A request was submitted aimed at verifying eligibility as collateral in refinancing transactions through the European Central Bank (accepted as collateral at the beginning of 2016).

Over-collateralisation

In relation to commitments for TLTRO funding, as at 31 December 2015 the pool account recorded approximately EUR 755 mln worth "over-collateralisation" (net of haircuts). During the second half of the year, the net haircut value of pooling securities and loans increased by approximately EUR 753 mln, whereas the commitment for TLTRO funding increased by approximately EUR 1 bn.

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 (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, commingling 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.

5.3 USE OF THE ECAI

QUALITATIVE DISCLOSURES - Art. 444 OF THE CRR

For the purposes of calculating capital requirements for credit risk, the prudential supervisory regulations provide two methods: Standardized (STD) and Internal Rating Based (IRB).

Currently, the Carige Group determines the requirement by applying the Standardized method which, in summary, provides for credit exposures being weighted based on their inclusion in one of the regulatory portfolios, as defined in relation to the characteristics of either the financed party or the transaction completed with the customer, to which the Basel Committee assigned 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 solicited evaluations issued by Moody's Investors Service for the 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 INFORMATION – art. 444 CRR

Below are credit risk-weighted assets subject to the standardized method, the exposure values and the exposure values after credit risk mitigation associated with each creditworthiness class for each regulatory portfolio, and exposures not considered for weighting purposes as they are directly deducted from own funds.

5.3.1 Standardized Approach - on- and off-balance sheet risk assets

PORTFOLIO	EAD	Guaranteed exposures collateral	guarantee	credit derivatives	deducted from Regulatory Capital
Central Governments and Central Bank	7,367,467	-	-	-	52,416
credit quality class 1	-				
credit quality class 2	-				
credit quality class 3	5,530,438				
credit quality class 4	-				
credit quality class 5	-				
credit quality class 6	-				
unrated	1,837,029				
Institutions	2,490,614	1,746,467	-	-	-
credit quality class 1*	1,124				
credit quality class 2	307,198				
credit quality class 3	4,083				
credit quality class 4 - 5	391				
credit quality class 6	-				
unrated	2,177,818				
Regional Administration and Local Authorities	790,176	22	-	-	-
credit quality class 1 - 2	-				
credit quality class 3 – 4	-				
credit quality class 5 – 6	-				
unrated	790,176				
Public entities	529,578	5	-	-	-
credit quality class 1 - 2	-				
credit quality class 3 – 4	-				
credit quality class 5 - 6	-				
unrated	529,578				
Firms	6,161,026	39,342	13,300	-	-
credit quality class 1	-				
credit quality class 2	7,169				
credit quality class 3	486				
credit quality class 4	4,546				
credit quality class 5	24,568				
credit quality class 6	-				
unrated	6,124,257				
Retail exponsure	2,462,736	20,400	1,705	-	-
unrated	2,462,736				
Exposures secured by real estate property	6,913,927	-	-	-	-
unrated	6,913,927				
Exposures in default	4,081,147	8,357	32,421	-	-
credit quality class 4	177				
unrated	4,080,970				
High-risk exposures	7,926	-	-	-	-
unrated	7,926				
Other exposures	1,248,477	-	-	-	-
credit quality class 4					
unrated	1,248,477				
Exposures in UCIs	9,352	-	-	-	-
unrated	9,352				
Elements representing positions held for securisation	9,927	-	-	-	-
credit quality class 1	9,927				
unrated	-				
Equity	401,012	-	-	-	-
credit quality class 5 – 6					
unrated	401,012				
TOTAL	32,473,364	1,814,593	47,426	-	52,416

With reference to the exposures to Central Governments or to Central Banks, it should be noted that quality class 3 includes investments in Italian Government bonds, to which supervisory regulations assign a 0% weighting, irrespective of that associated with Issuing Country's rating.

The figure relating to exposures deducted from regulatory capital instead refers to deferred tax assets.

5.4 USE OF THE IRB METHOD

QUALITATIVE DISCLOSURES - Art. 452 OF THE CRR

Although the Carige Group is not required to disclose information relating to the use of Internal Rating Based (IRB) methods as it currently adopts the Standardized approach for quantifying the capital requirements for credit risk, considering the operational importance of the internal rating system (which is at the basis of every step in the credit process), it was considered useful to provide a disclosure on the main characteristics of the internal rating system.

Method

The Carige Group developed internal rating models for each of the main five customer segments, which represent the core component of the Group's loan portfolio: three models targeting the retail sector, including households and small market players (Consumers, Small Market Players and Small Business), and two models targeting larger business (SMEs and Large Corporate).

Rating models

The rating models related to the aforementioned segments were developed and monitored on historical data referring to an appropriate time frame As for the Large Corporate sector, considering the peculiar nature of the entities, the choice fell on an approach aimed at enhancing the judgmental components of the assessment.
The information sources used for the estimate and the subsequent implementation of the models pertain to four main areas of analysis that are used in varying degrees for the assessment based on the segment: financial information (financial statement data), performance-related information (in-house data and Central Credit Register data), customer-related and qualitative information, the latter being particularly important for larger businesses, 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 periodically issued by the Supervision Authority; the models have been recalibrated in order to incorporate the most recent developments in the risk profile of the Group's loan portfolio.

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 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.

