# 2014

# FINANCIAL STATEMENTS

GRUPPO BANCA CARIGE

# 2014

# CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

GRUPPO BANCA CARIGE

# BANCA CARIGE GROUP
# 2014 REPORT ON OPERATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

# BANCA CARIGE S.p.A.
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NOTE

The followings conventional signs are used in the tables and reports:
- when data is nil
… when data is not significant

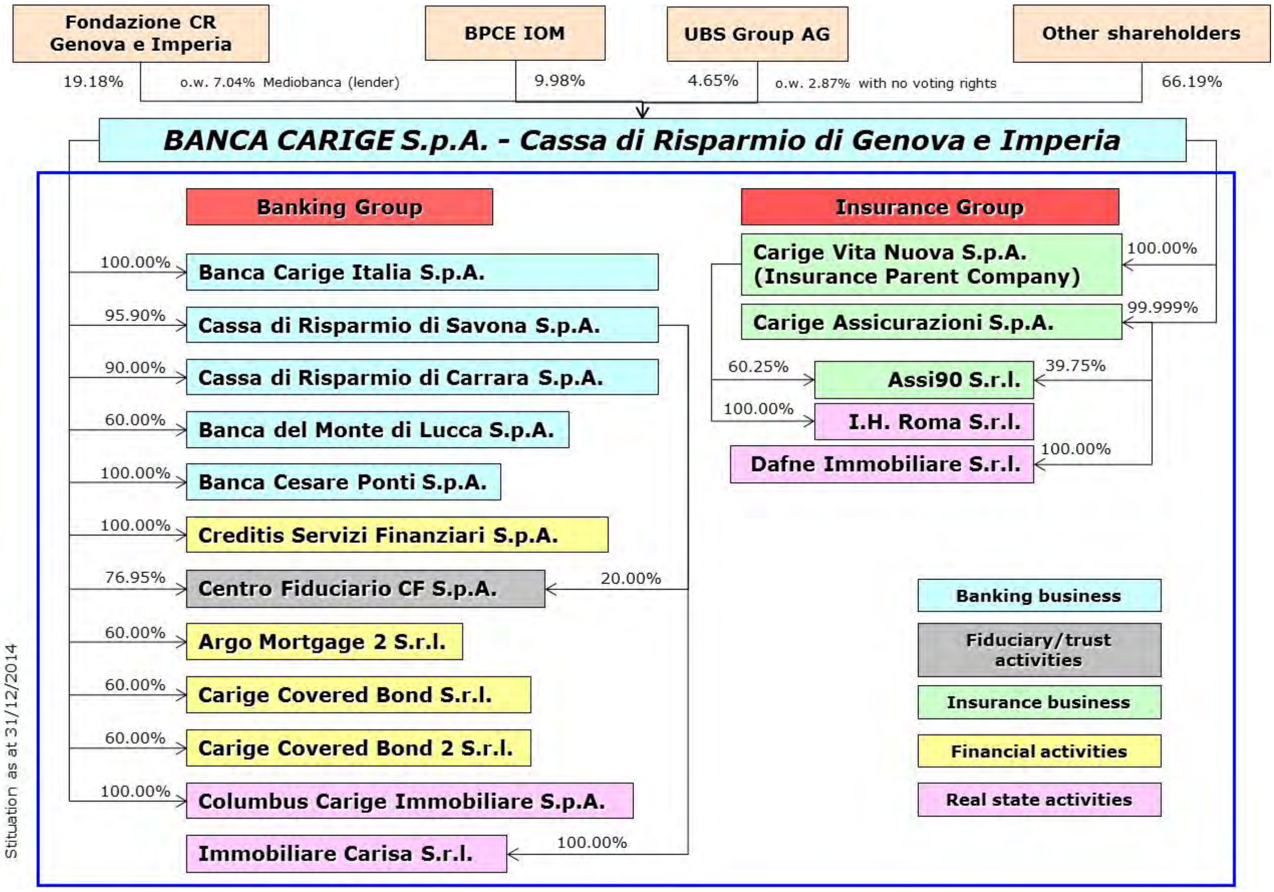
# INTRODUCTION

The consolidated financial statements for the Group and the separate financial statements for the Parent company, Banca Carige, as at 31 December 2014 were prepared in accordance with the international accounting standards (IAS/IFRS) and related interpretations (SIC/IFRIC) officially approved by the European Union, and in line with guidance provided by the Bank of Italy in its Circular no. 262 of 22 December 2005 and subsequent updates (Banks' Financial Statements: Layout and Preparation).
These comprise the financial statements for the year ended 31 December 2014, the explanatory notes and annexes, and are accompanied by the Directors' Report on Operations.
Included in the financial statements are the:

- Consolidated Balance Sheet;
- Consolidated Income Statement;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Changes in Shareholder's Equity;
- Consolidated Statement of cash flows.

The Report on Operations provides the required information concerning business performance as a whole and for the various segments of the Group's business, as well as main risks and uncertainties encountered.
The consolidated and separate financial statements for Banca Carige and the Carige Group were audited by Reconta Ernst & Young S.p.A., according to the auditing engagement conferred on this auditing firm by resolution of the Shareholders' Meeting of 29 April 2011 for the nine-year period 2012-2020.
The engagement was conferred pursuant to art. 159 of Legislative Decree no. 58/1998 and subsequent amendments, as well as the integrations pursuant to Article 18 of Law 262/2005 and Legislative Decree 39/2010.
The Board of Directors of the Parent company authorises the publication of the annual report, including the draft financial statements, consolidated financial statements, report on operations and certification by the delegated management bodies and Manager responsible for preparing the company's financial reports, along with the Independent Auditors' and Statutory Auditors' Reports, under the terms and within the deadlines set forth by regulations in force (by making it available to the public at the Bank's registered office and at the market management company - Borsa Italiana S.p.A., as well as on the corporate website www.gruppocarige.it).

## STRUCTURE OF THE BANCA CARIGE GROUP AS AT 31/12/2014



# BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND INDEPENDENT AUDITORS *

BOARD OF DIRECTORS

CHAIRMAN
Cesare Castelbarco Albani **

DEPUTY CHAIRMAN
Alessandro Repetto**

CHIEF EXECUTIVE OFFICER
Piero Luigi Montani**

DIRECTORS
Jérôme Gaston Raymond Bonnet
Luca Bonsignore
Remo Angelo Checconi **
Evelina Christillin
Lorenzo Cuocolo
Philippe Marie Michel Garsuault
Guido Pescione
Lorenzo Roffinella
Elena Vasco
Lucia Venuti
Philippe Wattecamps
Giuseppe Zampini**

BOARD OF STATUTORY AUDITORS

CHAIRMAN
Stefano Lunardi

STANDING AUDITORS
Maddalena Costa
Vittorio Rocchetti

ALTERNATE AUDITORS
Francesco Isoppi

INDEPENDENT AUDITORS
Reconta Ernst & Young S.p.A.

MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS
Luca Caviglia

** at the date of publication of this document*
*** Member of the Executive Committee*

The Board of Directors was appointed by the Ordinary Shareholders' Meeting on 30 September 2013 for the 2013-2014-2015 financial years, hence with term of office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2015.
On 29 October 2013 Piero Luigi Montani was co-opted by the Board of Directors to replace outgoing Director Mr. Luigi Gastaldi (resigning on the same date), with term of office until the following Shareholders' Meeting, and later serve as CEO as of 5 November 2013.
The Ordinary Shareholders' Meeting of 30 April 2014 confirmed the appointment of Piero Luigi Montani as Director, with the same term of office as the other Directors, expiring on the date of the shareholders' meeting called to approve the financial statements at 31/12/2015. On 6/5/2014, the Board of Directors confirmed for Mr. Montani the powers he had been granted upon prior appointment to the position of Managing Director.
The Executive Committee was appointed by the Board of Directors' Meeting of 07/10/2013, with term of office for the Elected Members (in addition to the Chairman, the Deputy Chairman and Managing Director who are Members by right) expiring on the date of the Shareholders' Meeting called to approve the financial statements at 31/12/2015,.
The Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting on 30 April 2014 for the 2014-2015-2016 financial years and, therefore, with term of office lasting until approval of the financial statements for the year ending 31 December 2016. On 15 May 2014, the Board of Directors declared the expiry of the term of office for Standing Auditor Mr. Diego Maggio, pursuant to Art. 148, paragraph 4 – quarter of Legislative Decree no. 58 of 24/2/1998. In compliance with Art. 26 of the Articles of Association, the outgoing Standing auditor was replaced by former Alternate auditor Mr. Vittorio Rocchetti, who – in accordance with art. 2401, paragraph 1, of the Italian Civil Code – will remain in office until the next Shareholders' Meeting, which will supplement the Board of Statutory Auditors as necessary.

# POWERS AND DELEGATED AUTHORITIES OF THE GOVERNING BODIES

As required by Consob ruling no. 97001574 of 20 February 1997, described below are the powers and authorities delegated to directors and management.

### Chairman of the Board of Directors

According to article 24 of the company Articles of Association, the Chairman of the Board of Directors is the legal representative of the Bank vis-à-vis third parties and before the courts and has the power to sign on behalf of the Company. He furthermore chairs the Shareholders' Meeting, calls the meetings of the Board of Directors and Executive Committee, of which he is a member by right, sets the agendas, chairs the meetings, coordinates work and ensures that the appropriate information about the matters on the agenda is provided to all Directors. The Chairman promotes the effective functioning of the corporate governance system, ensuring that the balance of powers is maintained; he acts as the contact person for the internal control bodies and internal committees. In a case of compelling, undeferrable urgency, the Chairman may, upon recommendation from the Chief Executive Officer, take decisions which would usually fall within the competence of the Board of Directors or the Executive Committee should their members be unable to meet. Decisions taken shall be brought to the attention of the relevant bodies at the following meeting.
The Chairman is not vested with any specifically delegated powers but rather faculties, including that of making proposals and, in particular, a delegating authority for participation in Shareholders' Meetings of companies or investees and the authority to identify the guidelines to be followed by the CARIGE S.p.A. representative upon instruction from the General Manager or of the Chief Executive Officer acting on his behalf, without prejudice to the competencies of the Committee.

### Executive Committee

Article 25 of the company articles of association provides for the appointment of the Executive Committee by the Board of Directors, which determines the number of members, their term of office and powers. The Executive Committee is comprised of a Chairman, the Chief Executive Officer and Deputy Chairman of the Board, as members by right, in addition to three to five other members. The Board of Directors appointed the current Executive Committee on 07/10/2013 and confirmed the five elective members, in addition to the afore-mentioned members by right, with term of office lasting until approval of the financial statements for the year ending 31/12/2015.
The following powers and responsibilities, pending any future determination regarding the Bank's governance structure, were delegated by the Board of Directors to the Executive Committee pursuant to Art. 21 of the Articles of Association:

a) decision-making powers concerning granting, renewal, increase, reduction, confirmation, cancellation and suspension of credit lines and all types of loans in general, also with reference to the Group and treasury and cash services, while deferring to the exclusive powers of the Board any resolution on credit lines in excess of EUR 50 million, without prejudice to the powers conferred on the Credit Committee and the Chief Executive Officer in relation to this matter.
All of this without prejudice to the right of the individual bodies for annulment of any undrawn maximum amounts upon request of the customer and urgent annulment or suspension, with following communication of the amounts of loans annulled to the relevant corporate bodies;
b) decision-making powers concerning transactions in listed shares and related derivatives, should the "net position" for the individual issuer - as defined in the Supervisory Instructions for Banks - be higher than 1% of the share capital of the company involved in the transaction itself, or in any case higher than EUR 25,000,000.00 (without prejudice to the powers of the General Manager in all other cases, as per proxies in effect), as well as private equity transactions for amounts exceeding EUR 10,000,000.00 (the powers for the latter type of investment lie with the General Manager for transactions up to EUR 10,000,000.00 and with the Head of Finance for amounts up to EUR 5,000,000.00).
These powers shall be exercised within the maximum VaR limit annually approved by the Board of Directors in relation to company Finance;
c) general decision-making powers in relation to spending (or losses or non-recovery of amounts receivable for the Bank) and income in general, with no restriction of amounts, within the guidance range defined in the budget by the Board of Directors, for all administrative or operating matters, without prejudice to the powers conferred on the Chief Executive Officer in relation to this matter;
d) decision-making powers in relation to the management of equity investments, including their purchase and sale, and the exercise of pre-emption or subscription rights on shares or stakes of investees (without prejudice to the exclusive powers of the Board of Directors for the acquisition and disposal of material investments – i.e. equity investments allowing for the exercise of control pursuant to Article 2359 of the Italian Civil Code or exceeding 10% of the Bank's regulatory capital - pursuant to Article 20, paragraph 2, of the Articles of Association, and for the signing of shareholders' agreements should they concern an equity investment, whose acquisition or disposal, being material, fall within the competence of the Board or should they relate to a listed company), and in relation to defining the Bank's stance as to issues on the agendas of shareholders' meetings of companies in which the Bank holds a material investment;
e) general decision-making powers in various matters, including human resource management (excluding the responsibilities

reserved to the Board pursuant to Art. 20 of the Articles of Association and those regarding the enforcement of termination pursuant to Art. 2118 and 2119 of the Italian Civil Code for Executives in the role of Chief Officers and the General Counsel, in addition to those reserved to the Chief Executive Officer in relation to this matter); management of treasury and the securities portfolio, the use of financial derivatives and access to the foreign exchange market, and matters of a non-strategic nature concerning day-to-day operations, which are hardly definable but include the right to: accept inheritances, bequests and donations in favour of the Bank; take decisions with regard to lawsuits brought by or against the Bank with no restriction of amounts or for an unspecified amount; to order the opening, transfer, closure and location of the Group's bank branches as part of the comprehensive branch plan approved by the Board of Directors.

f) decision-making, within the powers granted under the terms above, on transactions that, pursuant to Art. 136 of the Consolidated Law on Banking, involve the direct or indirect undertaking of obligations of any kind for the Bank by company representatives, in compliance with the operating methods set out in the afore-mentioned regulations,

with an option to sub-delegate all powers required for the formalisation and execution of resolutions adopted within the powers granted under the terms specified above, with the exception of the decision-making powers under item f), to the Executives, Middle-Managers and, exceptionally, other employees of the Bank, as well as to the Executives and Middle-Managers of other Group companies, as long as on a contractual basis and on condition of compliance with -and use of- the company's internal lending procedures.

**Chief Executive Officer**

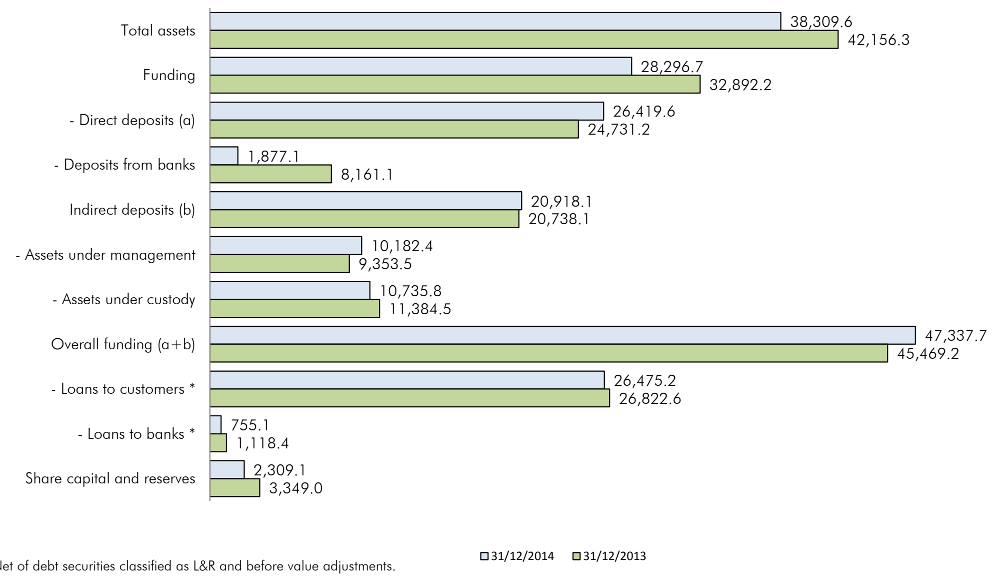
Pursuant to Art. 27 of the Articles of Association, the Board of Directors appoints a Chief Executive Officer or a General Manager; the Chief Executive Officer, if appointed, also carries out the functions of General Manager. While carrying out the functions of General Manager, the Chief Executive Officer exercises the powers and responsibilities set forth in the Articles of Association and by the Board of Directors; moreover, he/she shall supervise personnel, whose activities he/she shall direct and coordinate.

On 29/10/2013, the Bank's Board of Directors appointed Mr. Piero Luigi Montani as Chief Executive Officer, effective as of 05/11/2013. The Ordinary Shareholders' Meeting of 30/04/2014 confirmed the appointment of Mr. Piero Luigi Montani as Director, with the same term of office as the other members of the Board of Directors; on 06/05/2014, the Board of Directors confirmed Mr. Montani's appointment as Chief Executive Officer, effective as of 30/04/2014.

The Board of Directors has conferred on the Chief Executive Officer powers concerning credit, human resources, finance, spending and income, as well as day-to-day operations, within the limits set out in the Articles of Association.

# FINANCIAL HIGHLIGHTS FOR THE GROUP

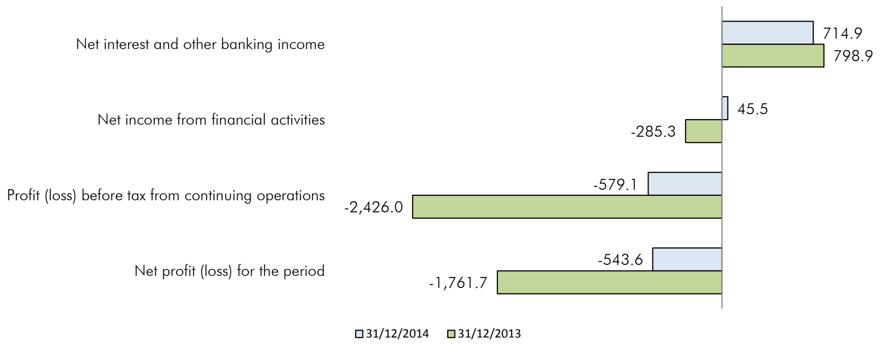
## Balance sheet figures *(EUR mln)*




| Change absolute | % |
|---|---|
| -3,846.7 | -9.1 |
| -4,595.5 | -14.0 |
| 1,688.4 | 6.8 |
| -6,284.0 | -77.0 |
| 180.1 | 0.9 |
| 828.9 | 8.9 |
| -648.8 | -5.7 |
| 1,868.5 | 4.1 |
| -347.4 | -1.3 |
| -363.3 | -32.5 |
| -1,040.0 | -31.1 |

Net of debt securities classified as L&R and before value adjustments.
Data as at 31/12/2013 is restated on a like for like basis with data as at 31/12/2014 which classifies BCP, CREDITIS and the Insurance Group as assets held for sale and discontinued operations.

## Income statement figures *(EUR mln)*

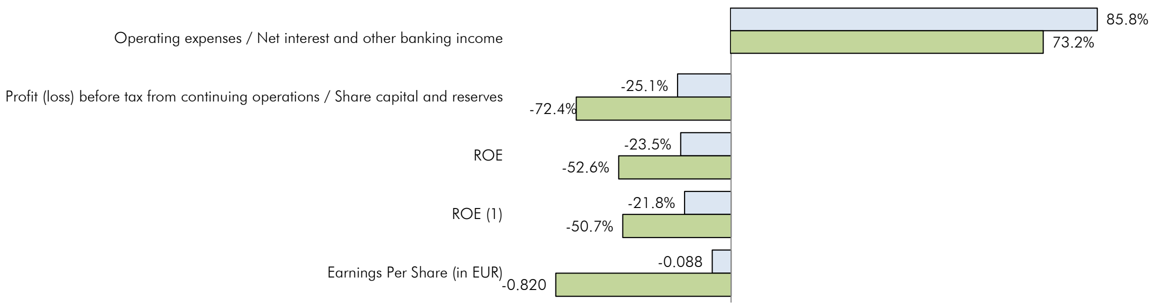



| | Change absolute | % |
|---|---|---|
| Net interest and other banking income | -84.0 | -10.5 |
| Net income from financial activities | 330.8 | ... |
| Profit (loss) before tax from continuing operations | 1,846.8 | -76.1 |
| Net profit (loss) for the period | 1,218.1 | -69.1 |

Data as at 31/12/2013 is restated due to the adoption of IFRS5.

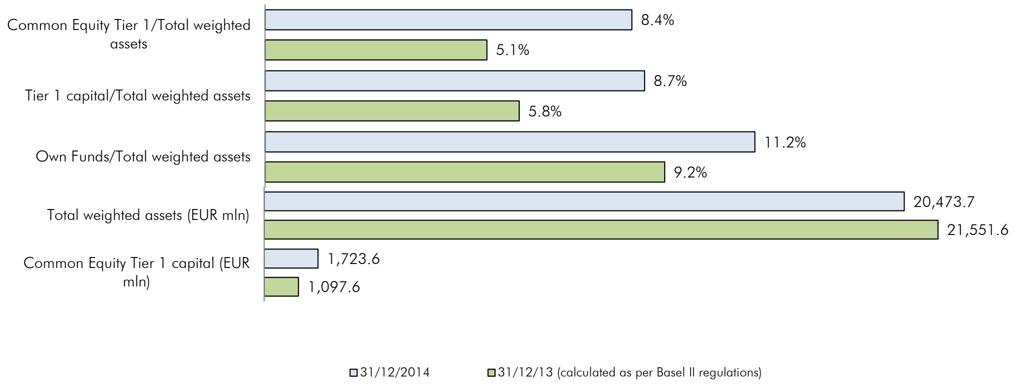
| | Situation as at 31/12/2014 | 31/12/2013 | Change absolute | % |
|---|---|---|---|---|
| **RESOURCES (end of period)** | | | | |
| Number of branches | 642 | 678 | -36 | -5.3 |
| Insurance agencies | 379 | 392 | -13 | -3.3 |
| Number of bank employees | 5,295 | 5,387 | -92 | -1.7 |
| Number of bank and insurance employees | 5,737 | 5,851 | -114 | -1.9 |

## Indicators(%)




(1) Net of the AFS reserve (item 140 under Liabilities of the balance sheet).
(2) Return On Average Equity
Data as at 31/12/2013 is restated on a like for like basis with data as at 31/12/2014 which classifies BCP, CREDITIS and the Insurance Group as assets held for sale and discontinued operations.

## Capital ratios (%)



# REPORT ON OPERATIONS

## REAL ECONOMY AND MONEY MARKET

Notwithstanding the widespread monetary and fiscal policy measures aimed at boosting economic recovery, the international scenario continues to show signs of a generalised pessimism: the downward pressures on the international prices of raw materials, oil in particular, trigger deflationary effects; the emerging countries' economy - suffering significantly from the stagnation of world trade - is slowing down, whilst the European economies continued to be constrained by their high public debts. Signs of recovery are instead coming from the United States.

The slowdown of international trade results in limited growth of world GDP for 2014 (+3.1%, in line with 2013).

The U.S. economy is benefitting from an improving labour market, with the offer back to an uptrend - albeit at a slow pace-, the unemployment rate further decreasing (5.6% in December 2014) and wages still growing very slowly. This trend favours an increase in domestic demand, which shields the economy from the weakness of the global economic cycle. The U.S. GDP, which was expected to grow by 2.5% in 2014, is therefore driven by both household consumption and investments in production facilities, and benefits from a growing foreign trade balance with exports exceeding imports. Consumer price inflation remains rather low (+1.2% in December), mainly as a consequence of the downturn in energy prices.

Emerging countries are experiencing an overall slowdown in their economic growth, with very different situations in the various areas: in particular, the downtrend in China's economic cycle is confirmed, as are the economic recovery in India, driven by an expansion in consumption and public debt, and the economic crisis in Russia, penalised by a weak domestic demand as well as by trade and financial sanctions associated with tensions in Ukraine.

The Euro Area economy suffers on the one hand from a slowdown in trade and, on the other, from a further decrease in investments, penalised as they are by the climate of uncertainty and enduring difficulties in the labour market. The FY 2014 growth estimate for the entire Area is 0.8% (-0.4% in 2013). The improvement in the consumer confidence index is reflected in an, albeit modest, growth in retail sales (+1.3% Y/Y in November). However, despite an increase in new manufacturing orders (+4%) and a slight recovery in industrial production (+0.7%), the business confidence index continues to show a negative trend. The unemployment rate for the Area in November 2014 was stable at 11.5% (11.8% in December 2013, with an average of 12% in 2013), whilst inflation was slightly negative in December (-0.2%), down on both the previous months and the average for 2013 (1.4%).

The European banking system has seen the conclusion of the Comprehensive Assessment (hereinafter also referred to as "CA"), consisting in an Asset Quality Review (AQR) and a Stress Test aimed at examining the resilience of banks' balance sheets as at 31/12/2013 with projections over the 2014-2016 three-year period under a baseline scenario (developed by the European Commission) and an adverse scenario (pre-defined by the ECB and the European Systemic Risk Board, ESRB), with results being integrated with the AQR outcome ("join-up"). The Comprehensive Assessment was an exercise with primarily prudential implications, based on the conservative application of assessment criteria, including on the basis of statistical methods, and the join up of the AQR results with the Stress Test made the latter more conservative than similar tests conducted in the past. The Comprehensive Assessment Exercise resulted in nine Italian banks showing potential capital shortfalls, for a total amount of EUR 9.7 billion as at 31/12/2013. Considering the capital increases finalised in 2014, the potential capital shortfall was reduced to EUR 2.9 million relative to two banks, Mps and Banca Carige. Additional information is found in the section "Outcome of the ECB's Comprehensive Assessment" in the Chapter "Significant events in the reporting period" and in the Explanatory Notes.

The Italian economy is weighed down by the still unfavourable trend in domestic demand, with investments decreasing further and consumption essentially stable, and by a lower than expected foreign demand.

Italy's more expansionary fiscal policy, particularly with the mid-year tax bonus of EUR 80 for annual incomes of up to EUR 26,000, in addition to the 'baby bonus' effective as of 2015 for low-income families with a new-born child and the drop in energy prices, stimulated household consumption which is however growing slower than expected as it is still weighed down by prior losses which favour the households' propensity to save. On the businesses side, the tax reliefs introduced by the Stability law with regard to

both IRAP (Regional Tax on Production Activities) and newly hired staff with permanent employment contracts are expected to boost employment thus contributing to a slow recovery from recession.
Throughout 2014, GDP is expected to decrease by 0.4% (-1.9% in 2013), primarily on the back of investment trends which remain negative.
From January to November 2014, industrial production was down 0.9% Y/Y particularly in the energy sector (-5.1%); turnover also decreased (-0.4%) as a result of lower revenues from the domestic market (-1.5%); industrial orders were instead up 0.7% on the back of a boost in foreign orders (+2.9%) more than offsetting the further decrease in domestic orders (-0.8%).
Signs of concern continue to come from the labour market. After hitting a 13.4% record high in November, the unemployment rate was 12.9% in December (12.4% in December 2013, 12.2% the average for 2013), with youth unemployment (15-24 year olds) at 42% (+0.1% Y/Y).
Foreign trade for the first eleven months of the year showed a slight growth in exports (+1.6% compared to the same period in 2013), entirely attributable to the demand in European markets (+3.5%), in contrast to a fall in imports (-1.7%), due to the sharp decline in flows from non-EU markets (-5.1%), with a positive trade balance of approximately EUR 37 billion.
Inflation showed a further downturn and was back in negative territory: in December it reached -0.1% against 0.7% in December with an annual average of 1.2% in 2013.
As to public finance, in 2014 the public deficit amounted to EUR 76.8 billion improving by over EUR 3.5 billion with respect to 2013 primarily on the back of a moderate trend in government spending.
With regard to the monetary policy, the world major banks continued to be supportive of expansionary policies keeping official rates at historically low levels: the *Federal Reserve* kept interest rates within a 0 to 0.25% range, whereas the ECB cut the refinancing rate to 0.15% in June and, subsequently, to the all-time low of 0.05% in September. In June 2014 the ECB launched the "*Targeted Long-Term Refinancing Operations*" (T-LTRO) programme designed to support bank lending to non-financial businesses; this will enable banks to replace more costly sources of funding thus contributing to easing possible tensions on both the bond and Government bond market. In order to both curb the downward spiral driven by major deflationary expectations and stimulate lending, the ECB also announced the launch of a *Quantitative Easing* programme in December, consisting in the purchase of bonds issued by Governments (in proportion to the share of national central banks in the ECB's capital), European Institutions and other non-financial institutions for a total amount of EUR 1,140 billion from March 2015 to September 2016.
During the year, the 3-month Euribor rate fell from 0.27% to 0.08% as a result of the expansionary policies implemented by the ECB in June and in September which reversed the 2013 slightly upward *trend*; the gross yield on government securities fell from 3.04% to 1.55% with a continuing downward trend. Gross yields on government securities registered a decrease across the board: the average yield fell from 0.66% to 0.28% on BOTs (treasury bills), from 1.71% to 0.87% on CCTs (treasury credit certificates) and from 3.65% to 2.04% on BTPs (long-term treasury bonds).
The Italian - German government bond spread, as a whole, narrowed in the wake of eased financial tensions to 134 bps at the end of the year (vs. 216 bps at the end of December 2013).
The foreign currency exchange market was characterised by a global depreciation of the euro against the dollar, with the exchange rate standing at 1.21 at the end of 2014 (1.38 in December 2013).
In the interbank market, direct deposits of Italian banks showed a slightly decreasing trend (-1.6% YoY at the end of 2014), reflecting the sharp fall in bonds (-13.8%), only partially offset by the positive trend in resident customer deposits (+3.5%).
The trend in bank loans, despite expansionary money market conditions, was weighed down by the weakness in demand from households and businesses, and the adoption of a more prudential approach by banks, prompted by worsening credit quality and the need for capital and liquidity strengthening identified by prudential supervisory regulations. Loans to households and non-financial businesses were substantially stable at the end of 2014 compared to the previous year, with gross bad loans increasing by 21.1%. The bad loans/total loans ratio reached a record high of 9.5% (7.8% for the previous year and 2.8% at the end of 2007 prior to the beginning of the financial crisis); said value reached 15.9% for companies, while it came to 6.9% for households.
Bank interest rates were, on the whole, down during the period (the average weighted rate of loans to households and non-financial businesses stood at 3.61%, as compared to 3.82% in December 2013), while the cost of funding fell to 1.49% (1.88% in December 2013). Although widening slightly from the beginning of the year, the spread remained at extremely low levels (214 bps in June 2014, as compared

to 194 bps in December 2013); it exceeded 300 bps before the start of the financial crisis (329 bps at the end of 2007). The spread in 2014 was on average 212 bps (vs. an average 182 bps in 2013).

## STRATEGY

The objective of the Carige Group is to strengthen its capital position, keep its risk profile "under control" and recover its core business profitability through a further improvement in the cost base and a more advanced customer service model.

To this end, Banca Carige's Board of Directors approved the new 2014-2018 Business Plan on 27 March 2014, whereby the Group set out a turnaround strategy that hinges on simplifying all of the Company's areas with a view to: pursuing the corporate mission of reconfirming its historical vocation as a locally rooted retail bank focusing on northern Italy to serve households and small to medium-sized businesses; reducing the banking Group's risk profile; pursuing the «Efficient Distributor» model, partly exiting the role of Product-maker; renewing the operating model.

This strategy is based on six areas of action:

- strengthening the capital base;
- mitigating financials risks and improving the liquidity position;
- upgrading the credit management model;
- renewing the organisational model to increase sales and distribution effectiveness;
- improving operational efficiency;
- simplifying the organisational structure and strengthening the Management Team.

The new Plan for 2015-2019 – which is currently being prepared – will take account of the new macroeconomic conditions and events occurring in 2014; the new Plan fits within and strengthens the guidelines identified in the *turnaround* strategy launched in 2014 with a view to bringing the Group back to its tradition of a sound, locally rooted retail and corporate bank for households and businesses. Approval of the new plan is expected for this current month of March once clearance is obtained from the ECB for the *Capital Plan* which was submitted to the ECB on 5 November 2014.

During the financial year, the Bank implemented the key initiatives planned for the first phase of the Business Plan, laying the foundations for future growth by rebalancing its capital position via the successful completion of the share capital increase for an amount of EUR 799.3 million early in July which, together with the net capital gain resulting from the accounting treatment of the new shareholdings in the Bank of Italy for an amount of EUR 221.9 million, represented the main recapitalisation measure undertaken by the Group during the year.

During the period an agreement was signed with Apollo Global Management for the disposal of the Group's insurance companies at a final price of EUR 310 million. The closing of the transaction is expected to take place in the first part of 2015 subject to the approval by the relevant supervisory authorities.

Furthermore, the rigorous process of risk profile review continued. Focusing particularly on credit and market risk, the process –launched in late 2013- was conducted with a view to adjusting balance-sheet assets to more prudential values. During the previous financial year, the review specifically targeted the loan portfolio, which was scrutinised in its entirety on the basis of strict classification criteria, in line with guidance received from the Supervisory Authorities during their inspections, generating an impact on the Group's profit and loss of EUR 1,063.4 million in net impairment losses on loans expensed in 2013 (equalling a cost of credit of 417 bps) and the classification of exposures to non-performing status for an amount of approximately EUR 2.5 billion. In addition, the banking group's securities portfolio was downsized and related average life to maturity was reduced from approx. 6 years as at 30/09/2013 to about 3 years at year end.

In 2014, the risk profile mitigation process translated into a further major downsizing of the banking group's securities portfolio, with volumes down from an initial EUR 6.4 billion as at 31/12/2013 to approximately EUR 3.3 billion as at 31/12/2014; its residual average term to maturity was also further reduced from 3 to 1.9 years at the end of the year.

Moreover, as part of the scope of the Business Plan assumptions, further major actions were completed to improve the Group's capital structure and risk profile, including:

- signing of a union agreement on 30 September 2014, encompassing 600 incentive-based retirements and an in-depth review of the remuneration structure, with EUR 50 million worth of cost savings a year, when at steady state;
- a branch network rationalisation plan with a first phase of 35 branches already closed, out of the 80/90 closures planned in the 2014-2018 Business Plan;
- definition of the new 'Central Management' organisational setup, with a significant reduction in the number of Headquarters offices, the simultaneous adoption of a new Corporate Governance model and the strengthening of the management team, with the onboarding of key executives;
- execution of capital management actions allowing for approximately a EUR 1 billion reduction in RWAs in 2014
- rebalancing of the liquidity position, via the afore-mentioned banking group's securities portfolio downsizing and concurrent full repayment of the LTRO for a total amount of EUR 7 billion. In this connection, the Group has seized the new funding opportunities offered by the new T-LTRO programme, borrowing an initial amount of approximately EUR 1,130 million.

On 26 October 2014, Banca Carige's Board of Directors took note of the results of the Comprehensive Assessment which were communicated by the European Central Bank on 23 October 2014, upon conclusion of an in-depth review conducted in collaboration with the European Banking Authority (EBA) and the Bank of Italy.
The CA included an Asset Quality Review (AQR) and a stress test, that examined the resilience of banks' balance sheets as at 31/12/2013 with projections over the 2014-2016 three-year period under a baseline scenario (developed by the European Commission) and an adverse scenario (pre-defined by the ECB and the European Systemic Risk Board, ESRB), with results being integrated with the AQR outcome ("join-up").
In the case of Banca Carige, the application of the Stress Tests to the financial year 2013 – which was adversely affected by the one-off initiatives implemented by the Bank in the course of the year – amplified the impacts on the reported capital shortfall. The CA exercise did not consider all additional initiatives of capital structure and risk profile improvement implemented by the Bank in 2014, which allowed the Group to improve its capital position and led to a capital surplus compared to the minimum requirements identified as a result of the AQR.

At the same meeting on 26 October 2014, The Bank's Board of Directors, following the results of the Comprehensive Assessment and subject to ECB approval, adopted a Capital Plan to ensure coverage of the *shortfall* including among its major actions a capital increase for no less than EUR 500 million, disposal of the Group's assets operating in the insurance, private banking and consumer lending business and the buyback of the subsidiary banks' non-controlling interests. On the same date, the commitment was also received from Mediobanca - Banca di Credito Finanziario S.p.A. to pre-underwriting the subscription of all shares arising from the capital increase for an amount of up to EUR 650 million.

On 19 November 2014 an Underwriting Syndicate of major Italian and international banks and financial intermediaries was established, which will act as underwriters in the Underwriting Syndicate led and coordinated by Mediobanca – Banca di Credito Finanziario S.p.A.. The above-mentioned financial institutions signed a *pre-underwriting agreement* whereby they committed, under the usual terms and conditions for this type of transactions, to guaranteeing the aforementioned capital increase for up to a maximum total amount of EUR 650 million which was subsequently increased to EUR 700 million at the request of the ECB.

From 1997 Banca Carige has requested and obtained ratings from the main specialised international rating agencies, Moody's, Standard & Poor's and Fitch. In the last three years, following the worsening of the economic and financial situation and the downgrading of the creditworthiness of Italy, the ratings were gradually revised downward, as was the case for Italian intermediaries in general.
During the period Banca Carige's ratings were adjusted as follows:

- On 8 April 2014 Moody's lowered Carige's long-term rating by one notch to 'Caa1' from 'B3', with the rating being confirmed on 30 October and then placed under "review for downgrade" following announcement of the new capital increase made necessary by the results of the Comprehensive Assessment.
- In April and June 2014 Standard & Poor's confirmed the Bank's ratings and reiterated the *creditwatch* negative placement of 2013, which was later removed on 15 July 2014. On 30 October, subsequent to the Comprehensive Assessment results, Standard & Poor's placed Carige's rating on *CreditWatch negative* again. This placement was reiterated on 18 December partly as a consequence of the downgrade of Italy's sovereign debt rating on 5 December 2014 ( 'BBB-' from 'BBB).
- In February, March, July and October, Fitch Ratings confirmed Carige's long and short term ratings maintaining a negative outlook. In July, following completion of the EUR 800 million capital increase, Fitch Ratings removed the *creditwatch negative* it had placed on the Bank's *'b-' viability rating in 2013.*

The long- and short-term ratings assigned – as at the date of approval of these Financial Statements – are respectively BB and B by Fitch, B3 and Not prime by Moody's and B- and C by Standard & Poor's

## KEY EVENTS IN 2014

BANCA CARIGE GROUP

On 10 January 2014, the Italian Securities and Exchange Commission, Consob, issued ruling no. 18758, which was notified to Banca Carige on 13 January 2014, concerning the ascertainment of non-compliance of Carige's separate and consolidated full-year report as at 31 December 2012 and condensed consolidated half-year report as at 30 June 2013 with financial reporting standards and requested the Bank to disclose certain elements of information, pursuant to art. 154-ter, para. 7, of Legislative Decree no. 58/1998. On 22 January 2014, Carige provided the market with the information requested by Consob in a specific press release. On 4 March 2014, Carige received a notice initiating the process for adoption of the measures referred to in art. 154-ter, paragraph 7, of Legislative Decree no. 58/1998 in which Consob assumed there were further instances of non-compliance of the separate and consolidated financial statements of Banca Carige as at 31 December 2012 with the applicable international accounting standards, with specific regard to the methods for calculation of the technical reserves of the insurance subsidiary Carige Assicurazioni and valuation of equity investments.
For further details, including information about the amendments made to the comparative data upon approval of the 2013 financial statements and 2014 condensed consolidated half-year financial report, please refer to the specific sections included in the aforementioned financial reports.
On 20 February, as part of the activities in preparation for the share capital increase via a rights issue for an amount of up to EUR 800 million, Carige entered into pre-underwriting agreements with Mediobanca - Banca di Credito Finanziario S.p.A. (as Global Coordinator and Joint Bookrunner), Citigroup Global Markets Ltd, Credit Suisse Securities (Europe) Ltd, Deutsche Bank AG London Branch and UniCredit Corporate & Investment Banking (as Co-Global Coordinators and Joint Bookrunners) and Commerzbank and Nomura International Plc (as Joint Bookrunners). Subsequently, as allowed for by the pre-underwriting agreements, the banks' syndicate was extended to include Banco Santander SA as Joint Bookrunner, under the same terms and conditions as were set out in the afore-mentioned agreements.
Lastly, on the same date, the Board of Directors, having acknowledged the resignation of certain members of the Boards of Directors of some of its subsidiaries, made the following designations:

- at Banca Carige Italia, outgoing directors Ms. Evelina Christillin and Ms. Elena Vasco were replaced by Mr. Roberto Pani and Mr. Giovanni Battista Pittaluga;
- at Cassa di Risparmio di Savona, outgoing Directors Ms. Raffaella Orsero and Mr. Aldo Dellepiane were replaced by Mr. Alessandro Repetto, who took on the role of Deputy Chairman, and Mr. Alessio Albani;
- at Carige Vita Nuova, Mr. Giovanni Battista Pittaluga was appointed to serve as Chairman, following resignation of former Chairman, Mr. Guido Alpa;

- at Carige Assicurazioni, Mr. Luigi Gastaldi, former Deputy Chairman, was appointed to serve as Chairman in replacement of the outgoing Chairman Mr. Guido Alpa, whereas Mr. Remo Checconi, a former Director, was appointed to serve as Deputy Chairman.

On 26 February, the Board of Directors was informed of the communication received by Carige from its shareholder, Fondazione Cassa di Risparmio di Genova e Imperia on 25 February, whereby, pursuant to art. 2367, paragraph 1 of the Civil Code, the Foundation requested that an extraordinary shareholders' meeting of the Bank be urgently called with the following agenda: "Power delegated to the Board of Directors on 29 April 2013 to increase share capital; - potential extension of the period for exercising the delegated power; - potential adoption of the resolution by 31 March 2014, with execution of the share capital increase in June 2014".
Considering that the currently expected timeframe for the execution of the capital increase – should the relevant power be exercised – lied on the assumption that the start date of the shares offering period, as part of a transaction in line with market practice, would be in the first half of June 2014 and that the deadline was in line and consistent with the pre-underwriting commitments for the setting up of an underwriting syndicate as well as with the need to meet all legal obligations applicable, the Board of Directors resolved that the execution of the capital increase -and, more precisely, the term for shareholders to exercise their pre-emptive rights -unless otherwise instructed by the Supervisory Authority -would be effective as of June 2014.
The Board also resolved that the calling of Carige's extraordinary shareholders' meeting requested by the shareholder Fondazione Carige be postponed to another meeting session.
On the same date, Fondazione Carige took note of the resolution taken by the Bank's Board of Directors with the support of its legal and financial consultants and, having recalled the reasons presented by the Foundation in its report pursuant to art. 125 ter of Legislative Decree no. 58/1998 and considering that, in light of the above, the need for calling an extraordinary shareholders' meeting of Carige no longer applied, it announced that its resolution of 25 February 2014 calling for an Extraordinary Shareholders' Meeting of Banca Carige was considered superseded and accordingly rescinded.
With notice dated March 4, 2014 communicating the initiation of proceedings under Article 154-ter of Legislative Decree 58/1998, Consob assumed the occurrence of further instances of non-compliance in the separate and consolidated financial statements of the Issuer as at 31 December 2012 with the applicable international accounting standards, with respect to those already identified in its ruling no. 18758 of 10 January 2014, concerning supplementation of the technical reserves accounted for by the insurance subsidiary Carige Assicurazioni in the 2012 Financial Statements. On 18 March 2014, the Bank sent Consob a letter outlining its deductions as to the objections raised by the Supervisory Authority noting, in particular, that said objections, by their own nature, have no impact on the balance sheet amounts of Carige Assicurazioni as at the end of 2012 but only on the timing of formation of the accounts as, according to Consob's approach, they should have been recognised in the financial statements for fiscal year 2011 and not in those for 2012. No further updates are available as at today.
In March, the insurance supervisor, IVASS, concluded the inspection at the insurance subsidiaries which it had started on 1 October 2013. Having acknowledged the results of the inspection and request for intervention as reported by the Supervisory Authority, on 20 March 2014, the Board of Directors of Carige Assicurazioni resolved that a request for recapitalisation in the amount of EUR 92 million be transmitted to the Parent Company in order to reinstate an available solvency margin equal to approximately 120% of the required solvency margin; On 27 March 2014, this request was accepted by the Board of Directors of Banca Carige which, subject to the necessary authorisations being granted by the Bank of Italy, resolved to approve the capital strengthening of Carige Assicurazioni SpA for the afore-mentioned amount. Following approval granted by the Bank of Italy with Note registered under protocol no. 0540135/14 of 26 May 2014, which authorised Banca Carige S.p.A. to underwriting the share capital increase of Carige Assicurazioni S.p.A. for the entire amount of EUR 92,000,000.00, on 30 June 2014 Banca Carige S.p.A. paid up an amount of EUR 91,998,080.00 as a consideration for the subscription of 287,494 new shares.
In its meeting on 27 March, the Board of Directors resolved to approve the 2014–2018 Business Plan of the Banca Carige Group, reconfirming Carige's historical vocation as a locally rooted retail bank, focusing on northern Italy, to serve households and small- to medium-sized businesses.
The Board of Directors also resolved to exercise the power it had been delegated by the extraordinary shareholders' meeting of 29/4/2013 pursuant to art. 2443 of the Italian Civil Code. In particular, the

Board of Directors, exercising the aforementioned power, resolved to increase share capital, against consideration in one or more tranches, for an aggregate amount of EUR 800 million, inclusive of share premium if any, through the issuance of ordinary shares, having regular dividend entitlement and the same characteristics as shares outstanding as at the date of issuance, with no indication of par value, to be offered pre-emptively to holders of ordinary and savings shares, proportionally to the number of ordinary and savings shares held, deferring to a subsequent meeting any decision concerning the definition of the final conditions of the capital increase. On 11/6/2014, CONSOB approved the Registration Document, Informative Note and Summary Note, jointly constituting the Prospectus for the rights issue offered to Banca Carige's ordinary and savings shareholders and admission to trading of Banca Carige's ordinary shares arising from the share capital increase on the Electronic Stock Market (*Mercato Telematico Azionario*, MTA) organised and managed by Borsa Italiana S.p.A.

On 12 June 2014, the Board of Directors set the final terms and conditions for the share capital increase via a rights issue, approving the issuance of up to 7,992,888,534 new ordinary shares, with no indication of par value and the same characteristics (including regular dividend entitlement) as the ordinary shares outstanding, to be offered pre-emptively to holders of ordinary and/or savings shares - in the offering period running from 16/6/2014 to 4/7/2014 – at a subscription price of Euro 0.10 (applying a discount of 40.78% with respect to, the theoretical ex right price (TERP), calculated on closing price as at 11/6/2014) for each new Banca Carige share, of which EUR 0.05 as share premium, with an allotment ratio of 93 newly issued shares for every 25 ordinary and/or savings shares held. In relation to the share capital increase, Carige S.p.A. signed an underwriting agreement on the same date with Mediobanca – Banca di Credito Finanziario S.p.A., acting as Global Coordinator and Joint Bookrunner, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank A.G. London Branch and UniCredit Bank AG, Milan branch, acting as Co-Global Coordinators and Joint Bookrunners, Banco Santander SA, Commerzbank Aktiengesellschaft – London Branch and Nomura International plc., as Joint Bookrunners, as well as Banca Akros S.p.A., Banca Aletti S.p.A. and Intermonte SIM S.p.A., as Co-Lead Managers.

The pre-emptive offering of up to 7,992,888,534 newly issued Banca Carige ordinary shares arising from the rights issue (launched on 16 June 2014) was completed on 4 July 2014: during the offering period, 2,145,619,350 pre-emptive rights were exercised for the subscription of 7,981,703,982 new shares, accounting for 99.9% of total new shares offered, for an overall amount of EUR 798,170,398.20. Subsequently, on 8/7/2014, in compliance with article 2441, paragraph 3, of the Italian Civil Code, all 3,006,600 rights left unexercised at the end of the rights offering period were sold at a unit price of EUR 0.245. These rights were exercised in full by 11/7/2014 with the subscription of a total of 11,184,552 new shares arising from the exercise of said rights, for an overall amount of EUR 1,118,455.20. The Public Offering was thus completed with the subscription of all 7,992,888,534 New Shares, for an overall amount of 799,288,853.40, without the Underwriting Syndicate having to step in. Finally, the certification of full subscription of the share capital increase was filed with the Genoa Register of Companies on 14/7/2014 under the terms and within the deadlines set out by regulations in force, together with the amended Articles of Association.

On 30 April, in addition to approving the financial statements as at 31/12/2013, the Ordinary shareholders' meeting of Carige S.p.A., among other things, confirmed the directorship of Mr. Piero Luigi Montani, who had been co-opted by the Board of Directors in its meeting of 29/10/2013 and appointed Chief Executive Officer of the Bank, effective as of 5/11/2013, with the same term of office as the other members of the Board of Directors, i.e. expiring on the date of the shareholders' meeting called to approve the financial statements as at 31 December 2015.