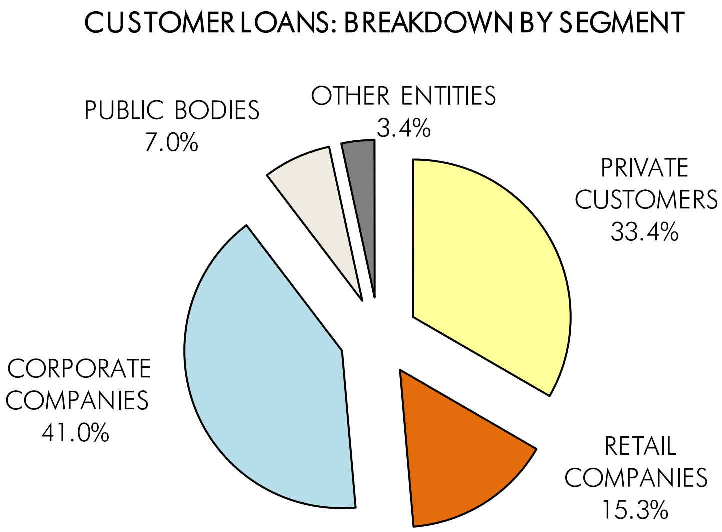
Controls

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

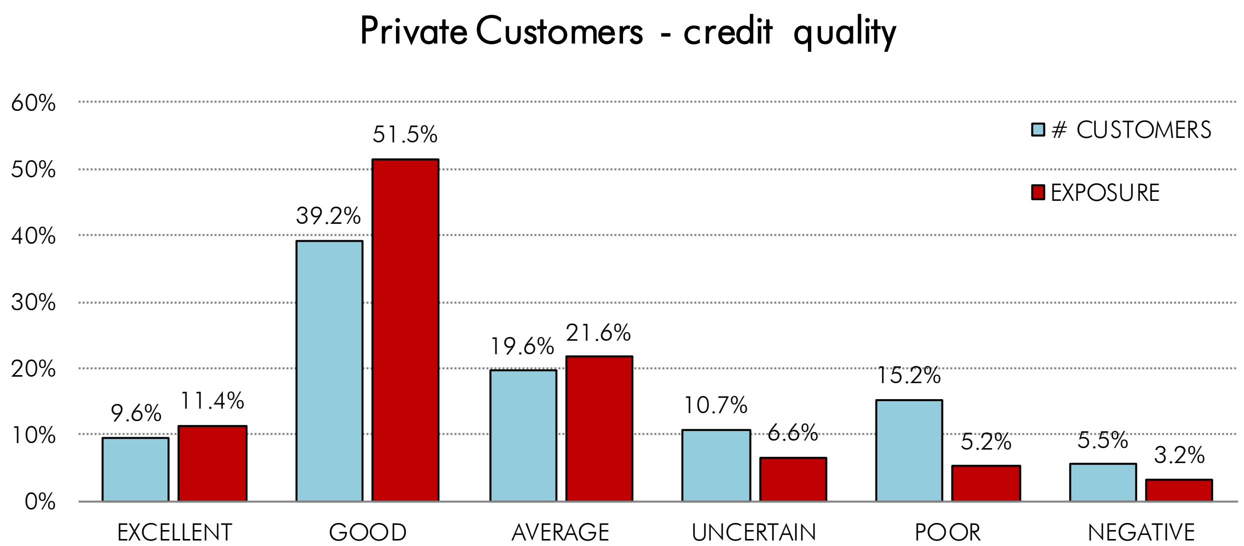
- First level supervision: organisational (line controls) and procedural (automated controls) oversights.
- Second level supervision: periodic controls aimed to verify over time the resilience of the rating assignment process and of the system as a whole, among which the validation process stands out, 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 INFORMATION – art. 452 of the CRR

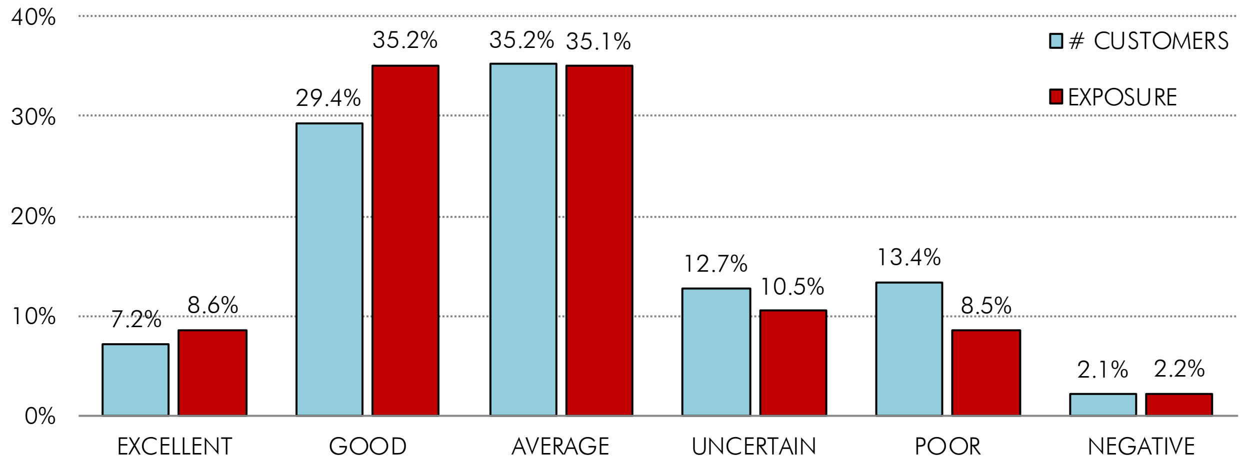
The charts below offer a graphic representation of the Group's performing loans distribution for each customer segment as at 31 December 2015, net of financial components as classified within heading 70 of Assets (e.g. repurchase agreements, guarantee deposits for margin lendings etc.): 90% of the exposures 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.



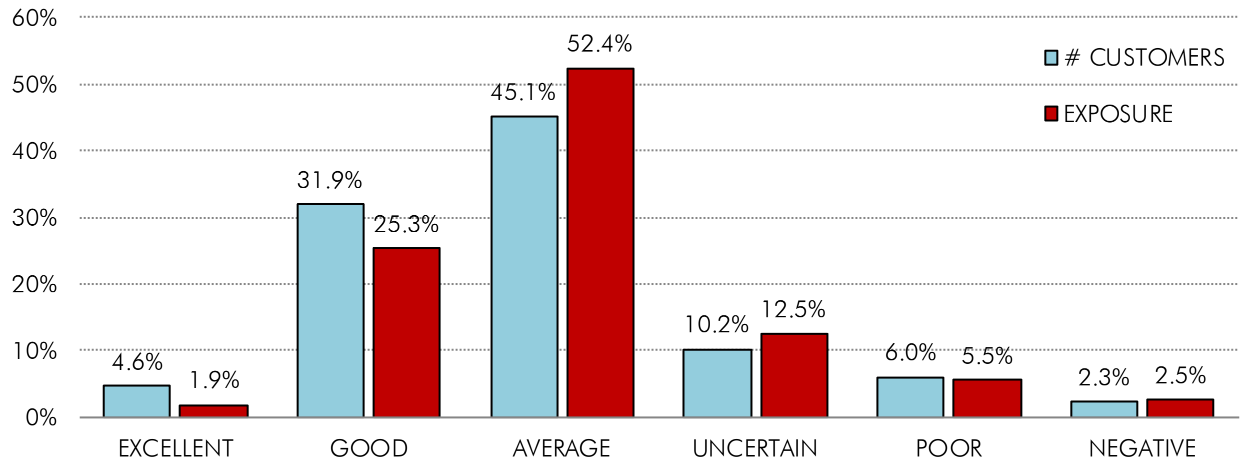
The following charts show, by three macro-typologies of customers, the loans distribution by rating clusters as at 31 December 2015, to which corresponds a synthetic evaluation on the included counterparties' credit worthiness.



Retail Companies - credit quality



Corporate Companies - credit quality



5.5 USE OF CREDIT RISK MITIGATION TECHNIQUES

QUALITATIVE DISCLOSURES - Art. 453 OF THE 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) and by all the related rights on financial collaterals.

Carige Group do not apply any offsetting on exposures to credit risk with opposite sign on- and off-balance sheet items.

The Bank periodically analyses all types of master netting agreements, or similar agreements, which might be eligible for offsetting. As at 31 December 2015 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 December 2015, the Carige Group has 39 existing collateralisation agreements (CSA, Credit Support Annex) with institutional counterparties within the scope of OTC derivate contracts (more than 350 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 mln 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[7].

[7] 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.

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

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 INFORMATION – art. 453 of the CRR

5.5.1 Aggregate amount of guaranteed exposures - standard method

Type of exposure	Financial collateral	Other guarantees	Guarantees and credit derivatives
Central Governments and Central Banks	-	-	-
Supervised Intermediaries	1,746,467	-	-
Local Authorities	22	-	-
Non-profit-making bodies and public-sector bodies	5	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Firms	39,342	-	13,300
Retail exposures	20,400	-	1,705
Short-term exposures to corporates	-	-	-
Collective investment undertakings (UCIs)	-	-	-
Real estate backed loans	-	-	-
Exposures in the form of covered bonds	-	-	-
Defaulted exposures	8,357	-	32,421
High-risk exposures	-	-	-
Other exposures	-	-	-
Total	**1,814,593**	**-**	**47,426**

6. EXPOSURE TO COUNTERPARTY RISK

QUALITATIVE DISCLOSURES - Art. 439 OF THE 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 [8] 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 39 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:

[8] Fair Value estimated by future time bucket.

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); 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 INFORMATION – art. 439 CRR

6.1 Regulatory trading portfolio: end-of-period notional amounts

Underlying assets/Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	473,685	-	1,149,785	-
a) Options	85,450	-	135,139	-
b) Swaps	388,235	-	1,014,646	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and equity indices	-	-	3	-
a) Options	-	-	3	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	162,440	-	216,702	-
a) Options	54,521	-	51,961	-
b) Swaps	-	-	-	-
c) Forward	107,919	-	164,741	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying	-	-	-	-
Total	636,125	-	1,366,490	-

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 notional values - Hedging derivatives

Underlying asset/Type of derivative	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	1,341,960	-	4,380,142	-
a) Options	-	-	-	-
b) Swaps	1,341,960	-	4,380,142	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2) Equities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	578,677	-	462,576	-
a) Options	-	-	-	-
b) Swaps	-	-	1,439	-
c) Forward	578,677	-	461,137	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying	-	-	-	-
Total	1,920,637	-	4,842,718	-

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 values - other derivatives

Underlying assets/Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	72,401	-	970,883	-
a) Options	-	-	-	-
b) Swaps	72,401	-	970,883	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying	-	-	-	-
Total	72,401	-	970,883	-

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 31/12/2015		Total 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	36,621	-	119,402	-
a) Options	908	-	1,314	-
b) Interest rate swaps	34,215	-	115,773	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	1,498	-	2,315	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - Hedging	54,730	-	201,525	-
a) Options	-	-	-	-
b) Interest rate swaps	52,413	-	201,525	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	2,317	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	5,541	-	48,549	-
a) Options	-	-	-	-
b) Interest rate swaps	5,541	-	48,549	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	96,892	-	369,476	-

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 31/12/2015		Total 31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	37,135	-	122,407	-
a) Options	846	-	1,198	-
b) Interest rate swaps	34,667	-	117,053	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	1,622	-	4,156	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking book - Hedging	220,628	-	515,252	-
a) Options	-	-	-	-
b) Interest rate swaps	210,138	-	515,192	-
c) Cross currency swaps	-	-	60	-
d) Equity Swap	-	-	-	-
e) Forward	10,490	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	257,763	-	637,659	-

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. Debt securities and interest							
- notional value	-	-	4,674	20,445	-	88,331	17,943
- positive fair value	-	-	20	298	-	2,078	119
- negative fair value	-	-	-	-	-	4	47
- future exposure	-	-	70	-	-	94	1
2. Equities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	6	-	-	4	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	70,720	-	-	53,974	92
- positive fair value	-	-	1,361	-	-	223	-
- negative fair value	-	-	359	-	-	1,621	2
- future exposure	-	-	707	-	-	568	1
4. Other amounts							
- notional value	-	-	-	-	-	-	-
- 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 included in 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 value	-	-	342,293	-	-	-	-
- positive fair value	-	-	31,851	-	-	-	-
- negative fair value	-	-	34,721	-	-	-	-
2. Equities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional value	-	-	37,655	-	-	-	-
- positive fair value	-	-	661	-	-	-	-
- negative fair value	-	-	386	-	-	-	-
4. Other values							
- notional value	-	-	-	-	-	-	-
- 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 value	-	-	7,866	-	-	-	-
- positive fair value	-	-	86	-	-	-	-
- negative fair value	-	-	77	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equity securities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	578,677	-	-	-	-
- positive fair value	-	-	2,317	-	-	-	-
- negative fair value	-	-	10,490	-	-	-	-
- future exposure	-	-	5,787	-	-	-	-
4. Other values							
- notional value	-	-	-	-	-	-	-
- 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 included in 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 value	-	-	1,306,495	100,000	-	-	-
- positive fair value	-	-	55,365	2,503	-	-	-
- negative fair value	-	-	210,061	-	-	-	-
2. Equity securities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other values							
- notional value	-	-	-	-	-	-	-
- 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 2015 there are no credit derivatives.

6.10 Counterparty Risk

COUNTERPARTY RISK - COLLATERAL	EAD VALUE
STANDARDISED APPROACH	1,410,591,544
- derivative contracts and long settlement transactions	27,764,015
- SFT transactions	1,382,827,529

COUNTERPARTY RISK	EAD VALUE
STANDARDISED APPROACH	1,662,442,709
- derivative contracts and long settlement transactions	61,614,850
- SFT transactions	1,600,827,859

The capital requirement for counterparty credit risk is 1.296 EUR/000 (RWA 16.196 EUR/000)

As it can be seen in the table, the counterparty risk exposure as at 31 December 2015 equals to EUR 1.7 bn, 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 OF THE CRR

Since 31/12/2015 the Banca Carige Groups has adopted the “standardized method” to calculate the capital requirement for operational risk[9], by applying the ratios provided for by the regulatory framework[10] to the relevant indicator broken down by Business Line[11].

According to the mentioned calculation method, the capital requirement as at 31 December 2015 equals to EUR 95.9 mln (EUR 120.6 mln as at 31 December 2014[12]).

[9] EU Regulation No. 575/13, Article 317.

[10] EU Regulation No. 575/13, Article 316.

[11] EU Regulation No. 575/13, Article 317.

[12] The exposed figure has been determined on the basis of “Basic” Method rules (Regulation (EC) No 575/2013, Article 315); furthermore, it has to be noted that, the requirement calculation has been refined during the year 2015, highlighting a rise of around EUR 0.9 mln, properly recorded in the Half-Year Financial Report for 2015 (121.5 mln).

8. EXPOSURES ON POSITIONS HELD FOR SECURITISATION

QUALITATIVE DISCLOSURES - Art. 449 OF THE CRR

The Carige Group has a securitisation of performing loans in place, which was carried out by the Parent Company in the first half of 2004 together with two “Covered Bond” transactions. A retained (or self-) securitisation is also in place, which was carried out in 2015 through the special purpose vehicle Lanterna Finance S.r.l. In this securitisation, Banca Carige acts as a Master servicer.

For the purpose of promoting a shared co-ordination and monitoring of securitisation transactions originated by the Group, a specific operating unit was set up as part of the Planning and Control division, which makes sure that these transactions and related activities are constantly monitored with an across-the-board approach by multiple functions and units of the company.
Specifically, the assessment and control of risks deriving from securitisations are performed on the Carige Group’s Credit Risk Management (CRM) system, which monitors the transactions concerning performing loans; the performance of individual transactions is constantly assessed by the General Management: specific reports are submitted to the Board of Directors on a half-yearly basis.
The transaction involved transfer without recourse to the special purpose entity (SPE) Argo Mortgage 2 S.r.l. (in which Banca Carige currently has a 60% direct holding) of 13,272 mortgage loans for a total value of EUR 864.5 mln as at 30 June 2004, at a price of EUR 925.6 mln (of which EUR 61.1 mln as deferred price calculated by means of a profit extraction mechanism which specifically took account of 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 S.r.l. issued EUR 864.4 mln worth of securities, of which EUR 808.3 mln class A, EUR 26.8 mln class B, EUR 29.4 mln class C, all listed on the Luxembourg stock exchange, and was granted a subordinated loan by Banca Carige for an amount of EUR 22.8 mln which was fully repaid in 2009.