The same shareholders' meeting appointed the Board of Statutory Auditors for the 2014-2016 three-year period, with its term of office expiring on the date of the shareholders' meeting called to approve the financial statements as at 31/12/2016, on the basis of two lists submitted by shareholders pursuant to art. 26 of the Articles of Association, as follows:

- Maddalena Costa and Diego Maggio were appointed as standing auditors and Vittorio Rocchetti as alternate auditor, from the list obtaining the majority of votes at the shareholders' meeting and submitted by the shareholder Fondazione Cassa di Risparmio di Genova e Imperia;
- Stefano Lunardi was appointed as standing auditor and elected Chairman of the Board of Statutory Auditors pursuant to art. 26, paragraph 7 of the Articles of Association, and Francesco Isoppi was appointed as alternate auditor, from the list obtaining the minority of votes at the shareholders' meeting and submitted by the shareholders, Coop Liguria S.c.r.l. di consumo, Talea So-

cietà di Gestione Immobiliare S.p.A., Gefip Holding SA, Finanziaria di Partecipazioni e Investimenti S.p.A., Genuensis Immobiliare S.p.A., Genuensis di Revisione S.p.A., Immobiliare Ardo S.s., Fondazione Agostino Maria De Mari - Cassa di Risparmio di Savona, Fondazione Cassa di Risparmio di Carrara, Fondazione Banca del Monte di Lucca.

On 5 May, the bank's special meeting of savings shareholders appointed lawyer Alessandro Arvigo as the common representative of savings shareholders for the 2014-2016 three-year period, whose term of office shall expire on the date of the shareholders' meeting called to approve the financial statements at 31/12/2016.

On 6 May, the Board of Directors resolved to confirm Piero Luigi Montani as Chief Executive Officer, following his confirmation as director by the shareholders' meeting on 30 April, along with the responsibilities and delegated powers he was vested with during the meeting on 29/10/2013, at the time of his previous co-optation to the Board.

On 15 May, the Board of Directors ascertained that, as a result of verifications conducted, standing auditor Diego Maggio did not meet the requirements set out in art. 148, paragraph 3, of Legislative Decree no. 58/1998, and was therefore dismissed from office, pursuant to the aforementioned regulations. As provided for by art. 2401 of the Italian Civil Code and art. 26, para. 10 of the Company's Articles of Association, Diego Maggio was succeeded in office as a Standing Auditor by Alternate Auditor, Vittorio Rocchetti, appointed by the Shareholders' Meeting from the same list, obtaining the majority of votes and submitted by the shareholder, Fondazione Cassa di Risparmio di Genova e Imperia.

On 18 June, considering that the 2014-2018 Business Plan provides for the roll-out of a new distribution structure to be obtained through the closure of 80-90 branches and that, in order to gradually implement the actions set out in the Business Plan, 31 branches of Carige S.p.A.'s distribution network were identified for closure based on specific location, potential and performance analyses, adding to Branch 56-Genoa-Istituto Brignole -which the Committee had already decided to close at its meeting on 16/4/2014- and, for the most part, largely overlapping in terms of sphere of influence and customer catchment area, the Executive Committee resolved to rationalise Carige S.p.A.'s footprint in the Liguria area, by closing 31 branches, 18 of which in the municipality of Genoa, 3 in the province of Genoa, 1 in the municipality of Savona, 3 in the province of Savona and 6 in the province of Imperia, with transfer of the associated customer accounts to the neighbouring branches. In addition, it is noted that, in February and March 2014, five branches of Banca Carige Italia had been closed (branch no. 1 in Piacenza, branch no. 1 in Gallarate and branches at Inverigo, Termini Imerese and Cittadella).

On 8 July, the Board of Directors announced the following nominations for positions at some of the Bank's subsidiaries, to be submitted to their respective shareholders' meetings:

- Centro Fiduciario S.p.A.: designation of the new Board of Directors, in the persons of Alessandro Repetto, as Chairman, Piero Luigi Montani and Stefano Ricci as Directors. Banca Carige's executive, Nicola Pegoraro, was also appointed as the new General Manager;
- Cassa di Risparmio di Savona S.p.A.: Piero Luigi Montani was appointed as Member of the Board of Directors to replace Giovanni Berneschi. Banca Carige's executive, Federico Pietrini, was designated to serve as General Manager;
- Cassa di Risparmio di Carrara S.p.A.: Cesare Castelbarco Albani was appointed as Deputy Chairman, replacing Giovanni Berneschi;
- Banca Cesare Ponti S.p.A.: Stefano Lunardi, serving as a former alternate auditor, was designated as Chairman of the Board of Statutory Auditors, while Vittorio Rocchetti and Maddalena Costa were nominated as alternate auditors, in view of the resignations of Luigi Sardano and Paolo Farinella.

At the same meeting, the Board of Directors additionally examined and approved the re-organisation of the bank's 'Central Management' structure.

On 14 July 2014, Banca Carige S.p.A. transferred to Ares Life Sciences L.P. 2,231,440 shares of the company Esaote S.p.A., equal to 7.40% of Esaote's share capital for a total consideration of EUR 17,204,724.00, recognising a gross capital gain of about EUR 1.6 million.

On 24 July, having examined the offers received as a result of the process for disposal of the equity interests held in Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A., as outlined in the 2014-18 Business Plan, the Board of Directors resolved to enter into a phase of exclusive negotiations with Apollo Management Holdings L.P. In this transaction, the Bank was assisted by Mediobanca, Leonardo & Co.

S.p.A. and Legance Avvocati Associati. The agreement with Apollo was subsequently signed on 28 October 2014.

On 1 August 2014, the Board of Directors resolved to proceed, as a Banking Group, with submission to the European Central Bank (ECB), via the Bank of Italy, of the application for admission to the "T-LTRO - Targeted Longer-Term Refinancing Operations" programme approved by ECB's Governing Council on 5 June 2014, vesting the CEO and the CFO with the power to fulfil all obligations necessary to give effect to the submission of the aforementioned application on behalf of CARIGE S.p.A. and its subsidiary Banks.

On 7 August 2014 Banca Carige was notified of the conclusion of the sanction proceedings initiated by the Bank of Italy under file number 0798659 of 30 August 2013, with the application of fines, pursuant to art. 144 of the Consolidated Law on Banking, against the former Chairman of the Board, some directors, the Board of Statutory Auditors and the General Manager in office at the time of occurrence of the challenged facts. The proceedings were initiated by the Supervisory Authority following the outcome of inspections conducted at Banca Carige from 3 December 2012 to 13 March 2013 and from 14 March 2013 to 26 July 2013. Banca Carige is jointly and severally obliged to pay the afore-mentioned fines and is entitled to initiate recourse actions against the sanctioned parties.

On 7 August 2014 Banca Carige was also notified of the conclusion of sanction proceedings on antimony laundering initiated by the Bank of Italy under file number 0797721 on 30 August 2013, with direct application of a EUR 113,500 sanction against the Bank under art. 56 of the Italian Anti-Monery Laundering Law.

On 8 August, the relevant internal units informed the Bank of Italy about their intention to participate in the financing programme as a Banking Group.

On 28 August, based on evidence from statistical supervisory data, the scope of loans to be considered for determining the 'initial borrowing allowance', i.e. the initial refinancing amount available for the Bank (7% of reported eligible loans) was sent to the Bank of Italy. On 11 September, the Bank of Italy confirmed that the Group was entitled to participate in the refinancing programme for a maximum initial amount of approximately EUR 1.14 billion.

On 17 September, with settlement date on 24 September, the Carige Group participated in the first T-LTRO transaction, for a total amount of EUR 700 million. In December 2014, the Group borrowed an additional EUR 400 million in the second TLTRO.

On 30 September the Bank signed a specific agreement with the trade unions, as a result of the process starting on 6 May 2014 which, amongst other things and in line with the 2014-18 Business Plan, included an incentive-based retirement scheme for at least 600 employees and the recruitment of 150 resources by the end of 2018, in addition to a review of the personnel remuneration structure, aimed at guaranteeing recurring savings on labour costs.

With its resolution of 21 October 2014, upon completion of the Bank's 'Central Management' reorganisation process, the Board of Directors approved the review of powers delegated by the Board to the Chief Executive Officer and Management Committees, with the overall framework being completed by way of a resolution adopted on the same date. Subsequently, in its meeting on 16 December 2014 the Board of Directors approved the review of powers delegated to the Executive Committee and the Chief Executive Officer on matters concerning human resources, as well as the new Regulations on the organisational and functional restructuring of the Bank, including, among other aspects, the mission and responsibilities of each of the Bank's units.

On 26 October 2014, the Board of Directors took note of the results of the Comprehensive Assessment conducted by the European Central Bank with specific regard to the Stress Test results identifying a need for additional capital ('shortfall') in the amount of EUR 813.4 million under the adverse scenario.

In the same meeting of 26 October 2014, the Board of Directors therefore approved a Capital Plan, subject to ECB approval, designed to cover the shortfall through a set of key measures, including a capital increase for no less than EUR 500 million, asset disposals (i.e. disposal of the Group's entities operating in the insurance, private banking and consumer lending businesses which, as at 31/12/2014, were thus classified as "Non-current assets held for sale / discontinued operations" under IFRS 5; for further details, please refer to Section A.2 of the Consolidated Explanatory Notes) and buyback of the subsidiary banks' non-controlling interests. The commitment was also obtained from Mediobanca - Banca di Credito Finanziario S.p.A. - to pre-underwriting the full subscription of the capital increase for an amount of up to EUR 650 million.

On 28 October 2014, Banca Carige and a company organised and held by investment funds managed by affiliates of Apollo Global Management LLC entered into an agreement which provides for the sale of 100% of the shares held by Banca Carige in Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A., for a total consideration of EUR 310 million as well as the signing of long-terms agreements by Banca Carige, and the other Group banks it controls with Apollo for the distribution of life and non-life insurance products. The closing of the transaction, which is conditional upon obtaining the necessary authorisations from the relevant authorities and subject to specific conditions precedent, is expected to be finalised in the first half of 2015.
On 4 November 2014 the *Single Supervisory Mechanism – SSM* entered into force. This framework – which extends to the banks of the Euro area and other countries of the European Union which may opt to participate – includes direct supervision of the most significant banks (120, of which 13 Italian), while the national supervisors will retain control over the other banks in accordance with guidelines set by the ECB.
On 16 December, considering that the capital plan remediation actions submitted to the ECB with a view to covering the reported demand for additional capital resulting from the Comprehensive Assessment exercise conducted by the ECB, also include the buyback of the minority interests of Cassa di Risparmio di Savona S.p.A., Banca del Monte di Lucca S.p.A. and Cassa di Risparmio di Carrara S.p.A., currently held by a number of Foundations, the Board of Directors resolved to vest the Chairman and the CEO with the power to enter into negotiations with the Foundations holding interests in the subsidiary banks of the Carige Group, for the purpose of purchasing their minority interests via a swap with newly issued shares of Carige S.p.A..

During the same meeting the Board of Directors also resolved to proceed with the early redemption of the “Carige Covered Bond floating rate 2012-2016” issuance for up to EUR 250 million with the consequent withdrawal of amounts deposited at BILLIONP Paribas for an indicative amount of EUR 240 million owing to a lesser need for collateral to back the issuance.

The Board of Directors also resolved to approve the strategic guidelines for the credit policy of the Banca Carige Group for 2015-2018 as outlined in the document "Strategic guidelines for the credit policy of the Carige Group", which was prepared in accordance with both guidance in the Business Plan of the Banca Carige Group and the outcome of the Group's Risk Appetite Framework.

OTHER GROUP COMPANIES

On 14 January, the inspection conducted by the Bank of Italy at the Centro Fiduciario C.F. S.p.A. was completed. The inspection had started on 19 September 2013 with initiation of administrative sanction proceedings, which were notified to the General Manager and the company on 31 March, in relation to the late reporting of one suspicious transaction.
On 25 February 2014 the Board of Directors of Banca Carige Italia made the following designations: lawyer Roberto Pani and professor Giovanni Battista Pittaluga as new members of the Board of Directors, pursuant to art. 2386, para. 1 of the Italian Civil Code, to replace outgoing Directors Evelina Christillin and Elena Vasco with term of office until the subsequent Shareholders’ Meeting.
On 3 March 2014, the Director of Cassa di Risparmio di Savona, Ms. Franca Roveraro tendered her resignations. Subsequently, on 21 March 2014, the Board of Directors co-opted Directors Alessandro Repetto (who was appointed Deputy Chairman), Alessio Albani and Ettore Campostano to replace three outgoing Directors:.
On 23 April 2014 the Ordinary Shareholders' Meeting of Cassa di Risparmio di Carrara appointed Mr. Fabrizio Santucci as member of the Board of Directors of Cassa di Risparmio di Carrara S.p.A. to replace outgoing Lucio Boggi, for the 2014-2015 period with term of office expiring on the date of the Shareholders' Meeting called to approve the financial statements at 31/12/2015.
On the same date, the majority of members of the Board of Directors of Centro Fiduciario S.p.A. - Giovanni Bonalumi, Gabriele Delmonte, Roberto Mumolo and Daniela Rosina – tendered their resignations effective, for legal purposes, from the date the shareholders’ meeting appointed the new Board. Subsequently, on 4/7/2014, the Director Giovanni Tedeschi also handed in his resignation, effective from the same date.
On 27 May, the Boards of Directors of the subsidiaries Cassa di Risparmio di Carrara S.p.A. and Cassa di Risparmio di Savona S.p.A. – following enforcement of a personal precautionary measure against

Giovanni Berneschi – resolved, pursuant to art. 26 of the Consolidated Law on Banking and Ministerial Decree no.161/1998, to suspend him from his respective offices of Deputy Chairman and Director in the afore-mentioned banks. Simultaneously, the Boards of Directors of the two subsidiaries mandated the respective Chairmen to call the shareholders' meetings to adopt the necessary resolutions in accordance with art. 6, paragraph 2, of Ministerial Decree no. 161/1998 regarding the revocation of the afore-mentioned representative.
On 25 June 2014, Mr. Luigi Sardano, Chairman of the Board of Statutory Auditors of Banca Cesare Ponti, tendered his resignations effective from the date of the following Shareholders' meeting of the Bank, as did Mr. Paolo Farinella whose resignations as Alternate Auditor were handed in on 7 April 2014. The Shareholders' meeting on 24 July the Board of Statutory Auditors for the 2013-2015 three-year period, with term of office expiring on the date of the shareholders' meeting called to approve the financial statements as at 31/12/2015 by appointing former alternate auditor Stefano Lunardi as Chairman of the Board of Statutory Auditors, and Maddalena Costa and Vittorio Rocchetti as alternate auditors.
On 1 July, the Board of Directors of Banca Carige Italia S.p.A. appointed Piero Luigi Montani (who had previously been appointed to the Board by the shareholders' meeting) as Chief Executive Officer. Concurrently, Gabriele Delmonte terminated his secondment as an executive at the subsidiary, where he served as General Manager, and returned to serve in the Parent Company, Banca Carige, as Head of the Group's Credit division.
On 11 July, the Shareholders' Meeting of Centro Fiduciario C.F. S.p.A., based on the prior revocation of Director Giovanni Berneschi for just cause, set the number of Directors at three and appointed Alessandro Repetto as Chairman and Piero Luigi Montani and Stefano Ricci as Directors for the 2014-2016 three-year period. On 17 July, the Genoa Public Prosecutor's Office, as a result of the preventive detention orders taken on the same date against the General Manager, Deputy General Manager and proxy holder of the Centro Fiduciario C.F. S.p.A., appointed a *pro-tempore* official administrator pursuant to art. 45 of Legislative Decree no. 231/2001 for business continuity.
On 17 July 2014 the Ordinary Shareholders' Meeting of Cassa di Risparmio di Carrara, discussing the agenda item "Resolutions pursuant to art. 6 of Ministerial Decree no. 161 of 18 March 1998 and possible ensuing determinations for the integration of the Board of Directors" resolved to dismiss Deputy Chairman Mr. Giovanni Berneschi for just cause and appoint Mr. Cesare Castelbarco Albani as member and Deputy Chairman of the Board of Directors of Cassa di Risparmio di Carrara S.p.A.
On 18 July 2014 the Ordinary Shareholders' Meeting of Cassa di Risparmio di Savona resolved upon dismissal of Director Giovanni Berneschi for just cause, whom the Board of Directors had previously suspended from office at its meeting on 27 May 2014. At the same meeting, Mr. Piero Luigi Montani, CEO of the Parent Company, Banca Carige S.p.A., was appointed Director for the remaining part of the 2012/2014 term On 25 July 2014 the Board of Directors acknowledged the resignation of Mr. Achille Tori as CEO as of 1 August 2014. Effective as of the same date, Mr. Tori stayed in office as Director for the remaining part of his term. At the same meeting, the Board of Directors designated Federico Pietrini, a seconded executive, to serve as General Manager of the Bank as of 1 August 2014.
In October, the Boards of Directors of the Group's subsidiary banks acknowledged the contents of the agreements entered into by and between Banca Carige S.p.A, in its capacity as the Parent Company, and the trade unions as approved by the Board of Directors' meeting on 10 October 2014.
On 16 October 2014, having acknowledged the termination of Mr. Roberto Battistini's secondment with Cassa di Risparmio di Carrara in line with the Parent Company's instructions, the Board of Directors of Cassa di Risparmio di Carrara appointed Mr. Giorgio Provvedi as General Manager effective as of 20 October 2014.
On 16 December 2014, following resignation of Mr. Montani only from his position as CEO, the Board of Directors of Banca Carige Italia appointed the Chief Commercial Officer (CCO) of the Parent Company, Mr. Claudio Gargiullo, as General Manager of Banca Carige Italia.

OTHER EVENTS

ECB'S comprehensive assessment findings

On 7 November 2014, Consob requested the Parent Company (being a listed bank subject to the ECB's Comprehensive Assessment, hereinafter also "CA" ) to include information regarding the CA exercise in its interim financial report as at 30 September 2014, pursuant to art. 114, para. 5 of Legislative Decree no. 58/98, having particular regard to the AQR results reported in the disclosure template published on 26 October 2014.

On 30 January 2015, Consob requested the Parent Company to include information on the accounting effects arising from the quantitative findings of the AQR in a Press Release to be disclosed upon approval of the preliminary results as at 31 December 2014.

All information available to its knowledge was provided by the Parent Company, as requested, in its press release of 11 February upon approval of the preliminary consolidated results as at 31 December 2014. For any further details, please refer to the contents of the press release and information provided in Part A – Accounting Policies of the Explanatory Notes to these Financial Statements for 2014.

CONSOB proceedings pursuant to article 157, paragraph 2 (impugnation of the 2013 financial statements) and 154-ter of the consolidated law on finance

Through a writ of summons served on 9 January 2015, which was disclosed by the Bank via a press release distributed on the same date, Consob, the Italian Securities Commission, notified Banca Carige pursuant to Art. 157, para. 2 of the Consolidated Law Finance that a civil case had been initiated in the Court of Genoa requesting for a declaration of nullity or annulment of the Shareholders' Meeting resolution of 30 April 2014 approving Banca Carige's separate Financial Statements as at 31 December 2013 on grounds of alleged non-compliance of afore-mentioned Financial Statements with financial reporting standards, namely accounting principles IAS 1, 8 and 36, as well as ascertainment of non-compliance of the Consolidated Financial Statements with the afore-mentioned accounting principles.

In the writ of summons, Consob raised a claim against Banca Carige's disagreement with the methods used to address the findings reported in its Ruling no. 18758 of 10 January 2014, concerning restatement -under accounting principle IAS 8- of the goodwill amounts and equity investments held in its banking and insurance subsidiaries for the year ending 31 December 2012. According to Consob, the claimed infringements are alleged to also have resulted in a breach of the general principle of accrual accounting.

The first hearing has been scheduled for 19 May 2015 and, pursuant to the Code of Civil Procedure, the term for Banca Carige to appear in court (or respond in writing to the court) has been set to 27 April 2015.

In light of the reasons given by the Bank during discussions with Consob and disclosure periodically provided to Consob and the market, the Bank – partly on the basis of considerations by high-standing professionals engaged by the Company- deems the risk of losing the civil case initiated by Consob unlikely and has therefore not proceeded with the re-statement of comparative data for 2013. Moreover, this evaluation is corroborated by other elements, including the preliminary status of judgment, the absence - in the writ of summons - of any indications concerning the amount of loan loss provisions required and nature of claims, with reference being made to choices which fall within the technical discretion of the preparer of the financial statements.

In light of the above, the Bank is confident that the Judicial Authority will confirm the fairness of its conduct and compliance of its financial statements with financial reporting standards.

## FUNDING, LENDING AND SECURITIES PORTFOLIO

It should be noted that, on the back of the application of IFRS 5 – as described in the Accounting Policies of the Explanatory Notes -, the balance sheet amounts of the insurance Group, Banca Cesare Ponti and Creditis as at 31 December 2014 are posted under the specific items "Non-current assets held for sale and discontinued operations" and "Liabilities associated to non-current assets held for sale and discontinued operations". Although IFRS 5 does not call for the restatement of comparative balance-sheet data as at 31 December 2013, for the sole purpose of a like-for-like comparison, in addition to the historical figures reported in the 2013 Annual Report, some restated comparative data has been included only in the report on operations, as necessary, with changes calculated thereon.
Please note that comments to the tables are made with reference to restated data, if available

**ASSETS** *(thousands of Euro)*

| | 31/12/2014 | 31/12/2013 restated | 31/12/2013 | Changes from restated figures absolute | % |
|---|---|---|---|---|---|
| **10** - *CASH AND CASH EQUIVALENTS* | 329,394 | 337,254 | 339,280 | (7,860) | (2.3) |
| **20** - *FINANCIAL ASSETS HELD FOR TRADING* | 67,762 | 125,254 | 132,697 | (57,492) | (45.9) |
| **30** - *FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS* | - | - | 258,633 | - | ... |
| **40** - *FINANCIAL ASSETS AVAILABLE FOR SALE* | 3,037,414 | 6,214,425 | 10,544,587 | (3,177,011) | (51.1) |
| **60** - *LOANS TO BANKS* | 754,732 | 1,187,767 | 1,218,989 | (433,035) | (36.5) |
| **70** - *LOANS TO CUSTOMERS* | 23,682,831 | 24,670,772 | 25,476,359 | (987,941) | (4.0) |
| **80** - *HEDGING DERIVATIVES* | 201,525 | 125,811 | 125,811 | 75,714 | 60.2 |
| **100** - *EQUITY INVESTMENTS* | 92,482 | 91,547 | 91,552 | 935 | 1.0 |
| **110** - *TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES SUBJECT TO JOINT CONTROL* | - | - | 155,233 | - | ... |
| **120** - *PROPERTY AND EQUIPMENT* | 769,760 | 773,040 | 1,070,877 | (3,280) | (0.4) |
| **130** - *INTANGIBLE ASSETS* | 116,148 | 142,748 | 188,067 | (26,600) | (18.6) |
| *of which:* | | | | - | ... |
| - goodwill | 57,145 | 73,064 | 106,479 | (15,919) | (21.8) |
| **140** - *TAX ASSETS* | 2,032,517 | 1,836,388 | 2,083,257 | 196,129 | 10.7 |
| *a) current* | 1,034,463 | 216,117 | 298,245 | 818,346 | ... |
| *b) deferred* | 998,054 | 1,620,271 | 1,785,012 | (622,217) | (38.4) |
| *- of which under Law no. 214/2011* | 753,312 | 1,409,436 | 1,425,756 | (656,124) | (46.6) |
| **150** - *NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS* | 6,854,768 | 6,272,868 | - | 581,900 | 9.3 |
| **160** - *OTHER ASSETS* | 370,227 | 378,401 | 470,933 | (8,174) | (2.2) |
| **TOTAL ASSETS** | **38,309,560** | **42,156,275** | **42,156,275** | **(3,846,715)** | **(9.1)** |

**LIABILITIES AND SHAREHOLDERS' EQUITY** *(thousands of Euro)*

| | 31/12/2014 | 31/12/2013 restated | 31/12/2013 | Changes from restated figures absolute | % |
|---|---|---|---|---|---|
| **10** - *DEPOSITS FROM BANKS* | 1,877,094 | 8,161,063 | 8,161,242 | (6,283,969) | (77.0) |
| **20** - *DEPOSITS FROM CUSTOMERS* | 17,332,987 | 14,493,738 | 14,817,367 | 2,839,249 | 19.6 |
| **30** - *SECURITIES ISSUED* | 8,121,888 | 9,217,474 | 9,217,979 | (1,095,586) | (11.9) |
| **40** - *FINANCIAL LIABILITIES HELD FOR TRADING* | 11,667 | 14,567 | 14,567 | (2,900) | (19.9) |
| **50** - *FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS* | 964,726 | 1,019,939 | 1,296,816 | (55,213) | (5.4) |
| **60** - *HEDGING DERIVATIVES* | 515,252 | 457,998 | 457,998 | 57,254 | 12.5 |
| **80** - *TAX LIABILITIES* | 24,421 | 161,251 | 252,242 | (136,830) | (84.9) |
| *(a) current* | 12,891 | 65,463 | 94,683 | (52,572) | (80.3) |
| *(b) deferred* | 11,530 | 95,788 | 157,559 | (84,258) | (88.0) |
| **90 -** *LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS* | 6,474,615 | 5,901,831 | - | 572,784 | 9.7 |
| **100** - *OTHER LIABILITIES* | 640,768 | 657,922 | 812,430 | (17,154) | (2.6) |
| **110** - *EMPLOYEE TERMINATION INDEMNITIES* | 82,588 | 82,455 | 89,232 | 133 | 0.2 |
| **120** - *ALLOWANCES FOR RISKS AND CHARGES* | 446,011 | 344,818 | 375,415 | 101,193 | 29.3 |
| *a) post employment benefits* | 393,563 | 318,587 | 320,900 | 74,976 | 23.5 |
| *b) other allowances* | 52,448 | 26,231 | 54,515 | 26,217 | 99.9 |
| **130** - *TECHNICAL RESERVES* | - | - | 5,017,768 | - | ... |
| **140** - *VALUATION RESERVES* | (190,025) | (123,950) | (123,950) | (66,075) | 53.3 |
| **170** - *RESERVES* | (426,348) | 296,061 | 296,061 | (722,409) | ... |
| **180** - *SHARE PREMIUM RESERVE* | 368,856 | 1,020,990 | 1,020,990 | (652,134) | (63.9) |
| **190** - *SHARE CAPITAL* | 2,576,863 | 2,177,219 | 2,177,219 | 399,644 | 18.4 |
| **200** - *TREASURY SHARES (-)* | (20,283) | (21,282) | (21,282) | 999 | (4.7) |
| **210** - *NON-CONTROLLING INTERESTS (+/-)* | 52,071 | 55,838 | 55,838 | (3,767) | (6.7) |
| **220** - *NET PROFIT (LOSS) (+/-)* | (543,591) | (1,761,657) | (1,761,657) | 1,218,066 | (69.1) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **38,309,560** | **42,156,275** | **42,156,275** | **(3,846,715)** | **(9.1)** |

Analytical details of balance sheet restatements as at 31/12/2013 are provided in the following tables.

**ASSETS** *(thousands of Euro)*

| | 31/12/2013 | Restatements | 31/12/13 restated |
|---|---|---|---|
| **10** - *CASH AND CASH EQUIVALENTS* | 339,280 | (2,026) | 337,254 |
| **20** - *FINANCIAL ASSETS HELD FOR TRADING* | 132,697 | (7,443) | 125,254 |
| **30** - *FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS* | 258,633 | (258,633) | - |
| **40** - *FINANCIAL ASSETS AVAILABLE FOR SALE* | 10,544,587 | (4,330,162) | 6,214,425 |
| **60** - *LOANS TO BANKS* | 1,218,989 | (31,222) | 1,187,767 |
| **70** - *LOANS TO CUSTOMERS* | 25,476,359 | (805,587) | 24,670,772 |
| **80** - *HEDGING DERIVATIVES* | 125,811 | - | 125,811 |
| **100** - *EQUITY INVESTMENTS* | 91,552 | (5) | 91,547 |
| **110** - *TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES SUBJECT TO JOINT CONTROL* | 155,233 | (155,233) | - |
| **120** - *PROPERTY AND EQUIPMENT* | 1,070,877 | (297,837) | 773,040 |
| **130** - *INTANGIBLE ASSETS* | 188,067 | (45,319) | 142,748 |
| *of which:* | | | |
| - goodwill | *106,479* | *(33,415)* | *73,064* |
| **140** - *TAX ASSETS* | 2,083,257 | (246,869) | 1,836,388 |
| *a) current* | 298,245 | (82,128) | 216,117 |
| *b) deferred* | 1,785,012 | (164,741) | 1,620,271 |
| *- of which under Law no. 214/2011* | 1,425,756 | (16,320) | 1,409,436 |
| **150** - *NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS* | - | 6,272,868 | 6,259,395 |
| **160** - *OTHER ASSETS* | 470,933 | (92,532) | 378,401 |
| **TOTAL ASSETS** | **42,156,275** | **-** | **42,142,802** |

**LIABILITIES AND SHAREHOLDERS' EQUITY** *(thousands of Euro)*

| | 31/12/2013 | Restatements | 31/12/13 restated |
|---|---|---|---|
| **10** - *DEPOSITS FROM BANKS* | 8,161,242 | (179) | 8,161,063 |
| **20** - *DEPOSITS FROM CUSTOMERS* | 14,817,367 | (323,629) | 14,493,738 |
| **30** - *SECURITIES ISSUED* | 9,217,979 | (505) | 9,217,474 |
| **40** - *FINANCIAL LIABILITIES HELD FOR TRADING* | 14,567 | - | 14,567 |
| **50** - *FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS* | 1,296,816 | (276,877) | 1,019,939 |
| **60** - *HEDGING DERIVATIVES* | 457,998 | - | 457,998 |
| **80** - *TAX LIABILITIES* | 252,242 | (90,991) | 161,251 |
| *(a) current* | 94,683 | (29,220) | 65,463 |
| *(b) deferred* | 157,559 | (61,771) | 95,788 |
| **90 -** *LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS* | - | 5,901,831 | 5,901,831 |
| **100** - *OTHER LIABILITIES* | 812,430 | (154,508) | 657,922 |
| **110** - *EMPLOYEE TERMINATION INDEMNITIES* | 89,232 | (6,777) | 82,455 |
| **120** - *ALLOWANCES FOR RISKS AND CHARGES* | 375,415 | (30,597) | 344,818 |
| *a) post employment benefits* | 320,900 | (2,313) | 318,587 |
| *b) other allowances* | 54,515 | (28,284) | 26,231 |
| **130** - *TECHNICAL RESERVES* | 5,017,768 | (5,017,768) | - |
| **140** - *VALUATION RESERVES* | (123,950) | - | (123,950) |
| **170** - *RESERVES* | 296,061 | - | 296,061 |
| **180** - *SHARE PREMIUM RESERVE* | 1,020,990 | - | 1,020,990 |
| **190** - *SHARE CAPITAL* | 2,177,219 | - | 2,177,219 |
| **200** - *TREASURY SHARES (-)* | (21,282) | - | (21,282) |
| **210** - *NON-CONTROLLING INTERESTS (+/-)* | 55,838 | - | 55,838 |
| **220** - *NET PROFIT (LOSS) (+/-)* | (1,761,657) | - | (1,761,657) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **42,156,275** | - | **42,156,275** |

The 2014 financial year was characterised by a process of rationalisation, capitalisation and reorganisation of the Group, in line with the Business Plan approved in March 2014. The Group's business was mainly aimed at consolidating funding volumes and continuing the activities put in place in lending.

Nevertheless, the Group managed to grow in certain strategic components for its future, such as core funding (current accounts and savings deposits for an amount of EUR 14.7 billion) and assets under management (EUR 10.2 billion).
More specifically, overall funding from customers – direct and indirect deposits – amounted to EUR 47,337.7 million as at 31 December 2014, up 4.1% as compared to December 2013.
Direct deposits amounted to EUR 26,419.6 million, whilst indirect deposits totalled EUR 20,918.1 million. The latter accounted for 44.2% of overall funding from customers, with 48.7% consisting in Assets under Management and 51.3% in Assets under Custody.

## OVERALL FUNDING *(thousands of euro)*

| | Situation as at | | | Changes from restated figures | |
|---|---|---|---|---|---|
| | 31/12/2014 | 31/12/13 restated | 31/12/2013 | Absolute | % |
| **Total (A+B)** | **47,337,742** | **45,469,208** | **47,880,000** | **1,868,534** | **4.1** |
| **Direct deposits (A)** (1) | **26,419,601** | **24,731,151** | **25,055,285** | **1,688,450** | **6.8** |
| *% share of total* | *55.8%* | *54.4%* | *52.3%* | | |
| **Indirect deposits (B)** | **20,918,141** | **20,738,057** | **22,824,715** | **180,084** | **0.9** |
| *% share of total* | *44.2%* | *45.6%* | *47.7%* | | |
| - Assets under management | 10,182,365 | 9,353,512 | 10,510,623 | 828,853 | 8.9 |
| *% share of total* | *21.5%* | *20.6%* | *22.0%* | | |
| *% share of Indirect deposits* | *48.7%* | *45.1%* | *46.0%* | | |
| - Assets under custody | 10,735,776 | 11,384,545 | 12,314,093 | (648,769) | (5.7) |
| *% share of total* | *22.7%* | *25.0%* | *25.7%* | | |
| *% share of Indirect deposits* | *51.3%* | *54.9%* | *54.0%* | | |

(1) Items 20, 30 and 50 of Balance Sheet liabilities. As at 31/12/2013, Carige Vita Nuova liabilities, carried at fair value and relating to products for which the investment risk is borne by the policy holders, are not included in this table.

Overall funding, totalling EUR 28,296.7 million, was down 14% as of the beginning of the year, reflecting trends in deposits from banks.
Direct deposits totalled EUR 26,419.6 million, up 6.8% from December. Excluding "institutional" deposit items (amounting to EUR 7,263.4 million) from the total, retail deposits were down 3.2%.
More specifically, total deposits from customers amounted to EUR 17,333 million: current accounts and demand deposits totalled EUR 12,850.3 million, repurchase agreements amounted to EUR 2,395.9 million, while term deposits, being a commercial alternative to retail bonds, were in the region of EUR 1,877.2 million.
Securities issued and liabilities designated at fair value through profit and loss totalled EUR 9,086.6 million. Outstanding securities issued include subordinated securities for a nominal value of EUR 1,136.5 million, carried at a book value of EUR 1,149.1 million.
As regards contract duration, short-term deposits - accounting for 61% of total- amounted to EUR 16,119.9 million, while medium/long-term deposits, accounting for 39%, totalled EUR 10,299.7 million.
Deposits from banks totalled EUR 1,877.1 million, down 77%, following full repayment of the EUR 7 billion LTROs, only partly offset by the EUR 1,130 million in T-LTRO funds obtained in September and December 2014.

**FUNDING** *( thousands of Euro )*

| | Situation as at | | | Changes from restated figures | |
|---|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 restated | 31/12/2013 | Absolute | % |
| **Total (A+B)** | **28,296,695** | **32,892,214** | **33,216,527** | **-4,595,519** | **(14.0)** |
| **Direct deposits (A)** | **26,419,601** | **24,731,151** | **25,055,285** | **1,688,450** | **6.8** |
| Deposits from customers | 17,332,987 | 14,493,738 | 14,817,367 | 2,839,249 | 19.6 |
| current accounts and demand deposits | 12,850,328 | | 12,794,190 | | |
| repurchase agreements | 2,395,867 | | 376,440 | | |
| term deposits | 1,877,180 | | 1,442,277 | | |
| loans | 7,699 | | 5,593 | | |
| commitments to repurchase own equity instruments | - | | 9,890 | | |
| other | 201,913 | | 188,977 | | |
| Securities issued | 8,121,888 | 9,217,474 | 9,217,979 | -1,095,586 | (11.9) |
| bonds | 8,088,826 | | 9,170,315 | | |
| other securities | 33,062 | | 47,664 | | |
| Financial liabilities designated at fair value through profit and loss (1) | 964,726 | 1,019,939 | 1,019,939 | -55,213 | (5.4) |
| bonds | 964,726 | | 1,019,939 | | |
| short-term | 16,119,901 | 13,906,406 | 14,004,090 | 2,213,495 | 15.9 |
| *% share of total* | *61.0* | *56.2* | *55.9* | | |
| medium-long term | 10,299,700 | 10,824,745 | 11,051,195 | -525,045 | (4.9) |
| *% share of total* | *39.0* | *43.8* | *44.1* | | |
| **Deposits from banks (B)** | **1,877,094** | **8,161,063** | **8,161,242** | **-6,283,969** | **(77.0)** |
| Deposits from central banks | 1,130,316 | | 7,169,934 | | |
| Current accounts and demand deposits | 92,639 | | 379,172 | | |
| Term deposits | 403 | | 16,165 | | |
| Repurchase agreements | 49,811 | | - | | |
| Loans | 507,693 | | 500,389 | | |
| Other payables | 96,232 | | 95,582 | | |

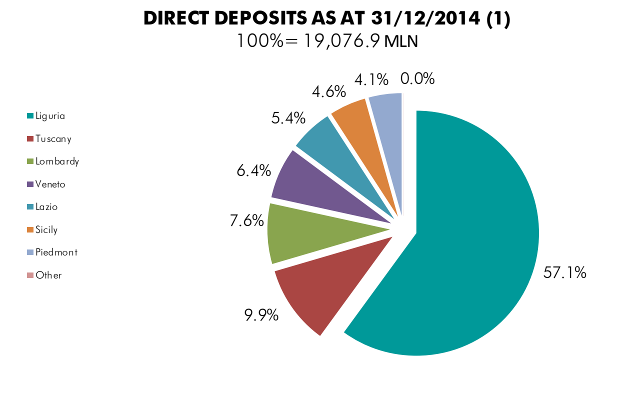
(1) As at 31/12/2013, liabilities at fair va lue of Carige Vita Nuova, equal to Euro 276,877 thousand at 31/12/2013, relating to products in which investment risk is borne by the policy holders, were not included in this table.

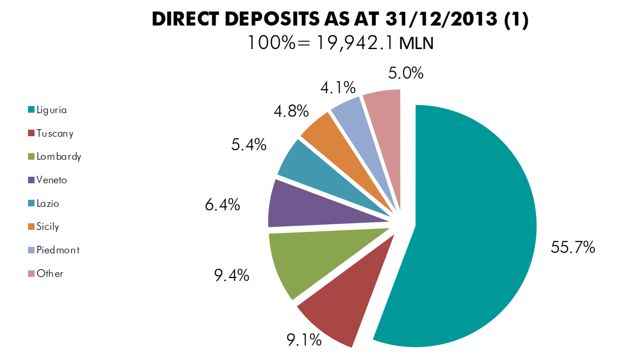
Regional data highlights Liguria's prevailing share [of direct funding] (57.1%). Tuscany is the second-ranking region with a share of 9.9%, followed by Lombardy (7.6%). Veneto's share of total is 6.4% and Lazio's 5.4%. The other regions hold shares lower than 5%.

**DIRECT DEPOSITS (1) - GEOGRAPHICAL DISTRIBUTION** *(in EUR thousands)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | | 31/12/2013 | |
| | | % | | % |
| Liguria | 10,896,169 | 57.1% | 11,112,950 | 55.7% |
| Tuscany | 1,895,452 | 9.9% | 1,824,055 | 9.1% |
| Lombardy | 1,443,315 | 7.6% | 1,874,392 | 9.4% |
| Veneto | 1,228,339 | 6.4% | 1,281,477 | 6.4% |
| Lazio | 1,027,075 | 5.4% | 1,072,200 | 5.4% |
| Sicily | 871,294 | 4.6% | 952,251 | 4.8% |
| Piedmont | 789,911 | 4.1% | 821,274 | 4.1% |
| Emilia Romagna | 316,141 | 1.7% | 361,979 | 1.8% |
| Sardinia | 177,795 | 0.9% | 181,474 | 0.9% |
| Apulia | 175,833 | 0.9% | 188,006 | 0.9% |
| Marche | 118,661 | 0.6% | 126,763 | 0.6% |
| Aosta Valley | 62,240 | 0.3% | 75,886 | 0.4% |
| Umbria | 41,404 | 0.2% | 45,407 | 0.2% |
| **Total Italy** | **19,043,630** | **99.8%** | **19,918,114** | **99.9%** |
| Abroad | 33,238 | 0.2% | 24,024 | 0.1% |
| **Total Italy + Abroad** | **19,076,868** | **100.0%** | **19,942,138** | **100.0%** |
| Other items (2) | 7,342,733 | | 5,113,147 | |
| **Total direct deposits** | **26,419,601** | | **25,055,285** | |

(1) Items 20, 30 and 50 of Balance Sheet liabilities. As at 31/12/2013, Carige Vita Nuova liabilities, carried at fair value and relating to products for which the investment risk is borne by the policy holders, are not included in this table.
(2) (2) Bonds issued as part of the EMTN programme, covered bonds, subordinated loans, repurchase agreements, other bonds issued by vehicle companies against securitised mortgages and deposits deriving from the *on line* deposit account "contoconto".




(1) Net of "Other items".

67.1% of customer deposits are from households, and amount to EUR 10,061.8 million; non-financial companies and personal businesses (EUR 3,012 million) accounts for 20.2%. Financial and insurance companies contributed EUR 648.4 million worth of deposits (4.3 % of total), private social institutions EUR 676.9 million (4.5% of total) and public administrations EUR 334.8 million (2.2% of total).

**DIRECT DEPOSITS - BREAKDOWN BY BUSINESS SEGMENT** *(thousands of Euro)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | | 31/12/2013 | |
| | | % | | % |
| Public Administration | 334,826 | 2.2% | 157,274 | 1.1% |
| Financial and insurance businesses | 648,423 | 4.3% | 658,301 | 4.6% |
| Non-financial businesses and personal businesses | 3,012,003 | 20.2% | 2,830,687 | 19.6% |
| Private social institutions and non-classified entities | 676,899 | 4.5% | 632,211 | 4.4% |
| Households | 10,016,825 | 67.1% | 9,938,724 | 68.8% |
| **Total residents** | **14,688,976** | **98.3%** | **14,217,197** | **98.5%** |
| Rest of the world | 248,144 | 1.7% | 223,730 | 1.5% |
| **Total by business segment** | **14,937,120** | **100.0%** | **14,440,927** | **100.0%** |
| Repurchase agreements | 2,395,867 | | 376,440 | |
| **Total deposits from customers** | **17,332,987** | | **14,817,367** | |
| **Securities issued** | **8,121,888** | | **9,217,979** | |
| **Financial liabilities designated at fair value** | **964,726** | | **1,019,939** | |
| **Total direct deposits** | **26,419,601** | | **25,055,285** | |

Indirect deposits totalled EUR 20,918.1 million, substantially stable over the twelve month period (+0.9%) due to the performance of assets under management, which more than offset the decrease in assets under custody.
AUM, amounting to EUR 10,182.4 million, was up 8.9%. The performance is mainly a result of the trend in mutual funds and open-ended collective investment schemes (Sicavs), amounting to EUR 5,282.7 million (+14.2%) and, to a lesser extent, bancassurance products, totalling EUR 4,523 million (+4.9%); on the other hand, individual managed accounts amounted to EUR 376.7 million (-9.6%).
Assets under custody amounted to EUR 10,735.8 million, down 5.7%; in particular, a decrease was registered in government bonds (-12.6% to EUR 4,017.4 million) and bonds (-19.9% to EUR 1,002.5 million); a decrease was also registered in shares (-12.6%) to EUR 1,087 million. The item "Other", almost entirely made up of assets under custody of the insurance companies, amounted to EUR 4,628.9 million, up 7.9%.

## INDIRECT DEPOSITS *(thousands of euro)*

| | Situation as at | | | Changes from restated figures | |
|---|---|---|---|---|---|
| | 31/12/2014 | 31/12/13 restated | 31/12/2013 | Absolute | % |
| **Total (A+B)** | **20,918,141** | **20,738,057** | **22,824,715** | **180,084** | **0.9** |
| **Assets under management (A)** | **10,182,365** | **9,353,512** | **10,510,623** | **828,853** | **8.9** |
| Mutual funds and open-end collective investment schemes | 5,282,657 | 4,623,839 | 5,353,272 | 658,817 | 14.2 |
| Portfolio management | 376,681 | 416,453 | 808,177 | (39,772) | (9.6) |
| Bancassurance products | 4,523,027 | 4,313,220 | 4,349,173 | 209,808 | 4.9 |
| **Assets under administration (B)** | **10,735,776** | **11,384,545** | **12,314,093** | **(648,769)** | **(5.7)** |
| Government securities | 4,017,414 | 4,597,363 | 4,971,954 | (579,949) | (12.6) |
| Bonds | 1,002,479 | 1,251,935 | 1,556,910 | (249,456) | (19.9) |
| Shares | 1,086,977 | 1,243,312 | 1,488,694 | (156,336) | (12.6) |
| Other | 4,628,906 | 4,291,934 | 4,296,535 | 336,972 | 7.9 |

Premiums collected on bancassurance products distributed by the bank network amounted to EUR 639.9 million, compared to EUR 609.2 million in December 2013 (+5%). More specifically, premiums collected in the life insurance segment amounted to EUR 618.1 million (EUR 590.8 million in December 2013) and relate almost entirely to traditional life insurance policies (EUR 610.4 million compared to EUR 568.1 million in December 2013). The non-life insurance premiums collected amounted to EUR 21.8 million (+18.5%). More specifically, non-motor insurance premiums totalled EUR 10.2 million (EUR 7.6 million in December 2013), while motor insurance premiums amounted to EUR 11.6 million (EUR 10.8 million in December 2013).

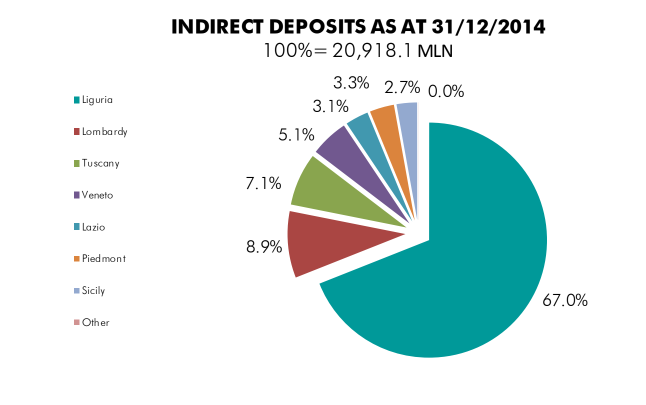
## BANCASSURANCE *(thousands of Euro)*

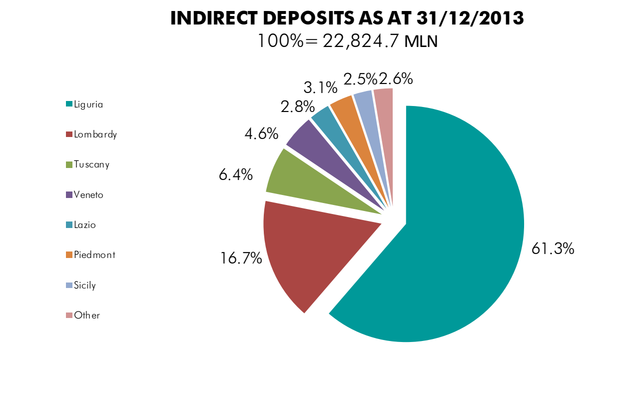
| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | absolute | % |
| **Total premiums collected** | **639,914** | **609,214** | **30,700** | **5.0** |
| Life | 618,111 | 590,820 | 27,291 | 4.6 |
| . Unit linked/Index policies | 7,737 | 22,756 | (15,019) | (66.0) |
| . Traditional policies | 610,374 | 568,064 | 42,310 | 7.4 |
| Non-life | 21,802 | 18,394 | 3,409 | 18.5 |
| . Motor insurance | 11,615 | 10,777 | 838 | 7.8 |
| . Non-motor insurance | 10,187 | 7,616 | 2,571 | 33.8 |

As far as indirect deposits are concerned, the Liguria region contributes 67% of total, followed by Lombardy (8.9%) and Tuscany (7.1%). The remaining regions contribute less than 5.1% each.

## INDIRECT DEPOSITS - GEOGRAPHICAL BREAKDOWN *(in EUR thousands)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | | 31/12/2013 | |
| | | % | | % |
| Liguria | 14,025,310 | 67.0% | 13,998,677 | 61.3% |
| Lombardy | 1,863,454 | 8.9% | 3,820,997 | 16.7% |
| Tuscany | 1,475,431 | 7.1% | 1,449,684 | 6.4% |
| Veneto | 1,062,050 | 5.1% | 1,042,376 | 4.6% |
| Lazio | 649,638 | 3.1% | 631,155 | 2.8% |
| Piedmont | 683,141 | 3.3% | 717,922 | 3.1% |
| Sicily | 574,582 | 2.7% | 565,107 | 2.5% |
| Emilia Romagna | 247,031 | 1.2% | 256,264 | 1.1% |
| Apulia | 88,892 | 0.4% | 85,574 | 0.4% |
| Aosta Valley | 60,616 | 0.3% | 79,231 | 0.3% |
| Sardinia | 75,776 | 0.4% | 70,907 | 0.3% |
| Marche | 70,749 | 0.3% | 64,474 | 0.3% |
| Umbria | 40,818 | 0.2% | 41,050 | 0.2% |
| **Total Italy** | **20,917,487** | **100.0%** | **22,823,418** | **100.0%** |
| Abroad | 654 | 0.0% | 1,297 | 0.0% |
| **Total indirect deposits** | **20,918,141** | **100.0%** | **22,824,715** | **100.0%** |




In terms of breakdown by segment, the two main customer segments - households and financial and insurance companies- respectively contributed 72.7% and 20.8% of total; the share contributed by non-financial businesses and personal businesses was 4.4%.