The securities issued as at 31 December 2015 are rated as follows:

SECURITY	CODE	FITCH	MOODYS
Class A	IT0003694129	AA+	Aa2
Class B	IT0003694137	AA+	Aa2
Class C	IT0003694145	BBB+	Aa2

Out of the initial EUR 808.3 mln in class A securities, a total of EUR 766.5 mln was repaid as at 31 December 2015 (increasing to EUR 771.1 mln after the repayments in January 2016).

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

The credit for deferred price to be paid to Carige and Banca Carige Italia as at 31 December 2015 amounted to EUR 47.2 mln.

Collections on pertaining receivables in 2015 amounted to EUR 23.4 mln and servicing commission income totalled EUR 0.1 mln.

As the Argo Mortgage 2 S.r.l. securitisation does not fully meet the conditions for all risks and rewards to be substantially transferred to a third party, it was recognised 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[13] 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[14]: if so, the assets transferred do not fall within the scope of reporting, thus not generating any RWA[15] 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 2015, in the Carige Group portfolio there are no junior securities related to the aforementioned securitisation.

8.1 Breakdown of exposures by different levels of risk weight

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	9,927	-	-	-	-	-	-	-	-	-
50% Weighting	-	-	-	-	-	-	-	-	-	-
100% Weighting	-	-	-	-	-	-	-	-	-	-
350% Weighting	-	-	-	-	-	-	-	-	-	-
1250% Weighting - with rating	-	-	-	-	-	-	-	-	-	-
1250% Weighting - without rating	-	-	-	-	-	-	-	-	-	-
Lock-through - second loss in ABCP	-	-	-	-	-	-	-	-	-	-
Lock-through - other	-	-	-	-	-	-	-	-	-	-
Total	**9,927**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

[14] 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.

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

QUANTITATIVE INFORMATION – art. 449 CRR

8.2 Exposures arising from major 'own' securitisation transactions broken down by type of securitised asset and exposure

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs
A. Fully de-recognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partially de-recognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not de-recognised	6,137	-	3,790	-	42,024	5,199	-	-	-	-	-	-	-	-	-	-	-	-
C.1 Argo Mortgage 2 Srl																		
- non-performing loans	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
- performing loans	6,137	-	3,790	-	42,024	5,199	-	-	-	-	-	-	-	-	-	-	-	-

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.

Figures in the table show the risk retained by the Group with respect to the securitisation carried out through the SPE Argo Mortgage 2 S.r.l. in 2004, and reflect the credit for deferred price accrued, net of its write-down (EUR 42 mln, with the write-down amounting to EUR 5.2 mln), and the SPE securities repurchased by Carige (EUR 6.1 mln of Senior Class and EUR 3.8 mln of Mezzanine Class).

9. EQUITY EXPOSURES NOT INCLUDED IN THE REGULATORY TRADING BOOK

QUALITATIVE DISCLOSURES - Art. 447 OF THE CRR

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

- 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".
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, loans to banks and loans to customers, are classified under this category.
More specifically, this category 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;
- equity instruments acquired for non-performing loan restructuring operations.

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.
  These refer to items other than 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 2015).
  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 subsidiaries not held for sale, 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 posted to the item "Financial assets available for sale" (please refer to the paragraph above).

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 value in use it is also necessary to discount the final value of the presumed disposal of the investment on the basis of a hypothetical price that is agreed between independent and well informed parties who are willing to buy and sell.

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.

QUANTITATIVE INFORMATION – art. 447 CRR

With a view of realising a 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) at 31 December 2015, the overall incidence on total financial investments is about 0.22%

9.1 Bank portfolio: cash exposure in equity instruments and UCIs

Item/Amount	Banking group			Total
	L1	L2	L3	
1. Equity investments - Item 100	-	-	92,536	92,536
1.1 Evaluated at cost or by the equity method	-	-	92,536	92,536
2. Financial assets held for sale - Item 40	3,666	-	338,227	341,893
1 Equity instruments	492	-	328,856	329,348
1.1 Designated at fair value	492	-	314,139	314,631
1.2 Carried at cost	-	-	14,717	14,717
2 Units of UCIs	3,174	-	9,371	12,545
Total	**3,666**	**-**	**430,763**	**434,429**

The value indicated with reference to the item "Shareholdings" corresponds to the amount reported in Table 100 of Balance Sheet assets, 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 mln.

In this period, price gains have been realised on sales of equity securities and UCIs classified to the AFS portfolio for EUR 32.031, and price losses for EUR 57 thousand. With reference to shareholdings in insurance companies held for sale during the year, in item 310 "Profit (loss) of groups of assets held for sale", a value reduction has been recognised for an amount of EUR 18.8 mln, and a profit of EUR 80.5 mln, arising primarily from reversal to profit or loss, under IFRS 10, of the valuation reserves for financial assets held for sale following deconsolidation.

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 Common Equity Tier 1 for 2.3 mln and on Tier 2 Capital for EUR 1.7 mln.

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

QUALITATIVE DISCLOSURES - Art. 448 OF THE CRR

Monitoring and measuring methods

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:

- *Duration analysis*: the variation in the economic value of the equity is approximated by applying the *duration* to aggregates of transactions classified in a *time bucket* according to the date of expiry or repricing.
- Sensitivity analysis: the variation in the economic value of equity is measured, for each individual transaction, 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.

From an income point of view, the objective of monitoring the interest rate risk in the banking book consists in measuring the impact of variations in interest rates on the interest income expected over a predefined time period (gapping period).

The variability in the interest income following a market interest rate shock is measured via a gap analysis approach, according to which this variability depends on both the reinvestment (refinancing) at new market conditions -not known ex ante- of the capital cash flows maturing during the period of reference, and on the variation of interest cash flows (for floating interest rate transactions).

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 INFORMATION – art. 448 CRR

The Balance Sheet impact is analysed hereunder, in terms of interest income, net interest and other banking income, profit and shareholders' equity in parallel shifts of the curve (+100 bps up, and -100 bps down). The table reflects the overall impact and detail of the currency:

	+100 bps	-100 bps
Net interest income	**68,643.59**	**-4,796.97**
- of which EUR	63,481.17	-10.51
- of which other currencies	5,162.42	-4,786.46
Net interest and other banking income	**68,845.37**	**-4,814.56**
- of which EUR	63,690.32	-32.84
- of which other currencies	5,155.05	-4,781.72
Net profit(1)	**46,078.20**	**-3,222.39**
- of which EUR	42,627.93	-21.98
- of which other currencies	3,450.27	-3,200.41
Net equity	**-7,074.63**	**42,594.78**
- of which EUR	-7,074.63	42,594.78
- of which other currencies	0.00	0.00

(1) Estimated values, assuming a 33.07% taxation

11. REMUNERATION POLICIES

QUALITATIVE DISCLOSURES - Art. 450 OF THE 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 2015, 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 23/04/2015 upon the proposal of the Board of Directors which, in 2015, 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 of three to five members, chosen from among the non-executive directors, in the majority independent, in accordance with both the best skills and expertise and the capability to carry out the assignment. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.

The Committee appoints a chairman from among its independent members alone, charged with coordinating the Committee's business.

Members of the Board of Statutory Auditors may take part in Committee meetings and, on invitation of the chairman, other company officers and external advisors may attend provided they have no conflicts of interest with the remuneration matters on the agenda. Also attending the Committee meeting is a secretary, chosen by the Committee from among management secretarial staff, who has the task of taking minutes.

Moreover, the Committee is required to assist the Board of Directors in ensuring that the remuneration policies take due account of the target to contain risk and are consistent with the long-term objectives of the Bank, the corporate culture and the overall Corporate Governance and 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:

- makes recommendations on further compensation, over and above the salaries decided by the Shareholders' Meeting, for the Chairman, Deputy Chairman, Chief Executive Officer, members of the Executive Committee and the Board Committees;

- makes recommendations on the salaries of the heads of the control functions within the Parent;
- makes recommendations on remuneration policies for Group personnel and external collaborators not bound by employment contract, providing advice on the determination of the criteria;
- makes recommendations on the criteria adopted to determine, for each category of Parent staff, the total amount of annual bonus due to the beneficiaries in these categories;
- makes recommendations on the criteria adopted to determine, for Identified Staff, exceptional payouts to new hiring in their first year (welcome bonus) and the compensation paid in the event of early termination of the employment relationship;
- makes recommendations on the use of other equity-based staff incentive schemes (e.g. stock options). Specifically, the Remuneration Committee makes recommendations on the best incentive scheme, and monitors its progress and application over time;
- makes recommendations on the remuneration of directors holding special office as well as general managers, if appointed, and executives with strategic responsibilities in the other members of the Group.

The Committee also verifies:

- at least every six months, assesses the regulatory and operational compliance of the Committee's own procedure with the provisions of the law and regulations and, in so doing, assesses the adequacy of its individual members to perform their duties. This is performed in accordance with the rules on the self-assessment of the boards and board committees;
- at least every six months, regulatory and operational compliance with the rules on the remuneration of senior management and heads of corporate control functions, in close conjunction with the Board of Statutory Auditors and the control functions themselves;
- the qualifying conditions of Parent staff for the annual bonus.

The Committee Regulation requires the chairman to call meetings sufficiently regularly to ensure the effective performance of its duties. In practice the Committee meets whenever its duties require, and in particular prior to Board of Directors' meetings whose order of business contains matters inherent to the Committee's activities.

In 2015, the Remuneration Committee met 10 times, for an average duration of around 45 minutes. At present, the Committee is composed by 4 members and, as of 2015, at the approval date of this report, 4 meetings of the Remuneration Committee have already been held.

The table below shows the attendance figures at meeting of the Remuneration Committee, during the 2015 term of office:

Member	Position	Number Meetings	Attendances	% attendance
Beniamino Anselmi	Chairman (*)	7	5	71%
Evelina Christillin	Member	10	5	50%
Philippe Marie Michel Garsuault	Member	10	7	70%
Lorenzo Roffinella	Member	10	10	100%

(*) Since 16/06/2015

Ceasing to hold office during the year	Position	Number Meetings	Attendances	% attendance
Lorenzo Cuocolo	Chairman (**)	3	3	100%
Luca Bonsignore	Member (**)	3	2	67%

(**) Until 27/5/2015

During the financial year the Committee was actively involved:

- in the statement to the Shareholders' Meeting on the implementation of remuneration policies for board directors, employees and collaborators not bound by employment contract. The Committee also examined the report by Internal Audit on the control activities foreseen by the prevailing supervisory regulations, to guarantee the compliance of remuneration practice with the regulatory framework;
- when determining "Key Personnel";
- within the process of company positions analysis and the correlated remuneration policy;
- on setting criteria for remunerating the most significant employees, including the bonuses provided for by the incentive systems;
- determining the remuneration to be paid to the Manager of a Control Function and the adjustment on the one to be paid to the Controllers;
- in the appointment of directors in strategically important subsidiaries, providing an opinion for the determination of salaries;
- in the process of determining new remuneration criteria for management, including heads of the control function.

In line with the prevailing supervisory regulations, implementation of the remuneration policies approved by the Shareholders' Meeting is specifically monitored by the corporate control units and in particular:

- by Compliance, which is charged with assessing compliance of the corporate bonus system with the law, the Articles of Association and any ethical or other codes of conduct applicable to the Bank, in order to prevent methods or approaches that might encourage high compliance risk behaviour.

- by Internal Audit, which makes an annual assessment of the coherence of the remuneration systems with the regulations.

The Banca Carige Spa 2015 Policies were drafted with the support of the consulting firms Co.Ba.Co. Srl and by Studio Daverio & Florio, and by a primary international managing consulting company (Hay Group Srl) for the identification of "Key Personnel".

Note that no other companies were used as benchmarks in drawing up remuneration policy, apart from the essential evaluations or comparisons of average industry pay levels.

Carige Group's "Key Personnel"

For what concerns the identification of the Key Personnel, Carige Group applied standard qualitative and quantitative criteria published in Delegated Regulation EU no. 604/2014, and implemented by Bank of Italy into its Supervisory Instructions.

Each Group bank/company carried out its own analysis and drafted an individual document which it submitted to its own board. Taking account of these analysis to ensure complete coherence, the Parent Company prepared the consolidated statement that, after Remuneration Committee's examination and opinion, has been approved by Board of Directors' meeting on 19 March 2015.

The Group's Key Personnel for 2015 included 101 resources (including non-executive directors) distributed as follows:

Staff Categories	EBA Legislation – Reg. UE 604/2014	No. of Identified Staff
Directors	Art. 3 para. 2	48
CEOs and General Managers	Art. 3 para. 1.-3	8
Other Identified Staff	Art. 3 para. 3 and from 5 to 15	35
Controllers	Art. 3 para. 4-7	6
Other categories resulting from the application of the EBA quantitative criteria	Art. 4 para. 1-2-3	4
Total		101

Remuneration policy information

The Carige Group staff in 2015 received salaries made up of:

a) Fixed salary

Fixed components paid in 2015 included:

- the remunerations for the members of the governing bodies approved by the Shareholders' Meeting, supplemented by the Board under the terms of article 2389 of the Civil Code, including payments for special positions and attendance tokens;
- the remaining personnel, including Key Personnel, besides the annual gross salary foreseen by the National Collective Bargaining Agreement for the job level, received:
  - personal awards determined individually on the basis of the position, duties and responsibilities, specific experience and expertise;
  - minimum salary awards for specific roles and responsibilities, held over a period until the position is filled. These are predetermined, permanent, transparent, and non-revocable. The awards did not provide incentives to risk taking or violate the law. Such payments were made to the control functions: Internal Audit, Compliance, Anti-Money Laundering and the Manager in Charge of Preparing the Company Accounts
  - payments relating to pacts of stability, non competition, extension of notice, either at hiring or during the employment relationship for specific staff categories depending on the position held and the strategic importance of the position.
- for external collaborators, agents and financial advisors routine stable remuneration which is “recurrent” and linked to the system of fees compliant with the Supervisory Regulations.

- benefits: additional non-monetary benefits paid collectively in line with market practice and consisting of:
  - private pension;
  - healthcare insurance;
  - occupational/non-occupational risk insurance;
  - long term care insurance.

Executives[16] and members of the strategic supervision board, management and control bodies also receive a D&O policy (Directors' and Officers' Liability Insurance).