**INDIRECT DEPOSITS - BREAKDOWN BY BUSINESS SEGMENT** *(thousands of Euro)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | | 31/12/2013 | |
| | | % | | % |
| Public Administration | 135,539 | 0.6% | 193,938 | 0.8% |
| Financial and insurance businesses | 4,355,717 | 20.8% | 4,453,393 | 19.5% |
| Non-financial businesses and personal businesses | 921,083 | 4.4% | 1,231,412 | 5.4% |
| Private social institutions and non-classified entities | 209,403 | 1.0% | 204,579 | 0.9% |
| Households | 15,216,320 | 72.7% | 16,655,682 | 73.0% |
| **Total residents** | **20,838,063** | **99.6%** | **22,739,003** | **99.7%** |
| Rest of the world | 80,078 | 0.4% | 85,712 | 0.4% |
| **Total indirect deposits** | **20,918,141** | **100.0%** | **22,824,715** | **100.0%** |

Gross on-balance-sheet loans to customers, net of debt securities classified as L&R, amounted to EUR 26,475.2 million, down 1.3% Y/Y; net of loan loss provisions (EUR 2,795.6 million), the aggregate totalled EUR 23,679.6 million, down 3.9%.
Excluding the institutional component (amounting to EUR 4,439.2 million and consisting in repurchase agreements with financial counterparties, interest-bearing postal bonds and other minor components) from the aggregate, gross loans are down 6.3%.
The short-term component, accounting for 27.6% of the total, amounted to EUR 7,305.9 million, up 5.1%. The medium/long-term component totalled EUR 16,082 million (- 6.8%), and is approximately 64% funded by longer term deposits.
Bad loans amounted to EUR 3,087.3 million, up 17.6%, due to the persistence of the adverse economic cycle; their share of total rose to 11.7% with respect to 9.8% in December 2013.
Loans to banks, excluding debt securities classified as L&R and gross of value adjustments for an amount of EUR 10.3 million (EUR 10.1 million in December 2013), amounted to EUR 755.1 million, down 32.5%; 42.1% of this aggregate is accounted for by short-term loans.
The net interbank position (difference between loans to and deposits from banks, net of securities reclassified as L&R) shows a debt exposure of EUR 1,132.2 million, as compared to a debt exposure of EUR 7,052.7 million in December 2013.

**LOANS (1)** *(thousands of euro)*

| | Situation as at | | | Changes from restated figures | |
|---|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 restated | 31/12/2013 | Absolute | % |
| **Total (A+B)** | **24,424,459** | **25,752,452** | **26,486,059** | **-1,327,993** | **(5.2)** |
| **Loans to customers (A)** | **23,679,603** | **24,644,122** | **25,376,910** | **-964,519** | **(3.9)** |
| -Gross exposure (2) | 26,475,184 | 26,822,613 | 27,621,157 | -347,429 | (1.3) |
| *current accounts* | *2,143,777* | | *2,374,038* | | |
| *repurchase agreements* | *3,699,294* | | *2,676,576* | | |
| *mortgage loans* | *11,098,228* | | *12,446,765* | | |
| *credit cards, personal loans and fifth of salary-backed loans* | *91,130* | | *639,090* | | |
| *leasing* | *628,907* | | *649,926* | | |
| *factoring* | *56,419* | | *82,342* | | |
| *other loans* | *2,274,958* | | *3,073,119* | | |
| *non-performing assets* | *6,482,471* | | *5,679,301* | | |
| -short term | 7,305,868 | 6,950,719 | 7,055,301 | 355,149 | 5.1 |
| *% share of nominal value* | *27.6* | *25.9* | *25.5* | | |
| -medium/long term | 16,081,995 | 17,247,083 | 17,925,115 | -1,165,088 | (6.8) |
| *% share of nominal value* | *60.7* | *64.3* | *64.9* | | |
| -Bad loans | 3,087,321 | 2,624,811 | 2,640,741 | 462,510 | 17.6 |
| *% share of nominal value* | *11.7* | *9.8* | *9.6* | | |
| -Value adjustments (-) | 2,795,581 | 2,178,491 | 2,244,247 | 617,090 | 28.3 |
| **Loans to banks (B)** | **744,856** | **1,108,330** | **1,109,149** | **-363,474** | **(32.8)** |
| -Gross exposure (2) | 755,116 | 1,118,394 | 1,119,213 | -363,278 | (32.5) |
| *compulsory reserves* | *85,147* | | *186,038* | | |
| *current accounts and demand deposi* | *195,058* | | *603,039* | | |
| *loans* | *456,890* | | *312,465* | | |
| *non-performing assets* | *18,021* | | *17,671* | | |
| -short term | 317,728 | | 702,410 | | |
| *% share of nominal value* | *42.1* | | *62.8* | | |
| -medium/long term | 419,367 | | 399,132 | | |
| *% share of nominal value* | *55.5* | | *35.7* | | |
| -Bad loans | 18,021 | | 17,671 | | |
| *% share of nominal value* | *2.4* | | *1.6* | | |
| -Value adjustments (-) | 10,260 | 10,064 | 10,064 | *196* | 1.9 |

(1) Net of debt securities classified as L&R, amounting, as at 31 December 2014, to EUR 3,228 thousand (loans to customers) and EUR 9,876 thousand (loans to banks) and, as at 31/12/2013, to Euro 26,650 thousand (loans to customers) and Euro 79,437 thousand (loans to banks) respectively. Data as at 31/12/2013, before restatement, amounted to EUR 99,449 (loans to customers) and EUR 109,840 (loans to banks).

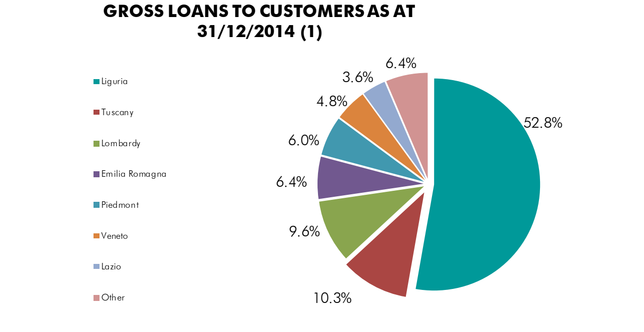
(2) Before value adjustments.

In terms of geographical breakdown, Liguria accounts for 52.8% of loans to customers. Tuscany is the second-ranking region, with a share of 10.3%, Lombardy ranks third with a share of 9.6%.

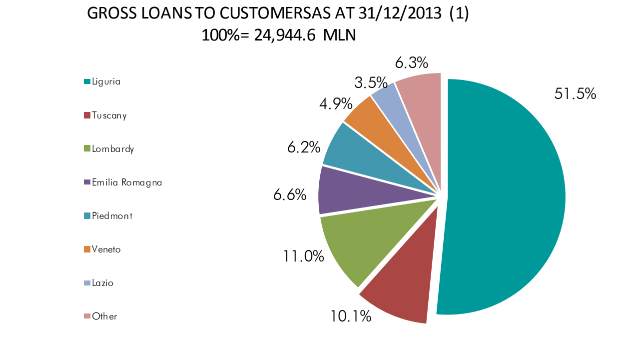
**GROSS LOANS TO CUSTOMERS(1) - GEOGRAPHICAL BREAKDOWN (2)** *(in EUR thousands)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | | 31/12/2013 | |
| | | % | | % |
| Liguria | 12,021,348 | 52.8% | 12,857,487 | 51.5% |
| Tuscany | 2,355,627 | 10.3% | 2,509,561 | 10.1% |
| Lombardy | 2,177,364 | 9.6% | 2,733,672 | 11.0% |
| Emilia Romagna | 1,467,680 | 6.4% | 1,633,946 | 6.6% |
| Piedmont | 1,369,042 | 6.0% | 1,553,663 | 6.2% |
| Veneto | 1,102,986 | 4.8% | 1,217,909 | 4.9% |
| Lazio | 821,587 | 3.6% | 862,377 | 3.5% |
| Sicily | 535,149 | 2.3% | 577,941 | 2.3% |
| Sardinia | 325,504 | 1.4% | 345,936 | 1.4% |
| Apulia | 188,533 | 0.8% | 209,030 | 0.8% |
| Marche | 158,741 | 0.7% | 162,154 | 0.7% |
| Umbria | 89,856 | 0.4% | 102,431 | 0.4% |
| Aosta Valley | 23,745 | 0.1% | 26,108 | 0.1% |
| **Total Italy** | **22,637,160** | **99.4%** | **24,792,216** | **99.4%** |
| Abroad | 138,730 | 0.6% | 152,365 | 0.6% |
| **Loans to customers, excluding repurchase agreements** | **22,775,890** | **100.0%** | **24,944,581** | **100.0%** |
| Buy/sell-back repurchase agreements with financial companies | 3,699,294 | | 2,676,576 | |
| **Total loans to customers** | **26,475,184** | | **27,621,157** | |

(1) Gross of value adjustments and net of debt securities classified as L&R.
(2) Figures per branch province.




(1) Net of repurchase agreements with financial companies.




(1) Net of repurchase agreements with financial companies.

In terms of breakdown by segment, non-financial companies and personal businesses account for 58% of loans to customers, for a total of EUR 13,219 million; the households' share of total (28.9%) is mostly comprised of mortgages for the purchase of homes. The public administrations' share of total is 6.7%, while financial and insurance companies account for 4.8% of total.

**GROSS LOANS TO CUSTOMERS (1) - BREAKDOWN BY BUSINESS SEGMENT** *(thousands of Euro)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | % | 31/12/2013 | % |
| Public Administration | 1,528,765 | 6.7% | 1,561,506 | 6.3% |
| Financial and insurance businesses | 1,102,495 | 4.8% | 1,137,603 | 4.6% |
| Non-financial businesses and personal businesses | *13,218,951* | 58.0% | *15,086,549* | 60.5% |
| *Construction* | *3,153,298* | *13.8%* | *3,298,398* | *13.2%* |
| *Real Estate* | *2,456,984* | *10.8%* | *2,807,967* | *11.3%* |
| *Manufacturing* | *2,028,512* | *8.9%* | *2,211,910* | *8.9%* |
| *Wholesale and retail trade; repair of motorvehicles and motorcycles* | *1,977,790* | *8.7%* | *2,102,960* | *8.4%* |
| *Transportation and storage* | *1,202,827* | *5.3%* | *1,145,658* | *4.6%* |
| *Other* | *2,399,539* | *10.5%* | *3,519,656* | *14.1%* |
| Private social institutions and non-classified entities | 125,425 | 0.6% | 122,842 | 0.5% |
| Households | 6,573,295 | 28.9% | 6,768,456 | 27.1% |
| **Total residents** | **22,548,931** | **99.0%** | **24,676,956** | **98.9%** |
| Rest of the world | 226,959 | 1.0% | 267,625 | 1.1% |
| **Total by business segment** | **22,775,890** | **100.0%** | **24,944,581** | **100.0%** |
| Repurchase agreements with financial companies | 3,699,294 | | 2,676,576 | |
| **Total loans to customers** | **26,475,184** | | **27,621,157** | |

(1) Gross of value adjustments and net of debt securities classified as L&R.

Non-performing on-balance-sheet and signature loans totalled EUR 6,645.1 million, up 14.5% Y/Y; 91.7% of these loans are to ordinary customers. The corresponding loan loss provisions amounted to EUR 2,624.3 million (+26.4%).

On-balance-sheet loans to customers totalled EUR 6,482.5 million (+14.1%).

Within their scope:

- bad loans totalled Euro 3,087.3 million, up 16.9%; 58.5% of them were written down
- substandard loans amounted to EUR 3,021.4 million (+24.3%); 23.9% of them were written down;
- restructured loans amounted to EUR 204.8 million (-11.9%); 18.3% of them were written down;
- past due loans amounted to EUR 169 million (-55%); 14.1% of them were written down ;
- performing loans amounted to EUR 19,992.7 million (EUR 21,941.9 million in December 2013), with 1% written down (0.9% in December 2013). The write-down percentage is 1.3%, net of loans in place for repurchase agreements with the 'clearing house' *Cassa Compensazione e Garanzia*.

Non-performing signature loans amounted to EUR 144.6 million, up 32.7% and were 17.4% written down.

In general, considering performing loans as well, loan loss provisions amounted to EUR 2,863.3 million, of which EUR 2,805.8 million for on-balance-sheet loans and EUR 57.4 million for signature loans.

**CREDIT QUALITY (1)** *(thousands of euro)*

| | 31/12/2014 | | | | 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure (a) | Value adjustments (b) | Net exposure (a)-(b) | % (b) / (a) | Gross exposure (a) | Value adjustments (b) | Net exposure (a)-(b) | % (b) / (a) |
| **On-balance-sheet loans** | | | | | | | | |
| Bad loans | 3,105,342 | 1,815,432 | 1,289,910 | 58.5 | 2,658,412 | 1,496,799 | 1,161,613 | 56.3 |
| - banks | 18,021 | 10,260 | 7,761 | 56.9 | 17,671 | 10,064 | 7,607 | 57.0 |
| - customers | 3,087,321 | 1,805,172 | 1,282,149 | 58.5 | 2,640,741 | 1,486,735 | 1,154,006 | 56.3 |
| Watchlist loans | 3,021,375 | 722,324 | 2,299,051 | 23.9 | 2,430,361 | 492,332 | 1,938,029 | 20.3 |
| - customers | 3,021,375 | 722,324 | 2,299,051 | 23.9 | 2,430,361 | 492,332 | 1,938,029 | 20.3 |
| Restructured loans | 204,765 | 37,570 | 167,195 | 18.3 | 232,375 | 30,488 | 201,887 | 13.1 |
| - customers | 204,765 | 37,570 | 167,195 | 18.3 | 232,375 | 30,488 | 201,887 | 13.1 |
| Past due loans | 169,010 | 23,819 | 145,191 | 14.1 | 375,824 | 36,109 | 339,715 | 9.6 |
| - customers | 169,010 | 23,819 | 145,191 | 14.1 | 375,824 | 36,109 | 339,715 | 9.6 |
| **Total non-performing loans** | **6,500,492** | **2,599,145** | **3,901,347** | **40.0** | **5,696,972** | **2,055,728** | **3,641,244** | **36.1** |
| - banks | 18,021 | 10,260 | 7,761 | 56.9 | 17,671 | 10,064 | 7,607 | 57.0 |
| - customers | 6,482,471 | 2,588,885 | 3,893,586 | 39.9 | 5,679,301 | 2,045,664 | 3,633,637 | 36.0 |
| Performing loans | 20,729,808 | 206,696 | 20,523,112 | 1.0 | 23,043,398 | 198,583 | 22,844,815 | 0.9 |
| - banks | 737,095 | - | 737,095 | - | 1,101,542 | - | 1,101,542 | - |
| - customers | 19,992,713 | 206,696 | 19,786,017 | 1.0 | 21,941,856 | 198,583 | 21,743,273 | 0.9 |
| **Total on-balance-sheet loans** | **27,230,300** | **2,805,841** | **24,424,459** | **10.3** | **28,740,370** | **2,254,311** | **26,486,059** | **7.8** |
| **- banks** | **755,116** | **10,260** | **744,856** | **1.4** | **1,119,213** | **10,064** | **1,109,149** | **0.9** |
| **- customers** | **26,475,184** | **2,795,581** | **23,679,603** | **10.6** | **27,621,157** | **2,244,247** | **25,376,910** | **8.1** |
| **Signature loans** | | | | | | | | |
| Non-performing | 144,564 | 25,140 | 119,424 | 17.4 | 108,962 | 20,856 | 88,106 | 19.1 |
| - customers | 144,564 | 25,140 | 119,424 | 17.4 | 108,962 | 20,856 | 88,106 | 19.1 |
| Other loans | 939,673 | 32,297 | 907,376 | 3.4 | 1,076,502 | 20,182 | 1,056,320 | 1.9 |
| - banks | 39,751 | 1,455 | 38,296 | 3.7 | 46,217 | 6,080 | 40,137 | 13.2 |
| - customers | 899,922 | 30,842 | 869,080 | 3.4 | 1,030,285 | 14,102 | 1,016,183 | 1.4 |
| **Total signature loans** | **1,084,237** | **57,437** | **1,026,800** | **5.3** | **1,185,464** | **41,038** | **1,144,426** | **3.5** |
| **- banks** | **39,751** | **1,455** | **38,296** | **3.7** | **46,217** | **6,080** | **40,137** | **13.2** |
| **- customers** | **1,044,486** | **55,982** | **988,504** | **5.4** | **1,139,247** | **34,958** | **1,104,289** | **3.1** |
| **Total** | **28,314,537** | **2,863,278** | **25,451,259** | **10.1** | **29,925,834** | **2,295,349** | **27,630,485** | **7.7** |
| **- banks** | **794,867** | **11,715** | **783,152** | **1.5** | **1,165,430** | **16,144** | **1,149,286** | **1.4** |
| **- customers** | **27,519,670** | **2,851,563** | **24,668,107** | **10.4** | **28,760,404** | **2,279,205** | **26,481,199** | **7.9** |

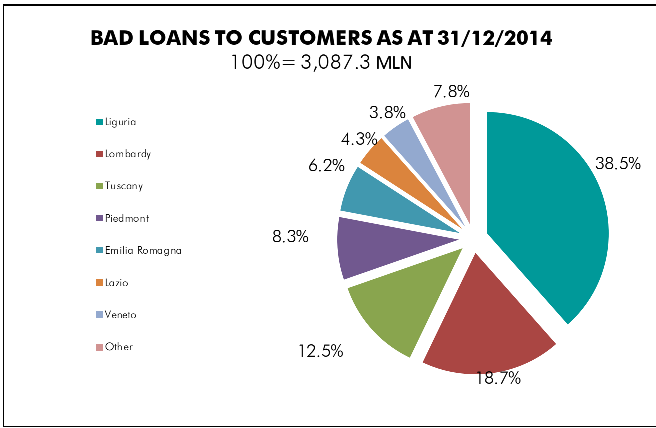
(1) Net of debt securities classified as L&R, amounting to Euro 3,228 thousand (loans to customers) and Euro 9,876 thousand (loans to banks) as at 31 December 2014 and Euro 99,449 thousand (loans to customers) and Euro 109,840 thousand (loans to banks) at 31.12.13 respectively.

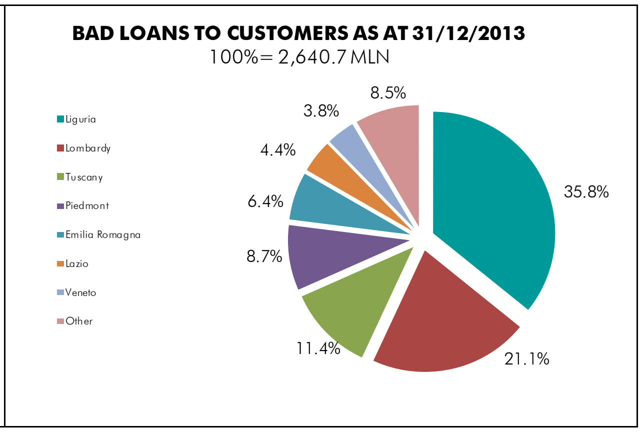
In the geographic breakdown of bad loans, Liguria has the largest share of total (38.5%), followed by Lombardy (18.7%) and Tuscany (12.5%).

**BAD LOANS TO CUSTOMERS (1) - GEOGRAPHICAL BREAKDOWN (2)** *(in EUR thousands)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | | 31/12/2013 | |
| | | % | | % |
| Liguria | 1,187,887 | 38.5% | 945,849 | 35.8% |
| Lombardy | 575,952 | 18.7% | 557,227 | 21.1% |
| Tuscany | 386,952 | 12.5% | 301,502 | 11.4% |
| Piedmont | 256,507 | 8.3% | 228,679 | 8.7% |
| Emilia Romagna | 191,662 | 6.2% | 167,854 | 6.4% |
| Lazio | 131,263 | 4.3% | 115,341 | 4.4% |
| Veneto | 117,102 | 3.8% | 99,736 | 3.8% |
| Sicily | 81,290 | 2.6% | 72,760 | 2.8% |
| Sardinia | 51,661 | 1.7% | 46,080 | 1.7% |
| Apulia | 45,199 | 1.5% | 42,611 | 1.6% |
| Marche | 25,819 | 0.8% | 25,541 | 1.0% |
| Umbria | 21,535 | 0.7% | 16,734 | 0.6% |
| Aosta Valley | 4,499 | 0.1% | 4,589 | 0.2% |
| **Total Italy** | **3,077,328** | **99.7%** | **2,624,504** | **99.4%** |
| Abroad | 9,993 | 0.3% | 16,237 | 0.6% |
| **Total bad loans** | **3,087,321** | **100.0%** | **2,640,741** | **100.0%** |

(1) Gross of value adjustments and net of debt securities classified as L&R.
(2) Figures per branch province.




The bad loans/total loans ratio was 11.7%. Liguria shows the lowest ratio (7.6%) and Lombardy the highest (26.5%), followed by Apulia and Umbria (both 24%).

## BAD LOANS/TOTAL LOANS (1) - GEOGRAPHICAL BREAKDOWN (2)

*(Percentage values)*

| | Situation as at | |
|---|---|---|
| | 31/12/2014 | 31/12/12 (3) |
| Liguria | 7.6% | 6.1% |
| Lombardy | 26.5% | 20.4% |
| Tuscany | 16.4% | 12.0% |
| Emilia Romagna | 13.1% | 10.3% |
| Piedmont | 18.7% | 14.7% |
| Lazio | 16.0% | 13.4% |
| Veneto | 10.6% | 8.2% |
| Sicily | 15.2% | 12.6% |
| Sardinia | 15.9% | 13.3% |
| Apulia | 24.0% | 20.4% |
| Marche | 16.3% | 15.8% |
| Umbria | 24.0% | 16.3% |
| Aosta Valley | 18.9% | 17.6% |
| **Total Italy** | **11.7%** | **9.6%** |
| Abroad | 7.2% | 10.7% |
| **Total** | **11.7%** | **9.6%** |

(1) Gross of value adjustments and net of debt securities classified as L&R.
(2) Figures per branch province.
(3) Data as at 31 December 2012 differ from those published due to the reclassification of pooled financing, factoring and leasing items.

The breakdown by business segment shows a total amount of bad loans for non-financial companies and personal businesses of EUR 2,428.1 million (78.6%). The highest share of bad loans is in the "Construction" segment (EUR 780.1 million, 25.3%), followed by "Real Estate" (EUR 464.3 million, 15%).
The "Households" segment ranks second in volume, accounting for 19.9% of total.

**BAD LOANS TO CUSTOMERS (1) - BREAKDOWN BY BUSINESS SEGMENT** *(thousands of Euro)*

| | Situation as at | | | |
|---|---|---|---|---|
| | 31/12/2014 | | 31/12/2013 | |
| | | % | | % |
| Public Administration | - | 0.0% | - | 0.0% |
| Financial and insurance businesses | 11,838 | 0.4% | 28,127 | 1.1% |
| Non-financial businesses and personal businesses | 2,428,056 | 78.6% | 2,035,201 | 77.1% |
| *Construction* | *780,103* | *25.3%* | *654,769* | *24.8%* |
| *Real Estate* | *464,289* | *15.0%* | *392,240* | *14.9%* |
| *Manufacturing* | *447,882* | *14.5%* | *344,653* | *13.1%* |
| *Wholesale and retail trade; repair of motorvehicles and motorcycles* | *354,977* | *11.5%* | *289,155* | *10.9%* |
| *Transportation and storage* | *80,828* | *2.6%* | *84,618* | *3.2%* |
| *Other* | *299,977* | *9.7%* | *269,766* | *10.2%* |
| Private social institutions and non-classified entities | 3,499 | 0.1% | 3,151 | 0.1% |
| Households | 614,141 | 19.9% | 544,080 | 20.6% |
| **Total residents** | **3,057,533** | **99.0%** | **2,610,559** | **98.9%** |
| Rest of the world | 29,788 | 1.0% | 30,182 | 1.1% |
| **Total bad loans** | **3,087,321** | **100.0%** | **2,640,741** | **100.0%** |

(1) Gross of value adjustments and net of debt securities classified as L&R.

The gross bad loans/total loans ratio was 11.7%. For non-financial companies and personal businesses the ratio is higher than Group average and stands at 18.4%.

**BAD LOANS/TOTAL LOANS (1) - BREAKDOWN BY BUSINESS SEGMENT** *(percentage values)*

| | Situation as at | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 |
| Public Administration | - | - |
| Financial companies | 1.1% | 2.5% |
| Non-financial businesses and personal businesses | 18.4% | 13.5% |
| - of which (2): | | |
| *Construction* | *24.7%* | *19.9%* |
| *Real Estate* | *18.9%* | *14.0%* |
| *Manufacturing* | *22.1%* | *15.6%* |
| *Wholesale and retail trade; repair of motorvehicles and motorcycles* | *17.9%* | *13.7%* |
| *Transportation and storage* | *6.7%* | *7.4%* |
| Private social institutions and non-classified entities | 2.8% | 2.6% |
| Households | 9.3% | 8.0% |
| **Total residents** | **13.6%** | **10.6%** |
| Rest of the world | 13.1% | 11.3% |
| **Total** | **11.7%** | **9.6%** |

(1) Gross of value adjustments and net of debt securities classified as L&R.
(2) Main business segments in terms of overall credit exposure.

Securities in the portfolio amounted to EUR 3,057.2 million, down 52.1%; balance sheet items 20 (net of derivatives), 40, 60 (only for the L&R part) and 70 (only for the L&R part) are included in the aggregate.
As outlined in the table below, debt securities (EUR 2.709,7 million) account for 88.6% of the portfolio, and were down by 54.2% Y/Y. Equities amounted to EUR 333.1 million and include the 4.03% equity investment in the Bank of Italy, amounting to EUR 302.4 million, unchanged as compared to the previous financial year. Units in UCITs amounted to EUR 14.5 million, down compared to EUR 102.5 million in December 2013.
As regards the breakdown set forth in the international accounting standards (IAS/IFRS), securities available for sale (AFS), amounting to EUR 3,037.3 million, which accounted for 99.4%, were down by 51.1% due to the divestment of part of the AFS securities portfolio, in line with the objective of financial risk profile mitigation; securities held for trading (HFT) totalled EUR 6.7 million, down from EUR 55.6 million in December 2013.
Securities classified as Loans and Receivables – L&R, amounted to EUR 13.1 million, down as compared to EUR 106.1 million in December 2013.

## SECURITIES PORTFOLIO *(thousands of euro)*

| | Situation as at 31/12/2014 | 31/12/2013 restated | 31/12/2013 |
|---|---|---|---|
| Debt securities | 2,709,681 | 5,917,998 | 10,415,286 |
| *Held for trading* | *5,106* | *16,999* | *24,440* |
| *Available for sale* | *2,691,471* | *5,794,912* | *10,118,194* |
| *Fair value* | - | - | *63,363* |
| *Loans and Receivable* | *13,104* | *106,087* | *209,289* |
| Equity securities | 333,055 | 355,583 | 360,891 |
| *Held for trading* | *32* | *35* | *35* |
| *Available for sale* | *333,023* | *355,548* | *360,855* |
| *Fair value* | - | - | *1* |
| Units in UCITS | 14,511 | 102,537 | 285,725 |
| *Held for trading* | *1,591* | *38,572* | *38,572* |
| *Available for sale* | *12,920* | *63,965* | *65,538* |
| *Fair value* | - | - | *181,615* |
| **Total** (1) | **3,057,247** | **6,376,118** | **11,061,902** |
| *of which:* | | | |
| *Held for trading* | *6,729* | *55,606* | *63,047* |
| *Available for sale* | *3,037,414* | *6,214,425* | *10,544,587* |
| *Fair value* | - | - | *244,979* |
| *Loans and Receivable* | *13,104* | *106,087* | *209,289* |

*(1) Balance sheet items 20 (net of derivatives totalling EUR 61,033 thousand; EUR 69,648 thousand as at 31/12/2013 restated and EUR 69,650 thousand as at 31/12/2013 before restatement), 40, 60 (only for L&Rs) and 70 (only for L&Rs) are included in the aggregate.*

The value of hedging derivatives stood at EUR 201.5 million (assets) and EUR 515.3 million (liabilities), both up as compared to data as at 31 December 2013 (respectively EUR 125.8 million and EUR 458 million). Most of them (EUR 201.1 million assets and EUR 261.9 million liabilities) are interest rate risk hedges for specific assets (securities, loans, etc.) and liabilities (bonds issued). The balance (EUR 235.2 million) consists in future cash flow hedges associated with liabilities issued and to be issued (Cash Flow Hedges).

## ASSETS FROM HEDGING DERIVATIVES BY HEDGE TYPE

*(thousands of Euro)*

| | Situation as at 31/12/2014 | 31/12/2013 | Change % % |
|---|---|---|---|
| **Asset-hedging derivatives** | **-** | **414** | **-100.0** |
| Fair value micro-hedging | - | 414 | -100.0 |
| *interest rate* | - | 414 | -100.0 |
| **Liability-hedging derivatives** | **201,092** | **124,711** | **61.2** |
| Fair value micro-hedging | 201,092 | 124,688 | 61.3 |
| *interest rate* | *201,092* | *124,688* | 61.3 |
| Macro hedging of interest rate risk (Cash Flow Hedge) | - | 23 | -100.0 |
| Macro hedging of financial assets and liabilities portfolio | 433 | 686 | -36.9 |
| **Total** | **201,525** | **125,811** | **60.2** |

## LIABILITIES FROM HEDGING DERIVATIVES BY HEDGE TYPE

*(thousands of Euro)*

| | Situation as at | | Change % |
|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | % |
| **Asset-hedging derivatives** | **261,814** | **271,454** | **-3.6** |
| Fair value micro-hedging | 261,814 | 271,454 | -3.6 |
| *interest rate* | *261,814* | *271,454* | -3.6 |
| **Liability-hedging derivatives** | **235,254** | **186,452** | **26.2** |
| Fair value micro-hedging | 40 | 17,544 | -99.8 |
| *interest rate* | *40* | *17,544* | -99.8 |
| Macro hedging of interest rate risk (Cash Flow Hedge) | 235,214 | 168,908 | 39.3 |
| Macro hedging of financial assets and liabilities portfolio | 18,184 | 92 | ... |
| **Total** | **515,252** | **457,998** | **12.5** |

The value of trading derivative contracts stood at EUR 61 million (assets) and EUR 11.7 million (liabilities) both down as compared to data as at 31 December 2013 (respectively EUR 69.7 million and EUR 14.6 million).

## TRADING DERIVATIVES *(thousands of euro)*

| | Situation as at | | Change % |
|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | |
| **Assets for trading derivatives** | **61,033** | **69,650** | **-12.4** |
| Financial derivatives | 61,033 | 69,650 | -12.4 |
| *- trading* | *8,609* | *24,559* | -64.9 |
| *- connected with the fair value option* | *52,424* | *45,091* | 16.3 |
| **Total** | **61,033** | **69,650** | **-12.4** |

| | | | |
|---|---|---|---|
| **Liabilities for trading derivatives** | **11,667** | **14,567** | **-19.9** |
| Financial derivatives | 11,667 | 14,567 | -19.9 |
| *- trading* | *11,667* | *13,237* | -11.9 |
| *- connected with the fair value option* | - | *1,330* | -100.0 |
| **Total** | **11,667** | **14,567** | **-19.9** |

Deferred tax assets totalled EUR 998.1 million, of which EUR 753.3 million associated with Law no 214/2011. The latter were down 47.2% on December 2013 primarily on account of their conversion into tax credits following approval of the 2013 Financial Statements and related loss for the period.

## P&L RESULTS

2014 closed with a negative result of EURO 543.6 million, versus a loss of EURO 1,761.7 million in the same period of 2013. The result is reflective of non-recurring items for an amount of EURO 290.1 million and full-scope recognition of the AQR findings (approx. EURO 290 million).

The major items affecting the 2014 full-year result for were the EURO 218.7 million capital loss arising from measurement of the insurance companies held for sale under IFRS 5, EURO 43.1 million in personnel costs primarily resulting from the incentive-based retirement scheme and remuneration structure review following the new union agreement, additional tax-related costs for an amount of EURO 9.8 million[1], the EURO 11.6 million impairment of goodwill on CR Carrara; EURO 1.5 million in costs associated with the closure of part of the branches identified in the Business Plan[2]. The result of the year was affected by provisions arising from adjustments to the processes, methodologies and application parameters for the classification and assessment of loans, including in light of the observations made by the European Central Bank after completion of the Asset Quality Review (AQR). The negative result includes EURO 85.1 million arising from divestment of part of the available-for-sale securities portfolio in line with the objective of financial risk profile mitigation.

On the back of the application of IFRS 5, the profit and loss components of the Insurance Group, Banca Cesare Ponti and Creditis, net of intra-group items are included under "Income (loss) after tax from discontinued operations" together with their related valuation effects. Similarly, the comparative figure for 2013 has also been restated in compliance with the requirements of IFRS 5.

[1] Due to: higher tax rate on re-valuation of stake held in the Bank of Italy(-EUR 42 mln), tax realignment of immovable properties (+EUR 39.5 mln)), tax realignment of deferred tax assets and liabilities due to a lower IRAP tax rate (IRAP = Tax on Productive Activities) (- EUR 7,3 mln)

[2] All items are after tax

**INCOME STATEMENT** *(thousands of Euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| 10 - INTEREST AND SIMILAR INCOME | 795,229 | 991,105 | (195,876) | (19.8) |
| 20 - INTEREST EXPENSE AND SIMILAR EXPENSE | (441,632) | (560,385) | 118,753 | (21.2) |
| **30 - NET INTEREST INCOME** | **353,597** | **430,720** | **(77,123)** | **(17.9)** |
| 40 - FEE AND COMMISSION INCOME | 296,139 | 313,910 | (17,771) | (5.7) |
| 50 - FEE AND COMMISSION EXPENSE | (50,897) | (53,771) | 2,874 | (5.3) |
| **60 - NET FEE AND COMMISSION INCOME** | **245,242** | **260,139** | **(14,897)** | **(5.7)** |
| 70 - DIVIDEND AND SIMILAR INCOME | 18,265 | 4,765 | *13,500* | ... |
| 80 - NET PROFIT (LOSS) FROM TRADING | 4,926 | (278,438) | 283,364 | ... |
| 90 - NET PROFIT (LOSS) FROM HEDGING | 2,031 | (10,319) | 12,350 | ... |
| 100 - GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF: | 90,488 | 351,935 | (261,447) | (74.3) |
| *a) loans* | *2,623* | *(1,096)* | *3,719* | ... |
| *b) financial assets available for sale* | *85,138* | *328,403* | *(243,265)* | *(74.1)* |
| *c) financial assets held to maturity* | - | 21,261 | (21,261) | *(100.0)* |
| *d) financial liabilities* | *2,727* | *3,367* | *(640)* | *(19.0)* |
| 110 - NET PROFIT (LOSS) FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE | 367 | 40,113 | (39,746) | (99.1) |
| **120 - NET INTEREST AND OTHER BANKING INCOME** | **714,916** | **798,915** | **(83,999)** | **(10.5)** |
| 130 - NET IMPAIRMENT LOSSES/REVERSALS ON: | (669,433) | (1,084,200) | 414,767 | (38.3) |
| *a) loans* | *(645,527)* | *(1,042,784)* | *397,257* | *(38.1)* |
| *b) financial assets available for sale* | *(1,452)* | *(14,127)* | *12,675* | *(89.7)* |
| *d) other financial transactions* | *(22,454)* | *(27,289)* | *4,835* | *(17.7)* |
| **140 - NET INCOME FROM FINANCIAL AND INSURANCE ACTIVITIES** | **45,483** | **(285,285)** | **330,768** | **...** |
| 180 - ADMINISTRATIVE EXPENSES: | (660,815) | (632,816) | (27,999) | 4.4 |
| *a) personnel expenses* | *(411,503)* | *(378,157)* | *(33,346)* | *8.8* |
| *b) other administrative expenses* | *(249,312)* | *(254,659)* | *5,347* | *(2.1)* |
| 190 - NET PROVISIONS FOR RISKS AND CHARGES | (5,629) | (5,941) | 312 | (5.3) |
| 200 - NET ADJUSTMENTS TO/ RECOVERIES ON PROPERTY AND EQUIPMENT | (20,801) | (21,744) | 943 | (4.3) |
| 210 - NET ADJUSTMENTS TO/ RECOVERIES ON INTANGIBLE ASSETS | (28,593) | (30,119) | 1,526 | (5.1) |
| 220 - OTHER OPERATING EXPENSES (INCOME) | 102,380 | 106,088 | (3,708) | (3.5) |
| **230 - OPERATING EXPENSES** | **(613,458)** | **(584,532)** | **(28,926)** | **4.9** |
| 240 - GAINS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND JOINT VENTURES | 4,940 | 98,475 | (93,535) | (95.0) |
| 260 - IMPAIRMENT ON GOODWILL | (15,919) | (1,654,363) | 1,638,444 | (99.0) |
| 270 - GAINS (LOSSES) FROM DISPOSAL OF INVESTMENTS | (179) | (276) | 97 | (35.1) |
| **280 - PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **(579,133)** | **(2,425,981)** | **1,846,848** | **(76.1)** |
| 290 - TAXES ON INCOME FROM CONTINUING OPERATIONS | *170,897* | *796,141* | (625,244) | (78.5) |
| **300 - PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **(408,236)** | **(1,629,840)** | **1,221,604** | **(75.0)** |
| 310 - INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS | (138,706) | (146,868) | 8,162 | (5.6) |
| **320 - NET PROFIT (LOSS) FOR THE PERIOD** | **(546,942)** | **(1,776,708)** | **1,229,766** | **(69.2)** |
| 330 - NON-CONTROLLING INTERESTS | (3,351) | (15,051) | 11,700 | (77.7) |
| **340 - PARENT COMPANY'S NET PROFIT (LOSS)** | **(543,591)** | **(1,761,657)** | **1,218,066** | **(69.1)** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

More specifically, the net interest income amounted to EURO 353.6 million down by 17.9% owing to the negative contribution of funding and lending volumes and spreads at a continuing all-time low. Lower margins were largely the result of a different composition/average term to maturity of the securities' portfolio and a considerable reclassification of the loan book to bad loans for an amount of EURO 720 million, which led to EURO 27 million less in interest income.

Interest income amounted to EURO 795.2 million (down 19.8%, primarily on the back of reduced interest on assets available for sale and loans to customers) and interest expense totalled EURO 441.6 million (-21.2% largely on account of full repayment of the LTRO and securities in issue, in addition to reduced interest on hedging derivatives as a result of the sale of asset swap securities).

## INTEREST AND SIMILAR INCOME *(thousands of euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Financial assets held for trading | 14,806 | 15,823 | (1,017) | (6.4) |
| Financial assets available for sale | 63,301 | 174,353 | (111,052) | (63.7) |
| Financial assets held to maturity | - | 14,209 | (14,209) | (100.0) |
| Loans to banks | 5,458 | 3,739 | 1,719 | 46.0 |
| Loans to customers | 711,663 | 781,718 | (70,055) | (9.0) |
| Other assets | 1 | 1,263 | (1,262) | (99.9) |
| **Total interest and similar income** | **795,229** | **991,105** | **(195,876)** | **(19.8)** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

## INTEREST EXPENSE AND SIMILAR EXPENSE *(thousands of euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Deposits from central banks | 9,122 | 39,278 | (30,156) | (76.8) |
| Deposits from banks | 5,426 | 6,217 | (791) | (12.7) |
| Deposits from customers | 114,525 | 116,894 | (2,369) | (2.0) |
| Securities issued | 275,341 | 316,848 | (41,507) | (13.1) |
| Financial liabilities designated at fair value through profit and loss | 28,032 | 23,467 | 4,565 | 19.5 |
| Other liabilities | 2,955 | 556 | 2,399 | ... |
| Hedging derivatives | 6,231 | 57,125 | (50,894) | (89.1) |
| **Total interest expense and similar expense** | **441,632** | **560,385** | **(118,753)** | **(21.2)** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

Net fee and commission income decreased by 5.7% to EURO 245.2 million. The amount was partly affected by the disposal of the Group's Asset Management company at the end of 2013 resulting in a lower contribution to Profit and Loss from fees and commissions on mutual funds as the Group is now only acting as a distributor and no longer as a product factory. More specifically, commission income decreased by 5.7% to EURO 296.1 million, primarily on the back of reduced commissions on portfolio management (-90.1%) - only partially offset by increasing commissions on the placement of securities[3] - and "Maintenance and management of current accounts " (-3%), while fee and commission expense, amounting to EURO 50.9 million, were down 5.3%.

[3] Following the sale of 100% of the Asset Management company, Carige AM SGR S.p.A., fees and commissions previously posted to sub-item “Portfolio management” are now shown under “Securities placement".

## FEE AND COMMISSION INCOME *(thousands of euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Guarantees issued | 12,291 | 15,040 | (2,749) | (18.3) |
| Portfolio management, brokerage and advisory services: | 74,971 | 85,875 | (10,904) | (12.7) |
| *1. Trading of financial instruments* | *725* | *572* | 153 | 26.7 |
| *2. Currency trading* | *2,421* | *2,314* | 107 | 4.6 |
| *3. Portfolio management* | *4,149* | *42,048* | (37,899) | (90.1) |
| *4. Custody and administration of securities* | *2,459* | *2,506* | (47) | (1.9) |
| *6. Placement of securities* | *38,026* | *12,085* | 25,941 | ... |
| *7. Receipt and issue of orders* | *8,736* | *8,799* | (63) | (0.7) |
| *9. Distribution of third-party services* | *18,455* | *17,551* | 904 | 5.2 |
| *- portfolio management* | *1,762* | *107* | 1,655 | ... |
| *- insurance products* | *570* | *714* | (144) | (20.2) |
| *- other products* | *16,123* | *16,730* | (607) | (3.6) |
| Collection and payment services | 67,307 | 67,422 | (115) | (0.2) |
| Servicing for securitisations | 1 | 74 | (73) | (98.6) |
| Factoring services | 1,115 | 1,456 | (341) | (23.4) |
| Maintenance and management of current accounts | 123,418 | 127,229 | (3,811) | (3.0) |
| Other services | 17,036 | 16,814 | 222 | 1.3 |
| **Total fee and commission income** | **296,139** | **313,910** | **(17,771)** | **(5.7)** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

## FEE AND COMMISSION EXPENSE *(thousands of euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Guarantees received | 19,194 | 21,710 | (2,516) | (11.6) |
| Portfolio management and brokerage services | 2,585 | 2,795 | (210) | (7.5) |
| *1. Trading of financial instruments* | *121* | *17* | 104 | ... |
| *3. Portfolio management* | *575* | - | 575 | ... |
| *4. Custody and administration of securities* | *1,191* | *1,858* | (667) | (35.9) |
| *5. Placement of financial instruments* | *106* | *39* | 67 | ... |
| *6. Off-site marketing of financial instruments, products and services* | *592* | *881* | (289) | (32.8) |
| Collection and payment services | 20,655 | 20,717 | (62) | (0.3) |
| Other services | 8,463 | 8,549 | (86) | (1.0) |
| **Total fee and commission expense** | **50,897** | **53,771** | **(2,874)** | **(5.3)** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

The net profit (loss) from financial assets and liabilities amounted to a positive EURO 113.5 million (EURO 109.2 million in December 2013).
The result was affected by the disposal of government bonds in the Group's banking book aimed at reducing the implicit risk potential at the beginning of the year, which led to a reduction in the average term to maturity of the Government Bond portfolio (90.5% of the total) from 3 years at the end of 2013 to 1.9 years at the end of 2014.
Dividends and similar income amounted to EURO 18.3 million (vs. EURO 4.8 million in December 2013).
Net profit (loss) from trading was a positive EURO 4.9 million as compared to the EURO 278.4 million loss for 2013 which was affected by the recognition of losses from trading resulting from divestment of a large part of the interest rate-hedged Italian government bond portfolio.

## NET PROFIT (LOSS) FROM TRADING *(thousands of euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Debt securities | 399 | 2,519 | (2,120) | (84.2) |
| Equities and UCITS | 166 | 1,637 | (1,471) | (89.9) |
| **Total equities, debt securities and UCITS** | **565** | **4,156** | **(3,591)** | **(86.4)** |
| Financial derivatives | (10,982) | (276,359) | 265,377 | (96.0) |
| Credit derivatives | - | (892) | 892 | (100.0) |
| Currency differences | 13,015 | (8,259) | 21,274 | ... |
| Other financial assets/liabilities from trading | 2,328 | 2,916 | (588) | (20.2) |
| **Total profit (loss) from trading** | **4,926** | **(278,438)** | **283,364** | **...** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

Net profit (loss) from trading in derivative instruments was EURO 2 million (vs. -EURO 285.5 million in 2013, largely due to the above divestment in asset swaps).

## NET PROFIT (LOSS) FROM TRADING IN DERIVATIVE INSTRUMENTS

*(thousands of Euro)*

| | 2014 | 2013 (*) | Change absolute | Change % |
|---|---|---|---|---|
| **1. Financial derivatives:** | (10,982) | (276,359) | **265,377** | **- 96** |
| - on debt securities and interest rates | (5,549) | (282,826) | 277,277 | -98.0 |
| - on equities and equity indices | (47) | (1,270) | 1,223 | -96.3 |
| - on currencies and gold | (5,386) | 7,737 | (13,123) | ... |
| **2 - Credit derivatives** | **-** | **(892)** | **892** | -100.0 |
| **Total** | **(10,982)** | **(277,251)** | **266,269** | **- 96** |
| **3. Currency differences included in trading profit (loss)** | **13,015** | **(8,259)** | **21,274** | ... |
| **Net total** | **2,033** | **(285,510)** | **287,543** | **...** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

Net profit (loss) from hedging amounted to EURO 2 million, as compared to a loss of EURO 10.3 million registered in 2013.

## NET PROFIT (LOSS) FROM HEDGING

*(thousands of Euro)*

| | 2014 | 2013 (*) | Change absolute | Change % |
|---|---|---|---|---|
| **(A) Gains on:** | **217,811** | **368,228** | **(150,417)** | -40.8 |
| Fair value hedging derivatives | 127,426 | 264,330 | (136,904) | -51.8 |
| Hedged financial assets (fair value) | 71,833 | 1,466 | 70,367 | ... |
| Hedged financial liabilities (fair value) | 18,552 | 102,432 | (83,880) | -81.9 |
| **(B) Losses on:** | **(215,780)** | **(378,547)** | **162,767** | -43.0 |
| Fair value hedging derivatives | (89,039) | (137,391) | 48,352 | -35.2 |
| Hedged financial assets (fair value) | (7,384) | (235,995) | 228,611 | -96.9 |
| Hedged financial liabilities (fair value) | (119,357) | (5,161) | (114,196) | ... |
| **Net profit (loss) from hedging (A-B)** | **2,031** | **(10,319)** | **12,350** | **...** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

Profit (loss) from the sale/repurchase of financial assets/liabilities amounted to EURO 90.5 million (EURO 351.9 million in 2013); more specifically, profit from the sale of financial assets available for sale totalled EURO 85.1 million following the significant divestment carried out during the period, vs. EURO 328.4 million in 2013 which benefitted from the accounting treatment of the new stakes held in the Bank of Italy for an amount of approximately EURO 300 million.
Net profit (loss) from financial assets and liabilities designated at fair value amounted to a positive Euro 367,000, versus EURO 40.1 million in June 2013 which incorporated the effect from changes to the fair value measurement methods for all securities issued by the bank, including those for which the Group adopted the Fair Value Option.

## NET PROFIT (LOSS) FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE

*(thousands of Euro)*

| | 2014 | 2013 (*) | Change absolute | Change % |
|---|---|---|---|---|
| Financial liabilities | (10,015) | 61,169 | (71,184) | ... |
| Financial and credit derivatives | 10,382 | (21,056) | 31,438 | ... |
| **Net profit (loss) from financial assets and liabilities designated** | **367** | **40,113** | **(39,746)** | **- 99** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

Net interest and other banking income totalled EURO 714.9 million, down 10.5% on 2013. Net losses on impairment of loans and other financial items totalled EURO 669.4 million, down from EURO 1,084.2 million in 2013; EURO 1.5 million worth of adjustments were recorded for financial assets available for sale (EURO 14.1 million in 2013).
Trends in the cost of credit for the period were affected by both full-scope recognition of the AQR findings and the impact from adjustments to the processes, methods and application parameters for the classification and assessment of loans, including in light of the ECB observations following completion of the AQR exercise.