For some positions with managerial responsibilities a company car was provided to meet travel demands. For those working regularly outside their home area an economic support allowance was provided to compensate for travel inconvenience and in some cases the free loan of lodging.

b) <u>Variable salary</u>

Among the variable remuneration components paid in 2015 were:
- one-off amounts deriving from review of the Corporate Award linked to Group results following the agreement between the company and the trade unions of 30/9/2014;
- one-off amounts to reward extraordinary commitment and consistent effort, especially outside working hours;
- welcome bonuses paid on the hiring of atypical resources.

<u>Fixed to variable component ratios</u>

In 2015 the ratio between variable and fixed salary components did not exceed the limits specified in the 2015 Policies i.e. 100%, including Key Personnel (with a limit of 30% for the Controllers).

The failure to activate an incentive scheme for 2015 means that it was impossible to fix the annual bonus targets against fixed salary and therefore to calculate ex-ante the variable to fixed ratios (making an exception for the variable/fixed rate deriving from the Parent Company CEO's individual contract, to which reference is below).

Note that the 2015 Policies state that the annual bonus linked to the incentive system may only be awarded after verification of the consolidated sustainability indicator, which consists in a consolidated profit forecast and the attainment of at least 70% the amount foreseen in the budget, as well as continuation of the employment relationship. With the exception of the controllers, the bonus is also subject to the attainment of the consolidated profit, capital adequacy and liquidity risk indicators. In addition, bonuses for directors, the General Manager and for all staff in the corporate control functions depend on a compliance assessment by the

[16] Top management figures or similar with discretionary and/or decisional powers

Board of Statutory Auditors on the processes within their remit, while for the remaining personnel of other Bank functions, including Key Personnel, there would be an assessment of operational compliance by Compliance on certain processes within the remit of the various corporate functions specified by the Parent Board of Directors.

The indicators contemplated for the purposes of awarding any variable salary component foreseen in the individual contracts of Key Personnel are the same as those foreseen for the other staff categories.

Thus, if in a given year just one of the aforesaid entry conditions is not met, the deferred bonus quotas are not awarded.

Finally we should point out that previous Group Remuneration Policies, foresaw, among other things, deferment of the short-term incentive depending on management level (top management and central risk takers) involving a 20% bonus deferment via the awarding of performance units with a 2-year lock up period.

Entitlement to payout, under condition of a positive performance, was conditional upon the:

- employee remaining employed by the Company;
- financial strength and income efficiency of the Bank and the Group.

Following the failure to meet the profit conditions, there were no deferred payments of quotas relating to the 2012 short-term incentive scheme, as foreseen by the previous policies of November 2015.

<u>Remuneration of Board and Committee Members</u>

The 2015 Policies do not foresee any incentives plans or performance-based variable salary components for directors, apart from special mechanisms designed to link remuneration more closely with the work and responsibilities entailed by certain positions, except for the Parent Chief Executive Officer.

These policies have therefore foreseen, pursuant to the Articles of Association, an additional fixed salary component for the members of the Executive Committee and the other Board Committees, in proportion to their responsibilities, duties and frequency of attendance at board and committee meetings. The use of these objective parameters allows us to provide full reasoning and transparency with regard to the remuneration awarded, in line with the Bank of Italy Supervisory Regulations.

The directors' remuneration was therefore defined as follows, taking as “base” the salary established by the Shareholders' Meeting, as specified below, not including attendance tokens and a lump sum reimbursement of expenses (depending on their duties, the frequency of meetings and home distance from head office):

Board of Directors	basis 100	100
Executive Committee	100+up to 50%	up to 150
Internal Risk Control Committee	100+up to 25%	up to 125
Remuneration Committee	100+up to 15%	up to 115
Appointment Committee	100+up to 10%	up to 110

The aforesaid guidelines have also been applied to the senior management of the subsidiary banks, in line with the size and characteristics of similar banking networks and the managerial responsibilities of their directors; the Parent's criteria for board committees do not apply, since the subsidiaries have no internal committees within their own boards of directors, given their smaller size and lower operational complexity, as non listed companies, and the fact that such committees are already present at the listed Parent, in line with the prevailing supervisory regulations on corporate governance.

During the financial year: the Parent Shareholders' Meeting and Parent Board of Directors took no decisions regarding the Directors' and Auditors remuneration, previously determined on the re-election of the Board of Directors resolved by the Shareholders' Meeting of 30 September 2013 and on the re-election of the Board of Statutory Auditors resolved by the Shareholders' Meeting of 30 April 2014.

Regarding decisions on senior management compensation by the Shareholders' Meetings and Boards of Directors of individual banks controlled by the Group:

- the Ordinary Shareholders' Meeting of Banca Carige Italia S.p.A. resolved on 8/4/2015 to re-elect the Board of Directors and the Board of Statutory Auditors, specifying the salaries of the Directors and the Auditors;
- the Ordinary Shareholders' Meeting of Creditis Servizi Finanziari S.p.A. resolved on 8/4/2015 to re-elect the Board of Statutory Auditors, specifying the salaries of the Auditors;

Remuneration of the Parent Chief Executive Officer

The Chief Executive Officer, in office with effect from 5 November 2013, is classed as Identified Staff. He was awarded a fixed remuneration established by the Shareholders' Meeting and supplemented by the Board under the terms of article 2389 of the Civil Code. The interested party's salary was adjusted in 2015, following a review of the individual contract pursuant to the Supervisory Regulations, Section VII, paragraph 1., approved by the Parent Board of Directors' meeting of 4/8/2015, on recommendation of the Remuneration Committee meetings of

31/7/2015 and 4/8/2015. The salary analysis leading to the adjustment was backed by consulting advice and considered the following factors:

- benchmarking: comparison of fixed remuneration with groups of peers;
- the growing business / organizational complexity of Carige Group;
- the need to retain the officer during a delicate turnaround stage in a very fluid and risky market in terms of executive turnover.

The contractual review also involved a reshaping of the Long-term Incentive Scheme reserved for the Chief Executive Officer of Banca Carige S.p.A., scaling down the salary initially agreed to meet the quantitative targets coherent with the Group Risk Appetite Framework, and qualitative targets.

The target indicators, partly identified following talks with the ECB JST, were defined by the Carige Board of Directors' meeting of 4/8/2015, in line with the 2015 Remuneration Policies. Payment of 100% Variable Remuneration was subject to the following indicators being met:

- Capital Adequacy (CET1 ratio at end of 2015 of at least 12.64%);
- Liquidity Coverage Ratio (LCR at end of 2015 of least 123.7%);
- Risk Adjusted Profit (pre-tax profits on continuing operations/2015 RWA for FY 2015 of at least 0.24%);
- An operational risk compliance assessment of "low" on Group processes and on processes within the Chief Executive Officer's remit.

In regard to the above targets, the forecast pre-tax losses on continuing operations for FY 2015 and the consequent failure to meet the profits target, means that no payout of variable salary is possible, regardless of the other targets. The expected achievement of the minimum target thresholds which might determine payment of Variable Remuneration in proportion to the achievement of the individual contract targets is therefore inconsequential.

In any case payment of variable salary would violate the limits on payment of dividends recognised by the Supervisory Authority and published on 27/11/2015.

A write-up will be posted to the balance sheet to the previous provision for the (then) probable future payment of variable remuneration.

Note finally that on 4/5/2015 the Chief Executive Officer was awarded a second tranche of "units" which were converted to shares, taking into account the dilution effect of the July 2014 capital increase, as a deferred one-off payment stipulated at hiring for accepting the post and the powers.

Remuneration measures for remaining personnel in 2015

The main measures taken in 2015 were in line with budget forecasts and the system of proxies and powers which involved the competent boards and functions which verified their compliance with internal and external rules. Group Carige was supported by qualified independent consultants in the monitoring of remuneration policies and practices.

Group Carige was supported by qualified independent consultants in the monitoring of remuneration policies and practices.

The fixed salary measures were designed to:

- bridge the pay gap for specific positions where minimum job levels are foreseen by the national labour contract or by company practice (there were 430 job level promotions and personal awards);

- maintain job motivation and satisfaction, and valorise professional standing for some staff categories (e.g. private bankers), through a mix of reward mechanisms involving job promotion and/or supplements to fixed salary, normally periodic depending on professional level and position. These sums are linked to minimum tenure and/or non-competition pacts containing claw back clauses and additional penalties for violations. If the employee remains in office until the end of the pact the minimum tenure supplements may be incorporated into fixed salary;

- adjust the remuneration of the Heads of the Control Functions, using minimum salary supplements linked to the position and foreseen for certain pay bands in the remuneration policies.

Notwithstanding the failure to activate the incentives schemes for 2015 for remaining personnel as explained above, variable salary measures included the award of one-off amounts no higher than 5% of annual gross salary to around 700 resources (none of which Key Personnel) as reward for extraordinary commitment over the year and consistent effort, especially outside working hours.

Finally, 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 June 2015, and involved the Professional Areas and the Middle Managers of the Group.

It has to be pointed out that Carige Group met the “combined capital reserve requirement” specified in Bank of Italy Circular no. 285/2013.

Compensation for Key Personnel at the beginning or end of the employment relationship

In 2015 there were 5 retirements of Key Personnel of which 4 at the Parent and 1 in subsidiary banks/companies. There were 2 resignations20, 2 early terminations of employment relationship and 1 expiry of contract.

In the case of the member of the Parent Key Personnel the dispensation provided by paragraph 2.2.3, point 1 of the Supervisory Regulations was applied, ratified in the document “Criteria and limits for the determination of compensation to be agreed in the event of termination of employment or early retirement from office”.

For 1 significant staff member an amount was agreed during an in court settlement in 2013 - though less than the contractually agreed compensation for dismissal by the company without just cause - as payment for the signing of a non-competition pact.

For the Chief Executive Officer of Banca Carige and the General Manager of Banca Cesare Ponti two golden parachute pacts were agreed in accordance with the rules approved by the 2015 Shareholders' Meeting in the document “Criteria and limits for the determination of compensation to be agreed in the event of termination of employment or early retirement from office”.

In 2015 a pro rata welcome bonus was paid on the hiring of the new General Manager of Banca Cesare Ponti, as specified by the individual contract.

The Remuneration Policies approved during 2015 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 three equal annual instalments, totally amounting to the residual 40%, deferred in a three-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 shares. 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) behaviours 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".

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

As for severance payments for "Key Personnel", so-called "golden parachute", in accordance with the 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, in line with variable remuneration policy.

For 2016, remuneration policy will be modified with particular focus on variable remuneration system's characteristics. In particular:

<u>The access indicators (gates):</u> access to the Group bonus pool depends on fully meeting certain pre-determined qualifying conditions (gates),whose thresholds are set each year by the Parent Board of Directors in line with the Group Risk Appetite Framework:

For 2016, the gates for the entire workforce are:

- consolidated capital adequacy: Common Equity Tier1 (CET1) ratio;
- consolidated liquidity: Liquidity Coverage Ratio (LCR);
- consolidated risk-adjusted returns: Return on Risk Adjusted Capital (RORAC), excluding staff belonging to the corporate control functions.

For a multi-year incentive scheme returns are also calculated on a multi-year basis.

Connection between RORAC and Group's Bonus Pool: increases or decreases, or in certain cases the zeroing, of the Group bonus pool depend on variations in the consolidated risk-adjusted returns indicator - the Return on Risk Adjusted Capital (RORAC) - which in turn lead to variations in the underlying targets (except for bonus targets for control function staff).

The bonus pool is zeroed if the consolidated financial statements report a negative result.

For more details please refer to Sect. I of the Remuneration Report 2016:

QUANTITATIVE INFORMATION – art. 450 CRR

REMUNERATION POLICIES

Obligations of disclosure to the public ex art. 450 CRR (g): Key Personnel - Aggregate quantitative informations on remunaration broken down by business area

ABI code of the Bank/Banking Group 6175

Denomination of the Bank/Banking Group BANCA CARIGE GROUP

Reference period 2015

	Activity lines					
	Members of the Company administrative body (1)	Investment banking (2)	Retail Banking (3)	Other company functions (4)	Corporate Control Functions	Total
Number of employees	56	3	24	22	6	111
Total remuneration (5)	5,495,519.04	618,548.94	2,650,941.68	2,702,138.75	598,537.81	12,065,686.22
of which: total variable remuneration	(6) 473,549.57	-	6,000.00	24,833.00	1,500.00	505,882.57

Amounts in units of 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) Fixed + Variable + Benefits

(6) Fair Value of the financial instruments assigned to the CEO on 4 May 2015. For 2015, the cost accounted as staff expenditure is EUR 177,141.92 and it's relative to the second tanche of deferred one-off payment stipulated at hiring for accepting the CEO's post and powers.

REMUNERATION POLICIES

Obligations of disclosure to the public ex art. 450 CRR (h): Key Personnel - Aggregate quantitative information on remuneration broken down by Board of Directors' member, top menagement and other Key Personnel

ABI code of the Bank/Banking Group 6175

Denomination of the Bank/Banking Group BANCA CARIGE GROUP

Reference period 2015

	Staff Category			
	Members of the Company administrative body (1)	Top Mamagement (2)	Other Key Employees (3)	Total
Number of employees (#)	56	13	42	111
Total fixed remuneration	5,495,519.04	2,146,148.14	4,424,019.04	12,065,686.22
Beneficiaries number (#)	56	13	42	111
Total variable remuneration	473,549.57	23,333.00	9,000.00	505,882.57
Beneficiaries number (#)	1	1	6	8
of which: variable in cash	-	23,333.00	9,000.00	32,333.00
of which: variable in shares and related instruments	-	-	-	-
of which: variable in other financial instruments	(4) 473,549.57	-	-	473,549.57
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)	(4) 473,549.57	(5) 23,333.00	-	496,882.57
Beneficiaries number (#)	1	1	-	2
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 units of 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) Fair Value of the financial instruments assigned on 4 May 2015 relative to the second tanche of deferred one-off payment stipulated at hiring for accepting the CEO's post and powers, calculated on the basis of the Carige share's value at that date (€ 0.0713).
(5) Payment pro quota (1/12) Welcome Bonus to neo Bank's DG Cesare Ponti

REMUNERATION POLICIES

Obligations of disclosure to the public ex art. 450 CRR (i):
Key Personnel with a remuneration equal at least to EUR 1 million for financial year

ABI code of the Bank/Banking Group	6175
Denomination of the Bank/Banking Group	BANCA CARIGE GROUP
Reference period	2015

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	1
RANGE 3	2,000,000	2,499,999	0
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 units of EUR