## NET LOSSES/RECOVERIES ON IMPAIRMENT OF LOANS AND OTHER FINANCIAL ITEMS

*(thousands of Euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Loans to banks | *(1,361)* | 2,920 | (4,281) | ... |
| Loans to customers | 646,888 | 1,039,864 | (392,976) | (37.8) |
| Signature loans (other financial transactions) | *22,454* | 27,289 | (4,835) | (17.7) |
| Financial assets available for sale | 1,452 | 14,127 | (12,675) | (89.7) |
| **Total net losses/reversals on impairment of loans and other financial items** | **669,433** | **1,084,200** | **(414,767)** | **(38.3)** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

Net income from banking activities amounted to EURO 45.5 million compared to a EURO 285.3 million loss for the prior year.
Operating costs totalled EURO 613.5 million, up 4.9% on 2013, primarily on the back of an increase in personnel expenses (+8.8%) as a consequence of costs incurred for the incentive-based retirement scheme (EURO 31.8 million) and one-off expenses (EURO 27.6 million), both of which set out in the union agreement of September 2014.
More specifically, other administrative expenses amounted to EURO 249.3 million, down 2.1%; in particular overhead expenses totalled EURO 179.6 million (-4.2%), while indirect taxes amounted to EURO 69.7 million (+3.7%) primarily on account of higher stamp duty expenses, which were partially recovered under other operating income.
Net provisions for risks and charges, which included EURO 2.6 million of non-recurring effects from provisions taken for the closure of branches (EURO 0.3 million) and charges associated with a pending bankruptcy proceeding (EURO 2.3 million), amounted to EURO 5.6 million vs. EURO 5.9 million in 2013.
Value adjustments to property, equipment and intangible assets amounted to EURO 49.4 million, down 4.8% on 2013.

## OPERATING EXPENSES *(thousands of euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Personnel expenses | 411,503 | 378,157 | 33,346 | 8.8 |
| Other administrative expenses | *249,312* | *254,659* | (5,347) | (2.1) |
| *- overhead expenses* | *179,632* | *187,480* | (7,848) | (4.2) |
| *- indirect taxes(1)* | *69,680* | *67,179* | 2,501 | 3.7 |
| Net provisions for risks and charges | 5,629 | 5,941 | (312) | (5.3) |
| Value adjustments/write-backs: | 49,394 | 51,863 | (2,469) | (4.8) |
| *- intangible assets* | *28,593* | *30,119* | (1,526) | (5.1) |
| *- property, plant and equipment* | *20,801* | *21,744* | (943) | (4.3) |
| Other operating expenses (income) | *(102,380)* | *(106,088)* | 3,708 | (3.5) |
| **Total operating expenses** | **613,458** | **584,532** | **28,926** | **4.9** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

(1) Taxes recovered from customers are posted to item 220 of the Income Statement “Other operating expenses (income)”.

Other net operating income decreased by 3.5% (totalling EURO 102.4 million) mainly reflecting the fact that the 2013 aggregate benefitted from EURO 10.6 million in non-recurring revenues arising from the out-of-court settlement of a legal dispute.

## OTHER OPERATING EXPENSES (INCOME) *(thousands of euro)*

| | 2014 | 2013 (*) | Change Absolute | Change % |
|---|---|---|---|---|
| Lease payments receivable | 4,505 | 4,661 | (156) | (3.3) |
| Third-party charges | 88,066 | 87,854 | 212 | 0.2 |
| *recovery of credit facility fees* | *28,632* | *32,234* | *(3,602)* | *(11.2)* |
| *recovery of taxes (1)* | *59,011* | *55,172* | *3,839* | *7.0* |
| *customer insurance premiums* | *423* | *448* | *(25)* | *(5.6)* |
| Other income | 21,375 | 41,468 | (20,093) | (48.5) |
| **Total other income** | **113,946** | **133,983** | **(20,037)** | **(15.0)** |
| Operating expenses on financial leases | (511) | (893) | 382 | (42.8) |
| Routine maintenance expenses on investment property | (608) | (649) | 41 | (6.3) |
| Expenses for improvement of third parties’ assets | (610) | (367) | (243) | 66.2 |
| Other expenses | (9,837) | (25,986) | 16,149 | (62.1) |
| **Total other expenses** | **(11,566)** | **(27,895)** | **16,329** | **(58.5)** |
| **Total net operating income** | **102,380** | **106,088** | **(3,708)** | **(3.5)** |

*(*) As shown in the paragraph "Accounting policies" in the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations".*

(1) The item consists of taxes recovered from customers, whose cost is recorded under sub-item 180 b) "Other administrative expenses" in the income statement.

The cost/income ratio rose to 85.8% from 73.2% in December 2013 and was largely affected by the non-recurring items recognised during the year. Net of non-recurring items recognised in both 2013 and 2014, the cost/income ratio would point to a slight increase, reaching 75.9% (78.4% in 2013). The major non-recurring items for 2013 relate to a EURO 10.6 million out-of-court settlement of a legal dispute, the impacts from the introduction of the "Fair Value Option", amounting to EURO 40.1 million; non-recurring items for 2014 include personnel costs for an amount of EURO 59.4 million and EURO 2.6 million worth of provisions for risks and charges, of which EURO 0.3 million in costs for the closure of branches). Overhead costs also include EURO 0.6 million in costs similarly associated to the closure of branches.

Gains on equity investments totalled EURO 4.9 million, while impairment on goodwill - including impairment on goodwill relating to the CGU Cassa di Risparmio di Carrara - amounted to EURO 15.9 million.

Profit (loss) before tax from continuing operations was negative by EURO 579.1 million (vs. -EURO 2,426 million for FY2013, which included EURO 1,654.4 million worth of impairment losses on goodwill).
The item 'Income taxes' (which includes both the negative effects from a higher tax rate on the capital gain arising from the accounting treatment of the new shares in the Bank of Italy, and positive effects deriving from the tax alignment of immovable properties) shows a positive net balance of EURO 170.9 million. It is noted that, during the period, the Carige Group resolved to approve Banca Carige S.p.A.'s exercising the option of fiscal realignment of the tax values of the Bank's properties to the higher statutory values, with an estimated net profit and loss benefit of approximately EURO 34.3 million (EURO 40.4 million at Group level) and to fiscally restrict for the purposes of the regulations in question, a portion of reserves and capital for an amount equal to the difference between the higher realigned values and the substitute tax paid.
Given the EURO 138.7 million loss from non-current assets held for sale (- EURO 146.9 million in the restated 2013 Income Statement, which includes a negative EURO 218.7 million effect from the measurement of assets held for sale under IFRS 5) and minority interests' share of loss totalling EURO 3.4 million, the Parent Company's share of net loss totalled -EURO 543.6 million as compared to a loss of EURO 1,761.7 million for the prior year.
Including revenues booked directly to shareholders' equity, the total Parent Company's share of consolidated comprehensive income is -EURO 601.6 million.

## INSURANCE

### PREMIUMS, RESERVES, P&L (1) *(thousands of Euro)*

| Figures relative to the insurance group | 31/12/2014 | 31/12/2013 | Change | |
|---|---|---|---|---|
| | | | Absolute | % |
| **Insurance activities** | **-90,856** | **-158,269** | **67,413** | **- 42.6** |
| Premiums excluding reinsurance | *1,004,523* | *1,061,314* | *-56,791* | - 5.4 |
| Life insurance | *653,429* | *595,503* | *57,926* | 9.7 |
| *recognised gross premiums (+)* | *657,303* | *600,286* | *57,017* | *9.5* |
| *premiums ceded to reinsurers (-)* | *3,874* | *4,783* | *-909* | *- 19.0* |
| Non-life insurance | *351,094* | *465,811* | *-114,717* | - 24.6 |
| *recognised gross premiums (+)* | *352,361* | *428,654* | *-76,293* | *- 17.8* |
| *premiums ceded to reinsurers (-)* | *22,112* | *25,158* | *-3,046* | *- 12.1* |
| *changes (+/-) in premium reserve gross balances* | *22,009* | *66,294* | *-44,285* | *- 66.8* |
| *changes (-/+) in premium reserves charged on reinsurers* | *-1,164* | *-3,979* | *2,815* | *- 70.7* |
| Net changes in technical reserves | *-347,404* | *-362,286* | *14,882* | - 4.1 |
| Life insurance | *-347,404* | *-362,409* | *15,005* | - 4.1 |
| Non-life insurance (2) | - | 123 | -123 | - 100.0 |
| Claims incurred and settled during the period | *-643,080* | *-738,081* | *95,001* | - 12.9 |
| Life insurance | *-428,213* | *-340,363* | *-87,850* | 25.8 |
| Non-life insurance (2) | *-214,867* | *-397,718* | *182,851* | - 46.0 |
| Other insurance revenues and expenses | *-104,895* | *-119,216* | *14,321* | - 12.0 |
| Life insurance | *-21,198* | *-20,717* | *-481* | 2.3 |
| Non-life insurance | *-83,697* | *-98,499* | *14,802* | - 15.0 |
| **Net income from financial activities** | **217,278** | **174,652** | **42,626** | **24.4** |
| **Other items in the income statement** | **-49,404** | **-183,182** | **133,778** | **- 73.0** |
| **Gross profit** | **77,018** | **-166,799** | **243,817** | **...** |
| **Taxation** | **-27,079** | **24,890** | **-51,969** | **...** |
| **Loss for the period - minority interests** | **-** | **2** | **-2** | **- 100.0** |
| **Net profit (loss)** | **49,939** | **-141,907** | **191,846** | **...** |

(1) Figures are gross of relations with companies belonging to the banking group

(2) Net changes in technical reserves do not include changes in claims reserves which are instead posted to the subitem "Claims for the year - Non-Life insurance"

## TECHNICAL RESERVES AND REINSURERS' SHARE OF TECHNICAL RESERVES

*(thousands of Euro)*

| Figures relative to the insurance group | 31/12/2014 | 31/12/2013 | Change Absolute | Change % |
|---|---|---|---|---|
| **Technical reserves** | **5,515,567** | **5,017,768** | **497,799.0** | **9.9** |
| Non-life insurance | 823,649 | 980,452 | *-156,803* | - 16.0 |
| *premiums reserves* | *129,785* | *151,794* | *-22,009* | *- 14.5* |
| *claims reserves* | *693,474* | *828,268* | *-134,794* | *- 16.3* |
| *other reserves* | *390* | *390* | *-* | *-* |
| Life insurance | 4,691,918 | 4,037,316 | *654,602* | 16.2 |
| *mathematical reserves* | *4,298,285* | *3,967,154* | *331,131* | *8.3* |
| *reserves for amounts payable* | *21,131* | *13,317* | *7,814* | *58.7* |
| *other reserves* | *372,502* | *56,845* | *315,657* | *...* |
| **Reinsurers' share of technical reserves** | **133,851** | **155,233** | **-21,382** | **- 13.8** |
| Non-life insurance | 86,019 | 100,650 | *-14,631* | - 14.5 |
| *premiums reserves* | *6,900* | *6,605* | *295* | *4.5* |
| *claims reserves* | *79,119* | *94,045* | *-14,926* | *- 15.9* |
| Life insurance | 47,832 | 54,583 | *-6,751* | - 12.4 |
| *mathematical reserves* | *41,024* | *50,866* | *-9,842* | *- 19.3* |
| *reserves for amounts payable* | *3,229* | *3,261* | *-32* | *- 1.0* |
| *other reserves* | *3,579* | *456* | *3,123* | *...* |

The Reporting Package for the insurance Group, prepared in accordance with the IAS/IFRSs, posts a profit of EURO 49.9 million, compared to a loss of EURO 141.9 million in 2013.
Premiums from insurance activities, net of reinsurance, amounted to EURO 1,004.5 million, down 5.4% from 2013; more specifically, net life insurance premiums rose from EURO 595.5 million to EURO 653.4 million, while non-life insurance premiums decreased from EURO 465.8 million to EURO 351.1 million. The banking channel accounts for the largest share of life insurance premiums (92.6%); conversely, insurance agencies and brokers account for 94.9% of non-life insurance premiums collected. Net changes in technical reserves totalled -EURO 347.4 million (-EURO 362.3 million in 2013) and net expenses from insurance activities amounted to EURO 104.9 million, compared to EURO 119.2 million in 2013. Technical reserves totalled EURO 5,515.6 million, up 9.9% from December 2013; life insurance lines were up 16.2%, while non-life insurance lines were down 16%. The total reinsurers' share of technical reserves (EURO 133.9 million) was down 13.8%.

# MARKETING, SERVICES AND CUSTOMER PROTECTION

In 2014, the Carige Group continued to focus on its "Carige Solo Tuo" platform for consumer customers, which was launched in 2012. "Carige Solo Tuo" is an entirely modular multi-channel banking offering which relinquishes the "package" concept: it is freely customisable, starting from the option to use either one of two access modes, both with an inter-channel approach. This is not a new product, but a new way to service customers.
Throughout the year, the Group focus on young people continued, with dedicated discounts and promotions connected with both Carige SoloTuo and the 'Ricarige with IBAN' prepaid credit card. Employment, housing, training and self-employment initiatives continued, as set out in the Memorandum of Understanding entered into by and between the Italian Banking Association (ABI) and the Italian Ministry of Youth. In particular, the banks of the Carige Group (excluding Banca Cesare Ponti) adhere to both the Home Fund, which makes it possible also for young couples with an income from fixed-term employment contracts to obtain a mortgage loan for the purchase of their first home, and the Fund for Study, supporting talented young people without sufficient financial means, who wish to study or to complete their training through a government-backed loan.
In 2014 the traditional collaboration between Banca Carige and the University of Genoa continued: in addition to zero-interest, free-of-charge financing of "Erasmus" scholarships, the riUNIGE prepaid card

with IBAN code is offered to students from Genoa University. Flexible and handy, this prepaid card offers favourable terms and conditions for payment of university fees.

The already existing collaboration with the Universities of Genoa, Turin, Milan, Padua, Pisa, Florence, Palermo, Eastern Piedmont (Novara, Vercelli, Alessandria), the Aosta Valley (Aosta), Perugia, Bologna, Parma, Verona, Modena and Reggio Emilia, which offer a dedicated current account (‘*Carige Stile Facoltà*’) to university students, has been extended to the Universities of Sassari and Cagliari.

In order to specifically assist foreign customers residing in Italy, the website customer-interface hosts a special section translated into English, French and Spanish. Over the year, the product and service offering for immigrants was expanded to make it easier for them to transfer money to their countries of origin: the well-established service of money transfers to Ecuador in collaboration with the Banco Bolivariano has been extended to Peru and Morocco, for the purpose of sending money overseas quickly and on particularly favourable terms. The offering for foreign customers is integrated with services ranging from current accounts, also in the name of non-residents, to personal loans and mortgage loans.

In the course of 2014, the ‘Carige On Demand’ service - launched in June 2012 - continued to be enriched with new features, while progress was made in the migration of customers from their previous Interbank Corporate Banking (CBI) service (completed) and the Online Business service (ongoing) to the new platform. During the year, ‘Carige On Demand’ customers entered approximately 200,000 payment slips in the system, for a total of 2.5 million transaction orders and a total equivalent value of EURO 4 bn.

On the basis of the agreement entered into in 2013, collaboration with a major industrial player continued in 2014 with a view to offering credit risk hedging policies to corporate customers. In addition to the services provided via the dedicated website ‘CarigeTrade.it’ to support the internationalisation process of businesses, a collaboration agreement was entered into with a specialised consultancy firm for the purpose of offering an array of internationalisation services to corporate customers on favourable terms (e.g.. internationalisation support, search for new markets and foreign partners, etc.).

In "bancassurance", a strong focus was maintained on life insurance products, with the product offering being largely confirmed. A partial element of innovation lies in the new release of the "Carige per 5" policy: the restyling of the product led to a significant reduction in surrender penalties. Distribution of the "Carige per 5 Reinvesto" insurance policy, designed for the re-investment of funds from Carige Vita Nuova Index Linked policies and claim settlements, was brought to completion during the year. The "Carige RendiOltre" term deposit on current account which, subject to a withdrawal restriction, offers a higher rate of return, continued to be distributed in 2014.

In the non-life insurance segment, the product proposition and sale of insurance policies especially for motor third party liability, including the ‘*Guido Più Sereno*’ option of a global positioning system (GPS) for greater car security, continued. As a result of the possibility for customers to pay the premium in 10 zero-interest, free-of-charge monthly instalments (0% annual nominal interest rate and 0% annual percentage rate) with the range of discounts on premiums now up to 20% based on the number of insurance products held by the customer, the number of car insurance policies placed has risen in all Group banks/areas to a total of approximately 25,000 as compared to the 22,000 policies sold in 2013 (+13%). An excellent performance was recorded in terms of percentage of renewal for existing policies, which was approximately 80%. Similarly, sales of non-motor insurance policies continued, with confirmation of products marketed in 2013 (insurance coverage for drivers ‘*Esco Sereno*’, fire and theft ‘*Incendio e Furto*’, family third party liability ‘*Protezione Famiglia*’, work and non-work related injuries ‘*Tutto Bene*’, illness and disability ‘*Niente Male*’), for a total of approximately 28,000 policies sold. With respect to bank-insurance network integration, which involves the introduction of new customers into the bank network by insurance agents with special authority, a total of over 1,200 new current accounts were opened.

In private banking, the range of open-architecture financial instruments offered via the “*Allfunds*” platform continued to be integrated with selected top quality products from leading international fund houses. In parallel, the use of model portfolios has been further expanded to increase the efficiency of customer portfolios, in compliance with regulations in force.

In assets under management, sales collaboration continued with the asset management company, Arca SGR, which has become the Groups' reference fund house since 1 January 2014, enabling access to a complete and diversified catalogue of products including "open-ended" funds and fixed-term coupon funds. The range of "open-ended" funds was further expanded with the introduction of the new flexible bond fund "*Arca Bond Flessibile*". As for coupon funds, distribution of the "*Arca Cedola Obbligazionaria*

*Attiva*" bond fund in different time windows (four windows in 2014) continued and the flexible balanced fund "*Arca Reddito Multivalore*" was introduced (three time windows offered).
At the beginning of the year, 5 lines of the Open-ended Pension Fund *'Arca Previdenza'* were launched for distribution.
At the end of June, two individual asset management lines ("GP Profilo Aggressivo" and "GP Azionaria") were enriched with a planned periodic repayment option.
As for direct funding products, placement of Carige bonds was resumed in July with a catalogue of plain vanilla issuances, later integrated with simple interest rate structures (floating rate with cap and floor).
The number of current accounts for the Group totalled 739,489, down on the previous year (756,466).
In line with the "2014-2018 Business Plan", the "integrated multichannel" model continued to be further developed, for clients to access the bank's services via their channel of choice. In April 2014, Carige On Line, the Internet service for consumer customers, was completely renovated and fitted with a user-friendly design, suitable for all types of users. During the year, services where further enriched with the possibility of entering standing orders online; the Group has also joined the CBILL project, sponsored by the CBI (Interbank Corporate Banking) consortium to allow customers to pay bills relating to CBI-member businesses and Public Administrations on line.
The number of *Carigecash Europa* and *Carigecash Internazionale* ATM cards increased by around 1%, compared to 2013, for a total of approximately 13.5 million withdrawal transactions (-3.6%), amounting to roughly EURO 2.6 bn (-2.2%); POS payments numbered 21.4 million (+1.8%), for a total amount of EURO 1.3 bn (-0.5%). In order to reduce the workload of branches and speed up over-the-counter transactions for current account holders, the Group has introduced 158 cash-in machines for cash or cheques in 156 branches. In cash-in fitted branches, 33.5% of payments which could be migrated were transferred to the automatic cash-in process in 2014.
Over 140,000 top-up, prepaid cards are in issue, up by over 14% as compared to 2013; an increase is registered in both payments (over 2.4 million transactions, +32.5% on 2013) and withdrawals (approximately 688,000 transactions in 2014, +7.4% on 2013), for an overall amount of EURO 216 million (+17%).
The stock of Carigecard credit cards decreased by 1.8%, but the number of Carigecard transactions during the year increased from 10 to 10.6 million (+5.7%), for a total amount of about EURO 898 million (+2.6%).
The POS terminals installed, numbering 23,042, are on the rise (+3.8% compared to December 2013), with a 4.9% increase in the total number of transactions to approximately EURO 1.9 bn. In 2014, POS terminals and credit cards started to be migrated to contactless technology.
The help desk service remotely supports customers, mainly in using the Group's online platforms. In 2014, the bank's call centre operators directly answered about 157 thousand incoming telephone calls and made approximately 15 thousand outbound calls in support of various marketing initiatives, to follow up on the launch of new products, advertising campaigns and market surveys.
In addition to strictly complying with customer protection regulations, the Carige Group makes considerable effort to adopt the required compliance framework and analyse the reasons for complaints received. In this view, the Carige Group joined the Banking Ombudsman Scheme in 1993, which became part of the Financial Banking Conciliator Association, managing other instruments for out-of-court dispute settlement, including Conciliation and Arbitration; from 15 October 2009, the Banking and Financial Arbitrator, ABF, has been operational, taking action in disputes regarding banking and financial services.
The Group Banks' websites include a special "Complaints" section providing all information on legally enforceable customer protection levels, from complaint submission to out-of-court dispute settlement and relating statistical data.
Centralised with the Parent Bank's Complaints Office are all obligations arising from Art. 7 of Legislative Decree 196/2003 (Privacy Code) and the "Code of Conduct" for information systems on consumer credit, reliability and timeliness of payment managed by private entities, so as to enable the parties concerned to exercise their right to access, amend and/or cancel any of their personal data processed by the Group Banks.

## PUBLIC RELATIONS
## AND PROMOTION OF CULTURAL, SCIENTIFIC AND SOCIAL ACTIVITIES

Public relations were focused on the consolidation of the Carige brand at local and national level.
In 2014, the Bank took part in the “Banca e Territorio” award, organized by AIFIn – the Italian Association for Financial Innovation – aimed at promoting the concept of corporate social responsibility in the financial sector, and therefore particularly addressing banks which give a concrete contribution to the sustainable development of their organisations and the area they are located in. In the eight edition of the AIFIn Award, Banca Carige won the first prize for art and culture promotion initiatives, as part of the "Rapallo Carige" National Literary Prize for women authors and was bestowed with a special prize for being the "Local Bank of the year".
Institutional advertising covered two international events: the Handbike *Giro d'Italia* (Tour of Italy), an important sports and social cohesion event, with its symbol, the pink jersey, printed with the Banca Carige Italia logo, and the *Salone Nautico di Genova* (Genoa Boat Show), with Banca Carige as the main sponsor for the event.
Two additional occasions for the consolidation of Banca Carige's image consisted in the advertising campaign launched in view of the capital increase completed in July 2014, and the subsequent campaign to strengthen the Bank’s corporate image.
In the realm of culture , the Group confirmed its role as a sponsor of the *Teatro Stabile* and the *Teatro della Tosse* in Genoa, the *Teatro Cavour* in Imperia and the *Teatro delle Muse* in Ancona.
As part of the initiatives to support art and culture, in 2014 Banca Carige maintained its commitment to the project "La tastiera Italiana", promoted in collaboration with Sony music. Under the supervision of Maestro Andrea Bacchetti and music historian Mario Marcarini, the project aims at rediscovering ancient unpublished works by Italian composers, which are CD recorded by a renowned local musician after restoration and accurate selection, to promote circulation throughout the country. During the year, the music historians’ work focused on analysing several manuscripts by composer Johann Adolph Hasse, German-born but Venetian by adoption.
In support of musical culture, Banca Carige also promoted and organised several concerts at the Brera Gallery in Milan, conducted by Maestro Bacchetti, in view ofthe 2015 Milan Universal Exposition (Expo Milano 2015).
The promotion of culture was also reflected in participation in the traditional ‘Rapallo Carige’ literary prize for women writers, marking its 30th year.
With regard to the other banks of the Group, Cassa di Risparmio di Carrara offered its support to the *Fondazione Città del Libro* in Pontremoli – contributing to organising the ‘*Bancarella*’, ‘*Bancarellino*’, ‘*Bancarella Sport*’ and ‘*Bancarella della Cucina*’ book awards. In collaboration with *Fondazione Cassa di Risparmio di Carrara,* the bank also organised the ninth edition of the "Con.Vivere" event dedicated to Africa, hosting meetings with journalists, politicians, intellectuals, artists and singers, workshops, exhibitions and concerts for the purpose of discovering the African continent.
Banca del Monte di Lucca offered its support to many initiatives, including the Christmas concert tribute to the English band ‘Queen’ for local citizens, with a preview at the *Teatro Comunale del Giglio di Lucca* (Giglio di Lucca’s Municipal Theatre).
Traditionally present in sport, the Carige Group continued to sponsor the U.C. Sampdoria football association, Genoa C.F.C. football club, A.S. Livorno Calcio sporting association and started to sponsor Virtus Entella, as well as volleyball, basketball, water polo, tennis and football teams, to encourage young people's participation in sport and support small sporting organisations in the different local communities in which the Group operates.
Of major relevance is Cassa di Risparmio di Savona's sponsorship of two of the most popular sport entities in the province: Carisa Rari Nantes Savona, which has long been top ranking in waterpolo at national level, recently winning the prestigious European Coppa Len trophy, and the Savona 1907 F.B.C football club.
The promotion of social activities was reflected in support for many voluntary associations engaged in solidarity projects, sharing several initiatives carried out by these associations on a national level and helping people who had suffered damage from the floods in Liguria and other Italian regions.

The Banca Carige Group's attention for young people also took the form of regular educational training sessions on money saving for schools. Ongoing collaboration with the University of Genoa and a number of other universities from all over Italy fits within this context. With regard to young people, the *Festival della Cultura Creativa* (festival of creative culture) was the most important event organised by the Banca Carige Group.
Worthy of note is the sponsorship of meetings and conferences organised by Professional and Trade Associations in the various regions of Italy in which the Banca Carige Group operates.
Thanks to its partnership with organisations and consortia, the Group similarly maintained a significant institutional presence in tourism, qualifying as the financial partner of choice for tourism operators.
In the area of economic and financial information, special mention should be made of the annual forum on the final considerations by the Governor of the Bank of Italy, as well as of support to and active participation in the "Gozzo d'argento" economic information award, a traditional annual event hosted in Santa Margherita, this year focusing on the "Dissemination of economic information to increase awareness of issues affecting our lives".
In 2014 the Bank maintained its commitment to the publishing industry, by promoting the culture and information magazine, "La Casana", with the goal of championing culture and the artistic heritage of the areas where the Group operates. In collaboration with the University of Genoa, Banca Carige published two specialist magazines "*Economia e Diritto del Terziario*" (Law and Economics of the Service sector) and "*Prospettive dell'Economia*" (Economic Outlook).
Among the Bank's publishing initiatives, the 2014 special edition book, including a multimedia e-book format, is dedicated to "Genova e la canzone d'autore" (Genoa and art songs). Edited by Enrico De Angelis, the book traces the history of the Genoese school of singers and songwriters, intertwining the stories from three generations of artists who have significantly contributed to the success of this music genre. All the banks of the Banca Carige Group joined in the initiative.
Finally, most appreciation was expressed for "*Vetrine d'artista*", an exhibition (in collaboration with the "Renzo Aiolfi" association) of works by the most important 20th century painters from Savona and emerging artists which are on display in the windows of the Head Office in Corso Italia.
The book "*Lucca Ricchezze e Bellezza*" (Lucca, wealth and beauty) was published by Banca del Monte di Lucca, together with its Foundation, in the aim to enhance the beautiful landscape and architecture of the city of Lucca, through the pictures and writings of the academician Giovanni Padroni.
As regards the enhancement of cultural heritage, Carige took part in the annual event "Invito a Palazzo", promoted by the Italian Banking Association and celebrating its 13th year, which allows art lovers and tourists to admire the pieces of art in the Bank's art collection, which are usually not accessible to the public. In the 2014 edition of the event, the historic headquarters of Banca del Monte di Lucca, Banca Cesare Ponti and the seventeenth century pawnbroker palace 'Palazzo del Monte di Pietà' in Palermo, which is now the local Head Office of Banca Carige Italia, were opened to the public.

## CARIGE'S CORPORATE SOCIAL RESPONSIBILITY[1]

In 2013 the Group embarked on a path of corporate social responsibility, which was gradually consolidated in 2014.
One of the key elements was the creation of a CSR office, as part of the Communications department, reporting directly to the Chief Executive Officer, and a work group involving the Group's main organisational units in the aim to gather the information necessary for preparation of the Corporate Social Responsibility Report.
The first action taken by the office was an in-depth reorganisation of the layout of the 2013 Corporate Social Responsibility Report which was, for the first time, drawn up in compliance with the Global Reporting Initiative requirements to make the contents of the document (submitted and approved by the Board of Directors in June 2014) more user-friendly.
2014 also saw the revision and subsequent BoD approval of the new Codes of Ethics for the banks of the Group, which outline the core principles and values of corporate ethics, as well as the rules of conduct and standards for their implementation. The Codes were promoted among employees via a tutorial vid-

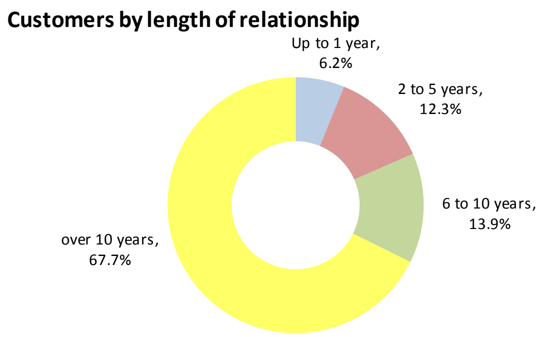
[1] The scope of the information contained in this paragraph refers to the banks of the Group, unless otherwise specified.

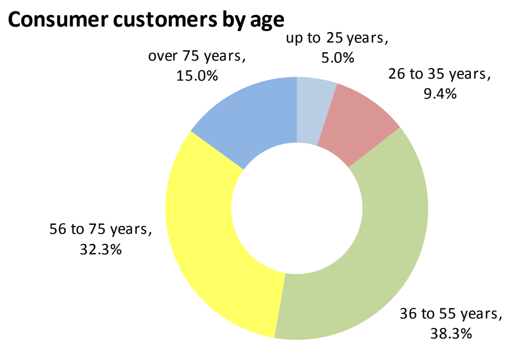
eo, "*Il Codice Etico in 6 pillole*" (6 tips on the Code of Ethics), which can be found in the corporate website and presents the key elements of the new code in use.
With the support of an external company, the Corporate Social Responsibility initiatives were assessed to determine whether the activities implemented by the Bank were in line with the expectations set forth by ISO 26000, the international standard launched to help businesses integrate, implement and promote a socially responsible behaviour both within their premises and in their sphere of influence.

*Stakeholders*

Customers

Notwithstanding the complexity of the context of reference, customer relations in 2014 witnessed a decrease in customer retention to within acceptable levels and a consolidation of customer satisfaction with bank services. In this regard, the bank's consumer survey model saw an increase in "contact opportunities" to approximately 10,000 interviews. An analysis of the survey results showed that approximately 94% of the interviewees were satisfied and 84% were extremely satisfied with their relations with the bank. Against this generally positive background, the highest levels of satisfaction were recorded in the consumer customer segment, particularly among young and senior customers and purchasers of lending products.
The breakdown of customers by bank seniority shows that approximately 68% of total has had a relationship with the Bank for at least 10 years. With regard to consumer customers' age, a significant share (15%) of customers is over 75, while over 70% is aged between 36 and 75.
Against the backdrop of an economic crisis that continued in 2014, the Banca Carige Group maintained its commitment to facilitating access to credit and helping customers' overcome the difficulties they encounter in fulfilling their economic obligations.
Following natural disasters, including the floods that hit many areas of the Veneto, Tuscany, Marche and Liguria, the Group adopted initiatives to grant loans at more favourable interest rates to people suffering flood damage or suspend payment of loan instalments for people in financial hardship.

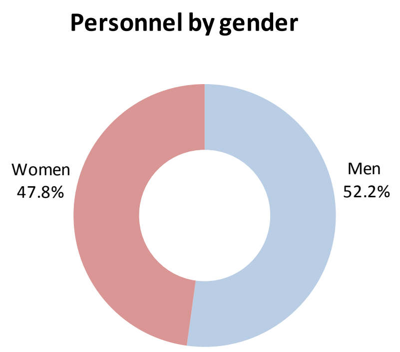


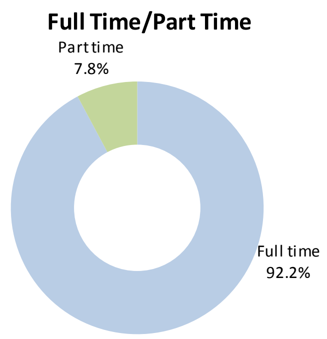




Employees

The Banca Carige Group's stability and revenue generation capacity are the two essential pre-requisites for guaranteeing employment protection and working conditions qualitatively in line with the Code of Ethics. In order to achieve these objectives, in line with the guidelines of the 2014-2018 Business Plan, some measures were introduced in 2014 which are expected to have a significant impact on productivity, operating costs, the organisational setup, service model, branch network sizing and layout and, ultimately, a set of parameters characterising relations between the Company and its employees and contractors.
For the adoption of these measures, Carige, in collaboration with the Unions, abided by the principles of a responsible management of its restructuring processes, via a voluntary resignation plan for employees who, by 31/12/2018, will have attained eligibility for immediate retirement benefits, thus initiating a process of generational balance to be partly achieved via the recruitment of young employees.
Out of the approximately 5,300 employees of the Group as at the end of the year, a slight male predominance is observed (52.2%). Reflecting the special focus given to work/family life balance, the Company has accepted 414 part-time work applications over the years, 391 of which from women (94% of total part-time). At the end of the year, 99.4% of the employees were on open-ended contracts. In addition to them are 28 resources on an apprenticeship and 2 on a fixed-term employment contract.

As for training, without prejudice to the Company's focus on strengthening the employees' managerial competences, the 2014 programmes were mainly centred on technical-operational contents.
In 2014, 237,148 hours of training were delivered, i.e. approximately 45 hours per employee.

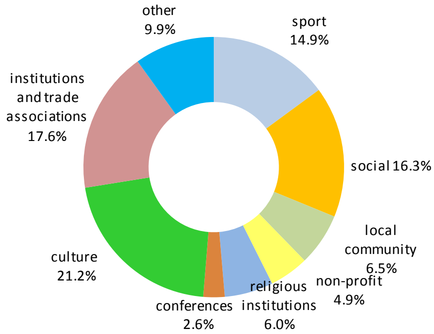



Community
Community support has been progressing along the traditional initiatives to support art, culture, and charity, in addition to specific fund-raising campaigns for people affected by natural disasters or other humanitarian initiatives, in collaboration with other entities.
In particular in 2014, Banca Carige decided to donate EURO 100 thousand to address, partly through actions taken by the Diocesan Caritas of Genoa, the emergency situation arising from the floods that hit the region in autumn and support various not-for-profit organisations and socially useful associations.
With regard to children, a significant event promoted by the Banca Carige Group was the '*Festival della Cultura Creativa*' (Festival of Creative Culture), organised in collaboration with the Italian Banking Association (ABI), involving about a hundred children from primary school with the aim of making them acquainted with the concept of a museum.
The Banca Carige Group confirmed its traditional commitment to sports throughout the country by sponsoring sport events, especially of amateur clubs.
In particular, the Group continued to sponsor the 'U.C. Sampdoria' football club, 'Genoa cricket and football club' (C.F.C.), 'A.S. Livorno Calcio' football association and started sponsoring 'Virtus Entella' football team, as well as amateur volleyball, basketball, waterpolo, tennis and football teams to encourage participation of young people in sport and support small sport organisations in the local communities where the Group is present.
Worthy of note is the 2014 IV edition of the "Handbike *Giro d'Italia* (Tour of Italy)", a sport event that emphasizes the achievements of athletes with serious physical disabilities.

In 2014 Banca Carige continued to support the "Stelle nello Sport" entertainment and sport for charity programme, which involved thousands of families in its various initiatives.
The Banca Carige Group's commitment to culture translates into several initiatives. In 2014 the Group supported the Teatro Stabile and the Teatro della Tosse in Genoa, as well as the Teatro Cavour in Imperia.
In 2014, the Group sponsored the latest work by the internationally famous pianist Andrea Bacchetti (a study focusing on the rediscovery and interpretation of ancient manuscripts). The work was presented at the Brera Art Gallery, in Milan, in November.
The National Literary Prize for women authors "Rapallo Carige", launched in 1985 to support and enhance female literary works, marked its 30$^{th}$ year in 2014. Considered today as one of Italy's most prestigious literary awards, it boasts the participation of famous writers and leading publishing houses every year. On 4 October 2014, the thirteenth edition of the event "Invito a Palazzo" allowed over 900 people to visit the fourteenth floor of Banca Carige's head office.
"Invito a Palazzo" is a national event organised by the Italian Banking Association with the aim of giving visitors the opportunity to admire the pieces of art in the Banks' art collections.

Breakdown of disbursements by type of beneficiaries




Shareholders

In 2014, within a general context of persisting difficulties, disclosure to shareholders, investors and the financial community was particularly centred on the presentation of the Business Plan which was approved in March and is focused on "securing the Group and improving its operational efficiency", against the framework of a continuous and transparent dialogue via the specific channels dedicated to financial communication.

During the year the new Investor Relations department was set up to further strengthen activities for the development of relationships with institutional investors, rating agencies and financial analysts.

As has been the case for some time now, all Shareholders have the opportunity to directly contact the Bank via the Group and Corporate Affairs office and a dedicated toll-free phone number.

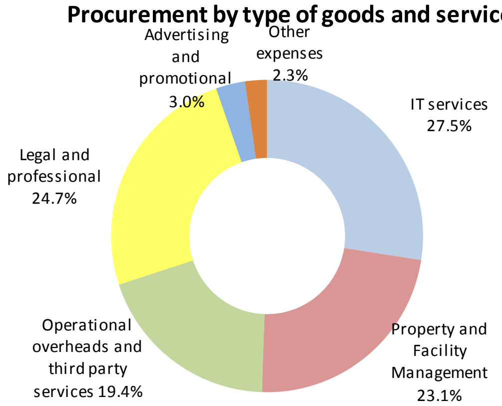
The corporate website and its “Governance” section have become the preferred channel for transparent disclosure to the public.

In parallel, the Bank has undertaken the most appropriate actions to reduce formalities and obligations liable to make the attendance and exercise of voting rights by shareholders at Shareholders’ meetings difficult and burdensome.

Suppliers[2]

In 2014 business relations with suppliers continued to be pursued within a context characterised by respect, trust, fairness and integrity, in line with a policy focused on containing administrative expenses, without prejudice to the quality of services supplied. In line with the principles of the Code of Ethics, in its procurement process, the Banca Carige Group opts for suppliers who, pursuant to regulations in force, are committed to the safeguarding and protection of the environment, workplace safety and the right to confidentiality.

Procurement by type of goods and services




Environment

In recent years, the Banca Carige Group has developed a careful policy for energy cost containment and management of resources (paper, water, telephones, etc.) by increasing process and investment efficiency and promoting a corporate culture aimed at encouraging "virtuous behaviours", especially by its employees.

[2] Data relating to purchases refers to direct expenses included in item 180 b) “Other administrative expenses” of the Consolidated Income Statement, which excludes data relating to Banca Cesare Ponti and Creditis.

In this regard, the second edition of the "ChipiùRisparmiaVince!" (Save more, win more!) contest was launched in all of the network branches in 2014 with the objective of increasing awareness of energy saving initiatives, benchmarked against certain spending indicators, which translate into business activities with a reduced environmental impact.
For some years now, the Banca Carige Group has been promoting a project to rationalise and dematerialise paper documents, with a view to reducing costs and environmental impacts. A project aiming at reducing computer generated printouts at central level became fully operational in 2013 and led to a significant decrease in printed pages. New stimulus to reduced paper consumption was given in 2014 by the widespread use of graphometric signature which, since its launch in the first half of 2013, was attached to a total flow of 155,219 contracts, 134,348 of which last year.
The Group is committed to trying and reducing its carbon footprint, partly through a careful selection of the products it purchases for its activities: 100% of all paper used internally (425 tonnes) is certified by the Forest Stewardship Council (FSC). Paper consumption for "operational" purposes, including computer generated printouts, mandatory communications to customers, forms and internal reports, decreased by approximately 13% between 2013 and 2014.
With reference to electric power, Carige chose to use energy produced by renewable sources. To date, approximately 80% of the bank's electric power demand (111,006 GJ) is from renewable sources.

## DISTRIBUTION CHANNELS AND HR MANAGEMENT

The Carige Group's distribution system is organised into traditional, remote and mobile channels.
The traditional channels, made up of branches, private and corporate advisory centres, affluent and small business segment advisors, are based on a customer service specialisation model, which provides for the transition, when possible and deemed useful, from a non-differentiated customer relationship management by one operating unit to a customised relationship management by specific advisors.
The network consists of 642 traditional branches, down compared to 678 in December 2013, as a result of the adoption of the branch network rationalisation plan included in the 2014-2018 Business Plan, which led to the closure of 36 branches (31 in Liguria and 5 outside Liguria).
The personal financial advisory service for higher-profile customers is based on a total of 120 private banking relationship managers and 359 affluent banking relationship managers.
In addition to the personal financial advisory staff comes the financial advisory service for businesses which combines sales and marketing efficiency with careful monitoring of credit quality; the service relies on 151 corporate banking relationship managers, of whom 6 Large Corporate and 145 Mid Corporate, organised into 90 teams, and 322 small business relationship managers.
Remote channels include the 'Bancomat' ATMs, Bancacontinua self-service branches and online services. A total of 760 Bancomat ATMs were operating at the end of September 2014 (795 in December 2013), while the number of Bancacontinua cash machines remained unchanged at 19. In order to reduce the work load for branches and speed up over-the-counter transactions for current account holders, the Group has introduced 158 cash in machines for cash or cheques in 156 branches. In the branches involved, 33.5% of payments which could be migrated were transferred to the automatic cash-in process, in 2014.
The number of contracts for on-line services increased to 421,981, of which 380,460 relating to internet banking and 41,521 to call centres.
As regards mobile banking, which allows bank transactions to be managed using latest generation mobile devices such as smartphones and tablets, more than 6,043,400 accesses were recorded in 2014, which generated 9,891,000 information inquiries and over 450,400 payment orders.
With regard to mobile channels, the Group has a network of 379 insurance agencies (253 of which selling banking products as well) located throughout Italy.

## SALES NETWORK [1]

### A) TRADITIONAL CHANNELS

| | 31/12/2014 | | 31/12/2013 | |
|---|---|---|---|---|
| | number | % | number | % |
| **NORTH WEST** | **354** | **55.1** | **387** | **57.1** |
| Liguria | 223 | 34.7 | 254 | 37.5 |
| - Genoa | 119 | 18.5 | 140 | 20.6 |
| - Savona | 58 | 9.0 | 64 | 9.4 |
| - Imperia | 25 | 3.9 | 29 | 4.3 |
| - La Spezia | 21 | 3.3 | 21 | 3.1 |
| Lombardy | 74 | 11.5 | 76 | 11.2 |
| Piedmont | 56 | 8.7 | 56 | 8.3 |
| Aosta Valley | 1 | 0.2 | 1 | 0.1 |
| **NORTH EAST** | **73** | **11.4** | **75** | **11.1** |
| Veneto | 45 | 7.0 | 46 | 6.8 |
| Emilia Romagna | 28 | 4.4 | 29 | 4.3 |
| **CENTRE** | **132** | **20.6** | **132** | **19.5** |
| Tuscany | 86 | 13.4 | 86 | 12.7 |
| Lazio | 39 | 6.1 | 39 | 5.8 |
| Marche | 5 | 0.8 | 5 | 0.7 |
| Umbria | 2 | 0.3 | 2 | 0.3 |
| **SOUTH AND ISLANDS** | **82** | **12.8** | **83** | **12.2** |
| Sicily | 62 | 9.7 | 63 | 9.3 |
| Apulia | 9 | 1.4 | 9 | 1.3 |
| Sardinia | 11 | 1.7 | 11 | 1.6 |
| **ABROAD: Nice (France)** | **1** | **0.2** | **1** | **0.1** |
| **Total number of branches** | **642** | **100.0** | **678** | **100.0** |

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Private consultants | 120 | 137 |
| Corporate consultants | 151 | 147 |
| Affluent consultants | 359 | 345 |
| Small business consultants | 322 | 299 |
| **Total consultants** | **952** | **928** |

### B) REMOTE CHANNELS

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Bancomat ATMs | 760 | 795 |
| Self-service "Bancacontinua" branches | 19 | 19 |
| On-line *services* (2) | 421,981 | 405,555 |

### C) MOBILE CHANNELS

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Insurance agencies | 379 | 392 |
| - of which: distributing banking products | 253 | 272 |

*(1) As at 31/12/2014, the sales network includes the 7 branches of Banca Cesare Ponti, under reclassification as 'assets held for sale'.*

*(2) Number of Internet banking and Call center contracts.*

At the end of 2014, the Group's headcount totalled 5,737 units (5,851 in December 2013). Bank employees numbered 5,295, down by 92 from the beginning of the year. Executives and middle managers accounted respectively for 1.3% and 26.2% of total, with the rest of personnel accounting for 72.5%. Front-end staff make up 70.4% of total headcount. Insurance personnel numbered 442 (464 in December 2013).

## BREAKDOWN OF PERSONNEL

| | 31/12/2014 | | 31/12/2013 | |
|---|---|---|---|---|
| | number | % | number | % |
| *Number of bank employees (1)* | | | | |
| **Grade** | | | | |
| Executives | 68 | 1.3 | 75 | 1.4 |
| Middle managers | 1,389 | 26.2 | 1,419 | 26.3 |
| Other employees | 3,838 | 72.5 | 3,893 | 72.3 |
| **Total** | **5,295** | **100.0** | **5,387** | **100.0** |
| **Assets** | | | | |
| *Head offices* | *1,565* | *29.6* | *1,551* | *28.8* |
| *Market* | *3,730* | *70.4* | *3,836* | *71.2* |
| *Total insurance personnel (2)* | *442* | | *464* | |
| **Total (banking and insurance)** | **5,737** | | **5,851** | |

## FIXED ASSETS AND EQUITY INVESTMENTS

The value of the Bank's property, plant and equipment amounted to EURO 769.8 million, down by 28.1% Y/Y (-0,4% on a restated data basis). Assets used in the business (EURO 643.4 million) decreased by 15.1% and assets held for investment purposes (EURO 126.3 million) decreased by 59.6%.
Intangible fixed assets amounted to EURO 116.1 million, down compared to EURO 188.1 million in December 2013 (EURO 142.7 million on a restated data basis). During the year, goodwill was tested for impairment according to the provisions set out by IAS 36 and in line with the instructions contained in the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010 and Consob letter of 19 January 2015.
The impairment test results as at 31 December 2014 identified the need for loan loss provisions to be taken for a total amount of EURO 15.9 million in respect of the CGU Cassa di Risparmio di Carrara, which entailed the write-down of its goodwill and an impairment loss for the entire amount (EURO 13,5 million) of goodwill relating to the CGU Carige Assicurazioni, as part of the evaluation of groups of assets held for sale and discontinued operations. To corroborate the impairment test performed by Banca Carige's relevant units, a leading Advisory Firm was specifically engaged to issue a fairness opinion on the consistency and accuracy of internal valuations. The fairness opinion, issued to the Parent Company on 10 February 2015, confirmed the Bank's appraisal.
The remaining goodwill as at 31/12/2014 totalled EURO 57.1 million and was only in relation to Cassa di Risparmio di Savona.
More information can be found in Part B, Assets, section 13 of the consolidated Explanatory Notes.
Equity investments amounted to EURO 92.5 million (EURO 91.6 million in 2013), of which EURO 91.2 million are in relation to 'Autostrada dei Fiori' (a company subject to significant influence, valued at equity) and EURO 1.3 million in relation to Nuova Erzelli S.r.l. (a company subject to significant influence, valued at cost).

### ANNUAL CHANGES IN EQUITY INVESTMENTS *(thousands of Euro)*

| | | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **A.** | **Opening balance** | **91,552** | **90,164** |
| **B.** | **Increases** | **1,987** | **1,388** |
| | B.4 Other changes | 1,987 | 1,388 |
| **C.** | **Decreases** | **1,057** | **-** |
| | C2. Value adjustments | 1,052 | - |
| | C3. Other changes | 5 | - |
| **D.** | **Closing balance** | **92,482** | **91,552** |

## CORPORATE GOVERNANCE

Full adhesion to the Corporate Governance Code for Listed Companies was resolved upon for the first time by Carige's Board of Directors in February 2001. Since then, the Bank's governance has been constantly adapted to meet the criteria set out in the Code, including its latest edition approved in July 2014.
For information pursuant to article 123 bis of the Consolidated Law on Finance (TUF) regarding Carige's corporate governance and ownership structure, please refer to the separate document "Corporate Governance and Ownership Structure Report for 2014", approved and published in conjunction with these financial statements and available in the "Governance" section of the Bank's website at www.gruppocarige.it.
In accordance with article 2391 bis of the Italian Civil Code, the Corporate Governance and Ownership Structure Report may also be referred to for a description of the rules adopted by the Bank, in line with Consob principles, to ensure the transparency as well as the substantial and procedural correctness of third-party transactions, as set forth in the "Regulations regarding transactions with related parties and connected subjects", available under the "Governance" section of the Bank's website.

## OWNERSHIP STRUCTURE AND RELATIONS WITH THE 'CONTRIBUTING ENTITY' (THE FOUNDATION)

As at 31 December 2014, Banca Carige's share capital amounted to EURO 2,576,863,267.70, represented by 10,170,107,375 shares with no indication of par value, of which 10,167,553,157 ordinary and 2,554,218 convertible savings shares.
The amendments to the composition of share capital, made in 2014, are subsequent to the completion of the rights issue (which was resolved upon by the Board of Directors in its meetings of 27 March 2014 and 12 June 2014 in execution of the power which had been granted to the Board by the Extraordinary Shareholders' Meeting on 29 April 2013, pursuant to Art. 2443 of the Italian Civil Code) which ended on 11 July 2014 with full subscription of a total amount of 7,992,888,534 new ordinary shares offered, for an overall amount of EURO 799,288,853.40, without the Underwriting Syndicate having to step in.
No amendments to the Parent Company's share capital are envisaged until the date of the Shareholders' Meeting which will be held to approve the 2014 financial statements.
As at 31 December 2014, according to the shareholder register and based on notifications received in compliance with the applicable legislation and other information available to the Company, the shareholders directly or indirectly owning interests amounting to over 2% of the ordinary share capital, are as follows:

<table>
<tr><th>Shareholder</th><th>Type of possession</th><th>No. Ordinary Shares</th><th>% of the ordinary share capital</th></tr>
<tr><td rowspan="3">Fondazione Cassa di Risparmio di Genova e Imperia</td><td>Ownership</td><td>1,234,561,214</td><td>12.142%</td></tr>
<tr><td>Lender (without voting rights)</td><td>715,565,812</td><td>7.037%</td></tr>
<tr><td>Total</td><td>1,950,127,026</td><td>19.179%</td></tr>
<tr><td>Mediobanca Banca di Credito Finanziario S.p.A.</td><td>Borrower (*) (with voting rights)</td><td>715,565,812</td><td>7.037%</td></tr>
<tr><td>BPCE International et Outre-Mer S.A. (**)</td><td>Ownership</td><td>1,014,692,641</td><td>9.980%</td></tr>
<tr><td rowspan="5">UBS Group AG</td><td>UBS AG (lender)</td><td>292,247,770</td><td>2.874%</td></tr>
<tr><td>UBS AG (borrower)</td><td>180,348,555</td><td>1.774%</td></tr>
<tr><td>UBS Global AM (UK) Ltd (non-discretionary asset management)</td><td>316,842</td><td>0.003%</td></tr>
<tr><td>UBS Global AM (AUS) Ltd (non-discretionary asset management)</td><td>128,202</td><td>0.001%</td></tr>
<tr><td>Total</td><td>473,041,369</td><td>4.652%</td></tr>
</table>

(*) Ordinary shares held by Mediobanca Banca di Credito Finanziario S.p.A. as a borrower by virtue of a securities lending agreement by and between the Fondazione and Mediobanca Banca di Credito Finanziario S.p.A.
(**) A banking and insurance company belonging to the BPCE Group, the Parent Company of which is BPCE S.A., controlling BPCE International et Outre-Mer S.A.

Existing relations with the Fondazione Cassa di Risparmio di Genova e Imperia are reflective of EURO 80 million worth of assets for Banca Carige, almost entirely connected with use by the Foundation of the current account loan opened in its name and no liabilities. Bank revenues amount to EURO 0.9 million and refer to seconded personnel, interest for the current account loan opened and bank commissions; no cost is incurred by the Bank.
For further details on existing relationships with related parties, please see Part H of the Notes to the Financial Statements.

## CARIGE SHARE PRICE

In 2014, Banca Carige's stock performance posted a negative trend compared to the banking index, which, albeit characterised by a high level of volatility, closed the year with a positive change.
Ordinary shares fell to EURO 0.055, down 70.4% Y/Y, with an average price of EURO 0.149 (0.553 in 2013).
Banca Carige's daily trading volume averaged 48 million shares, with a peak of 471 million on 21 May, upon the first *Accelerated Book Building* ('ABB') transaction, launched by Fondazione Cassa di Risparmio di Genova e Imperia.

### CARIGE SHARE PRICES

| | Situation as at | | Change % |
|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | year 2014 |
| CARIGE | 0.055 | 0.184 | -70.4 |
| CARIGE savings shares | 1.095 | 1.134 | -3.4 |
| FTSE Italia all share index | 20,138 | 20,176 | -0.2 |
| FTSE Italia banks | 13,407 | 12,493 | 7.3 |

## LIQUIDITY, SHAREHOLDERS' EQUITY AND RISK MANAGEMENT

In 2014, liquidity used in operations amounted to a total of EURO 738.1 million: operations generated a positive flow of EURO 81.2 million, financial assets generated EURO 3.2 bn in liquidity, and financial liabilities absorbed EURO 4.1 bn worth of cashflows. Investment activities absorbed liquidity for an amount of EURO 38.1 million, while funding generated liquidity for a total of EURO 768.5 million. The total net cash flow used in the year amounted to EURO 7.8 million.
The Parent company's share of consolidated shareholders' equity and net profit (loss) is obtained from Banca Carige's shareholders' equity and net profit (loss) for the year through the following changes:

### RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED EQUITY AND PROFIT (LOSS) FOR THE PERIOD

*(thousands of Euro)*

| | Shareholders' equity | of which net profit (loss) |
|---|---|---|
| **Balance as at 31/12/2014 - as per Parent Bank financial statements** | **1,723,422** | **(657,786)** |
| Difference from carrying amount | -1,738,222 | 5,368 |
| Value adjustments to allocated gains | -43,366 | |
| Impairment of goodwill recognised in the consolidated financial statements | -161,361 | (2,277) |
| Cancellation, at consolidated level, of impairment of equity investments in subsidiaries | 2,031,238 | 167,606 |
| Dividends distributed by subsidiaries and written off | -9,166 | (9,166) |
| Dividends distributed by associated companies and written off | -3,989 | (3,989) |
| Higher loss from valuation of insurance companies under IFRS 5 | -39,485 | (39,485) |
| Other | 6,401 | (3,862) |
| **Consolidated balance as at 31/12/2014** | **1,765,472** | **(543,591)** |

In line with legal and supervisory regulations, and in compliance with the Italian Corporate Governance Code for Listed Companies, the Parent Company has set up an internal control system (the "Internal Control System or ICS") to continuously detect, measure and verify the typical risks of the company's business. From an operational perspective, the ICS includes 3 levels of control:

- Line controls (1st level) for the purpose of ensuring the correct performance of operations; these are carried out by the operating units or built-in in the IT procedures;
- Compliance and risk controls (2nd level) aimed at defining the methods for measuring risk and verifying compliance with the limits assigned to the various operating functions and monitoring the attainment of their respective risk-return objectives. These controls are assigned to units other than operating units, i.e. the Officer in charge of preparing the company's accounting documents, Risk Management, Rating Systems Validation, Compliance, Anti-Money Laundering;
- Internal auditing (3rd level) is dealt with by the Internal Control department (which is different and independent from the operating units) and is aimed at assessing both the adequacy and effectiveness of first and second level controls and is designed to identify irregularities, infringements of procedures and regulations as well as checking the functional efficiency of the Internal Control System as a whole.

Risk-taking policies in the Carige Group are set by the RAF (Risk Appetite Framework), approved by the Parent Company's Board of Directors, which defines the risk-return target profile which the Group intends to adopt in line with its business model and Business Plan.

The Parent Company has steering and supervision functions on all risks, especially through an integrated management of Pillar 1 and Pillar 2 risks under the Bank of Italy supervisory instructions (Circ. No. 285 of 17 December 2013 and following amendments).

The banks of the Group operate within specific limits of independence and avail themselves of their own control units.

The different risk categories are monitored by the 2nd level control functions and results are subject to periodic reporting to the Board of Directors, the Risk Committee (named Control and Risk Committee until 21 July 2014) and the Board of Statutory Auditors, as well as a number of management committees.

Analysis is supported not only by regulatory models, but also by more advanced methodologies which have made it possible, over time, to expand the range of risks monitored and improve the assessment of capital adequacy, from both a regulatory and economic perspective.

As at 31 December 2014, the Group had higher-than-minimum regulatory levels of phased-in Total Capital Ratio (11.2%), phased-in Tier I Ratio (8.7%) and phased-in Common Equity Tier 1 Ratio – CET1R (8.4%).

The regulatory changes brought about by the applicable regulation as of 1 January 2014 do not allow for a like-for-like comparison with figures as at 31 December 2013.

Lastly, it should be noted that, based on art. 467, paragraph 2 of the CRR, adopted by the Bank of Italy with Circular Letter no. 285, the Banca Carige Group opted to exclude unrealised gains or losses on exposures to central governments classified as 'Financial assets available for sale' from its own funds.

## BREAKDOWN OF CONSOLIDATED OWN FUNDS

*(thousands of Euro)*

| | Situation as at 31/12/2014 Bis III p.i. |
|---|---|
| **Common Equity Tier 1 capital before deductions** | **2,076,230** |
| Share capital | 2,576,216 |
| Profit reserves | -426,348 |
| Share premium reserve | 368,763 |
| Profit (+) / Loss (-) for the period | -543,591 |
| OCI reserves & other | -190,025 |
| Phase in - impact on CET1 | 291,215 |
| **Deductions from common equity Tier 1 capital** | **352,627** |
| Goodwill | 77,086 |
| Bis III deductions with 10% threshold | 148,497 |
| Bis III deductions with 17.65% threshold | 138,862 |
| Excess of deduction from AT1 items over AT1 capital | - |
| Other negative elements and prudential filters | -11,817 |
| **Common Equity Tier 1 capital (CET1)** | **1,723,603** |
| **Additional Tier 1 capital (AT1)** | **59,829** |
| AT1 instruments | 740 |
| Innovative capital instruments (Grandfathering) | 128,703 |
| Phase in - impact on AT1 | -69,614 |
| Excess of deduction from AT1 items over AT1 capital | - |
| **Tier 1 (T1) (CET1+AT1)** | **1,783,432** |
| **Tier 2 (T2)** | **517,911** |
| **Own Funds (T1+T2)** | **2,301,343** |

## BREAKDOWN OF CONSOLIDATED REGULATORY CAPITAL

*(thousands of Euro)*

| | Situation as at 31/12/2013 Bis II |
|---|---|
| **Positive items of Tier 1 capital (a)** | **3,725,057** |
| Share capital | 2,211,522 |
| Reserves | 307,511 |
| Share premium reserve | 1,046,124 |
| Profit (loss) for the period | - |
| Innovative capital instruments | 159,900 |
| **Negative items of Tier 1 capital (b)** | **2,283,851** |
| Goodwill | 105,645 |
| Other negative items | 137,620 |
| Loss (-) for the period (1) | 2,040,586 |
| **Tier 1 prudential filters (c)** | **-32,398** |
| **Items to be deducted (d)** | **151,322** |
| **Total Tier 1 capital (e = a-b+c-d) (TIER 1)** | **1,257,486** |
| **Core Tier 1 Capital (e-h)** | **1,097,586** |
| **Tier 2 capital (f) (TIER 2)** | **709,841** |
| **Deductions (g)** | **-** |
| **Regulatory capital (e+f-g)** | **1,967,327** |
| **Tier 3 capital (2)** | **16,753** |
| **Portion eligible as Tier 3** | **9,723** |
| **Regulatory capital including Tier 3** | **1,977,050** |
| **Subordinated debt not eligible as Tier 3** | **7,030** |

*(1) The 2013 profit (loss) for the period differs from profit (loss) in the financial statements due to the neutralisation of the positive net effect connected with the recognition of the new stakes in the Bank of Italy.*

*(2) Share of subordinated Lower Tier 2 exceeding eligibility threshold for inclusion in regulatory capital.*

## CONSOLIDATED OWN FUNDS AND SOLVENCY RATIOS

| *(thousands of Euro)* | Situation as at 31/12/2014 Bis III p.i. |
|---|---|
| **Own funds** | |
| Common Equity Tier 1 | 1,723,603 |
| Additional Tier 1 | 59,829 |
| Tier 1 | 1,783,432 |
| Tier 2 | 517,911 |
| Regulatory capital | 2,301,343 |
| **Weighted assets** | |
| Credit risk | 17,333,212 |
| Credit risk Bis III (1) | 1,587,197 |
| Market risk | 45,636 |
| Operational risk | 1,507,642 |
| Total weighted assets | 20,473,687 |
| **Capital requirements** | |
| Credit risk | 1,386,657 |
| Credit risk Bis III | 126,976 |
| Market risk | 3,651 |
| Operational risk (2) | 120,611 |
| Total | 1,637,895 |
| Capital surplus | 663,448 |
| **Ratios** | |
| Common Equity Tier 1 capital /Total weighted assets | 8.4% |
| Tier 1 capital /Total weighted assets | 8.7% |
| Own Funds/Total weighted assets | 11.2% |

*(1) Includes risk weights for DTAs and non-deductible material and non-material investments .*

*(2) Under the provisions of article 316, paragraph 1, letter b of EU Regulation 575/2013, the definition of Net interest and other banking income for calculation of the Operational Requirements differs from the definition as at 31 December 2013 .*

## CONSOLIDATED REGULATORY CAPITAL AND SOLVENCY RATIOS

| *(thousands of Euro)* | Situation as at 31/12/2013 Bis II |
|---|---|
| **Regulatory capital** | |
| Core Tier 1 Capital | 1,097,586 |
| Tier 1 capital | 1,257,486 |
| Regulatory capital including Tier 3 | 1,977,050 |
| **Weighted assets** | |
| Credit risk | 19,747,675 |
| Market risk | 170,213 |
| Operational risk | 1,633,713 |
| Other prudential requirements | - |
| Total weighted assets | 21,551,600 |
| **Capital requirements** | |
| Credit risk | 1,579,814 |
| Market risk | 13,617 |
| Operational risk | 130,697 |
| Other prudential requirements | - |
| Total | 1,724,128 |
| **Subordinated loans for market risk hedging** | |
| Capital surplus | 252,922 |
| **Ratios** | |
| Core Tier 1/ Total weighted assets | 5.1% |
| Tier 1 capital/Totat weighted assets | 5.8% |
| Regulatory capital including Tier 3/Total weighted assets | 9.2% |

# GROUP COMPANIES

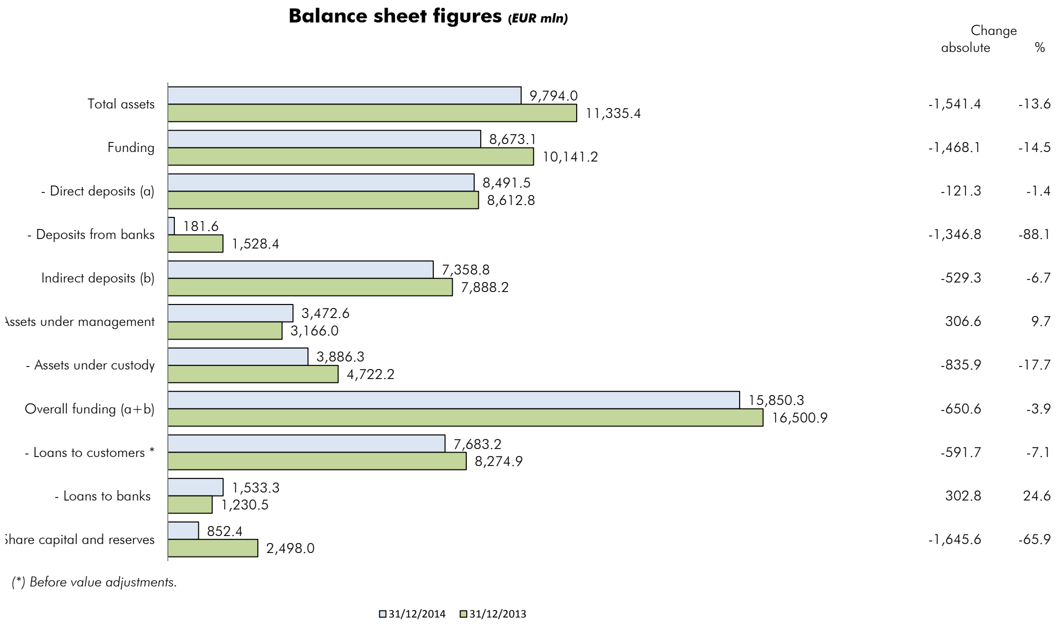
## A. Banca Carige, the Parent Company.

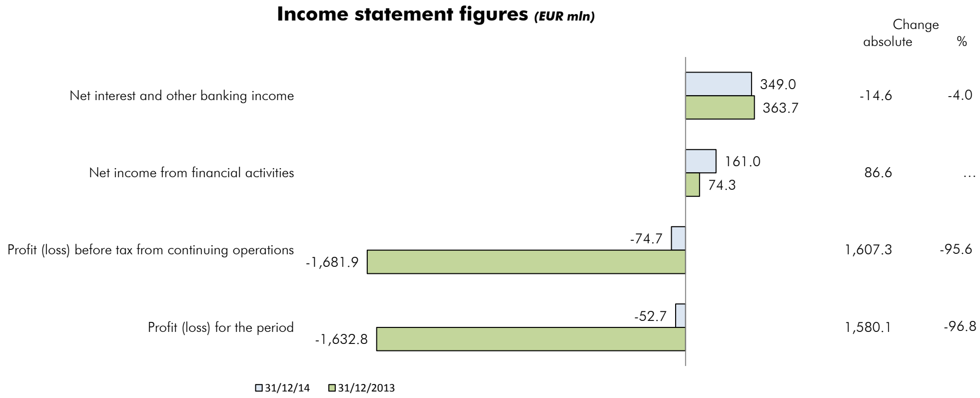
For details on the operations performed over the year by the Parent Company, Banca Carige S.p.A., please refer to the bank's separate Report on Operations published at the end of the consolidated financial statements.

## B. The subsidiary banks.

As of 2006, Banca Carige is the Group's sole retail bond issuer, while all other Group banks are in charge of placement. Accordingly, in order to manage maturity transformation more effectively, Carige's Board of Directors resolved to cover the medium/long-term financial demand of subsidiary banks via Carige's subscription to bonds issued by the subsidiaries. For subsidiaries, this process results in a higher amount of assets under custody and bonds, with a lower amount of funds borrowed on the interbank lending market.

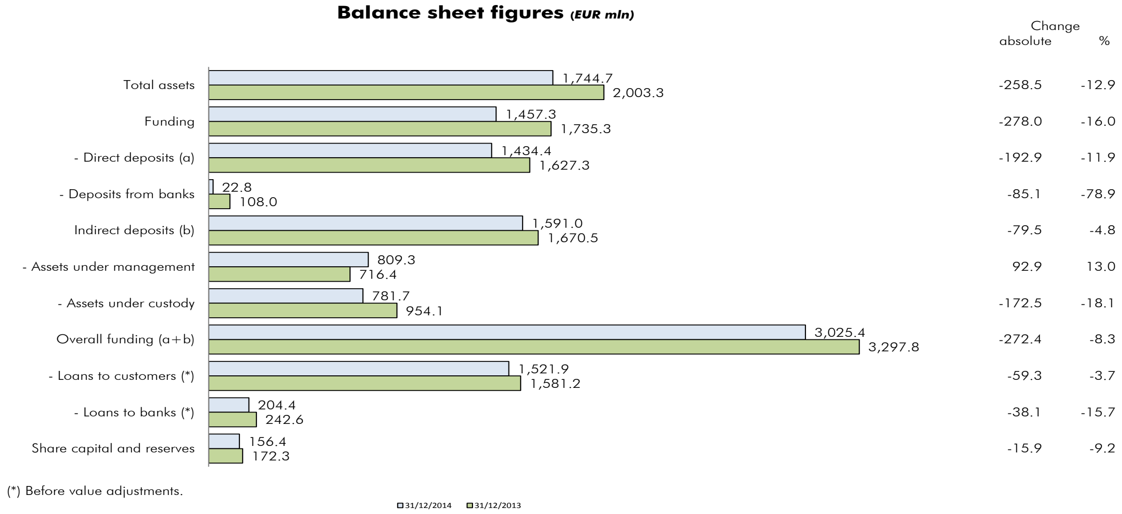
As at 31 December 2014, **Banca Carige Italia S.p.A.**'s overall funding totalled EURO 15,850.3 million (-3.9% compared to December 2013; down 4.7% net of intra-group bonds).
Direct deposits (61.1% of which are accounted for by short-term deposits), totalled EURO 8,491.5 million, down 1.4%. Indirect deposits amounted to EURO 7,358.8 million, down 6.7%, due to a decrease in assets under custody (-17.7%), despite an increase in assets under management (+9.7%).
Before value adjustments, loans to customers amounted to EURO 7,683.2 million, down 7.1%.
The securities portfolio amounts to EURO 488 thousand, down from EURO 1,136.4 million as at December 2013, due to the almost 100% disposal of the "Available-for-Sale" portfolio.
As at 31 December 2014, the income statement showed a EURO 52.7 million loss for the period (-EURO 1,632.8 million as at December 2013).
Net Interest Income decreased by 13% to EURO 201.4 million, and net commissions were down 4.1% to EURO 119.2 million. Net interest and other banking income amounted to EURO 349 million, down 4% compared to December 2013, despite the EURO 26 million gains from disposal of financial assets available for sale.
Net losses on impairment of loans and other financial assets totalled EURO 188.1 million, down 35% compared to December 2013. Operating expenses totalled EURO 235.6 million, up 2.6% with respect to December 2013.
Profit (loss) before tax from continuing operations was negative by EURO 74.7 million; considering recoveries of EURO 22 million in income taxes, a net loss of EURO 52.7 million was posted in the period.

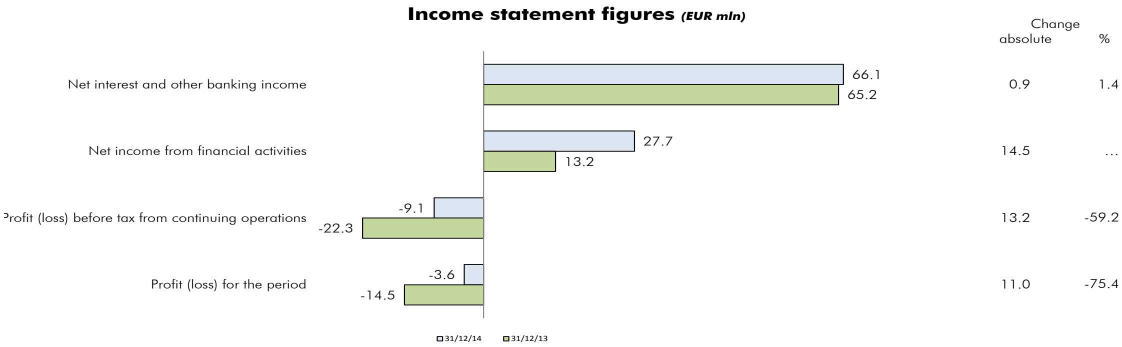



| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/14 | 31/12/13 | absolute | % |
| **RESOURCES** (end of period) | | | | |
| Number of branches | 348 | 353 | -5 | -1.4 |
| Headcount | 1,885 | 1,910 | -25 | -1.3 |

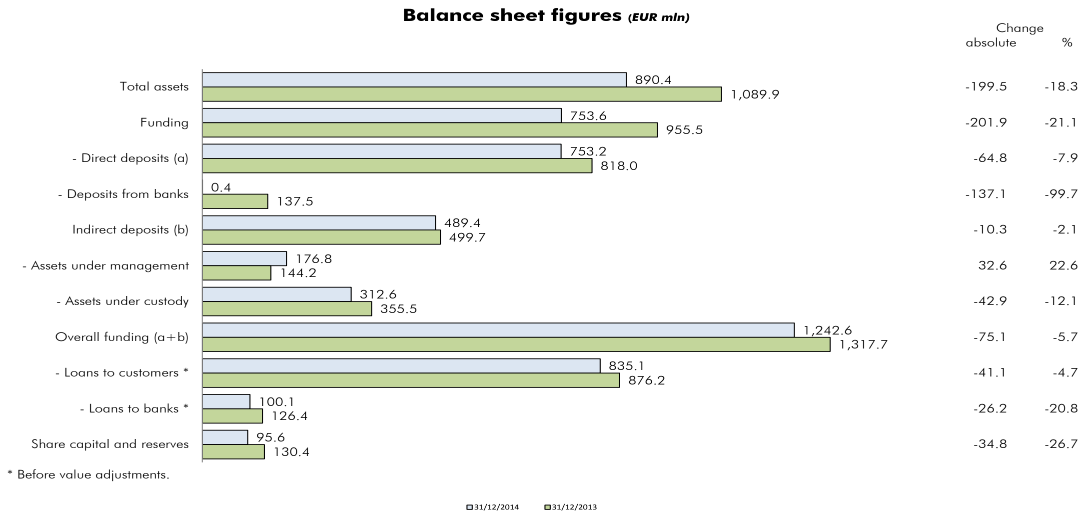
As at 31 December 2014, **Cassa di Risparmio di Savona** *S.p.A.*'s overall funding totalled EURO 3,025.4 million (-8.3% compared to the end of 2013). Direct deposits (60.3%% of which are accounted for by short-term deposits), totalled EURO 1,434.4 million, down 11.9% since the beginning of the year. Indirect deposits, amounting to EURO 1,591 million, were down 4.8% compared to December 2013, following the decrease in assets under custody, which was not sufficiently offset by the positive trend in assets under management.
Before value adjustments, loans to customers (75.9% of which are accounted for by medium to long term loans) amounted to EURO 1,521.9 million, down 3.7%.
The securities portfolio, held by the Bank for the purpose of optimising treasury, amounts to EURO 11.1 million, a major decrease compared to December 2013 (EURO 144.8 million).
The income statement reported a EURO 3.6 million loss for the year , compared to the EURO 14.5 million loss posted in 2013.
Net Interest Income totalled EURO 39.1 million, up 1.2%; net fees and commissions decreased by 10.4% to EURO 22.1 million; net profit (loss) from hedging was positive by EURO 1.4 million (negative by EURO 749 thousand in 2013). Net interest and other banking income totalled EURO 66.1 million, up 1.4% as compared to the previous year.
Net losses on impairment of loans and other financial assets totalled EURO 38.4 million, down as compared to December 2013 (EURO 52 million), while operating expenses came to EURO 36.8 million, up 3.7%.
Profit (loss) before tax from continuing operations was a negative EURO 9.1 million, and recovery on income taxes totalled EURO 5.5 million; therefore the net loss for the period amounted to EURO 3.6 million (vs. -EURO 14.5 million as at December 2013).

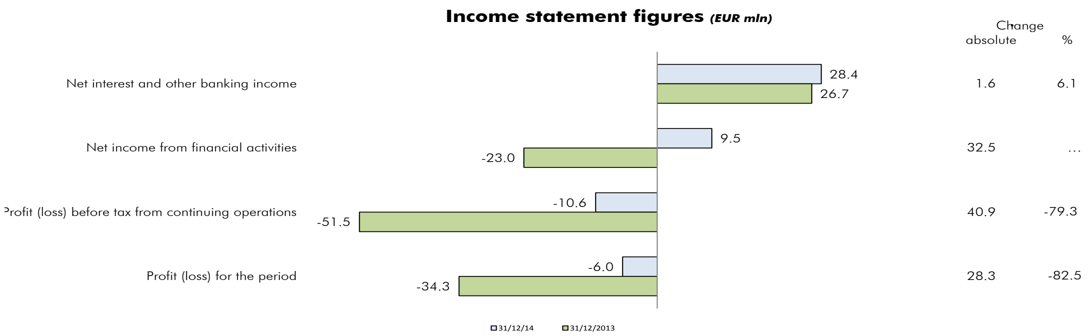



| | Situation as at 31/12/14 | Situation as at 31/12/13 | Change absolute | Change % |
|---|---|---|---|---|
| **RESOURCES (end of period)** | | | | |
| Number of branches | 47 | 50 | -3 | -6.0 |
| Headcount | 315 | 323 | -8 | -2.5 |

As at 31 December 2014, **Banca del Monte di Lucca S.p.A.**'s overall funding totalled EURO 1,242.6 million (-5.7% Y/Y). Direct deposits amounted to EURO 753.2 million, down 7.9%; indirect deposits totalled EURO 489.4 million, down 2.1%, following the negative trend in assets under custody, only partly offset by the positive trend in assets under management.
Before value adjustments, loans to customers amounted to EURO 835.1 million, down 4.7%, compared to December 2013. Mid-long term loans (EURO 550.2 million) account for 65.9% of total loans, down 7.9%; short-term loans (EURO 108.7 million) decreased by 17.8%.
The securities portfolio amounted to EURO 278 thousand, down from EURO 112.1 million as at December 2013, following disposal of a large part of the "Available for Sale" portfolio (EURO 101.2 million).
The income statement reported a EURO 6 million loss compared to a loss of EURO 34.3 million in 2013. Net Interest Income totalled EURO 17.4 million, substantially stable as compared to December 2013 (-0.7%); net fees and commissions were down 9.6% to EURO 8.8 million. Gains (losses) on disposal/repurchase of financial assets available for sale and financial liabilities amounted to a positive EURO 1.7 million, as against EURO 67 thousand as at December 2013, following disposal of a relevant part of the Available for Sale securities portfolio. Net interest and other banking income totalled EURO 28.4 million, up 6.1%.
Net losses on impairment of loans and other financial items totalled EURO 18.9 million (EURO 49.8 million as at December 2013). Operating expenses totalled EURO 20.1 million, up 4.5%. More specifically, personnel expenses amounted to EURO 12.6 million (-0.9%) and other administrative expenses amounted to EURO 9.7 million (+7.8%).
Profit (loss) before tax from continuing operations was a negative EURO 10.6 million (-EURO 51.5 million as at December 2013). Against EURO 4.7 million in recoveries on income taxes of, net profit (loss) was a negative EURO 6 million, as compared to a negative -EURO 34.3 million in December 2013.

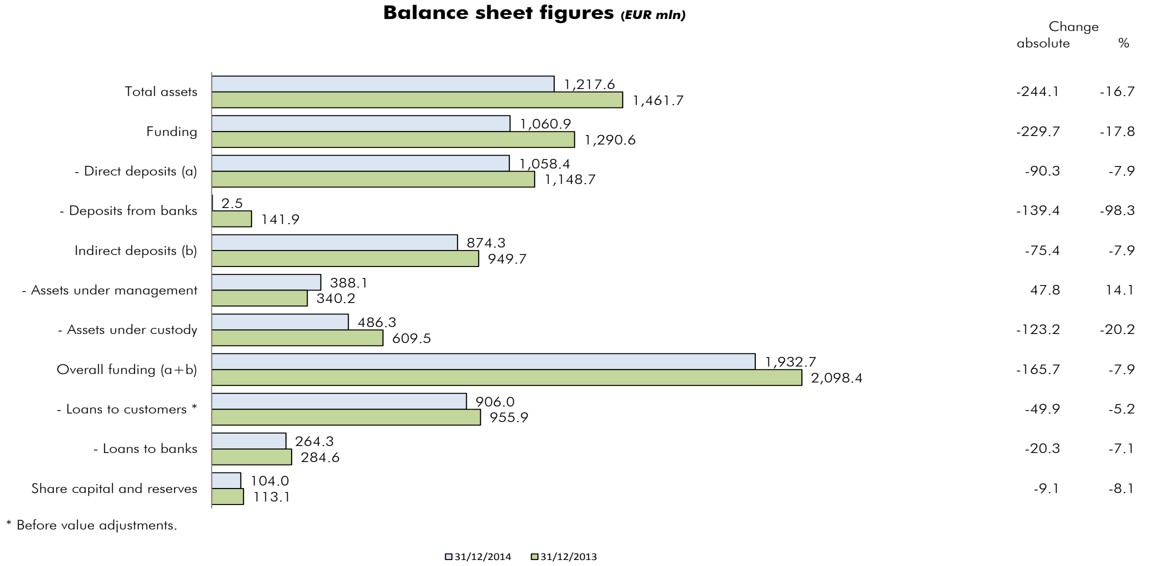


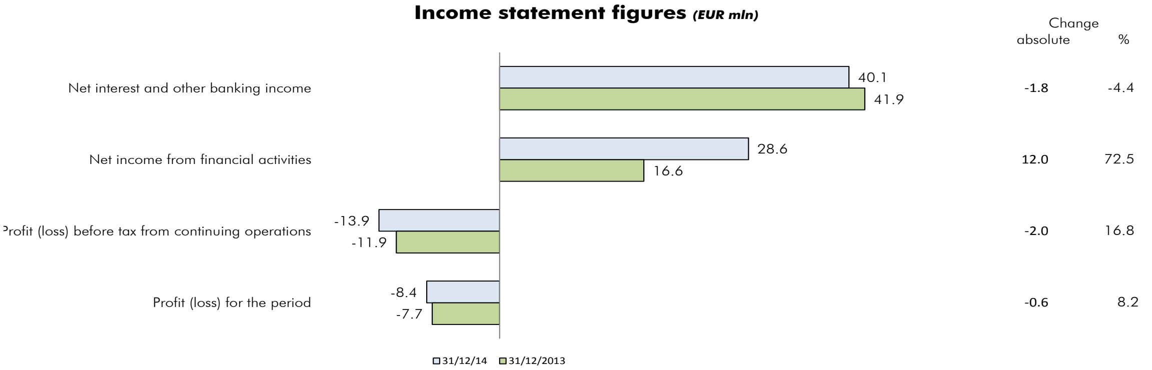

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/14 | 31/12/13 | absolute | % |
| **RESOURCES** (end of period) | | | | |
| Number of branches | 24 | 24 | - | - |
| Headcount | 164 | 167 | -3 | -1.8 |

As at 31 December 2014, **Cassa di Risparmio di Carrara S.p.A.**'s overall funding totalled EURO 1,932.7 million, down 7.9% Y/Y. Direct deposits (75% of which short-term) totalled EURO 1,058.4 million, down 7.9%. Indirect deposits amounted to EURO 874.3 million, down 7.9% on the back of the negative trend in assets under custody (-EURO 123.2 million), only partially offset by the increase in assets under management (+ EURO 47.8 million).
Before value adjustments, loans to customers totalled EURO 906 million, down 5.2%. Respectively 18.4% and 70.2% of total loans are accounted for by short term and mid-long term loans; the bad loans' share of total loans is 11.5%.
The securities portfolio amounted to EURO 32.9 million, down significantly from 2013 (-81.2%), following the disposal of a significant part of the "Available for Sale" securities portfolio (EURO 118.8 million).
The income statement reported a EURO 8.4 million loss , compared to a loss of EURO 7.7 million as at December 2013.
Net Interest Income was down 2.7%, totalling EURO 22.9 million; net fees and commissions were down 7.6% to EURO 14.6 million. Net interest and other banking income amounted to EURO 40.1 million, down 4.4% compared to December 2013.
Net losses on impairment of loans and other financial items totalled EURO 11.5 million (EURO 25.4 million as at December 2013). Operating expenses were up 1.3% to EURO 28.8 million. The operating income as at 31 December 2014 was a negative EURO 13.9 million (vs. -EURO 11.9 million in December 2013); considering EURO 5.5 million in recoveries on income taxes, the net loss for the period amounts to EURO 8.4 million (-EURO 7.7 million in December 2013).

**Balance sheet figures** ***(EUR mln)***

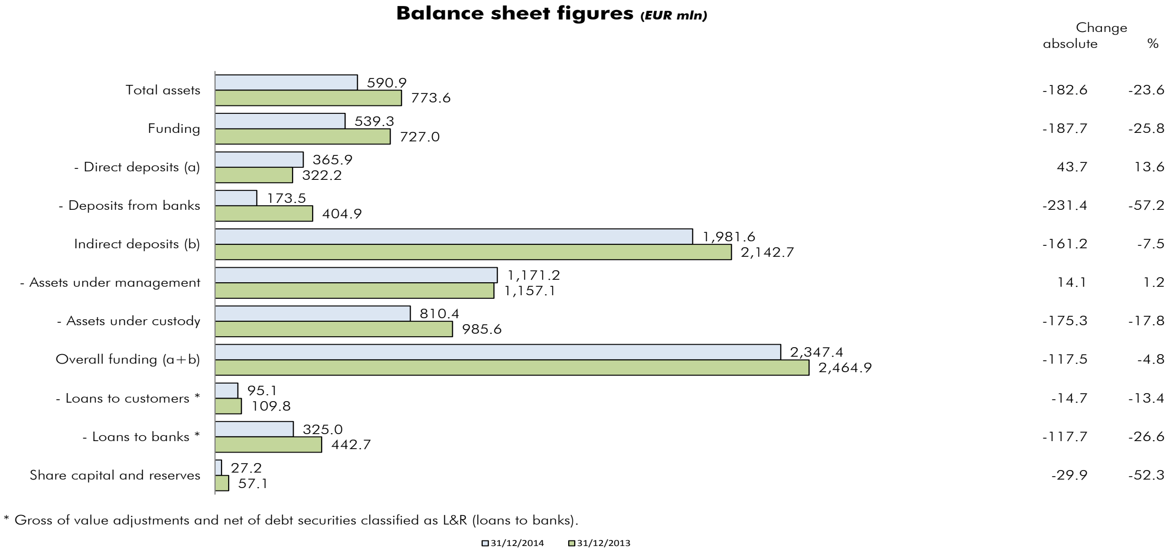


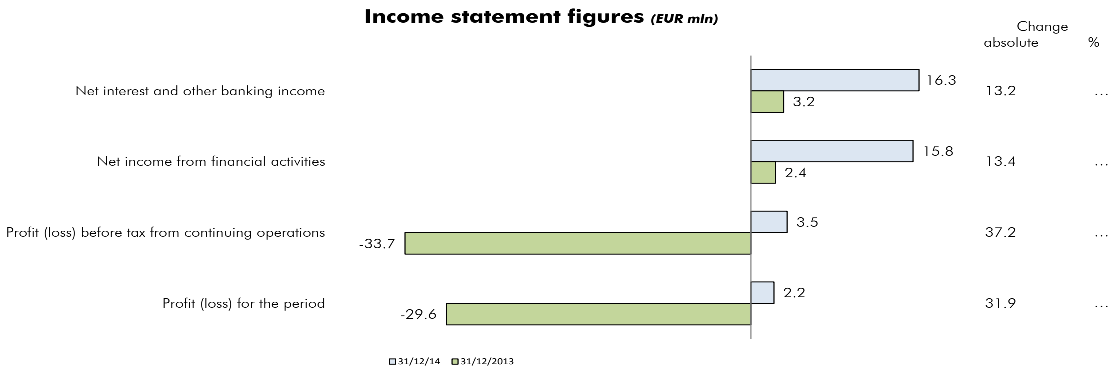

**Income statement figures** ***(EUR mln)***




| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/14 | 31/12/13 | absolute | % |
| **RESOURCES** (end of period) | | | | |
| Number of branches | 37 | 37 | - | - |
| Headcount | 307 | 310 | -3 | -1.0 |

As at 31 December 2014, **Banca Cesare Ponti S.p.A.**'s overall funding totalled EURO 2,347.4 million (-4.8% Y/Y). Direct deposits totalled EURO 365.9 million, up 13.6% since the beginning of the year; indirect deposits totalling EURO 1,981.6 million, were down 7.5% from December 2013.
Before value adjustments, loans to customers amounted to EURO 95.1 million, down 13.4%. Short term loans account for 7.7% of total loans, while mid-long term loans account for 88.1% and bad loans account for 4.2% of total. The securities portfolio, entirely consisting of debt securities, amounts to EURO 110.4 million (vs. EURO 157 million as at December 2013).
The income statement reported a profit of EURO 2.2 million, as against a loss of EURO 29.6 million recognised in December 2013.
Net Interest Income totalled EURO 3.3 million, down 45.3% from EURO 6 million in December 2013; net fees and commissions amounted to EURO 12.1 million, as compared to EURO 11.6 million as at December 2013 (+4.5%). Trading provided an overall positive contribution of EURO 933 thousand with respect to a negative contribution of EURO 14.5 million in 2013, which was affected by the recognition of losses relating to the sale of almost the entire *asset swap* portfolio classified as AFS. Net interest and other banking income totalled EURO 16.3 million (EURO 3.2 million in December 2013).
Net losses on impairment of loans and other financial items totalled EURO 580 thousand, down 27%. Operating expenses totalled EURO 12.2 million, down 29.6%.
Gross operating income totalled EURO 3.5 million, compared to -EURO 33.7 million as at December 2013.
Considering EURO 1.3 million in recoveries on income taxes , the net profit for the period amounts to EURO 2.2 million.




| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/14 | 31/12/13 | absolute | % |
| **RESOURCES** (end of period) | | | | |
| Number of branches | 7 | 7 | - | - |
| Headcount | 73 | 77 | -4 | -5.2 |

### C. Insurance subsidiaries.

Presented below are the results of the two insurance companies of the Group (Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A.), prepared in accordance with the applicable provisions of the Italian Civil Code and those specific for the insurance industry in Italy (Legislative Decree 173/1997, Legislative Decree 209/2005, ISVAP Regulation No. 22/2008, as amended and supplemented by ISVAP Provision No. 2771 of 29 January 2010 and ISVAP Provision No. 2845 of 17 November 2010).
It is noted that such results differ from those reported in the section "Insurance activities" of this Report in which information is inferred from the *Reporting Packages* prepared according to the IASs/IFRSs applicable for preparation of the Group's consolidated financial statements and based on the joint provisions of Bank of Italy Instruction No. 262 of 22 December 2005, ISVAP Regulation No. 7 of 13 July 2007, as amended by ISVAP Provision No. 2784/2010.
For Carige Assicurazioni S.p.A. (operating in the non-life insurance business), the twelve months of 2014 ended with a profit of EURO 27.9 million, compared to a loss of EURO 98.2 million reported for the same period in 2013.
The result stems from an improvement in both technical and non-technical operations leading to a reduction in the overall *combined ratio* to 94.6% from 111.4% in December of the previous year. The improvement (affecting both the current period and previous years) is attributable to a lower Loss Ratio, down from 85% to 65.1%.
As at 31 December 2014, technical reserves, net of reinsurance, fell by 16.1% Y/Y, while investments decreased by 5.2%, totalling EURO 793 million. The technical account result was a positive EURO 54.3 million (-EURO 55.4 million in 2013).
Following a quantitative and qualitative assessment, the Company decided not to avail itself of the option envisaged by IVASS (the Italian Insurance Supervisory Authority) Regulation no. 43 of 12 July 2012, i.e. it decided not to value any debt securities, issued or backed by EU governments and not intended to be stably held among the company's assets, at a value other than market value.

**CARIGE ASSICURAZIONI** *(thousands of Euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/14 | 31/12/13 | Absolute | % |
| Recognised gross premiums | 352,362 | 428,654 | (76,292) | (17.8) |
| Premiums excluding reinsurance | 351,100 | 466,811 | (115,711) | (24.8) |
| Claims incurred and settled net of reinsurance | 354,565 | 429,071 | (74,506) | (17.4) |
| Operating costs | 100,652 | 110,114 | (9,462) | (8.6) |
| Profit/loss from technical account | 54,344 | (55,382) | 109,726 | ... |
| Net profit (loss) | 27,946 | (98,237) | 126,183 | ... |
| Investments (1) | 793,030 | 836,706 | (43,676) | (5.2) |
| Technical reserves net of reinsurance | 740,802 | 882,879 | (142,077) | (16.1) |
| Shareholders' equity / income (2) | 193,217 | 165,272 | 27,945 | 16.9 |
| Insurance agencies | 372 | 384 | (12) | (3.1) |
| Headcount | 337 | 353 | (16) | (4.5) |

(1) Including cash equivalents.
(2) Figures as at 31 December 2013 are pro-forma and include both the residual share capital increase approved in 2013 and paid-in in 2014 (Euro 10 mln), and the new EUR 92 mln share capital increase approved by the company's Board on 20/3/2014

The twelve months of 2014 for Carige Vita Nuova S.p.A. (operating in the life insurance business) ended with a profit of EURO 30.8 million, compared to a loss of EURO 42.3 million reported in the same period of 2013.
The shareholders' equity of Carige Vita Nuova S.p.A. (operating in the life insurance industry) amounted to EURO 253.1 million as at 31 December 2014; investments were up by 6.7% (to EURO 4,672 million) and technical reserves increased by 8.8% (to EURO 4,308 million).
A 7% production increase was observed, combined with a 6.1% decrease in operating expenses and an improvement in technical management from -EURO 24.1 million in 2013 to +EURO 28 million in 2014.
Net capital and financial income are on the rise compared to December 2013 (from EURO 114.0 million to EURO 188.2 million), with a stable coupon inflow (from EURO 158.1 million to EURO 158.4 million) and a higher net profit from disposal (from EURO 33.4 million to EURO 6.5 million in 2014). The Company decided not to avail itself of the lighter regime under the afore-mentioned ISVAP Regulation no. 43 of 12 July 2012.
Upon completion of the real estate appraisal activities initially introduced as part of the 2013 Financial Statements, a corrective action was undertaken, consisting in a EURO 6.7 million depreciation of properties (EURO 83.9 million as at December 2013, inclusive of write-downs on equity investments), which had an impact on the financial results.

Overall premiums issued were up 6.8% compared to 2013, with funding up to EURO 665.1 million as at the end of December 2014; the insurance agencies channel shows higher production levels compared to the previous year, reaching a total of approximately EURO 49.4 million (+14.6%); a 6.2% increase is observed for the Bank branches channel, driven by a pick-up in "traditional" individual products, with a production level of approximately EURO 613.9 million.

Charges for claims paid (net of reinsurance ceded), an item which also includes redemptions and expirations, amount to EURO 514.9 million, down 15.5% Y/Y.

## CARIGE VITA NUOVA *(thousands of Euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/14 | 31/12/13 | Absolute | % |
| Recognised gross premiums | 665,053 | 622,643 | 42,410 | 6.8 |
| Premiums excluding reinsurance | 661,179 | 617,861 | 43,318 | 7.0 |
| Claims incurred and settled net of reinsurance (1) | 514,929 | 609,740 | (94,811) | (15.5) |
| Operating costs | 21,746 | 23,148 | (1,402) | (6.1) |
| Profit/loss from technical account | 27,965 | (24,110) | 52,075 | ... |
| Profit (loss) for the period | 30,759 | (42,342) | 73,101 | ... |
| Investments (2) | 4,671,764 | 4,377,748 | 294,016 | 6.7 |
| Technical reserves net of reinsurance (2) | 4,308,416 | 3,958,514 | 349,902 | 8.8 |
| Shareholders' equity / income | 253,082 | 222,323 | 30,759 | 13.8 |
| Insurance agencies | 269 | 285 | (16) | (5.6) |
| Headcount | 105 | 111 | (6) | (5.4) |

(1) The item includes amounts paid net of reinsurance ceded.
(2) Including cash equivalents and investments where risk is borne by the insured and pension funds. Mainly investments in index- and unit-linked products.

## D. Financial subsidiaries.

Creditis Servizi Finanziari S.p.A. posted a net profit of EURO 12.5 million for 2014. Net interest income totalled EURO 31.9 million. Interest income (EURO 39.7 million) is primarily accounted for by interest on personal loans (EURO 26.4 million). Interest expense, amounting to EURO 7.8 million, consists in interest accrued on loans granted by the Parent Company. Fee and commission income amounted to EURO 3.9 million, of which EURO 2.3 million in fees and commissions paid by the insurance companies for the distribution of insurance policies. Fee and commission expense amounted to EURO 1.1 million. Impairment losses on loans totalled EURO 4.4 million. On the cost side, expenses for Parent Company's seconded personnel amounted to EURO 3.3 million. Other administrative expenses, inclusive of amortisation, totalled EURO 8.3 million. The result was a positive EURO 19.1 million before tax. Net of EURO 6.6 million in income taxes, net profit totals EURO 12.5 million.

### CREDITIS SERVIZI FINANZIARI *(thousands of Euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/14 | 31/12/13 | Absolute | % |
| **LENDING** | | | | |
| Loans to customers (1) | 554,693 | 543,532 | 11,161 | 2.1 |
| - Personal loans (1) | 357,845 | 375,807 | (17,962) | (4.8) |
| - Revolving credit cards (1) | 19,772 | 19,638 | 134 | 0.7 |
| - Fifth of salary-backed loans (1) | 177,076 | 148,087 | 28,989 | 19.6 |
| Total assets | 549,081 | 564,353 | (15,272) | (2.7) |
| Share capital and reserves | 41,609 | 40,876 | 733 | 1.8 |
| **INCOME STATEMENT** | | | | |
| Net Interest Income | 31,950 | 30,076 | 1,874 | 6.2 |
| Net fee and commission income | 2,840 | 2,619 | 221 | 8.4 |
| Administrative expenses | 10,822 | 10,042 | 780 | 7.8 |
| Operating income | 19,099 | 15,405 | 3,694 | 24.0 |
| Profit (loss) for the period | 12,508 | 8,831 | 3,677 | 41.6 |
| **RESOURCES** | | | | |
| Headcount (2) | 45 | 40 | 5 | 12.5 |

(1) Before value adjustments.
(2) Parent Company's seconded personnel.