REMUNERATION POLICIES

Obligations of disclosure to the public ex art. 450 CRR (j): Key Personnel

ABI code of the Bank/Banking Group	6175
Denomination of the Bank/Banking Group	BANCA CARIGE GROUP
Reference period	**2015**

	Total remuneration
Members of the Board of Directors	
Chairman of Banca Carige Board of Directors - CASTELBARCO ALBANI Cesare	728,735.29
Deputy Chairman of Banca Carige BoD - REPETTO Alessandro	369,494.33
Banca Carige CEO - Montani Piero Luigi	1,730,865.45
Director - ANSELMI Beniamino	108,735.39
Director - BONNET Jerome Gaston Raymond	67,499.96
Director - BONSIGNORE Luca (no longer in office)	41,344.36
Director - CHECCONI Remo Angelo	148,485.23
Director - CHISTILLIN Evelina	86,250.02
Director - CUOCOLO Lorenzo (no longer in office)	117,541.24
Director - GARSUAULT Philippe Marie Michel	160,249.94
Director - MACCIO' Marco	54,293.70
Director - PESCIONE Guido	67,749.96
Director - PROVAGGI Giampaolo	90,918.70
Director - ROFFINELLA Lorenzo	97,287.64
Director - VASCO Elena	76,500.04
Director - VENUTI Lucia	89,000.04
Director - WATTECAMPS Philippe	67,249.96
Director - ZAMPINI Giuseppe (no longer in office)	36,752.69

Amounts in units of EUR

(1) The CEO's total remuneration in 2015 is constituted of a fixed paid remuneration equal to EUR 1.250,000, an amount of EUR 7,316 as benefits and the Fair Value of the financial instruments assigned to the CEO on 4 May 2015 relative to the second tanche of deferred one-off payment stipulated at hiring for accepting the CEO's post and powers (share price EUR 0.0713), whose value at that date was equal to EUR 473,549.57.

Cost recognized in the financial statements accounted as staff expenditure for 2015 is EUR 177,141.92

12. FINANCIAL LEVERAGE

QUALITATIVE DISCLOSURES - Art. 451 OF THE CRR

One of the basic characteristics of the crisis has been the excessive financial leverage, in- and off-balance sheet, in the banking system. In many cases, banks accumulated an excessive leverage, although they presented sound capital ratios based on risk. In most acute phase of the crisis, market forced the banking sector to deleverage, exercising a strong downward pressure on assets' prices, even more deepening the losses spiral, the capital erosion and the decrease in the availability of credit.
Therefore, leverage ratio has the aim of contain the build-up of leverage in the banking system, thus contributing to avoid destabilising deleveraging process, which could be disadvantageous for the financial system as a whole and for the economy.

Calculation rules

The Basel Committee, through the "Global regulatory framework for more resilient banks and banking systems" (June 2011), introduced a new metric for leverage called "leverage ratio", later addressed under the new supervisory provisions Regulation (EU) no. 575/2013 (CRR).
According to Article 429 of CRR, The leverage ratio is defined as Tier 1 capital divided by exposure measure, expressed as a percentage.

- Tier 1 capital;
- Bank's total exposition, calculated as the sum of all assets' expositions plus off-balance-sheet elements which are not deducted from Tier 1 Capital.

From 1 January 2015 to 31 December 2021, leverage ratio is calculated both the following capital measure:

- "Temporary" Common Equity Tier 1 Capital (CET1), as the result of Common Equity Tier 1 Capital (CET1) plus Additional Tier 1 Capital (AT1);
- "Fully Loaded" Tier Common Equity Tier 1 Capital (CET1), with no derogations to transitory provisions and out of the equity instruments' grandfathering clauses.

Total exposition includes (according to CRR):

- Derivative - valued according to the Current Exposure Method referred to in article 274, or according to the Original Exposure Method referred to in article 295; if certain conditions established by Delegated Act are fulfilled, they can be excluded from the exposition on variation margins. Transferred credit derivatives are measured at the gross notional amount in addition to fair value, but with the possibility to deduce the income statement losses on fair value from the notional amount. According to rigorous criteria it is also authorised the compensation of notionals related to credit derivatives for the protection purchase.

- Security Financing Transactions (SFT15) – whose exposition is measured by two components: the counterparty risk, equal to the exposure net of guarantee (without considering the volatility effect), and the book value of the transaction; if certain conditions established by Delegated Act are fulfilled, it is possible to determine on a net basis the value of the cash exposure in STF.
- Off-sheet exposure - valued, according to art. 111, at their nominal value, but gross of the specific adjustments to the value of receivables and applying those credit conversion factor provided by standard methodology for RWA calculation.
- Other assets - valued, according to art. 111, on the book value remaining after the application of specific value adjustments on loans, of additional value adjustments and of other reductions of own funds relative to the asset.

Basel Committee's proposal provides for the introduction of a 3% minimum threshold, but prudential regulation provided in CRR do not fix any minimum threshold, postponing the introduction of the leverage in accordance with Pillar I to 2018.

Qualitative statements as at 31 December 2015 is set out below in accordance with the guidelines issued by the final version of Implementing Technical Standard on Leverage Ratio Exposure Indicator.

LRSum Table: Reconciliation of accounting assets and leverage ratio exposures

	Reference period	31/12/2015
	Denomination of the Bank/Banking Gruop	Gruppo Banca Carige
	Level of application	Consolidated
LRSum Model - Summary reconciliation of accounting assets and leverage ratio exposures		
		Applicable amounts
1	Total assets as per published financial statements	30,298,856
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	2,643,217
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	
UE-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
UE-6B	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	
8	Total leverage ratio exposure	32,942,073

LRCom Table: Leverage ratio common disclosure

	Reference period	31/12/2015
	LRCom Model - Leverage ratio common disclosure	
		Leverage ratio exsposure (CRR)
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	28,845,216
2	(Asset amounts deducted in determining Tier 1 capital)	(71,614)
3	Total on-balance sheet exposure (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	28,773,602
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	69,507
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	14,888
UE-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	84,395
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	1,610,887
UE-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013-	
15	Agent transaction exposures	
UE-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	1,610,887
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	2,473,190
18	(Adjustments for conversion to credit equivalent amounts)	
19	Other off-balance sheet exposures (sum of lines 17 to 18)	2,473,190
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
UE-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
UE-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
	Capital and total exposures	
20	Tier 1 capital	2,548,491
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	32,942,073
	Leverage ratio	
22	Leverage ratio	7.736%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
UE-23	Choice on transitional arrangements for the definition of the capital measure	"Transitional provisions"
UE-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

LRSpl Table: Split-up of on-balance sheet exposures

	Reference period	31/12/2015
	LRSpl Model - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
		CRR leverage ratio exposures
UE-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	28,845,216
UE-2	- Trading book exposures	-
UE-3	- Banking book exposures, of which:	28,845,216
UE-4	- Covered bonds	-
UE-5	- Exposures treated as sovereigns	6,162,290
UE-6	- Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	808,997
UE-7	- Institutions	1,443,628
UE-8	- Secured by mortgages of immovable properties	6,857,192
UE-9	- Retail exposures	2,338,180
UE-10	- Corporate	5,637,351
UE-11	- Exposures in default	3,920,884
UE-12	- Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,676,694

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 institutions according to Regulation (EU) No. 575/2013 – Figures as at 31/12/2015", corresponds to the document results, books and accounting records.

Genoa, 3 March 2016

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.