Argo Mortgage 2 Srl, a special purpose vehicle for the securitisation of mortgage loans to consumer customers, established by Banca Carige in June 2004, posted an overall EURO 923 million in inflows, EURO 25.1 million of which in 2014. As at 31 December 2014, the following securities were in issue for a total amount of EURO 119.9 million:
EURO 63.8 million in class A securities;
EURO 26.8 million in class B securities;
EURO 29.3 million in class C securities.

Carige Covered Bond Srl is the special purpose vehicle set up to carry out a medium to long-term issuance programme for a maximum of EURO 5 bn, to be implemented over a period of five years (2008-2013). The programme renewal was resolved upon by Banca Carige's Board of Directors in its meeting of 5 November 2013.
As at 31 December 2014, the Company purchased EURO 7.1 bn worth of loans originated by the banks of the Banca Carige S.p.A. Group, whose outstanding debt totals EURO 4.5 million, and registered collections for an amount of EURO 682.1 million in 2014.
As at the same date, covered bonds issued under the bond issuance programme and not yet re-paid amount to EURO 2.9 bn. In 2014 one EURO 10 million issuance was completed.

Carige Covered Bond 2 Srl is the special purpose vehicle set up to carry out a medium to long-term issuance programme for a maximum of EURO 5 bn, to be implemented over a period of five years (2011-2016).
As at 31 December 2014, the Company purchased EURO 1.3 bn worth of loans originated by the banks of the Banca Carige S.p.A. Group, whose outstanding debt totals EURO 0.9 million.
In 2014, no new issuances were finalised; overall collections totalled EURO 169.1 million.
As part of the programme, one issuance totalling EURO 800 million (now reduced to EURO 500 million) was completed in 2012, which is used by the Parent Company for medium and long-term refinancing operations with the ECB.

## E. The other main subsidiaries.

The real estate company, Columbus Carige Immobiliare S.p.A., closed the year 2014 with a loss of approximately EURO 411 thousand due primarily to an increase in both interest expense accrued on the credit line available and charges arising from taxes on immovable property. Moreover, a decrease in rents was registered for the period, while only one property owned was sold, due to the persisting crisis of the real estate sector. As at 31 December 2014, the company was faced with a loss-related reduction in share capital, falling within the scope of article 2446 of the Italian Civil Code on account of a EURO 3 million loss incurred in 2013 which was increased by the above mentioned loss of 2014.

The real estate company, Carisa Srl, closed 2014 with a loss of EURO 13 thousand. In the same period of 2013, the company posted a profit of approximately EURO 11 thousand.
The negative result is mainly due to an increase in the operational costs of buildings, a decrease in rents (following regulations arising from the application of Law no. 135/2012) and payment of charges associated with legal actions underway.

The Group’s trust, Centro Fiduciario C.F. S.p.A., closed 2014 with a net profit of EURO 36 thousand, as against a profit of EURO 283 thousand in 2013.
During the year, revenues from production decreased by EURO 50 thousand, while expenses from production increased significantly, from EURO 876 thousand to EURO 1.2 million. This increase was due to costs incurred during the period of special administration and EURO 150 thousand worth of provisioning to the fund for risks and charges, following an inspection report by the Financial Information Unit (UIF) of the Bank of Italy. The profit (loss) before tax was a positive EURO 95 thousand; tax expense for the year totalled EURO 59 thousand.

## MAIN RISKS AND UNCERTAINTIES[3]
## OUTLOOK ON OPERATIONS

Business operations in 2014 unfolded against a macroeconomic backdrop of multiple vulnerability factors, as was confirmed by the annual GDP remaining in negative territory (-0.4%), primarily on the back of still-negative investment trends, enduring difficulties in the job market, a slowdown in trade and substantial stagnation of private consumption. The Group, which continues to be affected by all-time low interest rates for the banking system with a subsequent decline in net interest income, has been operating in a highly competitive environment and closed 2014 with a loss of EURO 543.6 million almost entirely reflective of the provisions arising from the Asset Quality Review (AQR). Even though Italy's cyclical economic weakness does not appear to have subsided, economy is expected to consolidate in 2015, with a 0.7% growth in Italy's GDP, driven primarily by foreign demand and, to a lesser extent, by improved investments, with a positive impact expected in terms of return, quality and volumes traded by the banking system.
Continuing on the growth path remains the firm commitment of the Group, which is facing the ongoing efficiency and profitability challenges with determination, while consolidating its strengths and ability to anticipate and meet the needs of households and businesses. For this reason, the Group's operations will be run along the development guidelines and key objectives of the new 2015-2019 Business Plan – currently being prepared – which will take into account both the changes occurring in the macro-economic environment and developments unfolding in 2014. In particular, the new Business Plan will fit within and strengthen the guidelines identified in the turnaround strategy launched in 2014, which can be summarised into capital strengthening, risk mitigation, a stronger liquidity position, higher cost efficiency and distribution effectiveness. Therefore, in light of the *Capital Plan* (approved by the Board of Directors on 26 October 2014 and submitted to the ECB on 5 November 2014) setting the measures to ensure coverage of the shortfall identified during the *Comprehensive Assessment* by way of a capital increase and asset disposals and in view of the approval of the new Business Plan by the Board of Directors in the current month of March, the going concern assumption is confirmed as the basis of preparation for the Parent Company's separate and Group's consolidated financial statements for 2014.

The Group manages the risks typical of the banking business, including liquidity, market and credit risk, as well as those deriving from insurance activities (although held for sale) and compliance risk, by using regulatory models and more advanced methods that, over time, have made it possible to both expand the range of risks monitored and improve the assessment of capital adequacy from both a regulatory and economic point of view.

The main uncertainties derive from the persistently difficult European and Italian market environment, which has potential repercussions on credit quality, as well as from the constantly evolving legislative framework, particularly regarding capital and liquidity (for example as a consequence of the EU-wide adoption of the new regulatory Stable Funding and Leverage Ratio framework) and, more generally, in connection with the pan-European single supervisory mechanism (*Banking Union, Single Supervisory Mechanism*).

*** - ***

*Resolutions adopted by the Board of Directors on 19 March 2015*

[3] The methods which the Group implements in order to manage risks are reported in Part E of the Notes to the Financial Statements.

With regard to the capital strengthening measures disclosed to the market through the Press Release issued on 19 March 2015, notice is hereby given that the Board of Directors, in its meeting on the same date:

- expressed its considerations regarding the decision of the European Central Bank (ECB) authorising the Bank to implement the *Capital Plan* presented on 5/11/2014 and setting out Group-specific prudential requirements for additional own funds to be met on a consolidated basis, which provide for the attainment of a minimum 11.50% level of Common Equity Tier 1 ratio by the end of July 2015 and a ban on dividend payout;
- resolved upon the proposal for a EURO 850 million share capital increase with consideration via a rights issue for existing shareholders, to be submitted for approval to the Extraordinary Shareholders' Meeting, convened for 23 April 2015. The capital increase will be backed by a Syndicate of leading financial institutions led by Mediobanca – Banca di Credito Finanziario S.p.A., acting as Global Coordinator;
- resolved upon the proposal for a capital increase with consideration for a maximum amount of EURO 15.8 million exempt from pre-emptive rights of existing shareholders, to be effected via a contribution in kind of non-controlling interests respectively held by 'Fondazione de Mari Cassa di Risparmio di Savona' and 'Fondazione Cassa di Risparmio di Carrara' in the subsidiary banks, Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A;
- approved the 2015 – 2019 Group Business Plan, set to guide the Group's business for the next five years. The Plan fits within and strengthens the guidelines identified in the turnaround strategy launched in 2014 with a view to bringing the Group back to its tradition of a sound, locally rooted retail and corporate bank for households and businesses, focusing on the highest-potential regions of Northern and Central Italy, with risk profile mitigated by better credit management and engaged in its role of "efficient distributor".

On this basis, the Board of Directors is of the opinion that the Group has the current and forward-looking ability to comply with the ECB's additional obligations

The Board of Directors

The Chairman

The Manager responsible for preparing the Company's financial reports

The Chief Executive Officer

# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED BALANCE SHEET

| Assets | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 10. Cash and cash equivalents | 329,394 | 339,280 |
| 20. Financial assets held for trading | 67,762 | 132,697 |
| 30. Financial assets designated at fair value through profit or loss | - | 258,633 |
| 40. Financial assets available-for-sale | 3,037,414 | 10,544,587 |
| 60. Due from banks | 754,732 | 1,218,989 |
| 70. Loans to customers | 23,682,831 | 25,476,359 |
| 80. Hedging derivatives | 201,525 | 125,811 |
| 100. Equity investments | 92,482 | 91,552 |
| 110. Technical insurance reserves reassured with third parties | - | 155,233 |
| 120. Property and equipment | 769,760 | 1,070,877 |
| 130. Intangible assets | 116,148 | 188,067 |
| of which goodwill | 57,145 | 106,479 |
| 140. Tax assets | 2,032,517 | 2,083,257 |
| a) current | 1,034,463 | 298,245 |
| b) deferred | 998,054 | 1,785,012 |
| Pursuant to Law 214/2011 | 753,312 | 1,425,756 |
| 150. Non-current assets held for sale and discontinued operations | 6,854,768 | - |
| 160. Other assets | 370,227 | 470,933 |
| Total Assets | 38,309,560 | 42,156,275 |

Thousands of euro

| Liabilities and Shareholders' equity | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 10. Due to banks | 1,877,094 | 8,161,242 |
| 20. Due to customers | 17,332,987 | 14,817,367 |
| 30. Securities issued | 8,121,888 | 9,217,979 |
| 40. Financial liabilities held for trading | 11,667 | 14,567 |
| 50. Financial liabilities designated at fair value through profit and loss | 964,726 | 1,296,816 |
| 60. Hedging derivatives | 515,252 | 457,998 |
| 80. Tax liabilities | 24.421 | 252,242 |
| a) current | 12,891 | 94,683 |
| b) deferred | 11,530 | 157,559 |
| 90. Liabilities associated to non-current assets held for sale and discontinued operations | 6,474,615 | - |
| 100. Other liabilities | 640,768 | 812,430 |
| 110. Employee termination indemnities | 82,588 | 89,232 |
| 120. Allowances for risks and charges | 446,011 | 375,415 |
| a) post employment benefits | 393,563 | 320,900 |
| b) Other allowances | 52,448 | 54,515 |
| 130. Technical reserves | - | 5,017,768 |
| 140. Valuation reserves | (190,025) | (123,950) |
| 170. Reserves | (426,348) | 296,061 |
| 180. Share premium reserve | 368,856 | 1,020,990 |
| 190. Share capital | 2,576,863 | 2,177,219 |
| 200. Treasury shares (-) | (20,283) | (21,282) |
| 210. Minority interests (+/-) | 52,071 | 55,838 |
| 220. Net income (loss) (+/-) | (543,591) | (1,761,657) |
| Total liabilities and Shareholders' Equity | 38,309,560 | 42,156,275 |

Thousands of euro

## CONSOLIDATED INCOME STATEMENT

| | 2014 | 2013 (*) |
|---|---|---|
| 10. INTEREST AND SIMILAR INCOME | 795,229 | 991,105 |
| 20. INTEREST AND SIMILAR EXPENSE | (441,632) | (560,385) |
| **30. INTEREST MARGIN** | **353,597** | **430,720** |
| 40. FEE AND COMMISSION INCOME | 296,139 | 313,910 |
| 50. FEE AND COMMISSION EXPENSE | (50,897) | (53,771) |
| **60. NET FEE AND COMMISSION INCOME** | **245,242** | **260,139** |
| 70. DIVIDENDS AND SIMILAR INCOME | 18,265 | 4,765 |
| 80. PROFITS (LOSSES) ON TRADING | 4,926 | (278,438) |
| 90. FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING | 2,031 | (10,319) |
| 100. PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF: | 90,488 | 351,935 |
| a) loans | 2,623 | (1,096) |
| b) financial assets available-for-sale | 85,138 | 328,403 |
| c) held-to-maturity investments | - | 21,261 |
| d) financial liabilities | 2,727 | 3,367 |
| 110. PROFITS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE | 367 | 40,113 |
| **120. NET INTEREST AND OTHER BANKING INCOME** | **714,916** | **798,915** |
| 130. NET LOSSES/RECOVERIES ON IMPAIRMENT OF: | (669,433) | (1,084,200) |
| a) loans | (645,527) | (1,042,784) |
| b) financial assets available-for-sale | (1,452) | (14,127) |
| d) other financial activities | (22,454) | (27,289) |
| **140. NET INCOME FROM BANKING ACTIVITIES** | **45,483** | **(285,285)** |
| **170. NET INCOME FROM BANKING AND INSURANCE ACTIVITIES** | **45,483** | **(285,285)** |
| 180. ADMINISTRATIVE EXPENSES: | (660,815) | (632,816) |
| a) personnel expenses | (411,503) | (378,157) |
| b) other administrative expenses | (249,312) | (254,659) |
| 190. NET PROVISIONS FOR RISKS AND CHARGES | (5,629) | (5,941) |
| 200. NET ADJUSTMENTS TO /RECOVERIES ON PROPERTY AND EQUIPMENT | (20,801) | (21,744) |
| 210. NET ADJUSTMENTS TO /RECOVERIES ON INTANGIBLE ASSETS | (28,593) | (30,119) |
| 220. OTHER OPERATING INCOME (EXPENSE) | 102,380 | 106,088 |
| **230. OPERATING EXPENSES** | **(613,458)** | **(584,532)** |
| 240. PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL | 4,940 | 98,475 |
| 260. IMPAIRMENT ON GOODWILL | (15,919) | (1,654,363) |
| 270. PROFITS (LOSSES) FROM DISPOSAL OF INVESTMENTS | (179) | (276) |
| **280. INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **(579,133)** | **(2,425,981)** |
| 290. TAXES ON INCOME FROM CONTINUING OPERATIONS | 170,897 | 796,141 |
| **300. INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **(408,236)** | **(1,629,840)** |
| 310. INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS | (138,706) | (146,868) |
| **320. NET INCOME (LOSS)** | **(546,942)** | **(1,776,708)** |
| 330. MINORITY INTERESTS | (3,351) | (15,051) |
| **340. NET INCOME (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY** | **(543,591)** | **(1,761,657)** |

| | | |
|---|---|---|
| Earnings per share (in euro) | | |
| - basic | -0,088 | -0,820 |
| - diluted | -0,088 | -0,820 |

Thousands of euro

*(*) The balances of the year reflect, with respect to those published, the effects of the application of IFRS 5 "Non-current assets held for sale and discontinued operations".*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | 2014 | 2013 (*) |
|---|---|---|---|
| 10 | NET INCOME (LOSS) | (546,942) | (1,776,708) |
| | Other comprehensive income (net of tax), without reversal to income statement | | |
| 40 | Actuarial gains (losses) on defined benefit plans | (57,549) | 8,233 |
| 50 | Non-current assets classified as held for sale | (551) | 498 |
| 60 | Share of valuation reserves of equity investments valued at equity | (40) | 24 |
| | Other comprehensive income (net of tax) with reversal to income statement | | |
| 90 | Cash flow hedges | (43,948) | 53,107 |
| 100 | Financial assets available for sale | 4,791 | 425,714 |
| 110 | Non-current assets classified as held for sale | 38,827 | 78,843 |
| 130 | Total other comprehensive income (net of tax) | (58,470) | 566,419 |
| 140 | TOTAL COMPREHENSIVE INCOME (Items 10 + 130) | (605,412) | (1,210,289) |
| 150 | Total consolidated comprehensive income pertaining to minority interests | (3,779) | (14,669) |
| 160 | Total consolidated comprehensive income pertaining to the Parent Company | (601,633) | (1,195,620) |

Thousands of euro

(*)*The balances of the year reflect, with respect to those published, the effects of the application of IFRS 5 "Non-current assets held for sale and discontinued operations".*

## Statement of Changes in Consolidated Shareholders' Equity

(Thousands of Euro)

| | Amounts as at 31/12/2013 | Change in opening balances | Amounts as at 1/1/2014 | Allocation of net income (loss) of previous year: Reserves | Allocation of net income (loss) of previous year: Dividends and other payout | Changes in the year: Changes in reserves | Transactions on shareholders' equity: Issue of new shares | Transactions on shareholders' equity: Purchase of treasury shares | Transactions on shareholders' equity: Advances on dividends | Transactions on shareholders' equity: Extraordinary distribution of dividends | Transactions on shareholders' equity: Changes in equity instruments | Transactions on shareholders' equity: Derivatives on treasury shares | Transactions on shareholders' equity: Stock options (1) | Total comprehensive income as at 31/12/2014 | Group shareholders' equity as at 31/12/2014 | Minority interests as at 31/12/2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital: | 2,211,525 | - | 2,211,525 | (1) | - | - | 403,544 | - | - | - | - | - | - | - | 2,576,863 | 38,205 |
| a) ordinary shares | 2,208,971 | - | 2,208,971 | (1) | - | - | 405,451 | - | - | - | - | - | - | - | 2,576,216 | 38,205 |
| b) other shares | 2,554 | - | 2,554 | - | - | - | (1,907) | - | - | - | - | - | - | - | 647 | - |
| Share premium reserve | 1,046,124 | | 1,046,124 | (1,030,333) | | - | 368,856 | - | | | | | | | 368,856 | 15,791 |
| Riserve: | 307,512 | - | 307,512 | (737,902) | - | 9,516 | (3,900) | - | | - | - | - | 282 | - | (426,348) | 1,856 |
| a) from profits | 223,072 | - | 223,072 | (709,418) | - | 9,809 | - | - | - | - | - | - | - | - | (477,978) | 1,441 |
| b) other | 84,440 | | 84,440 | (28,484) | - | (293) | (3,900) | - | - | - | - | - | 282 | - | 51,630 | 415 |
| Valuation reserves (2) | (123,952) | - | (123,952) | (8,480) | - | 447 | - | - | | | | | - | (58,470) | (190,025) | (430) |
| Equity instruments | - | - | - | - | - | - | - | - | - | - | - | | - | - | - | - |
| Advances on dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares | (21,282) | - | (21,282) | - | - | - | 999 | - | - | - | - | - | - | - | (20,283) | - |
| Net income (loss) | (1,776,708) | - | (1,776,708) | 1,776,716 | (8) | - | - | - | - | - | - | - | - | (546,942) | (543,591) | (3,351) |
| Group shareholders' equity | 1,587,381 | - | 1,587,381 | - | - | 9,943 | 769,499 | - | | - | - | - | 282 | (601,633) | 1,765,472 | X |
| Minority interests | 55,838 | - | 55,838 | - | (8) | 20 | - | - | - | - | - | - | - | (3,779) | X | 52,071 |

*(1) The 'stock options' column shows the effects of Managing Director's Stock Grant Plan in place with the Manager (see part I of the Explanatory Notes)*

*(2) The item includes Valuation reserves on non-current assets held for sale and discontinued operations for an amount of EUR 62,144 thousand.*

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (Thousands of Euro)

| | Amounts as at 31/12/2012 | Change in opening balances | Amounts as at 01/01/2013 | Allocation of net income (loss) of previous year | | Changes in the year | | | | | | | | | Group shareholders' equity as at 31/12/2013 | Minority interests as at 31/12/2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Transactions on shareholders' equity | | | | | | | | | |
| | | | | Reserves | Dividends and other payout | Changes in reserves | Issue of new shares | Purchase of treasury shares | Advances on dividends | Extraordinary distribution of dividends | Changes in equity instruments | Derivatives on treasury shares | Stock options (1) | Total comprehensive income as at 31/12/2013 | | |
| Share capital: | 2,204,286 | - | 2,204,286 | | | - | 7,239 | - | | | | | | | 2,177,219 | 34,306 |
| a) ordinary shares | 2,201,732 | | 2,201,732 | | | - | 7,239 | - | | | | | | | 2,174,665 | 34,306 |
| b) other shares | 2,554 | | 2,554 | | | | - | | | | | | | | 2,554 | - |
| Share premium reserve | 1,035,715 | | 1,035,715 | | | 1,173 | 9,237 | (1) | | | | | | | 1,020,990 | 25,134 |
| Riserve: | 279,583 | - | 279,583 | 23,406 | (647) | 62 | 4,770 | - | | - | - | - | 338 | - | 296,061 | 11,451 |
| a) from profits | 199,381 | - | 199,381 | 23,406 | (647) | 62 | 870 | - | | | | | | | 215,783 | 7,289 |
| b) other | 80,202 | | 80,202 | | | - | 3,900 | - | | | | | 338 | | 80,278 | 4,162 |
| Valuation reserves | (688,898) | - | (688,898) | | | | (1,473) | - | | | | | - | 566,419 | (123,950) | (2) |
| Equity instruments | 1,173 | | 1,173 | | | (1,173) | - | - | | | - | | - | | - | - |
| Advances on dividends | (414) | | (414) | 414 | | | | | - | | | | | | - | - |
| Treasury shares | (18,274) | | (18,274) | | | | - | (3,008) | | | | | | | (21,282) | - |
| Net income (loss) | 24,512 | - | 24,512 | (23,820) | (692) | - | | | | | | | | (1,776,708) | (1,761,657) | (15,051) |
| Group shareholders' equity | 2,786,083 | - | 2,786,083 | - | - | 47 | (443) | (3,024) | | - | - | - | 338 | (1,195,620) | 1,587,381 | X |
| Minority interests | 51,600 | - | 51,600 | - | (1,339) | 15 | 20,216 | 15 | - | | | | | (14,669) | X | 55,838 |

*(1) The 'stock options' column shows the effects of Managing Director's Stock Grant Plan in place with the Manager (see part I of the Explanatory Notes)*

## *CONSOLIDATED STATEMENT OF CASH FLOWS*
*Direct method*

| *A. OPERATING ACTIVITIES* | 2014 | 2013 (*) |
|---|---|---|
| ***1. Cash flow from/used in operations*** | ***81,192*** | ***(339,935)*** |
| - interest income received (+) | 793,936 | 975,421 |
| - interest expense paid (-) | (531,172) | (502,903) |
| - dividend and similar income (+) | 18,265 | 4,745 |
| - net fees and commissions (+/-) | 248,921 | 265,992 |
| - personnel costs (-) | (368,190) | (343,670) |
| - net insurance premiums collected | - | - |
| - other insurance revenues and expenses (-) | - | - |
| - other costs (-) | (341,185) | (1,143,990) |
| - other income (+) | 227,631 | 775,089 |
| - taxes and duties (-) | (142,986) | (359,403) |
| - costs/revenues from groups of assets held for sale after tax (+/-) | 175,972 | (11,216) |
| ***2. Cash flow from (used in) financial assets*** | ***3,233,474*** | ***3,182,167*** |
| - financial assets held for trading | 57,538 | 38,750 |
| - financial assets designated at *fair value through profit and loss* | 85,804 | 219,664 |
| - financial assets available for sale | 2,807,030 | (878,243) |
| - loans to customers | 481,380 | 3,601,312 |
| - due from banks: repayable on demand | 257,040 | 133,826 |
| - due from banks: other | 130,150 | 792,578 |
| - other assets | (585,468) | (725,720) |
| ***3. Cash flow from (used in) financial liabilities*** | ***(4,052,785)*** | ***(3,540,530)*** |
| - due to banks: repayable on demand | (7,681,210) | (1,784,364) |
| - due to banks: other | 1,488,085 | 1,412,134 |
| - due to customers | 2,881,493 | (1,905,891) |
| - securities issued | (993,471) | (1,909,262) |
| - financial liabilities held for trading | 39,372 | (123,094) |
| - financial liabilities designated at *fair value through profit and loss* | (65,246) | 277,148 |
| - other liabilities | 278,192 | 492,799 |
| ***Net cash flow from (used) in operating activities*** | ***(738,119)*** | ***(698,298)*** |
| *B. INVESTMENT ACTIVITIES* | | |
| ***1. Cash flow from*** | ***6,819*** | ***703,039*** |
| - sales of equity investments | - | 101,423 |
| - dividends collected on equity investments | 4,021 | 4,222 |
| - sales/reimbursement of financial assets held to maturity | - | 596,219 |
| - sales of property and equipment | 2,798 | 1,175 |
| - sales of intangible assets | - | - |
| - sales of subsidiaries and business branches | - | - |
| ***2. Cash flow used in*** | ***(44,947)*** | ***(57,798)*** |
| - purchase of equity investments | (60) | - |
| - purchase of financial assets held to maturity | - | - |
| - purchase of property and equipment | (21,427) | (29,156) |
| - purchase of intangible assets | (23,460) | (28,642) |
| - purchase of subsidiaries and business branches | - | - |
| ***Net cash flow from (used in) investment activities*** | ***(38,128)*** | ***645,241*** |
| *C. FUNDING ACTIVITIES* | | |
| - issue/purchase of treasury shares | 768,500 | 16,967 |
| - issue/purchase of equity instruments | - | - |
| - distribution of dividends and other | (8) | (1,339) |
| ***Net cash flow from (used in) funding activities*** | ***768,492*** | ***15,628*** |
| *NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR* | *(7,755)* | *(37,429)* |

KEY: (+) from; (-) used in
Figures in Thousands of Euro

*RECONCILIATION*

| Thousands of Euro | 2014 | 2013 |
|---|---|---|
| Cash and cash equivalents at the beginning of the year | 339,280 | 376,709 |
| Net increase (decrease) in cash and cash equivalents during the year | (7,755) | (37,429) |
| Cash and cash equivalents: effect of changes in exchange rates | | |
| Cash and cash equivalents at the end of the year | 331,525 | 339,280 |

(*) With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IFRS 5 (Non-current assets held for sale and discontinued operations)", which is referenced to for further details.

Total cash and cash equivalents at end of period also includes the amounts from companies held for sale totalling EUR 2,131 thousand.

# CONSOLIDATED EXPLANATORY NOTES

# Restatement of balances of the previous year in compliance with the provision of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)

## Restatement of balances of the previous year in compliance with the provisions of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)

This chapter provides a restatement of Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Statement of cash flows for the year ending 31 December 2013 as a result of the classification of the following companies as groups of assets held for sale and discontinued operations:

- Carige Vita Nuova SpA
- Carige Assicurazioni SpA
- Dafne Immobiliare Srl
- I.H. Roma Srl
- Assi 90 Srl
- Banca Cesare Ponti SpA
- Creditis Servizi Finanziari SpA

This classification was made following the resolutions adopted by the Board of Directors of Banca Carige SpA to dispose of the Group's entities operating in the insurance, private banking and consumer lending businesses as part of the *Capital Plan*. For further information, see Section A.2 "Main items of the accounts" in the Explanatory Notes.

## CONSOLIDATED INCOME STATEMENT *(in thousands of Euros)*

| | | 2013 | Application of IFRS 5 | 2013 restated |
|---|---|---|---|---|
| 10 - | INTEREST AND SIMILAR INCOME | 1,205,428 | (214,323) | 991,105 |
| 20 - | INTEREST AND SIMILAR EXPENSE | (569,354) | 8,969 | (560,385) |
| **30 -** | **INTEREST MARGIN** | **636,074** | **(205,354)** | **430,720** |
| 40 - | FEE AND COMMISSION INCOME | 328,456 | (14,546) | 313,910 |
| 50 - | FEE AND COMMISSION EXPENSE | (56,428) | 2,657 | (53,771) |
| **60 -** | **NET FEE AND COMMISSION INCOME** | **272,028** | **(11,889)** | **260,139** |
| 70 - | DIVIDENDS AND SIMILAR INCOME | 4,840 | (75) | 4,765 |
| 80 - | PROFITS (LOSSES) ON TRADING | *(287,903)* | *9,465* | *(278,438)* |
| 90 - | FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING | *(11,108)* | *789* | *(10,319)* |
| 100 - | PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF: | *365,859* | *(13,924)* | *351,935* |
| | *a) loans* | *(1,644)* | *548* | *(1,096)* |
| | *b) financial assets available for sale* | *342,875* | *(14,472)* | *328,403* |
| | *c) held to maturity investments* | *21,261* | *-* | *21,261* |
| | *d) financial liabilities* | *3,367* | *-* | *3,367* |
| 110 - | PROFITS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE | *39,375* | *738* | *40,113* |
| **120 -** | **NET INTEREST AND OTHER BANKING INCOME** | **1,019,165** | **(220,250)** | **798,915** |
| 130 - | NET LOSSES/RECOVERIES ON IMPAIRMENT OF: | (1,107,361) | 23,161 | (1,084,200) |
| | *a) loans* | *(1,063,420)* | *20,636* | *(1,042,784)* |
| | *b) financial assets available-for-sale* | *(16,570)* | *2,443* | *(14,127)* |
| | *d) other financial activities* | *(27,371)* | *82* | *(27,289)* |
| **140 -** | **NET INCOME FROM BANKING ACTIVITIES** | **(88,196)** | **(197,089)** | **(285,285)** |
| 150 - | NET INSURANCE PREMIUMS | 1,061,314 | (1,061,314) | - |
| 160- | OTHER NET INSURANCE INCOME (EXPENSE) | (1,201,381) | 1,201,381 | - |
| **170-** | **NET INCOME FROM BANKING AND INSURANCE ACTIVITIES** | **(228,263)** | **(57,022)** | **(285,285)** |
| 180 - | ADMINISTRATIVE EXPENSES: | (678,268) | 45,452 | (632,816) |
| | *a) personnel expenses* | *(400,146)* | *21,989* | *(378,157)* |
| | *b) other administrative expenses* | *(278,122)* | *23,463* | *(254,659)* |
| 190 - | NET PROVISIONS FOR RISKS AND CHARGES | (29,159) | 23,218 | (5,941) |
| 200 - | NET ADJUSTMENTS TO /RECOVERIES ON PROPERTY AND EQUIPMENT | (163,509) | 141,765 | (21,744) |
| 210 - | NET ADJUSTMENTS TO /RECOVERIES ON INTANGIBLE ASSETS | (36,167) | 6,048 | (30,119) |
| 220 - | OTHER OPERATING INCOME (EXPENSE) | 115,046 | (8,958) | 106,088 |
| **230 -** | **OPERATING EXPENSES** | **(792,057)** | **207,525** | **(584,532)** |
| 240 - | PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL | 98,475 | - | 98,475 |
| 260 - | IMPAIRMENT ON GOODWILL | (1,673,006) | 18,643 | (1,654,363) |
| 270 - | PROFITS (LOSSES) FROM DISPOSAL OF INVESTMENTS | (279) | 3 | (276) |
| **280 -** | **INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **(2,595,130)** | **169,149** | **(2,425,981)** |
| 290 - | TAXES ON INCOME FROM CONTINUING OPERATIONS | 818,422 | (22,281) | 796,141 |
| **300 -** | **INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **(1,776,708)** | **146,868** | **(1,629,840)** |
| 310 - | INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS | - | (146,868) | (146,868) |
| **320 -** | **NET INCOME (LOSS)** | **(1,776,708)** | **-** | **(1,776,708)** |
| 330 - | MINORITY INTERESTS | (15,051) | - | (15,051) |
| **340 -** | **NET INCOME (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY** | **(1,761,657)** | **-** | **(1,761,657)** |

## Consolidated Statement of Comprehensive Income

*(Thousands of Euro)*

| | | 2013 | Application of IFRS 5 | 2013 restated |
|---|---|---|---|---|
| **10** | **NET INCOME (LOSS)** | **(1,776,708)** | **0** | **(1,776,708)** |
| | **Other comprehensive income (net of tax), withouth reversal to income statement** | | | |
| **40** | Actuarial gains (losses) on defined benefit plans | 8,731 | (498) | 8,233 |
| **50** | Non-current assets classified as held for sale | - | 498 | 498 |
| **60** | Share of valuation reserves of equity investments valued at equity | 24 | - | 24 |
| | **Other comprehensive income (net of tax), with reversal to income statement** | | | |
| **90** | Cash flow hedges | 53,107 | - | 53,107 |
| **100** | Financial assets available for sale | 504,557 | (78,843) | 425,714 |
| **110** | Non-current assets classified as held for sale | | 78,843 | 78,843 |
| **130** | **Total other comprehensive income (net of tax)** | **566,419** | - | **566,419** |
| **140** | **TOTAL COMPREHENSIVE INCOME (Items 10 + 130)** | **(1,210,289)** | **-** | **(1,210,289)** |
| **150** | Total consolidated comprehensive income pertaining to minority interests | (14,669) | - | (14,669) |
| **160** | **Total consolidated comprehensive income pertaining to the Parent Company** | **(1,195,620)** | **-** | **(1,195,620)** |

*CONSOLIDATED STATEMENT OF CASH FLOWS*
*Direct method*

| | 2013 | Application of IFRS 5 | 2013 restated |
|---|---|---|---|
| *A. OPERATING ACTIVITIES* | | | |
| *1. Cash flow from/used in operations* | *(339,935)* | *-* | *(339,935)* |
| - interest income received (+) | 1,182,595 | (207,174) | 975,421 |
| - interest expense paid (-) | (512,076) | 9,173 | (502,903) |
| - dividend and similar income (+) | 4,841 | (96) | 4,745 |
| - net fees and commissions (+/-) | 284,260 | (18,268) | 265,992 |
| - personnel costs (-) | (367,953) | 24,283 | (343,670) |
| - net insurance premiums collected | 1,084,222 | (1,084,222) | - |
| - other insurance revenues and expenses (-) | (1,153,354) | 1,153,354 | - |
| - other costs (-) | (1,217,408) | 73,418 | (1,143,990) |
| - other income (+) | 804,771 | (29,682) | 775,089 |
| - taxes and duties (-) | (449,833) | 90,430 | (359,403) |
| - costs/revenues from groups of assets held for sale after tax (+/-) | - | (11,216) | (11,216) |
| *2. Cash flow from (used in) financial assets* | *3,182,167* | *-* | *3,182,167* |
| - financial assets held for trading | 38,750 | - | 38,750 |
| - financial assets designated at *fair value through profit and loss* | 219,664 | - | 219,664 |
| - financial assets available for sale | (878,243) | - | (878,243) |
| - loans to customers | 3,601,312 | - | 3,601,312 |
| - due from banks: repayable on demand | 133,826 | - | 133,826 |
| - due from banks: other | 792,578 | - | 792,578 |
| - other assets | (725,720) | - | (725,720) |
| *3. Cash flow from (used in) financial liabilities* | *(3,540,530)* | *-* | *(3,540,530)* |
| - due to banks: repayable on demand | (1,784,364) | - | (1,784,364) |
| - due to banks: other | 1,412,134 | - | 1,412,134 |
| - due to customers | (1,905,891) | - | (1,905,891) |
| - securities issued | (1,909,262) | - | (1,909,262) |
| - financial liabilities held for trading | (123,094) | - | (123,094) |
| - financial liabilities designated at *fair value through profit and loss* | 277,148 | - | 277,148 |
| - other liabilities | 492,799 | - | 492,799 |
| *Net cash flow from (used) in operating activities* | *(698,298)* | *-* | *(698,298)* |
| *B. INVESTMENT ACTIVITIES* | | - | |
| *1. Cash flow from* | *703,039* | *-* | *703,039* |
| - sales of equity investments | 101,423 | - | 101,423 |
| - dividends collected on equity investments | 4,222 | - | 4,222 |
| - sales/reimbursement of financial assets held to maturity | 596,219 | - | 596,219 |
| - sales of property and equipment | 1,175 | - | 1,175 |
| - sales of intangible assets | - | - | - |
| - sales of subsidiaries and business units | - | - | - |
| *2. Cash flow used in* | *(57,798)* | *-* | *(57,798)* |
| - purchase of equity investments | - | - | - |
| - purchase of financial assets held to maturity | - | - | - |
| - purchase of property and equipment | (29,156) | - | (29,156) |
| - purchase of intangible assets | (28,642) | - | (28,642) |
| - purchase of subsidiaries and business units | - | - | - |
| *Net cash flow from (used in) investment activities* | *645,241* | *-* | *645,241* |
| *C. FUNDING ACTIVITIES* | | - | |
| - issue/purchase of treasury shares | 16,967 | - | 16,967 |
| - issue/purchase of equity instruments | - | - | - |
| - distribution of dividends and other | (1,339) | - | (1,339) |
| *Net cash flow from (used in) funding activities* | *15,628* | *-* | *15,628* |
| *NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR* | *(37,429)* | *-* | *(37,429)* |

KEY: (+) from; (-) used in
Figures in Thousands of Euro

# Part A

## ACCOUNTING POLICIES

## A.1 – INTRODUCTION

## SECTION 1
## Statement of compliance with international accounting standards

The consolidated financial statements of the Banca Carige Group, approved by the Board of Directors during its meeting of 3 March 2015, have been prepared in accordance with the IAS/IFRSs and related interpretations (SIC/IFRIC) as issued by the International Accounting Standards Board (IASB), endorsed by the European Union and effective at the reporting date for these Financial Statements. Please refer to the financial statements section concerning the Annexes for a list of the international accounting principles and related interpretations (SIC/IFRIC) approved and in effect for the financial statements as at 31 December 2014.

## SECTION 2
## General accounting policies

The consolidated financial statements refer to the Parent Company Banca Carige and other Group companies, as defined in the terms indicated in Section 3 - Scope and methods of consolidation, which have adopted the accounting standards indicated in Part A2 concerning the main items of the accounts.
The Banca Carige Group consolidated financial statements have been prepared in accordance with the general principles set out in IAS 1 and guidance provided by the Bank of Italy in its Circular no. 262 of 22 December 2005, as amended by the 3rd update of 22 December 2014. More specifically:

- Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Explanatory Notes.

Items with zero balance amounts for the current and previous year are not reported in the Balance Sheet and Income Statement.
As regards the Explanatory Notes, the tables were only compiled with reference to current phenomena. In the Income Statement (statements and Explanatory Notes) revenues are indicated without a +/- sign, whereas costs are indicated in brackets.

- Consolidated statement of comprehensive income.

In addition to the profit for the year, the statement of comprehensive income presents other profit components, split into items with and without reversal to profit or loss. No accounts are recognised in this statement if there was no amount for either this or the previous financial year; negative amounts are indicated in brackets.

- Statement of changes in consolidated shareholders' equity.

The statement of changes in shareholders' equity illustrates the breakdown and changes in shareholders' equity for the current and previous years.
The items are broken down into portions of changes in shareholders' equity relating to the Group and non-controlling interests.

- Consolidated statement of cash flows

The statement of cash flows was prepared using the direct method.

- Reporting currency and rounding.

The financial statements and explanatory notes are expressed in thousands of euros.
In rounding off, the amounts of items, sub-items and "of which" equal to or lower than EUR 500 are ignored; amounts greater than EUR 500 are rounded up to the nearest thousand. The rounded balances of each caption are obtained by summing the rounded sub-captions. The sum of differences arising from rounding off is shown under "Other assets/liabilities" in the Balance Sheet and under "Other operating income/expense" in the Income Statement.
The explanatory notes are expressed in thousands of euro unless otherwise indicated.
In rounding off, amounts in the Explanatory Notes equal to or lower than EUR 500 are ignored; amounts greater than EUR 500 are rounded up to the nearest thousand. Rounding of the amounts contained in the explanatory notes should in any case be performed in such a way as to ensure consistency with the amounts presented in the accounting tables of the balance sheet and income statement.

- Going concern.

With reference to guidance provided in Document no. 2 of 6 February 2009[1] jointly issued by the Bank of Italy, Consob and ISVAP as subsequently updated, the Group reasonably expects to continue operating as a going concern in the foreseeable future, in light of the Capital Plan (approved by the Board of Directors in its meeting of 26 October 2014 and submitted to the ECB on 5 November 2014) setting the measures to ensure coverage of the shortfall identified during the Comprehensive Assessment by way of a capital increase and asset disposals, in view of the approval of the new 2015-2019 Business Plan by the Board of Directors in the current month of March[2].

- Accrual basis of accounting.

Costs and revenues are recorded, regardless of their monetary settlement date, according to the principles of economic accrual and correlation.

- Consistency of presentation.

[1] Also referenced to in Document n. 4 of 3 March 2010.
[2] Note added following the Board of Director's meeting of 19/03/2015:
With regard to the capital strengthening measures disclosed to the market through the Press Release issued on 19 March 2015, notice is hereby given that the Board of Directors, in its meeting on the same date:
- expressed its considerations regarding the decision of the European Central Bank (ECB) authorising the Bank to implement the Capital Plan presented on 5/11/2014 and setting out Group-specific prudential requirements for additional own funds to be met on a consolidated basis, which provide for the attainment of a minimum 11.50% level of Common Equity Tier 1 ratio by the end of July 2015 and a ban on dividend payout;
- resolved upon the proposal for a EUR 850 mln share capital increase with consideration via a rights issue for existing shareholders, to be submitted for approval to the Extraordinary Shareholders' Meeting, convened for 23 April 2015. The capital increase will be backed by a Syndicate of leading financial institutions led by Mediobanca – Banca di Credito Finanziario S.p.A., acting as Global Coordinator;
- resolved upon the proposal for a capital increase with consideration for a maximum amount of EUR 15.8 mln exempt from the pre-emptive rights of existing shareholders, to be effected via a contribution in kind of the non-controlling interests respectively held by 'Fondazione de Mari Cassa di Risparmio di Savona' and 'Fondazione Cassa di Risparmio di Carrara' in the subsidiary banks, Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A.;
- approved the 2015–2019 Business Plan, set to steer the Group's business for the next five years. The Plan fits within and strengthens the guidelines identified in the turnaround strategy launched in 2014 with a view to bringing the Group back to its tradition of a sound, locally rooted retail and corporate bank for households and businesses, focusing on the highest-potential regions of Northern and Central Italy, with risk profile mitigated by better credit management and engaged with the role of being an "efficient distributor".

On the basis of the above, Directors are of the opinion that the Group has the current and forward-looking ability to comply with such additional obligations.

Presentation and classification of items are kept consistent from one year to another to ensure comparability unless changes are required by an IFRS or interpretation or it is clear that another presentation or classification would be more appropriate for the reliable and material presentation of information. When the presentation or classification of items is changed, the corresponding amounts are restated accordingly, unless this is not feasible, and a description of the nature and reasons for the restatement is given.

- Materiality and aggregation.

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

- Netting.

Assets, liabilities, costs and revenues are netted and the net amount reported only if allowed under IFRS or IFRIC, or if expressly required under the financial statement formats specific to banks.

- Comparative figures.

Comparative information is provided for the previous period for all figures recorded in the financial statements based on the provisions of IAS 1.
The reclassification of profit and loss data relating to the balances for the prior period for groups of assets classified as held for sale by 31 December 2014 was performed in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) which is referenced to for further details.
Comments are also included as appropriate for further insight. The financial statements also comply with Legislative Decree 87/92, the articles of the Italian Civil Code and corresponding provisions of the Consolidated Law on Finance (TUF) applicable to reporting obligations for listed companies (Article 2428, Italian Civil Code), auditing (Article 2409-bis, Italian Civil Code) and publication of financial statements (Article 2435, Italian Civil Code).

## SECTION 3
## Scope and methods of consolidation

### 1. Equity investments in fully controlled subsidiaries

In 2014, the scope of consolidation remained unchanged with respect to the scope for preparation of the annual report ending 31/12/2013.

1. Equity investments in fully and joint ventures

| Company name | Head offices | Type of relationship (1) | Shareholding relationship | | Percentage of voting rights (2) (3) | |
|---|---|---|---|---|---|---|
| | | | held by | Shareholding % | Actual % | Potential % |
| A. Companies | | | | | | |
| A.1 Consolidated line-by-line | | | | | | |
| Banking Group | | | | | | |
| 1. Banca CARIGE SpA | Genoa | | | | | |
| 2. Banca CARIGE Italia SpA | Genoa | 1 | A1.1 | 100.00 | | |
| 3. Cassa di Risparmio di Savona SpA | Savona | 1 | A1.1 | 95.90 | | |
| 4. Cassa di Risparmio di Carrara SpA | Carrara | 1 | A1.1 | 90.00 | | |
| 5. Banca del Monte Lucca SpA | Lucca | 1 | A1.1 | 60.00 | | |
| 6. Banca Cesare Ponti SpA | Milan | 1 | A1.1 | 100.00 | | |
| 7. Creditis Servizi Finanziari SpA | Genoa | 1 | A1.1 | 100.00 | | |
| 8. Centro Fiduciario C.F. SpA | Genoa | 1 | A1.1 | 76.95 | | |
| | | | A1.3 | 20.00 | | |
| 9. Argo Mortgage 2 Srl | Genoa | 1 | A1.1 | 60.00 | | |
| 10. Carige Covered Bond Srl | Genoa | 1 | A1.1 | 60.00 | | |
| 11. Carige Covered Bond 2 Srl | Genoa | 1 | A1.1 | 60.00 | | |
| 12. Columbus Carige Immobiliare SpA | Genoa | 1 | A1.1 | 100.00 | | |
| 13. Immobiliare CARISA Srl | Savona | 1 | A1.3 | 100.00 | | |
| Insurance companies | | | | | | |
| 14. Carige Assicurazioni SpA | Milan | 1 | A1.1 | 99.999 | | |
| 15. Carige Vita Nuova SpA | Genoa | 1 | A1.1 | 100.00 | | |
| Other companies | | | | | | |
| 16. Dafne Immobiliare Srl | Milan | 1 | A1.14 | 100.00 | | |
| 17. I. H. Roma Srl | Milan | 1 | A1.15 | 100.00 | | |
| 18. Assi 90 Srl | Genoa | 1 | A1.14 | 39.75 | | |
| | | | A1.15 | 60.25 | | |
| A.2 Jointly controlled | | | - | | | |

Key
(1) Type of relationship:
1 = majority of voting rights at ordinary shareholders' meetings
2 = dominant influence at ordinary shareholders' meetings
3 = agreements with other shareholders
4 = other forms of control
5 = unified management pursuant to art. 26, paragraph 1 of Legislative Decree 87/92
6 = unified management pursuant to art. 26, paragraph 2 of Legislative Decree 87/92
7 = joint control
(2) Availability of voting rights at ordinary shareholders' meetings, distinguishing between actual and potential
(3) Figure entered only if other than the equity investment

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

bonds (Carige Covered Bond Srl and Carige Covered Bond 2 Srl), insurance companies (Carige Vita Nuova S.p.A., Carige Assicurazioni S.p.A.), real estate companies (Columbus Carige Immobiliare S.p.A., Immobiliare Carisa Srl, Dafne Immobiliare Srl and I.H. Roma Srl) and insurance agencies (Assi 90 Srl).
It is noted that the special-purpose vehicles Argo Mortgage 2, Carige Covered Bond and Carige Covered Bond 2 were all consolidated line by line.

With regard to the securitisation of Banca Carige's performing loans via Argo Mortgage 2 in 2004, considering that the transaction did not fully meet the conditions for all risks and rewards to be substantially transferred to a third party, consolidation applied to the assets of the segregated asset pool.
As regards transfers for the issuance of covered bonds, receivables were not derecognised from the financial statements of respective transferors as all connected risks and rewards are substantially retained in these transactions.

This document was prepared using the reporting packages as at 31 December 2014 made available by the Parent Company and the other consolidated entities, as approved by their respective governing bodies and drafted according to the IASs/IFRSs approved and effective as at the reporting date, according to guidance provided by the Parent Company.

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## 2. Significant judgements and assumptions in determining the scope of consolidation

According to the IASs/IFRSs, the scope of consolidation includes all directly or indirectly controlled entities: therefore, companies not classified as institutions operating in the credit and financial industry or in assets used in the business (i.e. dissimilar activities) were also consolidated line by line.
The concept of control applied is that outlined in the new IFRS 10 - Consolidated financial statements. The companies that were considered to be subsidiaries and therefore included in the scope of line by line consolidation are all those companies in which the Parent Company has simultaneously:

- control over the entity in which the investment is held, or sufficient rights that grant it the current ability to manage the subsidiary's activities;
- exposure to positive or negative variable yields, deriving from the relationship with the entity in which the investment is held, that vary in relation to the economic trend of such entity;
- the ability to exercise its authority over the entity in which the investment is held to influence such subsidiary's performance

All subsidiaries were included in the scope of consolidation. Excluded from the scope of consolidation, however, were non-investees for which shares with voting rights were received on pledge, inasmuch as the guarantee obtained was intended as a credit protection instrument and not as an instrument to exercise influence over the companies in question.
At the reporting date, no jointly controlled companies were identified, to which the new IFRS 11 - Joint Arrangements applies.

## 3. EQUITY INVESTMENTS IN FULLY CONTROLLED SUBSIDIARIES WITH MATERIAL THIRD-PARTY INTERESTS

3.1 Non-controlling interests, voting rights held by non-controlling interests and dividends paid to non-controlling interests

| Company name | Non controlling interests % | Voting rights held by non-controlling interests % (1) | Dividends paid to non-controlling interests |
|---|---|---|---|
| 1. Cassa di Risparmio di Savona SpA | 4.10 | 4.10 | - |
| 2. Cassa di Risparmio di Carrara SpA | 10.00 | 10.00 | - |
| 3. Banca del Monte Lucca SpA | 40.00 | 40.00 | - |

(1) Votes available at ordinary shareholders' meetings

3.2 Significant non-controlling interests: accounting information

| Company Name | Total assets | Cash and cash equivalents | Financial assets | Tangible and intangible assets | Financial liabilities | Shareholders' equity | Net Interest Income | Net interest and other banking income | Operating expenses | Profit (loss) before tax from continuing operations | Profit (loss) after tax from continuing operations | Profit (loss) after tax from groups of assets held for sale | Net profit (loss) for the period (1) | Other comprehensive income, after tax (2) | Total comprehensive income (3) = (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Cassa di Risparmio di Savona SpA | 1,744,737 | 25,021 | 1,613,919 | 34,974 | 1,530,459 | 152,831 | 39,071 | 66,098 | (36,797) | (9,080) | (3,579) | - | (3,579) | (1,349) | (4,928) |
| 2. Cassa di Risparmio di Carrara SpA | 1,217,649 | 16,461 | 1,127,393 | 27,248 | 1,061,304 | 95,584 | 22,867 | 40,108 | (28,784) | (13,859) | (8,375) | - | (8,375) | (1,368) | (9,743) |
| 3. Banca del Monte Lucca SpA | 890,429 | 13,238 | 815,226 | 19,971 | 772,458 | 89,594 | 17,406 | 28,382 | (20,110) | (10,645) | (5,991) | - | (5,991) | (589) | (6,580) |

## 4. SIGNIFICANT RESTRICTIONS

No significant restrictions exist on the Group under the requirements of para.13 of IFRS 12.

## 5. OTHER INFORMATION

Investments in associates, i.e. companies subject to significant influence, were measured at equity.

Equity investments in companies subject to significant influence (consolidated using the equity method)

| Company name | Operating office | Registered Office | Shareholding relationship | | % of voting rights | |
|---|---|---|---|---|---|---|
| | | | held by | Shareholding % | Actual % | Potential % |
| A. Companies consolidated with the equity method | | | | | | |
| 1. Autostrada dei Fiori SpA | Savona | Savona | Banca Carige SpA | 16.62 | | |
| | | | Cassa di Risparmio di Savona SpA | 4.00 | | |

Companies over which the Group exerts major influence were valued at cost, in accordance with the general principles set out in the framework for companies that are not considered subject to significant influence.

Equity investments in companies subject to significant influence excluded from the equity method

| Company name | Operating office | Registered Office | Shareholding relationship | | % of voting rights | |
|---|---|---|---|---|---|---|
| | | | held by | reholdin | Actual % | Potential % |
| 1. Sport e Sicurezza Srl in liquidazione | Milan | Milan | Carige Ass.ni SpA | 25.00 | | |
| | | | Carige V. N. SpA | 25.00 | | |
| 2. Nuova Erzelli Srl | Genoa | Genoa | Banca Carige SpA | 40.00 | | |

Illustrated below are the characteristics of the two consolidation methods adopted.

***Line-by-line consolidation***

Financial statements, prepared using line-by-line consolidation, represent the equity, economic and financial position of the Group, intended as one business entity. For this purpose four operational steps are required:

- standardise the accounting policies applied within the scope of consolidation, introducing adjustments as necessary, should a member of the Group have adopted principles other than those used in the consolidated financial statements for similar transactions and events under similar circumstances;
- aggregate the financial statements of the Parent Company and its subsidiaries line by line. The corresponding values of assets, liabilities, shareholders' equity, revenues and expenses are then summed up;
- offset the value of investments in subsidiaries against the corresponding portion of shareholders' equity for those companies as at the date of their first-time recognition in the consolidated financial statements. At the acquisition date, the fair values of all assets and liabilities acquired are measured and goodwill is determined as required by IFRS 3. Being an intangible asset with an indefinite useful life, goodwill is not amortised: however, its carrying amount is tested for impairment annually or whenever there is an indication that it may have

incurred a long-lasting loss in value to verify that its recoverable value remains higher. Negative differences are recognised in the Income Statement. The non-controlling interest' share of shareholders' equity and profit is recognised as a separate item;

- cancel significant balance-sheet and profit and loss intra-group entries between companies subject to line-by-line consolidation.

Under the option provided for by IFRS 1, goodwill calculated in relation to acquisitions occurring prior to 2004 was not recalculated.

*Consolidation at equity*

Through the equity method, an investment is initially recognised at cost and then adjusted according to changes in the investor's share of the investee's shareholders' equity. The portion of changes in shareholders' equity resulting from profits or losses of the investee are recognised to "Profits (losses) on investments in associates and companies subject to joint control" in the Income Statement. The portions of changes in shareholders' equity indicated in the balance sheet of the investee without transfer to the Income Statement are instead recognised directly to Reserves.

The difference between the cost of the investment and the portion of shareholders' equity acquired is treated using a similar approach to line-by-line consolidation, except that if there is a positive residual difference (goodwill) it is not recognised to its own item among intangible assets, and is therefore tested separately for impairment, but remains under Equity Investments.

The entire book value of the investment is impairment tested by comparing its recoverable value and its book value if there is evidence that the value of the investment has decreased. Any intra-group gains or losses are cancelled.

## SECTION 4
## Subsequent events

On 9 January, Consob served notice to Banca Carige as provided in paragraph 2 of article 157 of the Legislative Decree No. 58/1998, to notify that a civil case had been initiated in the Court of Genoa requesting for a declaration of nullity or annulment of the Shareholders' Meeting resolution of 30 April 2014 approving Banca Carige's separate Financial Statements as at 31 December 2013 on grounds of alleged non-compliance of said Financial Statements with financial reporting standards, namely accounting principles IAS 1, 8 and 36, as well as ascertainment of non-compliance of the Consolidated Financial Statements with the afore-mentioned accounting principles. Consob raised a claim against the Bank’s disagreement with the methods used to address the findings reported in its Ruling no. 18758 of 10 January 2014, concerning restatement -under accounting principle IAS 8- of the goodwill amounts and equity investments held in its banking and insurance subsidiaries for the year ending 31 December 2012. The claimed infringements are alleged to have resulted in a breach of the general principle of accrual accounting. The first hearing has been scheduled for 19 May 2015 and, pursuant to the Code of Civil Procedure, the term for Banca Carige to appear in court (or respond in writing to the court) has been set to 27 April 2015.
In light of the reasons given by the Bank during discussions with Consob and disclosure periodically provided to Consob and the market, the Bank deems the risk of losing the civil case initiated by Consob unlikely and has therefore not proceeded with the re-statement of comparative data for 2013. Moreover, this evaluation is corroborated by other elements, including the preliminary status of judgment, the absence - in the writ of summons - of any indications concerning the amount of loan loss provisions required and nature of claims, with reference being made to choices which fall within the technical discretion of the preparer of the financial statements.
In light of the above, the Bank is confident that the Judicial Authority will confirm the fairness of its conduct and compliance of its financial statements with financial reporting standards.
The Preliminary Investigations Judge of the Court of Genoa, upon request of Public Prosecutors, declared the special administration procedure of the Centro Fiduciario C.F. S.p.A. to be terminated as of 17 January 2015.
On 21 January, the Board of Directors of Banca Carige, pursuant to the regulations for health and safety at work and in the light of changes and additions on the same subject to the Legislative Decree 81/2008 and changes to the company organisation chart in relation to the imminent termination of employment of the current Company Representative for Safety at work, has acknowledged the need for the Chief Executive Officer, in his capacity as the employer, to formally appoint the new Company Representative, identified as another company executive, who has the necessary skills, means and authority to succeed the afore-mentioned executive, as the Manager in charge of the company unit for Technical matters and Safety.
On 3 February the Board of Directors of Banca Carige, in relation to the new legislation on Corporate Governance included in Part One, Title IV, Chapter 1 of circular No. 285 of 17/12/2013 of the Bank of Italy, which was introduced with the First Update dated 06/05/2014, approved the draft amendments to the Articles of Association to be submitted for approval at the next Extraordinary Shareholders' Meeting regarding some adjustments to the Bank's governance structure, and also to introduce a greater degree of flexibility in the delegation of authority, albeit in the context of rigorous adherence to the principles of clear and efficient separation of roles, functions and responsibilities

from which the legislation on banking supervision draws inspiration in relation to the newly adopted organizational model and the changes in the context of the reference legislation.
On 11 February 2015 the Board of Directors of Banca Carige, having approved the impairment test results for the goodwill related to the Banks of the Group and the investments of Banca Carige S.p.A as at 31 December 2014, passed a resolution to write off the consolidated goodwill related to the Cassa di Risparmio di Carrara for an amount of EUR 15.9 mln, devalue the investments in Banca Carige Italia, Cassa di Risparmio di Carrara and Banca del Monte di Lucca for an overall amount of EUR 167.2 mln and, on the basis of the fair value net of the cost of sale, to confirm the book values of goodwill and equity investments in Group companies held for sale (Banca Cesare Ponti and Creditis Servizi Finanziari).
The Board of Directors, having acknowledged the persistence of the conditions that led to the resolution, during the meeting of 11/11/2014, to proceed with the suspension and annulment of the payment of the Tier1 "Banca Carige 2008 8.338% perpetual" bond coupon, which reached maturity on 04/12/2014, and specifically in the absence of Issuer profits available for distribution in 2014, as the preliminary financial statement data reveals, passed a resolution in relation to the next coupon that matures in the period from 05/12/2014 to 04/12/2015, for which a payment is scheduled for 04/12/2015, to refrain from booking any accrued interest for 2014 and 2015 and to grant separate delegation of authority to the Chief Executive Officer, the Chief Financial Officer and the Manager in charge of financial structure, to proceed, upon occurrence of one of the conditions provided by the regulations of the subordinated issue in question, with the suspension and annulment of the payment of the relative coupon.
In the same Banca Carige Board of Directors meeting, in relation to the provisions of the capital plan that was set up as a result of the Comprehensive Assessment exercise carried out by the ECB in relation to the disposal of the Group's entities operating in the consumer lending business and in private banking:

- a resolution was passed to start exclusive negotiations with Apollo for the transfer of subsidiary Creditis Servizi Finanziari S.p.A;

- selected 4 potential buyers with whom to start a due diligence phase that would lead to a second phase in the process of sale of Banca Cesare Ponti S.p.A., aimed at attracting binding offers.

## SECTION 5
## Other aspects

### Option for national tax consolidation

The Banca Carige Group has adopted the so-called "national tax consolidation", as regulated by articles 117-129 of the Consolidated Law on Income Tax (*Testo Unico delle Imposte sui Redditi* - "TUIR")" that was introduced in fiscal legislation by the Legislative Decree No. 344/2003. It consists of an optional treatment, whereby the total net income or the tax loss of each subsidiary participating in the tax consolidation - together with the withheld amounts, the deductions and tax credits - are transferred to the parent company, for which a single taxable income or a single reportable tax loss is determined (resulting from the algebraic sum of its own income/losses and of those of the participating subsidiaries) and, consequently, a single tax payable/receivable is calculated.
By virtue of this option, the Parent Company Banca Carige, the other banks of the Group, the Insurance Companies and the other companies of the Group, Columbus Carige Immobiliare S.p.A., Immobiliare Carisa S.r.l., Assi 90 S.r.l., I.H. Roma S.r.l., Dafne Immobiliare S.r.l. and Creditis Servizi Finanziari S.p.A., which adhered to the "national tax consolidation", determine their own tax burden and the corresponding taxable income is transferred to the Parent Company.

### Other aspects

The consolidated financial statements are audited by Reconta Ernst & Young S.p.A., in accordance with the Shareholders' Meeting Resolution of 29 April 2011, which appointed this company for the years from 2012 through 2020.

## A.2 – MAIN ITEMS OF THE ACCOUNTS

The accounting standards applied in preparation of the consolidated financial statements as at 31 December 2014 are illustrated below.
In accordance with regulations, the format for each class of assets and liabilities considered indicates the criteria adopted for the classification, recognition (initial and subsequent), measurement, cancellation and recording of income components.

### REGULATORY UPDATES

On 22 December 2014 the Bank of Italy published the third update to circular No. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation".
This update incorporates the novelties related to "disclosure" that were introduced by virtue of the IFRS 12 international accounting principle "Disclosure of Interests in Other Entities"[3] and modifies the disclosure in Part F of the notes "Information related to equity" and Section 2 "Own funds and regulatory capital ratios" to take into account the changes introduced by (EU) Regulation No. 575/2013 of the European Parliament and Council of the 26 June 2013 ("CRR Regulations") and European Parliament and Council Directive 2013/36/EU of 26 June 2013 ("CRD IV Directive").
The changes that were introduced apply to the financial statements for financial years ending on, or in progress on 31 December 2014, with due exception for the disclosure on "renegotiated performing loans", which applies only to company financial statements starting from the financial statements for the financial year ending on, or in progress on 31 December 2015.
With reference to IFRS 12, the main changes that were introduced regard the disclosure on:

- the "significant judgements and assumptions" adopted to establish the existence of exclusive control, joint control or significant influence on another entity;
- the composition of the group;
- the controlled companies with significant non-controlling third party interest;
- the significant restrictions on the possibility to use the assets, or liquidate liabilities of controlled companies;
- the nature of and the associated risk of consolidated structured entities (e.g. special-purpose vehicles);
- the consequence of changes in interest in controlled companies that can involve the loss of control or otherwise;
- the jointly controlled companies or companies subject to significant influence that are deemed significant by the intermediary preparing the financial statements;
- the nature and extent of interest in non-consolidated structured entities and related risk.

Moreover, details regarding performing loans, granted by bank intermediaries to customers in financial difficulty, that are under renegotiation (hereinafter referred to as "renegotiated performing loans") as well as further information on the liquidity risk and the fair value of financial derivatives must also be provided.
In 2014 the review and integration continued of international accounting standards, interpretations or amendments which, partially apply to the financial statements for the year ended 31 December 2014.
In particular, the main items of information deriving from the change to the international accounting standards (IAS/IFRS) and which have an effect on these financial statements are:

- IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Consolidated and Separate Financial Statements, IAS 28 –

[3] Adopted by (EU) Commission Regulation No. 1254/2012 of 11 December 2012 and modified by (EU) Commission Regulation No. 313/2013 of 04 April 2013 and (EU) Commission Regulation No. 1174/2013 of 20 November 2013.

Investments in Associates and Joint Ventures (EU Regulation 1254/2012 of 11/12/2012 and EU Regulation no. 313/2013 of 04/04/2013).

These documents' main innovations are contained in IFRS 10; the new standard arises from the need to combine into a converged document the consolidation principles and indications to minimise practical inconsistencies identified in the system by the IASB, thus superseding the provisions of IAS 27 – Consolidated and Separate Financial Statements and SIC 12 "Consolidation – Special Purpose Entities". In particular, the concept of control was radically changed: an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Key elements of the new definition are:

a) the decision-making power exercised over the investee;
b) exposure to variable returns from its involvement with the investee;
c) investor's ability to affect returns through its power over the investee.

- Amendments to IAS 32 Financial instruments: Balance sheet reporting — Offsetting financial assets and liabilities[4] (EU Regulation No. 1256/2012 of 13/12/2012);
- Modifications to IFRS 1 – First time adoption of the International Financial Reporting Standard (EU Regulation no. 313/2013 of 04/04/2013)[5].
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities, IAS 27 – Separate Financial Statements (Reg. no. 1174/2013 of 20 November 2013)[6];
- Amendments to IAS 36 – Impairment of Assets: Additional information on the recoverable value of non-financial assets (EU Regulation no. 1374/2013 of 19/12/2013);
- Amendments to IAS 39 Financial instruments: Recognition and Measurement: Novation of derivative instruments and continuation of hedging (EU Regulation no. 1375/2013 of 19/12/2013);
- IFRIC 21 – Levies (EU Regulation no. 634/2014 of 13/06/2014).[7].

It should also be noted that EU Regulation 1361/2014 of 18/12/2014 which adopted the modifications to IFRS 3 - Business combinations, IFRS 13 - Fair value measurement and to IAS 40 - Investment property was published in 2014. Such modifications will enter into force starting from 1 January 2015[8].

Lastly, below is a list of documents published by the International Accounting Standards Board (IASB) and not yet endorsed:

- IFRS 14 - Regulatory Deferral Accounts; the new provisions apply starting on 1 January 2016;
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations; new regulations shall apply as of 1 January 2016;
- Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation; the new provisions apply with effect from 1 January 2016;
- Amendments to IAS 16 and IAS 41: Agriculture - Bearer Plants; the new provisions shall apply as of 1 January 2016;

[4] EC Regulation 1256/2012 allows a possible deferment of application of IAS 32 at the latest to the start of their first financial year commencing on or after 1 January 2014. In actual fact the Group has already applied the principle as of 31/12/2013 together with the modifications to IFRS 7 - Financial instruments: Additional information - Offsetting financial assets and liabilities.

[5] The principle was modified in accordance with the changes made, in the same Regulations, to IFRS 11.

[6] For the part that relates to the entity in which the investment was made.

[7] The regulation was rectified in August 2014 due to a translation error (page 11, Attachment on «International accounting standards», Section on «Scope»).

[8] EU Regulations Nos. 28 and 29 dated 17 December 2014 were published on 9 January 2015; EU Regulation No. 28/2015 adopted the modifications to IFRS 2, 3, 8 and IAS 16, 24 and 38 (expected to enter into force on 1 January 2015) while EU Regulation No. 29/2015 adopted the modifications to IAS 19 (entry into force planned for 1 January 2015)

- Amendments to IAS 27: Equity Method in Separate Financial Statements; new regulations shall apply as of 1 January 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; new regulations shall apply as of 1 January 2016.
- Annual Improvements to IFRSs 2012–2014 Cycle; new regulations shall apply as of 1 January 2016.
- Modifications to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception; the new provisions shall apply as of 01/01/2016;
- Modifications to IAS 1 - Disclosure Initiative; the new provisions shall apply as of 1 January 2016;
- IFRS 15 - Revenue from Contracts with Customers; new regulations shall apply as of 1 January 2017;
- IFRS 9 - Financial Instruments; following a 6 year development period on 24 July 2014 the IASB published the final version of IFRS 9 – Financial Instruments, which includes the following three phases[9]:
  1. The updated model for classification and measurement of financial instruments;
  2. The impairment model based on expected losses;
  3. The general hedge accounting model.

  The date for applying the model for the first time was confirmed as 1 January 2018. To date, the macro hedging model that the IASB will finalize and publish as a separate standard is still not available.

## 1. FINANCIAL ASSETS HELD FOR TRADING

Debt securities, equities and derivative contracts held for trading and with a positive value are classified under this category.
Included among the derivative contracts are those linked to the fair value option or as operating hedges for assets and liabilities classified to the trading portfolio.
Financial assets held for trading are:

- initially recognised at fair value, excluding transaction costs or revenues directly attributable to the instrument.

  Debt securities and equities are recognised at the settlement date: derivative contracts are recognised at the date of signing;
- after initial recognition, measured at fair value and the result recognised to the income statement.

  Equities that do not have a listed market price on an active market and whose fair value cannot be reliably measured, together with associated derivatives that must be settled on delivery of such unlisted equities, are valued at cost;
- derecognised when the asset in question is sold, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

[9] The previous versions were superseded by the July 2014 version; nonetheless, the entities that opted for an early adoption of one of the previous versions before 1 January 2015 may continue to apply such previous version up to 1 January 2018.

## 2. 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.
This category also includes strategic investments in shares issued by another company held with the intention of establishing or maintaining a long-term working relationship, when they do not involve investments in subsidiaries and companies subject to joint control or significant influence, or investments in associates.

Financial assets available for sale are:

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

  Debt securities and equities are recognised as at the settlement date;
- after initial recognition, measured at fair value, except for equities not listed on an active market - for which the fair value cannot be reliably measured - which are measured at the acquisition cost.

  Positive and negative changes in fair value (which do not qualify as durable) are recognised to a specific reserve item under Shareholders' Equity, net of the tax effect; on discontinuation of the financial asset, accrued gains or losses are recognised to the Income Statement.
  Exceptions are impairment losses and exchange gains or losses. These refer to non-cash entries not included in fair value hedges on exchange risk. They are recognised directly to the Income Statement at the time they arise.
  Accumulated impairment losses are recognised to the Income Statement as "Net losses/recoveries on impairment of financial assets available-for-sale" (see Item 18 - Other information for the impairment testing methods for securities).
  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;
- derecognised when the asset in question is sold, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

### 3. FINANCIAL ASSETS HELD TO MATURITY

Debt securities with fixed or calculable payments and a fixed maturity are classified under this category when there is a firm intention to hold the securities until maturity.
Financial assets held to maturity (HTM) are:

- initially recognised at cost, including any costs or revenues directly attributable to the instrument. If recognition to this category is the result of reclassification from financial assets available-for-sale, the fair value of the asset as at the reclassification date is the new amortised cost.

  The financial asset is initially recognised as at the settlement date;

- after initial recognition, measured at amortised cost using the effective interest rate method.

  Profits and losses on HTM assets are recorded in the Income Statement at the time of cancellation or impairment, also by amortisation (for the procedures for determining the impairment of securities, see Item 18 - Other Information).
  Impairment testing is performed at the end of each financial year or during the year if evidence of impairment is found; the amount of the impairment - recognised to the Income Statement - is calculated as the difference between the book value of the asset and the current value of future cash flows estimated on the original effective interest rate.
  If the reasons for an impairment loss cease to apply due to an event after the impairment is recognised, a write-back is recognised to the Income Statement.

- derecognised when the asset in question is sold, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

The sale of a significant amount of securities classified in this category made it impossible for the Banca Carige Group to classify financial instruments in the HTM category for the year 2013 and for two subsequent years ("*Tainting Rule*" provided for by para. 9 of IAS 39).

### 4. LOANS AND GUARANTEES GRANTED

Loans to customers and to banks, trade receivables, debt securities, repo agreements and loans originating from financial leasing, factoring and insurance business transactions are classified under this category.

These are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and cannot be classified as financial assets available for sale.

These financial assets are recognised when Banca Carige becomes a contractual counterparty. The instrument must be free from conditions.

Initial recognition is at fair value, corresponding to the amount disbursed or the subscription price, plus directly attributable transaction costs and revenues.

If the amount disbursed and its fair value do not match, the loan is initially recognised at an amount equal to the future cash flows discounted at an appropriate rate, and the difference recognised to the Income Statement.

After initial recognition, the financial assets classified under this category are measured at amortised cost if eligible. The amortised cost criterion does not apply to short-term loans - with a less than 12-month maturity - as the effects of such application would be immaterial.
The amortised cost is the initial recognition value, increased or decreased by repayments of principal, adjustments, write-backs and amortisation - calculated using the effective interest rate method - of the difference between the amount disbursed and that repayable on maturity.

The effective interest rate is the rate equalling the current value of future cash flows (for principal and interest) on the amount disbursed, including costs and revenues associated with the full term of the loan.
The effective interest rate recognised initially is used, after initial recognition, to determine interest income and for the discounting of estimated future cash flows.

The estimation of the flows and contract duration take into account the contractual clauses that could affect such amounts and maturities, without considering expected loan loss.
At the end of each accounting period (annual and interim), impairment testing is performed on the entire loans portfolio and the securities portfolio (for the procedures for determining the impairment of securities, see Item 18 - Other Information).
The amount of the impairment - recognised to the income statement - is calculated as the difference between the book value of the asset and the current value of future cash flows estimated on the original effective interest rate.
If the reasons for an impairment loss cease to apply due to an event after the impairment is recognised, a write-back is recognised to the Income Statement.
The impairment testing of the entire loans portfolio is performed separately for:

- non-performing loans. This category includes bad loans, substandard loans, rescheduled loans and past due loans, as defined in current supervisory instructions;
- performing loans.

With regard to non-performing loans (excluding past due loans), testing is analytically performed on each individual position for loans exceeding the materiality threshold, calculating estimated cash flows and related collection times.
This test takes into account the type, value and enforceability of any guarantees in support of the loan.
For loans below the materiality threshold, the test - again analytical - is performed automatically and envisages the quantification of estimated recovery by mechanisms based on cases of proven impairment in the various guarantee combinations, exposures and customer types found in Group archives.
Performing loans, including past due positions, are tested on a collective basis.
Testing is performed on categories similar in credit risk terms and loss percentages are estimated by taking into account the time series of losses attributable to each group.
The amount of the impairment is recognised to the Income Statement net of past provisions. If a previously written-down loan is recovered, the amount is recognised as a decrease under "Net losses on impairment of loans" in the Income Statement.
Loans are derecognised when the asset in question is sold, substantially transferring all related risks and benefits (i.e. disposals and securitisations), when fully repaid or when an unpaid loan is fully or partially classified as unrecoverable.
As the 2004 securitisation does not fully reflect the conditions of substantial transfer to third parties of the associated risks and benefits, it was reclassified to the balance sheet as at 1 January 2005.
As regards securitisations and factoring aimed at the issue of covered bonds carried out after 1 January 2005, receivables have not been derecognised as they substantially retain all risks and rewards.

The provisions for guarantees and commitments are calculated analytically and collectively by applying the same criteria adopted for on-balance-sheet loans. The measurement of risks and charges is performed according to IAS 37 criteria and the related provisions are recognised to the item "Other liabilities" as envisaged in Bank of Italy Instructions.
Accrued commissions, on the other hand, are recognised to the Income Statement item "Fee and commission income", whereas impairment losses and any subsequent recoveries are recorded under the item "Net losses/recoveries on impairment of other financial assets".
Any subsequent write-backs cannot in any event exceed the extent of the previously recognised write-downs.

## 5. Financial assets designated at fair value through profit and loss

The financial assets valued at *fair value* are those designated at *fair value* on the basis of the possibility to do so as per IAS 39, Paragraph 9b (the "fair value option") and are:

- initially recognised at fair value, excluding transaction costs or revenues directly attributable to the instrument;
- after initial recognition, measured at fair value and the result recognised to the income statement;
- derecognised when the asset in question is sold, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

The Banca Carige Group classified assets to this category in relation to unit-linked and index-linked insurance contracts with investment risk borne by the insured.

For information on financial liabilities designated at fair value, please refer to the specific paragraph (Paragraph 15, Financial liabilities designated at fair value through profit and loss).

## 6. Hedges

The aim of risk hedging transactions is to neutralise potential losses on a given element or group of elements (hedge item) attributable to a specified risk, through profits achieved on a different element or group of elements (hedging instrument) should the risk-related event actually occur.
The Banca Carige Group uses the following types of hedges:

- fair value hedge, with the aim of hedging exposure to changes in fair value of a balance sheet item attributable to a specific risk.

  This type is used to hedge interest rate risk for specific, individually identifiable items, such as loans to customers, AFS securities and bonds, and to hedge foreign exchange risk;
- Cash flow hedges, with the aim of hedging exposure to changes in future cash flows associated with balance sheet items or planned future transactions, attributable to a specific risk (interest rate risk). This type refers to:

  ✓ portfolios of liabilities in which individual elements are not identified;

  ✓ individual elements specifically identified, such as bond loans.

Only hedges involving an external counterparty were designated as hedging instruments; therefore, any results that can be traced to internal transactions between the different entities of the Banca Carige Group are eliminated in the consolidated financial statements.

Hedging derivatives are measured at fair value. In particular:

- for fair value hedges, a change in fair value of the hedged item is offset against a corresponding change in the fair value of the hedging instrument.

  This offsetting is performed by recognition of changes in value for the hedged item to the Income Statement. Any difference, i.e. partial ineffectiveness of the hedging derivatives, reflects their net P&L impact;
- for cash flow hedges, changes in fair value of the derivative are recognised to shareholders' equity (the effective portion of the hedge) and to the Income Statement only when, in reference to the hedged item, there is a cash flow to be offset.

  If the hedge proves ineffective, the change in fair value of the hedging agreement must be recognised to the Income Statement.

Hedges are formally documented and subject to testing to confirm their effectiveness.

Support documentation for a hedge illustrates the elements involved, the risks hedged and the risk hedging strategies adopted.
The hedge is considered effective if the hedging instrument is able to generate a cash flow or change in fair value consistent with that of the hedged item.
Hedge effectiveness is assessed at the outset and continuously throughout its duration. At the end of each accounting period (annual or interim), the Banca Carige Group performs effectiveness tests as follows:

- prospective test, to demonstrate the expected efficiency of the hedge in future periods;
- retrospective test, to show the degree of hedge effectiveness achieved in the reporting period.

From the moment a hedge becomes ineffective, hedge accounting must be cancelled and the hedge reclassified among trading instruments. The assets/liabilities hedged are measured according to the criterion applying to their respective category. The new recognition value is the fair value as at the date of the last successful test.

## 7. EQUITY INVESTMENTS

This category includes investments in associates 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 when they are considered immaterial accounts. These companies are recognised to the financial statements at cost.
Non-controlling interests are booked as financial assets available for sale (refer to Paragraph 2).
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.
Should the impairment loss recognised in previous reporting periods be reduced or no longer apply, a reversal 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 derecognised 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.

## 8. PROPERTY, PLANT AND EQUIPMENT

Land, functional property, property investments, technical installations, furniture, furnishings and other equipment and artistic property that are not held for sale are classified in this category; assets pending lease in the context of financial lease contracts are also classified in this category.

Property, plant and equipment held for use in the business or for the supply of goods and services are classified as assets for functional use in accordance with IAS 16.
Property owned for investment purposes (for rent income or for the appreciation of the capital invested) is classified as "assets held for investment purposes" in accordance with IAS 40.

Property and equipment are:

- initially recognised at their acquisition cost, including any additional expense incurred, directly attributable to the purchase and start-up of the asset;

  The purchase price also includes the cost of extraordinary maintenance for owned property that is capitalized with an increment in the value of the asset resulting in a significant and tangible increase in productivity and/or an increase in the useful life of the asset[10] (regarding extraordinary maintenance expenses for third party property refer to the specific Paragraph in Section 18 – Other information)[11].
- after an initial recognition, valued at cost of purchase net of accumulated amortization and impairment losses.

  At least at the end of each year, a check is performed to ascertain whether or not the value of each of the properties in the portfolio (excluding assets awaiting lease or assets under construction under a financial lease contract) has suffered an significant and durable loss of value. This valuation is based on internal and external sources of information. Should there be any indication that the value may have suffered an impairment loss (an amount for which the book value of an asset or a cash-generating unit exceeds its recoverable amount), then an impairment test is carried out to compare the carrying amount of the asset and its recoverable amount. Any adjustments are booked to the income statement.
  Where the reasons for impairment cease to exist, a reversal is made, which shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior periods.

  Property and equipment are systematically depreciated on a straight-line basis throughout their useful life, except for:
  - land, acquired separately or incorporated in the property value, given its indefinite life.
    Separation of the property value from the land and building value, for all properties, is based on reports by experts registered with the professional orders;
  - artistic heritage, as the useful life cannot be estimated and the value is normally expected to increase in the long term.

  Depreciation is applied:
  - for buildings at an annual standard rate of 1.5%;
  - for other property and equipment at rates judged appropriate also from a statutory perspective.
- derecognised on discontinuation of the asset or when their future economic benefits from their use are no longer produced.

## 9. INTANGIBLE ASSETS

Goodwill and application software are classified under this category.

[10] On the other hand, the cost of ordinary maintenance for assets owned by the Company must be recorded in the Income Statement as incurred inasmuch as they are of a recurrent nature and have the objective of maintaining the asset in good working order.

[11] On first-time adoption of the IASs/IFRSs, properties used in the business and investment properties owned by the Group's credit institutions were recognised at fair value as a replacement for their deemed cost; the separate values of land and buildings were reported, with consequent reversal of the accumulated depreciation of land to the Equity reserve.

Goodwill is recognised when the positive difference between the fair value of the acquired assets and their acquisition cost, including additional expense, represents the future earnings capacity of the elements acquired.
If the difference is negative (badwill) or if goodwill is not justifiable on the basis of future earnings capacity, the difference is recognised directly to the income statement.
Goodwill is not amortised. However, for financial statements purposes it is subjected to impairment testing annually or when there is evidence of impairment.
The total impairment is calculated on the basis of the difference between the recorded goodwill and its recovery value, if lower: the resulting write-down is recognised in the Income Statement.
Other intangible assets are recognised if they are identifiable as such, originating from legal or contractual rights and if they are capable of generating future economic benefits.
An intangible asset is recognized only if it can be demonstrated that:

- it is probable that the expected future financial benefits that are attributed to such asset materialize;
- the asset cost can be reliably measured.

These intangible assets are measured at their adjusted cost, i.e. the initial acquisition cost including directly attributable expense, net of amortisation and impairment and gross of any revaluation, with breakdown of the amount to be amortised according to the useful life of the intangible asset.
The amortisation of intangible assets occurs on a straight line basis over their useful life and is recognised as a direct decrease in asset value.
At the end of each reporting period, if there is evidence that an asset may be impaired, then the asset's recoverable amount must be estimated. The amount of the loss recognised in profit and loss is equal to the difference between the carrying value and the recoverable amount of the assets.
Intangible assets are derecognised from the financial statements on discontinuation or when they are no longer capable of producing future economic benefits.

## 10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets held for sale and groups of assets and their relative associated liabilities in the process of being disposed of are classified in this category.
Assets held for sale must satisfy all of the following three requirements:

1. they must be available for immediate sale in their present condition, subject only to the usual terms and conditions applicable to the sale of such assets;
2. their sale must be highly probable;
3. they must not be destined to be abandoned.

Initial recognition in the category of assets held for sale goes through the following phases:

1) immediately before initial classification: measurement of the asset applying the reference accounting standards: recognition of amortization and impairment test[12];
2) at initial classification: designation of non-current assets at the lesser of the book value and the fair value net of cost of sale.

Following initial classification, a non-current asset held for sale is valued at the lesser of its book value and its fair value net of cost of sale.
Subsequent measurement of property held for sale requires that:

- no amortization is recorded;
- any amount of the book value in excess of the fair value less costs to sell is recorded in the Income Statement ("impairment loss");
- each successive increase in fair value less costs to sell is recorded in the Income Statement up to the cumulative impairment amount previously recorded pursuant to both IAS 36 and IFRS 5.

[12] IAS 36 (para. 9) indicates that an event such as a non-current asset disposal plan represents an indicator of impairment that imposes a redetermination of the recoverable value of the goods. In this category, the recoverable value can be calculated by making an estimate of the expected net sale price of the goods.

Such assets are included in the specific item "Non-current assets and groups of assets held for sale".
Only profit and loss (after tax) from groups of assets and liabilities held for sale are posted to the specific income statement item "Profit (loss) after tax from groups of assets held for sale and discontinued operations".
With regard to Non-current assets and disposal groups held for sale and Liabilities associated with assets held for sale as at 31/12/2014, reference is made to the specific paragraph of "18. Other information".

## 11. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Income tax, calculated in accordance with national tax legislation, is booked as a cost on an accrual basis, in accordance with the method of recognizing costs and revenues that generate it. They are posted to profit and loss, excluding those relating to items directly credited or charged to Shareholders' Equity. Current tax assets and liabilities represent the net tax position of the Group companies with respect to Italian and foreign tax authorities. In particular, these amounts represent the net balance of current tax liabilities for the year, calculated on the basis of a conservative forecast of the tax charge for the year, determined on the basis of currently applicable tax regulations, and current tax assets represented by tax paid in advance and other tax credits for tax withholdings or other tax credits from previous years that Group companies have requested to offset against tax due in subsequent years.
Current tax assets also include tax credit that Group companies have requested the relevant authorities to reimburse.
Taking into account the adoption of "national tax consolidation" by the Group, the tax position of the Parent Company and that of the other Group companies are managed individually from an administrative point of view.
Income tax provisions are calculated according to a forecast of the current, prepaid and deferred tax charges. Specifically, prepaid and deferred taxes are calculated according to temporary differences - without time limits - between the value attributed to an asset or liability, based on statutory criteria, and the corresponding value accepted for tax purposes.
Deferred tax assets are recognised to the financial statements to the extent their recovery is probable, assessed on the basis of the continued capacity of the company or parent company involved - taking into consideration the effect from exercising the tax consolidation option - to generate positive taxable income.
Those deferred tax assets which, in accordance with Law 214/2011, under certain conditions, are transformed into tax credits, do not require, unlike the others, any tests to assess their recovery potential and hence they are automatically recognised.
Deferred tax liabilities are recorded in the financial statements with the sole exception of reserves under tax suspension, insofar as such reserves were never distributed, not even in part, and not even the most remote ones (Law 576/1975 and Law 72/83). Therefore, it is reasonable to believe that no related taxation initiatives will be adopted.
Deferred tax assets and liabilities are recognised in the Balance sheet without offsetting under tax assets and tax liabilities, respectively.
Deferred tax assets referenced in Law 214/2011 are recognised in a dedicated sub-item of item 140b "Deferred tax assets".
Deferred tax assets and liabilities are systematically assessed to take into account any changes in regulations or tax rates.
The tax liabilities total is adjusted to meet charges that could derive from findings already notified or in any event from disputes pending with tax authorities.

## 12. PROVISIONS FOR RISKS AND CHARGES

Provisions for pensions and similar obligations, as envisaged in specific regulations, are recognised among liabilities for an amount sufficient to ensure that obligations arising from commitments are met as required by the related regulations.
The total Supplementary Pension Fund is calculated by an independent actuary using actuarial methods.

Provisions for pensions and for similar obligations are included among post-employment benefits, i.e. among compensation paid to employees upon termination of employment. According to IAS 19, these benefits can be classified as "defined contribution plans" or "defined benefit plans", depending on the economic nature and on the main terms and conditions of the plan:

a) defined contribution plans, in which the entity pays fixed contributions to a distinct entity (a fund) without having a legal or constructive obligation to pay additional contributions if the fund's assets are not sufficient to pay all employee benefits relating to the work performed in the current year and in previous ones; the actuarial risk (when contribution in the cost of an asset benefits are lower than expected) and the investment risk (invested assets are insufficient to fulfil expected benefits) are not borne by the entity but by the employee.
   The contributions to be paid to a defined contribution plan are recognised as follows:
   - as liabilities, after subtracting any contributions already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another International Accounting Standard requires or permits their recognition as assets.
  Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the period in which the employees render the related service, the rate used to discount them shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no market for such bonds, the market yields (at the end of the reporting period) on government bonds shall be used.

b) defined benefit plans, in which the entity guarantees determined benefits regardless of contribution, incurring both actuarial risk and investment risk. For defined benefit pension funds the annual variation in the Defined Benefit Obligation is booked to the income statement, as regards cost components (Service cost), and as regards financial components (Net interest on the net defined benefit liability (asset)); while the valuation-related component, comprised of actuarial gains and losses that originate from adjustments to previous actuarial assumptions made, is charged to the shareholders' equity reserve (item 140 – Valuation reserves).
   The defined benefit plans also include the provision for employee severance pay (for a description of the adopted criteria refer to Paragraph "18 - Other information").

Additional information is provided in Section 12 - Provisions for risks and charges of the Explanatory Notes.

The "Other provisions" include provisions for liabilities of an uncertain amount or with an uncertain expiry date such as those related to presumed losses from legal disputes, including creditors' revocatory actions, or estimated outlays for any customer claims or other legal or constructive obligations that may be in existence at the end of the year.
"Other provisions" also include other long term employee benefits and employee incentives for termination of long term employment.

The provisions related to other long term employee benefits are those paid during employment that are not entirely due by the end of the successive twelve months following the end of the financial year during which the employees had worked and which are determined by the same actuarial criteria as provided by the pension fund, recognizing actuarial profits and losses immediately in the Income Statement.
Incentives for terminating employment are recognized at a time when the company is unable to withdraw from offering benefits; such liability is recognized before this date if restructuring costs that fall within the scope of IAS 37 are recognized and there are provisions for the payment of benefits in exchange for termination of employment.

The following provisions apply for the initial and subsequent recognition of the incentives for terminating employment:

- to the "benefits subsequent to employment", in the event that the benefits due for terminating employment are an improvement of the benefits following employment;
- "short term benefits", to be recognised on an accrual basis in the period in which the work is carried out, if it is believed that the benefits will be fully paid within the twelve month period following the end of the year in which these benefits are recognised;
- "other long term benefits", if it is believed that the benefits will be not be fully paid within the twelve month period following the end of the year in which these benefits are recognised.

The provisions represent the best estimate of the outlay required to meet the obligation; these estimations are made based on past experience and on the opinions of external experts.

The provisions are re-examined at the end of each year and adjusted to reflect the best current estimate; if the time value of money has a significant effect on the value of the obligation, the flow of resources assumed necessary to extinguish the obligation is discounted.

The net provisions for the year is entered under "Net provisions to reserves for risks and charges" in the Income Statement; with the exception of economic items relative to employee benefits that, to better reflect their nature, are recorded under "Administrative expenses – Personnel costs".

If, upon re-examination, the occurrence of the expense appears improbable, the provision will be reversed and recorded in the Income Statement.

## 13. DEBTS AND SECURITIES ISSUED

This category includes Deposits from banks, Deposits from customers and Debt securities issued; Debt Securities issued include bonds issued, subordinated liabilities and certificates of deposit; they also include liabilities posted by the lessee during financial leasing transactions.

Debts and securities issued are:

- initially recognised at the fair value of liabilities, normally represented by the total collections or issue price, plus transaction costs directly attributable to the issue.

  These financial liabilities are first recognised upon receipt of the sums collected or at the time of issuance of debt securities. The fair value of any financial liabilities, issued at terms below arm's length, is estimated and the difference compared to the market value is recognised directly to the Income Statement;
- subsequently measured at amortised cost using the effective interest method;
  Short-term liabilities for which the time factor is negligible are recognised at the value collected;
- derecognised when the liabilities in question have matured or are settled, or repurchased in the case of previously issued securities. In this last case, the difference between the book value and the purchase cost is recognised through profit or loss.

A new placement in the market of repurchased own securities is considered as a new issuance and posted at the new price of placement, with no effect on the Income Statement.

### 14. Financial liabilities held for trading

Included in this category are derivative contracts held for trading and with a negative value, including those linked to the fair value option or as operating hedges for assets and liabilities classified to the trading portfolio.

Financial liabilities held for trading are:

- initially recognised at fair value, excluding transaction costs or revenues directly attributable to the instrument.

  These are recognised at the date of subscription;
- measured at fair value and the result recognised to the Income Statement;
- derecognised when the related contractual charges substantially no longer apply.

### 15. Financial liabilities designated at fair value through profit and loss

The financial liabilities valued at *fair value* are those designated at *fair value* on the basis of the possibility to do so as per IAS 39, Paragraph 9 (fair value option) and are:

- Initially recognised at fair value, excluding transaction costs or revenues directly attributable to the instrument;
- after initial recognition, measured at fair value and the result recognised to the income statement .

The Group has classified the following under this category:

- Investment contracts issued by the Group's insurance company Carige Vita Nuova, where investment risk is borne in full by the insured. These are unit-linked and index-linked contracts considered comparable to financial instruments, as envisaged in IAS 39, for which deposit accounting is applied, thereby losing the recognition of premium revenues in the income statement;
- Bonds issued by the Parent Company Banca Carige with embedded derivatives, with related risks hedged by means of derivative contracts for which a hedging relation has not been activated due to the complexity of meeting the IAS 39 requirements.

With regard to index-linked and unit-linked contracts and in compliance with the measurement criteria indicated in Directive 91/674/EEC, the Banca Carige Group has measured these contracts at their current value, in line with the provisions of Legislative Decree 173/97.

The current value of such liabilities is calculated in reference to the value of the assets, share indices or other reference values, with related changes recognised to the income statement.

For financial assets designated at fair value refer to the specific Paragraph (Paragraph 5. Financial assets designated at fair value through profit and loss).

### 16. Currency transactions

Upon initial recognition, foreign-currency transactions are recognised in the currency of account using the foreign-exchange rates on the date of the transaction.

At the end of each period (annual or interim), balance sheet items in foreign currency are valued as follows:

- cash items are translated at the period-end exchange rate;

- non-cash items, measured at their historic cost, are translated at the transaction date exchange rate;
- non-cash items, measured at fair value, are translated at the period-end exchange rate;

Exchange differences from the measurement of non-cash items classified under financial assets available-for-sale are recognised to the Income Statement or shareholders' equity based on whether or not they are involved in fair value hedges for exchange risk.
Other exchange differences from disposal or translation differences on items in foreign currency are recognised to the Income Statement.

## 17. INSURANCE ASSETS AND LIABILITIES

IFRS 4 defines an insurance contract as a contract based on which one of the parties (the insurer) accepts a significant insurance risk from a third party (the insured), agreeing to compensate the insured if damages are suffered as a result of a specific and uncertain future event (the insured event).
Insurance risk is defined as the risk, other than financial risk, transferred from the insured to the insurance contract issuer.
The financial risk is in turn defined as the risk of a future change in one or more of the following variables: specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings or any other variable, provided that if the variable is non-financial it is not specific to one of the contractual counterparties.
An insurance risk is significant if, and only if, the insured event does not result in the insurer's payment of significant additional indemnities if any one of the economic circumstances (therefore excluding events with no identifiable effect on the economic aspects of the transaction) should occur.
Based on the analysis of policies in the portfolio, all non-life insurance contracts and life contracts other than those specified below fall within the scope of application of IFRS 4 (Insurance contracts):

- Unit-linked contracts, index-linked contracts and individual pension plans

  Based on the definition of an insurance contract according to IFRS 4, these contracts represent an non material risk; therefore, they fall within the scope of application of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenues).

  If such contracts contain both an insurance component and a deposit component the unbundling option is adopted, as envisaged in IFRS 4. IFRS 4 is applied to the insurance component (including the adequacy test), and IAS 39 to the deposit component.

- Capitalisation policies

  These are considered investment contracts with a discretionary participation feature and, as permitted under paragraph 35 of IFRS 4, the premiums, payments and changes in technical reserves of capitalisation policies, associated with segregated accounts, are recognised to the income statement.

### - REINSURERS' SHARE OF TECHNICAL RESERVES

Classification under this category includes the portion of technical reserves - life and non-life - borne by reinsurers with which the insurance companies have signed reinsurance agreements governed by IFRS 4, the effects of which are still in progress.
The recognition of values complies with standards applicable to the related direct insurance contracts.

### - TECHNICAL RESERVES

All technical reserves arising from insurance business-related commitments are classified under this category. More specifically:

- for non-life insurance, the item includes the premiums reserve - allocated from the Unearned premiums reserve and the Current risks reserve - claims reserve and aging reserve;

- for life insurance, the item includes commitments deriving from contracts with significant insurance risk and contracts with associated services revalued on the basis of separate management with a discretionary participation feature (DPF), pursuant to IFRS 4, gross of amounts transferred to reinsurance (actuarial reserves, supplementary reserves and reserves for sums payable).

The item also includes reserves allocated following a liability adequacy test (LAT) and deferred liabilities due to insured persons (Shadow Accounting).

More specifically:

- L.A.T.

According to IFRS 4 (Par. 15 and 19), insurance liability adequacy is tested on the basis of current estimates of future cash flows.

If the book value of insurance items proves inadequate, any shortfall is recognised to the income statement.

The liabilities tested are those recognised to the local financial statements (technical reserves, additional reserves, etc., excluding catastrophe and equalisation reserves).

*Non-life insurance*

The top-up of the Premiums Reserve represented by any allocation to the Current risks reserve complies with the provisions of IFRS 4, para. 16.

*Life insurance*

The adequacy test consists in comparing the book value of insurance liabilities, net of the value of assets to be amortised, the current estimation of future cash flows calculated on the basis of current forecasts for the insurance contracts issued. Specifically, the test is performed on non-reviewable tariffs classified as insurance contracts and on reviewable tariffs classified as insurance and investment contracts with a discretionary participation feature, the services for which are associated with separate "Norvita" and "CVitanuova" management.

- Shadow accounting

Contracts with performance review linked to the performance of separate management are classified as insurance or investment contracts with a discretionary participation feature (DPF). The DPF component derives from the existence of an unrealized capital gain or loss on measurement.

IFRS 4 (par. 30) allows accounting standards to be modified so that recognised but unrealised gains or losses on an asset may affect the insurance liability measurements, related deferred acquisition costs and related intangible assets, as if it was a realised component.

The resulting adjustment is recognised to shareholders' equity only if the same treatment is adopted for realised capital gains and losses.

Vice versa, latent capital gains and losses on assets recognised directly to the income statement (including write-downs for impairment) lead to a corresponding adjustment of liabilities or other insurance-related balance sheet items recognised directly to the income statement.

- OTHER ASSETS

Amongst other things, this item includes deferred commission expense relating to contracts not covered by the scope of application of IFRS 4.

Incremental acquisition costs directly recognisable on acquisition or renewal of investment contracts are deferred and amortised over the life of the policy, based on the recognition of revenue.

- OTHER LIABILITIES

Amongst other things, this item includes the operating charges on Carige Nuova Vita contracts classified as investments, recognised as revenue in compliance with IAS 18 when the service is provided.
This implies that the service component is deferred and recognised to the income statement on a straight-line basis throughout the duration of the contract to offset service provision costs incurred by the company. The estimated duration of the policy takes into account the liquidation propensity of the insured parties, for proven products on which the Group has matured experience, and expectations assessed at study stage for new products. Recurring components such as commissions receivable, fees due and portfolio operating expenses are recognised to the income statement in the year in which they are generated.

- Insurance management related aspects of the income statement

In compliance with IFRS 4, for insurance contracts the Group envisages recognition to the income statement of:

- premiums, including amounts due for the year on contracts issued, net of cancellations;
- changes in technical reserves representing the change in future commitments to the policy holders which arise from insurance contracts;
- commissions for the year due to intermediaries;
- cost of claims, redemptions and maturities for the year.

## 18. OTHER INFORMATION

### - - EMPLOYEE TERMINATION INDEMNITIES (SEVERANCE PAY)

Employee termination indemnities are recognised according to their actuarial value as determined by an independent actuary.
For discounting purposes the projected unit credit method is used, which considers the projection of future outlay based on historic and statistical analysis and demographic curve analysis; the discounting rate is a market interest rate.
Contributions paid each year are considered separately and recognised and measured individually to calculate the final obligation.
In accordance with IAS 19, the employee termination indemnities are a "post-employment benefit".
Specifically, for employee termination indemnities (TFR):

- The portions of the employee termination indemnities accruing after 1 January 2007 contribute towards a "defined contribution plan" both in the case of employees choosing the option of a supplementary pension and of allocation to the INPS Treasury fund (national social security authority). The amount is therefore calculated on the basis of contributions due, without application of actuarial calculation methods;
- the employee termination indemnities accrued as at 31 December 2006 are considered a "defined benefit plan" with the consequent need to perform an actuarial assessment without the proportional attribution of the benefit to the period of service provided, as the employment service to be assessed is considered to be fully accrued as a result of the change in the accounting nature of portions accruing from 1 January 2007 (date of entry into force of the supplementary pensions reform, Legislative Decree No. 252 of 5 December 2005).

Additional information is provided in Section 11 - Employee termination indemnities of the Explanatory Notes.

## - - TREASURY SHARES

Treasury shares held are deducted from shareholders' equity.
Profits or losses on transactions in treasury shares are recognised to a specific reserve under Shareholders' Equity.

## - - SHARE-BASED PAYMENTS

The remuneration policies of Group Banks define the structure of the variable component of the various managerial levels of the Group Banks through the use of incentives:
- short-term incentives, with the granting of spot amounts (cash) and deferred incentives in instruments connected to the value of shares of the Parent Company;
- medium/long-term incentives, with the granting of entirely deferred instruments linked to the value of the Parent Company shares.

With reference to the cases set out in IFRS 2, the Group has the following types:

1) equity-settled share-based payments to employees.

All deferred components are supplied in "Units", i.e. "virtual" share units, which will be converted to ordinary Parent Company shares on given annual expiry dates, when certain conditions occur.
The charge is booked to item "180 a) – Administrative expenses – Personnel expense" in the income statement, as a contra-item to the increase in shareholders' equity, for an amount corresponding to the fair value of the equity instruments assigned at the so-called "grant date" and matured at the financial statement date.
If the equity instruments assigned mature immediately, it must be presumed that the services provided by the counterparties have been received; if the equity instruments only mature at the end of a specific service provision period, it must be presumed that the services provided by the counterparty will be received in the future, in the maturity period.
After having recognised the services received and the corresponding increase in shareholders' equity, in compliance with the above provisions, no adjustments need to be made to total shareholders' equity after the maturity date. However, this provision does not prevent the recognition of a transfer within shareholders' equity; for example a transfer from one component of shareholders' equity to another.

2) share-based payments to employees settled in cash

All deferred components are supplied in "Performance Units", i.e. "virtual" shares, which will be transformed into cash according to the change in value of the underlying between the beginning of the assignment of the "virtual shares" and maturity of the same. The value of the incentive is therefore connected with the change in share values and with the minimum performance levels benchmarked with pre-set economic and effectiveness indicators.
Related charges are entered into items "180 a) – Administrative expenses – Personnel expenses" and "100 – Other liabilities" upon occurrence of expected conditions.
Financial liabilities are measured at fair value by applying a measurement pattern of the option price, thus considering the terms and conditions according to which the revaluation rights have been assigned, as well as to what extent the staff rendered its services until that date.
Until settlement of the liability, the related fair value is re-determined at each closing balance-sheet date and at the payment date.

## - - RECOGNITION OF REVENUES AND RELATED COSTS

Revenue is recognised when the vehicle receives or when it is probable that it will receive future economic benefits and these benefits can be determined reliably. More specifically:

- dividends are recognised to the Income Statement as at the date of the Shareholders' Meeting resolution approving their allocation;
- interest is recognised on the basis of the contractual interest rate, or effective rate if the amortised cost is applied;
- revenues deriving from the sale of non-financial assets are recognised on completion of the sale;
- fee and commission income and income deriving from the provision of services are recognised in the financial statements during the period in which the services are provided.

Costs incurred for the provision of services and costs to be incurred to complete provision are recognised to the income statement in the same accounting period as the related revenues.
If cost-revenue association is not feasible, the costs are immediately recognised to the income statement in the year in which they are incurred.

## - - NON-RECURRING EXPENDITURES FOR MAINTENANCE ON THIRD PARTY PREMISES

This relates to costs incurred for the renovation of third party properties that can be capitalised as the rental agreement establishes a form of control over the asset and the entity can therefore expect future economic benefits. These expenses are amortised over the residual duration of the lease and are recognised in full to the Income Statement in the event of vacation of the premises prior to expiry of the lease.
These costs are recognised to "Other assets" in accordance with the Bank of Italy instructions on financial statements, which only require such costs to be recognised as "Property and equipment" when expenses for the improvement of third party assets can be identified and separated.
The amortisation provision for the period is allocated to the income statement under "Other operating expenses and income".

## - - INVENTORIES

Property held for sale is classified as inventories.
Inventories are recognised at the lesser between the cost and net sale price and are not depreciated.

## - - REPURCHASE AGREEMENTS UPON REPURCHASED OWN SECURITIES

Borrowing repurchase agreements with repurchased own securities as underlying are recognised as new placement on the securities market by increasing liabilities of securities issued (Borrowing repurchase agreements), with the recognition, for the purposes of the disclosure on interest rate and liquidity risk as per Part E of the Explanatory Notes, of the obligation to reimburse securities upon maturity of transactions.
Similarly, repurchase agreement transactions with bank and financial parties with securities issued by the same entities as underlying are entered in purchased securities portfolios and the commitment to resell these securities upon maturity of transactions is disclosed.

## - - BUSINESS COMBINATIONS

Business combinations are governed by the provisions of IFRS 3 – Business Combinations. The standard was modified by the IASB in January 2008 and adopted by Regulation EC no. 495

published on 3/06/2009, with mandatory effect as of financial years that start on or after 1 July 2009[13].

- **BUSINESS COMBINATIONS AMONG ENTITIES UNDER COMMON CONTROL**

Business combinations among entities under common control are not covered by the scope of application of IFRS 3, nor are they addressed by other IFRS; therefore, they are defined in reference to the provisions of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.
IAS/IFRS provide specific reference guidelines (paragraphs 10–12, IAS 8) if a transaction is not covered by IAS/IFRS, requiring the Directors to also consider more recent rulings of other regulatory bodies that use conceptually similar structures to define their accounting standards.
For transactions of this kind, the assets and liabilities of the combined entities are recognised at their historical (book) values, instead of their respective fair values. This concept was basically implemented at national level by Assirevi, through OPI document no. 1 on the accounting treatment of "business combinations of entities under common control".

- **FAIR VALUE MEASUREMENT METHOD**

IFRS 13 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in a normal transaction between market participants as at the measurement date.
Therefore, it is a sort of "exit price" under current market conditions, regardless of whether that price is directly observable or estimated using valuation techniques.
IFRS 13 indicates that, in calculating the fair value:

- the prices on the principal market must be identified (taken to mean the market with the greatest volume or level of activity) or, in its absence, on the most advantageous market;
- fair value must be measured using the assumptions that the market participants would use to price an asset or liability, assuming that market participants act in their best interest;
- it recognises the distinction between a price quoted on an active market and a price not quoted on an active market.

IFRS 7 requires financial disclosures to indicate the fair value of each class of financial asset and liability, so it can be compared with the associated book value.
Equity instruments for which the fair value cannot be reliably determined are valued at cost.

1. Financial instruments

a) Securities and derivative contracts

The fair value of financial instruments corresponds to the listed price for instruments listed on active markets, and to the value calculated through the use of valuation techniques for other instruments.
A financial instrument is considered listed on an active market when its price is readily and regularly available from stock exchanges, operators, intermediaries or pricing agencies and when this price represents actual arm's length transactions taking place on a regular basis as standard, or potential transactions that could take place on such bases.
This category includes instruments admitted to trading on regulated markets or systematically traded through "alternative trading" system[14], whose prices are considered to be "meaningful", together with those obtainable from leading intermediaries on other markets, when the prices proposed represent potential transactions.
A regulated market does not guarantee the presence of "meaningful" prices when at least one of the following conditions apply:

[13] Given the Banca Carige Group did not avail itself of the option of early application of the standard, the date of entry into force is 1 January 2010.

[14] Secondary markets not officially regulated on which financial instruments already issued are systematically traded on the basis of pre-established transparent rules and conditions known to all participants concerned.

- trading is highly infrequent and volumes are of little significance;
- there is no information on volumes and trading and the pricing methods are considered unreliable or are no longer published;
- there is insufficient "breadth" and "depth" to the market.

An alternative trading system or a contributor does not guarantee the presence of "meaningful" prices when at least one of the following conditions apply:

- trading is highly infrequent and volumes are of little significance;
- there is no information on volumes and trading;
- there are not at least two high standing contributors, who continuously publish "real time aligned" prices on Bloomberg or Reuters.

For financial instruments listed on active markets, the current "cash" or "bid" price is used for financial assets held and the current "offer" or "ask" price is required for existing financial liabilities.

If the bid and ask prices are not available, the price of the most recent transaction may provide an indication of the current fair value.

For equivalent financial assets and liabilities, with matching positions in terms of market risk, mid-market prices are used instead of the bid or ask price as a basis for measuring fair value.

All the prices considered are those obtained as at year end.

For units in UCITS, including hedge funds, if no price is available on an active market, the value published by the management company is used.
For financial instruments not listed on active markets, if there are no recent market transactions to use as reference, the fair value is calculated using valuation techniques to establish the price of a hypothetical arm's length transaction, as at the measurement date.
Theoretical measurement is performed using specific internal pricing models developed in accordance with financial best practices, namely employing measurement techniques generally used by market operators to establish fair value, e.g.: discounting of future cash flows, determination of discount rates, use of credit spreads, if necessary referring to those of similar financial instruments, option measurement models, interest rate, exchange rate and price volatility, and any other necessary measure to determine a theoretical price for the financial instrument in question.

The measurement methods established for each unlisted financial instrument are adopted consistently in the long term, unless amendments or improvements are considered appropriate.

All parameters of the models used are based on the market conditions prevailing as at year end.

The fair value of derivative contracts includes the evaluation of the credit risk of the counterparty, in the event in which the fair value is positive (Credit valuation adjustment - CVA), or of own credit risk, in the case in which the fair value is negative (Debit valuation adjustment - DVA); derivative contracts subject to margin setting (CSA agreements) are excluded from the calculation of the CVA and DVA.
The fair value of bonds issued includes the evaluation of own creditworthiness (Own Credit risk Adjustment - OCA).

b) Other financial instruments
The fair value of the financial instruments other than securities issued or in the portfolio and derivative contracts, to be disclosed in the tables of the explanatory notes, is measured by using a Discounted Cash Flow type analysis method.
A risk neutral approach is applied, using PD and LGD risk parameters to calculate the expected value of future cash flows; cash flows are discounted using a risk-free discount factor.

For payables, own creditworthiness is evaluated using the same criteria adopted for bonds issued.
For the following cases, it is presumed that the book value is a reasonable approximation of fair value:

1. impaired loans;
2. short-term receivables and payables.

2. Non-financial assets

For owned property held for investment purposes, the fair value is only required for disclosure in the explanatory note tables.

Measurement of the fair value of a non-financial asset must consider the capacity of market participants to generate economic benefits by employing the asset in its highest and best use or selling the asset to whichever entity can guarantee said use.
The use of the above makes reference to the use of an asset by market participants which should maximise the value of the asset or group of assets and liabilities in which the asset should be used, considering the uses of the asset which are physically possible, legally granted and financially feasible at the measurement date.

## - RULES FOR RECLASSIFYING FINANCIAL INSTRUMENTS

Details of the reclassifications, and related economic and equity effects, performed by the Group are described in Part A - Accounting Policies, Section A.3 "Transfers between portfolios of financial assets" of the Explanatory Notes. This is a disclosure required by Circular 262 of the Bank of Italy – Bank Financial Statements: Schemes and rules for preparation which acknowledged the changes introduced by the amendments to IAS 39 and IFRS 7 in October 2008. These changes authorise the reclassification of debt instruments designated at fair value from the HFT (held for sale) category in rare circumstances and when the financial asset is no longer held for sale for short-term repurchase[15].
Specifically, financial assets held for trading may be reclassified to AFS, HTM and to Loans & Receivables (if the definition of "Loans & Receivables" is satisfied as at the reclassification date). Under the fair value option, recognition of derivatives and fair value financial instruments to the income statement remains strictly forbidden.
The regulatory action also concerned the option of reclassifying debt instruments from AFS to L&R if the conditions envisaged for their inclusion in such a category are met.
For transfers from the HFT category, the reclassified financial asset is recognised to the new category (AFS, HTM or L&R) at its fair value as at the reclassification date. Past gains or losses recognised to the income statement (including any capital gains or losses from measurement) must not be written off. The fair value of the financial asset as at the reclassification date represents the new cost or amortised cost and from that moment on the effective rate of return must be calculated for use in recording interest to the income statement.
For reclassification from the AFS category also, the reclassified financial asset is recognised to the new category (HTM or L&R) at its fair value as at the reclassification date; this value represents the amortised cost of the instrument and interest is recognised to the income statement according to the effective rate of return calculated on the reclassification date. Gains or losses previously recognised to the valuation reserve for AFS securities, if referring to an instrument with a predetermined maturity, are amortised on a straight line basis according to the amortised cost method, whilst instruments without a predetermined maturity are suspended in the reserve until their sale or settlement.
For transfers from the HTM category to AFS, the value of the security is adjusted to its fair value as at the date of transfer, and the difference between the book value and fair value as at the date of transfer is posted to the AFS reserve and retained until the asset is cancelled from the financial statements.

[15] The reclassification is not permitted for hybrid instruments for which the embedded derivative cannot be separated.

## - CALCULATION OF THE FAIR VALUE HIERARCHY

As required by reference regulations (IFRS 13 - Fair value Measurement) and in compliance with the provisions of Circular no. 262 of 22 December 2005 "Bank financial statements: schemes and rules for preparation" issued by the Bank of Italy, the Banca Carige Group provides, for each class of financial instrument and non-financial instrument, the fair value hierarchy level at which the individual instruments were classified (see Section A.4 for details).
The fair value hierarchy is comprised of the following levels, in decreasing order of priority:

- level 1: The fair value is determined directly on the basis of market prices observed in markets trading assets or liabilities that are identical to the ones being measured; specific emphasis is given both to the determination of the main market or, if absent, the most advantageous market and to the possibility that the firm preparing the financial statements can carry out the transaction at the market price on the date of measurement;
- level 2: fair value is calculated on the basis of inputs other than quoted prices referred to in level 1 which are directly or indirectly observable;
- level 3: fair value is calculated on the basis of non-observable inputs and is based on the assumptions it is presumed market participants would make to calculate the value of the instrument.

The inputs used to calculate the fair value of an instrument could belong to different levels of the fair value hierarchy; in these cases, the instrument is classified in its entirety in the same level of the hierarchy in which the lowest level input is classified.
In the event significant adjustments are made to level 2 inputs with respect to the total fair value of the instrument, the latter is classified in level 3 of the fair value hierarchy if these adjustments use significant non-observable inputs.

## - PROCEDURES FOR DETERMINING THE IMPAIRMENT OF SECURITIES IN THE PORTFOLIO

Securities classified as financial assets available-for-sale, and loans and receivables are periodically impairment tested to identify any objective evidence of a significant or durable loss of value.
At the end of each annual or interim reporting period, impairment testing is performed and any impairment is recognised to the income statement, at market prices for listed financial instruments and at the current value of estimated future cash flows (discounted at the effective interest rate) for unlisted instruments. A negative change in fair value is considered for impairment testing purposes only if it is deemed permanent; in this case, the cumulative loss for the year and any shareholders' equity reserves are recognised to the income statement.
The impairment testing process is triggered by one of the following conditions: a decrease in fair value greater than 20% (for unstructured debt securities) or 25% (for equities and structured debt securities) compared to their book value, or a persistent and constant decrease in fair value for more than 12 months (debt securities) or 18 months (for other financial instruments).
With reference solely to financial instruments representing capital (Shares, Mutual Funds, Private Equity, Hedge Funds, etc.), if the quantitative parameters indicated below are exceeded, this determines, in any case, the so-called "automatic impairment":

- Severity greater than 30% or
- Durability greater than 24 months.

With regard to debt securities, following the quantitative stage described above, before recognition of impairment, a qualitative assessment is performed for each financial instrument, including an analysis of issuer fundamentals.
The securities selected in the quantitative phase and not subject to the recognition of so-called "automatic" impairment are subject, at the time of drafting of half-yearly and annual reports, to an additional qualitative evaluation phase targeted at verifying, on a preliminary basis, the effective existence of the requirements of loss durability and severity, also in relative terms, in particular with respect to the performances recorded by the respective markets/sectors the financial instruments

belong to, except in exceptional and justified cases, over a time period of 12 months (debt instruments) or 18 months (capital instruments) prior to the date of the impairment test, in order to support any impairment decision or not. The longest observation period for the latter is related to their higher volatility.
When there is objective evidence of impairment, the following action is taken:

- L&R or HTM investments recognised at amortised cost: impairment is measured as the difference between the book value of the asset and the current value of estimated future cash flows (excluding unrealised future losses), discounted at the original effective interest rate of the financial asset (e.g. the effective interest rate calculated on initial recognition);

- AFS financial assets: as required by paragraph 67, IAS 39, "The cumulative loss recognised directly to shareholders' equity is reversed and recognised to the Income Statement even if the financial asset has not been derecognised". In practice, the difference between the current amortised cost and the fair value is recognised to the Income Statement as at the corresponding reference date of:

  - reversal from the AFS reserve retained from the previous year and

  - the decrease in securities by an amount equal to the difference between the book value and the related fair value as at the reference date.

- **USE OF ESTIMATES AND ASSUMPTIONS IN PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Preparation of the consolidated full-yearly financial statements requires the use of estimates and assumptions for the calculation of certain cost and revenue components and for the valuation of assets and liabilities.
The main items for which the use of estimates and assumptions is more likely to be adopted include the fair value measurement of goodwill and amounts recognised in relation to financial assets, particularly with regard to assets available for sale and loans to customers, the quantification of staff provisions and the demographic assumptions (relating to the life expectancy of the insured population) and financial assumptions (for potential market developments) used in structuring insurance products and in defining the basis for calculating additional reserves.. Even if the current macroeconomic situation and high volatility of financial markets make measurement of credit risk, valuation of financial instruments, assessment of impairment losses on available-for-sale (AFS) securities and goodwill more complicated and require an analysis of the effects that these assessments might have, no indicators have emerged in the Group's capital and financial structure or in its operating performance which may raise uncertainties over its going concern assumptions. For further information, see Section A.1 - General Part, Section 2 - Preparation criteria.
Loans were classified according to strict guidelines which are reflective of the consequences of the negative developments in the economic environment; loan-related valuations were estimated on the basis of evidence emerging from the monitoring of existing relations with borrowers and their economic-financial situation.
It should be noted that an extension or worsening of the current economic-financial crisis may cause a further deterioration of the debtors and issuers' financial conditions, which may translate into higher losses on loans granted or on financial assets purchased than those currently estimated and accordingly considered during preparation of this financial report.
For the purpose of the identification of non-performing past-due/overdraft loans, the Group has adopted the provisions of Art. 178 of EU Regulation no. 575/2013 (CRR), effective since 1 January 2014, and the amendments introduced by the Bank of Italy with its letter of 12 March 2014, which modified the definition of credit quality previously set out in Bank of Italy's Circular 272/2008 with regard to non-performing past due/overdraft loans. In relation to the above, it is noted that the Banca

Carige Group has adopted, for all customer segments, the definition of "debtor default" as referring to the debtor's total obligations.
During preparation of the consolidated full-year financial statements, checks were performed to assess any impairment of available-for-sale securities through an analysis aimed at identifying impairment indicators and determining any write-down. In the 12 months, some AFS securities were impaired with non-material economic effects.
2014 Impairment test. With reference to the provisions of IAS 36.10 the relevant units in Banca Carige proceeded to carry out the impairment test for the goodwill booked as at 31 December 2014. The impairment test resulted in a EUR 15.9 mln impairment loss on the goodwill relating to the CGU, Cassa di Risparmio di Carrara S.p.A..

- **NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (IFRS 5).**

On 26 October 2014, following the publication of the results of the Comprehensive Assessment and within the scope of the Capital Plan submitted to the ECB for approval, Banca Carige SpA's Board of Directors has, among other things, unanimously resolved to dispose of the Group's entities operating in the insurance, private banking and consumer lending businesses.

As a result of the exclusive negotiation phase with Apollo Management Holdings L.P. approved by the Board of Directors on 24 July 2014, an agreement was entered into on 28 October 2014 for the establishment of a partnership in bancassurance which provides for the sale of 100% of the shares held by Banca Carige in Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A to Apollo, together with long-terms agreements between the Bank and these companies for the distribution of life and non-life insurance products.
Among other things, the sale and purchase agreement provides for:

- the sale of the equity investments held in the insurance subsidiaries for a total price of EUR 310 mln, which will be entirely paid in cash at closing;
- granting to the buyer - at closing - a five-year loan ("vendor loan") at market rates for an amount corresponding to 25% of the overall sale price;
- as part of warranties and indemnities, indemnities are possibly envisaged for claim settlements exceeding the allocated reserves, with the scope limited to certain identified policies, and litigations for amounts exceeding provisions taken; indemnities, if any, will however be subject to a deductible borne by the purchaser. In this consolidated financial report, no provisions were set aside in the assumed unlikelihood of associated risk.

The transaction is subject to some conditions precedent, in line with market practice for similar transactions, and to the necessary authorizations by the relevant authorities.

Considering the time needed for the authorisation process, the "closing" will likely occur in the first half of 2015.
Subsequent to the signing of the agreement, the pre-requisites (already adopted in the half-year report as at 30/06/2014) for the application of IFRS 5 to the income statement and balance sheet items of the insurance business were confirmed: the insurance business, which identifies a "group of cash generating units", was thus classified as a disposal group.
IFRS 5 sets out the following[16]:

- the classification under the items "Non-current assets and disposal groups held for sale" and "Liabilities associated with assets held for sale" of non-current assets or groups of

[16] For a complete description about requirements under IFRS 5, see paragraph 10 - Non-current assets held for sale.

assets/liabilities for which the carrying amount will presumably be recovered through sale rather than through continuing use; for this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition, subject only to terms and conditions that are usual for sales of such assets (or disposal groups), and the sale must be highly probable.

- the measurement of assets and liabilities held for sale at the lower of their carrying amount and fair value less costs to sell, which was carried out:
  - as regards insurance subsidiaries -including on the basis of an assessment of the contractual structure, economic terms and accounting effects issued by a leading Advisory Firm on 21 October 2014;

  - as regards the subsidiaries, Banca Cesare Ponti SpA and Creditis S.F. SpA, based on assessments by leading investment banks and bids submitted by potential purchasers. The fair value of the two subsidiaries was respectively EUR 35.6 and 75.0 mln higher than their consolidated carrying amounts (EUR 29.5 mln for Banca Cesare Ponti SpA and EUR 54.1 mln for Creditis S.F. SpA);

- profit and loss (after tax) from groups of assets and liabilities held for sale are posted to the income statement item "Profit (Loss) after tax of disposal groups held for sale".

In accordance with the above-described provisions of IFRS 5, the income statement balances for 2013 were re-stated with reference to both the insurance subsidiaries and the two subsidiaries operating in private banking and consumer lending.

## - ACCOUNTING TREATMENT OF THE INTEREST HELD IN THE BANK OF ITALY

As at 31 December 2014, the Banca Carige Group holds 12,095 shares in the Bank of Italy, representing 4.032% of the Bank of Italy's share capital, classified in the segment "Financial assets available for sale" (AFS).

Pursuant to Legislative Decree No. 133 of 30 November 2013 ("D.L. 133/2013"), converted with Law no. 5 of 29 January 2014, the Bank of Italy increased its share capital from EUR 156,000 to EUR 7,500,000,000 by using statutory reserves; the previous shareholdings were cancelled and replaced, as of 31/12/2013, with 300,000 new shares of Euro 25,000 each, allocated to the investors of the Bank of Italy in proportion to the stakes held.

The Carige Group was assigned 12,095 new shares, for an aggregate nominal amount of EUR 302.37 mln.

In consideration of their different equity, administrative and holding rights the Group deemed that the equity instruments of the Bank of Italy issued as part of its share capital increase and related amendments to its Articles of Association should be considered, in the 2013 Financial Statements, as financial instruments different from those existing prior to Law Decree 133/2013.

In the Financial Statements as at 31 December 2013 the derecognition of the pre-existing shareholdings was deemed appropriate, with the consequent reversal of the AFS reserve to profit or loss; this treatment was corroborated, amongst other aspects, by opinions issued by highly reputed professionals, who underlined the difference in the financial features and equity rights of the new shares with respect to the pre-existing ones. The adopted accounting treatment resulted in the recognition of EUR 299.85 mln worth of gross gains from disposal in the afore-mentioned Financial

Statements (booked under profit from sale of financial assets available for sale). Considering the 12% substitute tax set by Law no. 147/2013 ("Stability Law"), the net capital gain as at 31 December 2013 was EUR 263.9 mln.
On 11 March 2014, the Bank of Italy, the Italian Securities and Exchange Commission (Consob) and the insurance supervisor (IVASS) issued a joint press release emphasizing the need to provide adequate information on the accounting treatment adopted for this transaction which, considering its unique and unusual complexity, is not expressly regulated by the international accounting standards, pending all necessary verifications at national and international level.
In this respect, it should be noted that the accounting treatment in the case under examination has been examined by the IFRS Interpretation Committee during the month of July 2014, and which on 11 November 2014, after a phase of public consultation, decided to not issue a technical deliberation, as this concerns a unique case for which different interpretations were not found in accounting treatments used for the financial statements of the companies involved in the operation. As at today, there is no current knowledge of different accounting interpretations with respect to those used by the Group.
On 23 June 2014, Italian Law no. 89 was applied, which converted Italian Legislative Decree of 24 April 2014 no. 66 ("spending review") which involved a 26% increase (from the previous 12%) in the substitute tax rate on the revaluation of the investment in Bank of Italy, to be applied on the nominal value of the shares, net of the value recognised for taxation purposes. As a result of the new legal rate, the substitute tax to be paid was redetermined based on the IAS 12 principle, equal to EUR 78 million. This resulted in a larger tax burden of EUR 42 million with respect to the amount set aside during 2013, which was charged to the Income Statement in the second quarter of 2014, in compliance with the accounting treatment determined in 2013.
It should also be noted that if, during the previous financial year, the revaluation of the shares held in the Bank of Italy had been recorded in a net equity reserve without cancelling the pre-existing shares from the books, the financial statements as at 31 December 2013 would have disclosed the following effects, assuming no-changes to the 2013 tax burden: the operating result for 2013 would have recorded lower profits realised from the sale of financial assets available for sale for EUR 299.85 million (263.9 million net of the substitute tax of 12%), but the shareholder's equity, inclusive of the year result, would have not changed as the non-disclosure of the net capital gain would have been compensated by the credit of the revaluation in the revaluation reserve, net of relative taxation.
This alternative accounting principle would have instead not had different effects on the financial statements as at 31 December 2014 other than the redetermination of the previously described applicable taxation.

- **ECB'S COMPREHENSIVE ASSESSMENT FINDINGS**

On 7 November 2014, Consob requested the Parent Company (in its capacity as a listed bank subject to the CA ) on behalf of the ECB to include in their interim financial reports as at 30 September 2014, pursuant to art. 114, para. 5 of Legislative Decree no. 58/98, information relating to the CA exercise conducted by the ECB, making reference, in particular, to the AQR results reported in the disclosure template published on 26 October 2014.

On 30 January 2015, Consob requested the Parent Company to include information on the accounting effects arising from the quantitative findings of the AQR in a Press Release to be disclosed upon approval of the preliminary results as at 31 December 2014.

The Bank provided, in its press release dated 11 February 2015 - issued upon the approval of the preliminary consolidated results as at 31 December 2014 - all the requested information of which it is aware.

*Credit file Review*

The Credit File Review (CFR) conducted as part of the AQR has identified the need for higher provisions (net of write-backs) for a total amount of EUR 216 mln at Group level.

The Bank has conducted a detailed review of the individual positions identified, with a view to making the appropriate adjustments, in light of a more updated base of information concerning the borrowers' situation and values of collateral than the one available at the time of preparation of the financial statements for 2013. As a result of the assessment conducted, the Bank has recognised significant impairment losses and write-offs for positions identified during the AQR as non-performing exposures (relating to the entire portfolio subject to the Credit File Review), with a consequent increase in total provisions for an aggregate amount of EUR 222 mln, with respect to the request for EUR 216 mln at Group level (for Banca Carige, the increase in total provisions was equal to EUR 147.4 mln).

Moreover, the natural development of positions over the year has led to the transition to non-performing status of additional positions which had been identified as performing exposures during the AQR, with the consequent increase in provisioning for an additional amount of EUR 82 mln.

*Projection of Findings*

The statistical Projection of Findings from the Credit File Review has identified adjustments for a total of EUR 94 mln. Despite noting that these projections derive from statistical methods used within the framework of a prudential exercise and are not expected to be automatically reflected in the financial statements, the Bank has taken account of the adjustments identified by the ECB, introducing certain alignments to its policies, procedures and parameters in use for loan assessment.

In particular, the specific guidelines for an objective identification of loss events have been reviewed and the same approaches to second-level control processes have been adopted as were used in the AQR exercise.

In line with guidance provided by the ECB during the AQR, a specific LGD-related adjustment has been introduced for the assessment of lower-amount non-performing loans subject to collective provisioning, according to the criteria illustrated under the item “Collective Provisioning” below, with an effect of EUR 27 mln on the Financial Statements as at 31 December 2014.

Finally, additional initiatives have been introduced and are expected to be completed by the end of financial year 2015, for the purpose of further adjusting the methods for updating the time to recovery and interest rate used to determine the present value of the recovery amount with a view to considering the effects of the current economic cycle.

As a result of the alignments carried out, the Bank has had an assessment conducted on the adequacy of provisions calculated for the unsampled portfolio.

The assessment has revealed that, in the course of 2014, the increase in provisioning on the aforementioned portfolio (only for positions which, as at 31 December 2014, were classified as bad loans and substandard loans) was EUR 126 mln (of which EUR 49.5 mln for Banca Carige) following the ongoing alignment of exposure valuation, as compared to the EUR 94 mln total arising from the AQR statistical projection of findings.

*Collective provisioning*

The Collective Provisions Analysis conducted as part of the AQR exercise has identified higher provisions for performing loans for an aggregate amount of EUR 106 mln. In line with guidance provided by the ECB for risk parameters and for the purpose of an earlier factoring-in of the effects from the rating model review which will take place in 2015, an adjustment for collective provisions was introduced in the 2014 Financial Statements so as to reflect the effects from a re-calibration of PD and LGD over shorter time horizons and inclusive of Downturn factors for the corporate segment. An approach more in line with the point in time perspective specified by the ECB was therefore adopted, while at the same time preserving the overall consistency of the methodological approach underlying the Group’s loan assessment model.

The alignment of parameters used for the calculation of collective provisioning has increased the provisions for the whole portfolio of performing loans by a total amount of EUR 90 mln (EUR 52.4 mln of which for Banca Carige), of which EUR 83 mln for the corporate component, which registered a fall in exposures by over EUR 1.5 bn in 2014.

In terms of coverage ratios, the application of this adjustment to (performing) positions subject to collective assessment generated a 60 bps increase in the coverage ratio as compared to the end of 2013; in particular, the performing corporate portfolio registered a coverage ratio increase by approximately 140 bps from 1.6% at the end of 2013 to 3.0% as at 31/12/2014. Therefore, by applying this coverage ratio to the exposure as at 31/12/2013, the amount of provisions would have totalled EUR 102 mln.

*Level 3 Fair Value*

Level 3 fair value exposures were not part of the AQR scope for the Carige Group.

*Disclosure of additional Own Funds*

In conclusion, with reference to Consob's request to disclose information about the i) Common Equity Tier 1 ratio as at 31/12/2014 as part of reporting to the Supervisory Authority and ii) additional own funds required by the ECB, if any, it is noted that:

(i) the Common Equity Tier 1 ratios on both a consolidated and solo basis as at 31/12/2014 are respectively 8.4% and 12.6% and are higher than the minimum regulatory levels, like all other regulatory ratios;

(ii) the Bank shall disclose information about the additional own funds required by the ECB, if any, and its directors' relevant considerations as soon as it receives the final decision by the ECB. Based on the draft SREP letter sent to the Bank on 21 January 2015 and other correspondence from the Bank to the ECB including the day following the Supervisory Board meeting on 19 February, it is believed that the target CET1 consolidated ratio for 2015 which will be disclosed will be inclusive of the overall compliance with the AQR findings. Finally, with regard to Banca Carige, no additional prudential requirement other than the minimum regulatory levels is deemed likely to be imposed on the Bank[17].

- **ALIGNMENT OF ACCOUNTING PROCEDURES, MODELS AND PRACTICES, I.E. PARAMETERS OF MODELS USED FOR THE ASSESSMENT OF ON-BALANCE-SHEET ASSETS AS A RESULT OF THE ASSET QUALITY REVIEW - AQR.**

In the course of 2014, particularly in the last quarter, the Group took account of the quantitative adjustments and qualitative guidance provided by the ECB during the Asset Quality Review and introduced some alignments to the policies, procedures ad parameters used for the assessment of credit assets. In particular, the specific guidelines for an objective identification of loss events have been reviewed and the same approaches to second-level control processes have been adopted as were used in the AQR exercise.

[17] Note added following the Board of Director's meeting of 19/03/2015:
With regard to the capital strengthening measures disclosed to the market through the Press Release issued on 19 March 2015, the Board of Directors, in its meeting on the same date:

- expressed its considerations regarding the decision of the European Central Bank (ECB) authorising the Bank to implement the Capital Plan presented on 5/11/2014 and setting out Group-specific prudential requirements for additional own funds to be met on a consolidated basis, which provide for the attainment of a minimum 11.50% level of Common Equity Tier 1 ratio by the end of July 2015 and a ban on dividend payout;
- resolved upon the proposal for a EUR 850 mln share capital increase with consideration via a rights issue for existing shareholders, to be submitted for approval to the Extraordinary Shareholders' Meeting, convened for 23 April 2015. The capital increase will be backed by a Syndicate of leading financial institutions led by Mediobanca – Banca di Credito Finanziario S.p.A., acting as Global Coordinator;
- The Board of Directors has then resolved upon the proposal for a capital increase with consideration for a maximum amount of EUR 15.8 mln exempt from pre-emptive rights of existing shareholders, to be effected via a contribution in kind of non-controlling interests respectively held by 'Fondazione de Mari Cassa di Risparmio di Savona' and 'Fondazione Cassa di Risparmio di Carrara' in the subsidiary banks, Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A;
- approved the 2015–2019 Business Plan, set to steer the Group's business for the next five years. The Plan fits within and strengthens the guidelines identified in the turnaround strategy launched in 2014 with a view to bringing the Group back to its tradition of a sound, locally rooted retail and corporate bank for households and businesses, focusing on the highest-potential regions of Northern and Central Italy, with risk profile mitigated by better credit management and engaged with the role of being an "efficient distributor".

On the basis of the above, Directors are of the opinion that the Group has the current and forward-looking ability to comply with such additional obligations.

In line with guidance provided by the ECB during the AQR, a specific LGD-related adjustment has been introduced for the assessment of lower-amount non-performing loans subject to collective provisioning, according to "Collective Provisioning" criteria

Additional initiatives have also been introduced and are expected to be completed by the end of financial year 2015, for the purpose of further adjusting the methods for updating the time to recovery and interest rate used to determine the present value of the recovery amount with a view to considering the effects of the current economic cycle.

In line with guidance provided by the ECB for risk parameters and for the purpose of an earlier factoring-in of the effects from the rating model review which will take place in 2015, an adjustment for collective provisions was introduced in the 2014 Financial Statements so as to reflect the effects from a re-calibration of PD and LGD over shorter time horizons and inclusive of Downturn factors for the corporate segment. An approach more in line with the point in time perspective specified by the ECB was therefore adopted, while at the same time preserving the overall consistency of the methodological approach underlying the Group's loan assessment model.

The alignment of parameters used for the calculation of collective provisioning has increased the provisions for the whole portfolio of performing loans.

The adjustments made by the Group were adopted - through the formal update of the applicable models of the Group's Accounting Manual - both in relation to the continuous process of updating the policies and processes, as well as in order to implement the observations of a qualitative nature indicated by the ECB as a result of the Comprehensive Assessment, as desired by the Supervisory Authority itself.

The alignments and adjustments introduced are fully in compliance with the provisions of the reference accounting principle, IAS 39, which sets out the general objectives and characteristics of the impairment model envisaged by IAS39, defining the general criteria to be adopted while leaving some room for discretion with regard to the assessment approaches considered as best reflective of losses *"incurred"*. Added to this is the negative evolution of the macro-economic situation during 2014, and in particular in the manufacturing and real-estate sectors.

In consideration of the significance of the impacts on the 2014 financial statements, particular attention has been placed on establishing the correct interpretation of the cited alignment operations in the three cases set forth by accounting principle IAS 8: "changes in accounting principles", "estimate changes" and "error corrections". This distinction is important as it involves a different accounting representation: redetermination of the initial balances for changes in accounting principles or for the corrections of errors and recognition in the Income Statement for the financial year for changes in estimates. The analyses carried out indicate that changes in estimation policy, procedures and parameters used for evaluating the credit exposures as at 31 December 2014 can be fully traced back to the case of "changes in estimates".

- **CONSOB PROCEEDINGS UNDER ARTICLES 157, PARA. 2 (IMPUGNATION OF 2013 FINANCIAL STATEMENTS) AND 154-TER OF THE CONSOLIDATED LAW ON FINANCE**

The Italian Securities and Exchange Commission, Consob, served a writ of summons on the Bank pursuant to art. 157, para. 2, of the Consolidated Law on Finance on 9 January 2015 (which was disclosed by the Bank via a press release on the same day), to notify that a civil case was initiated in the Court of Genoa requesting: (i) issuance of a declaration of nullity or annulment of the Shareholders' Meeting resolution of 30 April 2014 for approval of Banca Carige's separate Financial Statements as at 31 December 2013 on grounds of alleged non-compliance of said Financial Statements with financial reporting standards, namely IAS 1, 8 and 36, as well as (ii) ascertainment of non-compliance of the Consolidated Financial Statements with the afore-mentioned accounting standards.

In the writ of summons, Consob specifically raised a claim against Banca Carige's disagreement with the methods used to address the findings reported in its Ruling no. 18758 of 10 January 2014, concerning restatement -under IAS 8- of the goodwill amounts and equity investments held in the banking and insurance subsidiaries for the year ending 31 December 2012. According to Consob, the claimed infringements are alleged to have resulted in a breach of the general principle of accrual accounting.

The first hearing has been scheduled for 19 May 2015 and, pursuant to the Code of Civil Procedure, the term for Banca Carige to appear in court (or respond in writing to the court) has been set to 27 April 2015.

In this connection, it is noted that in its interim report as at 30 September 2013, the Bank autonomously resolved to reduce to a major extent the carrying amounts of goodwill and equity investments recognised in the financial statements as at 31 December 2012 (which were challenged by Consob in its ruling of 10 January 2014).

In the Bank's opinion, the alleged breach of the general principle of accrual accounting, relating to items in the financial statements of an evaluative nature originally referring to financial year 2012, is assumed to only have caused a different breakdown of the charge associated with the impairment of goodwill amounts and equity investments in the profit and loss accounts of the 2012 and 2013 financial statements, without causing any changes in the balance-sheet balances of the challenged items as at 31 December 2013.

It is noted that Consob findings presented in its ruling no. 18758 of 10 January 2014 were thoroughly and exhaustively disclosed to the public by the Bank, particularly in both the Full-Year Report as at 31 December 2013, with supplementary information as requested by Consob, and the Half-Year Report as at 30 June 2014, as well as in the press releases issued on 22 January 2014, 27 March 2014, 28 April 2014 and 1 August 2014, and in the Prospectus for the Bank's Rights Issue published on 13 June 2014, following approval notified with Note registered under protocol no. 0049116/14 of 11 June 2014.

Below is a reconstruction of the facts preceding and following the afore-mentioned Consob ruling.

With its note of 8 November 2013, Consob informed Banca Carige that, as a result of its preliminary investigation, assumptions of non-compliance had emerged with regard to the accounting standards applicable to the Bank's separate and consolidated full-year report as at 31 December 2012 and condensed consolidated half-year report as at 30 June 2013, with specific reference to the accounting treatment of:

(i) goodwill allocated to the Bank's Cash Generating Units (hereinafter the "Bank's CGUs"),
(ii) investments held in subsidiary banks,
(iii) investments held by the Issuer in the insurance companies (Carige Vita Nuova and Carige Assicurazioni), and
(iv) the shareholding held by Banca Carige in the Bank of Italy.

The shortfalls and vulnerabilities raised by Consob were in relation to:

- with reference to the 2012 Consolidated Financial Statements:
  (i) impairment testing of the Bank's CGUs. In particular:
    (a) the use of a time horizon of 10 years for the assessment of future cash flows for the CGUs, Banca Carige Italia and Banca del Monte di Lucca, which is claimed not to be compliant with IAS 36 inasmuch as the Issuer's ability to make accurate cash flow projections, based on previous experience, for periods of over five years is maintained not to be supported by evidence;
    (b) assumptions of balance sheet, P&L and rates growth included in projections are claimed not to be based on reasonable and supportable assumptions or reflected in external evidence;
    (c) the adoption of Advanced Internal Rating Based (AIRB) models for an estimate of risk-weighted assets is claimed to constitute an unreasonable and unverifiable assumption; due to the fact that it may improve or enhance future cash flows, it would not even be allowed;
  (ii) the value of the stake in the Bank of Italy which should have been recognised at cost and not pro-rata to the shareholders' equity as it is deemed non-expressive of *fair value;*
- with reference to the Bank's Financial Statements for the year ending 31 December 2012:
  (i) the same vulnerabilities identified in the consolidated financial statements with regard to the book value of shareholdings in banks;
  (ii) the valuation of insurance subsidiaries (Carige Vita Nuova and Carige Assicurazioni) which is claimed to have been made by applying discount rates which do not adequately consider the specific risks associated with the estimated cash flows
  (iii) the value of the stake in the Bank of Italy which should have been recognised at cost and not pro-rata to the shareholders' equity as it is deemed non-expressive of *fair value*.
- with reference to the half-year condensed consolidated Financial Statements as at 30 June 2013, the same findings and vulnerabilities as were identified in the 2012 Consolidated Financial Statements.

Banca Carige, with the support of dependable external consultants, submitted its considerations to Consob about the afore-mentioned facts and circumstances with its note of 2 December 2013, expressing its disagreement with Consob's findings and later supplementing its note with further documentation transmitted on 13 and 20 December 2013

On 10 January 2014, Consob issued Ruling 18758, regarding the verification of non-compliance of the Issuer's consolidated and separate financial statements at 31 December 2012 and Banca Carige's condensed consolidated half-year financial statements as at 30 June 2013 with financial reporting standards. In its ruling, Consob also requested the Bank to publish the following additional disclosures, pursuant to Article 154-ter, paragraph 7, of the Consolidated Law on Finance:

- shortfalls and vulnerabilities raised by Consob in terms of accounting accuracy of the above-mentioned financial statements;
- applicable international accounting standards and breaches identified;
- preparation of pro-forma consolidated financial statements – inclusive of comparative data – illustrating the effects that a standards-compliant treatment would have had on the balance sheet, income statement and net equity for 2012 and the first half of 2013, for which incorrect information was provided.

Banca Carige provided the market with the elements of information requested by Consob with a specific press release issued on 22 January 2014. In said press release, Banca Carige said that it did not agree with the judgment of non-compliance issued by Consob, noting that the Bank had already written down the goodwill of the banking CGUs in the interim financial report at 30 September 2013, with the consequent recognition of the impairment in its accounts, pointing out that the alleged non-compliance essentially regarded the measurement of items in the financial statements of a strictly evaluative nature, for which any restatement would have no monetary effect or impact on the regulatory capital of the Bank and the Group. However, in order to avoid any divergences with Consob concerning the interpretation and application of accounting standards, taking due account of the importance of the Bank in the capital markets, and in the spirit of its ongoing cooperation with the authorities, Banca Carige has decided to apply IAS 8 in the preparation of the 2013 consolidated financial statements, with reference to:

(a) the measurement of the equity investment in the Bank of Italy, recognizing the interest at cost in the financial statements as at 31 December 2012 and earlier, rather than at the pro-rated value of the equity held (as Consob – in the above Ruling – considered the equity value as not reflective of its *fair value*);
(b) information provided in the Explanatory Notes to the 2012 Consolidated Financial Statements, with reference to the impairment test on goodwill for the CGUs Banca Carige Italia and Banca del Monte di Lucca.

In light of the reasons given by the Bank during discussions with Consob and disclosure periodically provided to Consob and the market, the Bank -partly on the basis of opinions issued by highly reputed professionals- deems the risk of losing the civil case initiated by Consob unlikely and has therefore not proceeded with the re-statement of comparative data for 2013. Moreover, this evaluation is corroborated by other elements, including the preliminary status of judgment, the absence - in the writ of summons - of any indications concerning the amount of loan loss provisions required and nature of claims, with reference being made to choices which fall within the technical discretion of the preparer of the financial statements.
In light of the above, the Bank is confident that the Judicial Authority will confirm the fairness of its conduct and compliance of its financial statements with financial reporting standards.

## A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

If the Group had not taken the option of reclassifying the financial assets listed above, positive income components recorded for the year would have amounted to EUR 192 thousand instead of -EUR 38 thousand.

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

| Type of financial instrument | Portfolio prior to transfer | Portfolio after transfer | Book value as at 31/12/14 | Fair Value as at 31/12/14 | Income components in the absence of transfers (before tax) | | Income components recognised during the period (before tax) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | From measurement | Other | From measurement | Other |
| Debt securities | HFT | AFS | 4 | 4 | - | 265 | 15 | (267) |
| Equity instruments | HFT | AFS | - | - | - | (2) | - | 1 |
| Units in UCITS | HFT | AFS | 1,710 | 1,710 | (229) | (208) | (53) | (121) |
| Debt securities | HFT | L&R | 10,329 | 10,000 | 253 | 436 | - | (823) |
| Debt securities | AFS | L&R | 2,873 | 2,934 | 168 | 555 | - | 960 |
| **Total** | | | **14,916** | **14,648** | **192** | **1,046** | **(38)** | **(250)** |

A.3.4 Effective interest rate and cash flows expected from the reclassified assets

The reclassified debt securities portfolio in the Loans and Receivables category for an overall nominal amount of EUR 12.8 mln has an effective average interest rate of 1.9% with an expected cash flow estimated at EUR 13.8 mln.

# A.4 – DISCLOSURES ON FAIR VALUE

## Qualitative information

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

When the market does not have a sufficient and continuous number of transactions, bid-ask spread and insufficiently contained volatility, which characterise level 1 of the fair value hierarchy, special valuation methods are used, including therein theoretical models which, largely making use of observable market parameters, can determine an appropriate fair value for financial instruments.

In the event no valuations of financial instruments from reliable sources are available (even if said prices are not characterised as effective market quotes), the fair value can be calculated by using valuation techniques which aim to ultimately establish the price the instrument would have had, at the valuation date, in a free exchange motivated by normal commercial considerations. These techniques include:

- reference to market values indirectly related to the instrument to be valued and taken from similar instruments in terms of their risk characteristics (comparable approach);
- valuations made by using, even only partially, inputs not taken from parameters observable on the market, for which use is made of estimates and assumptions made by the analyst (Mark to Model).

Choosing from the afore-mentioned methods is not optional, given these must be applied in hierarchical order: if, in particular, a price expressed by an active market is available, one of the other valuation approaches cannot be used.

More specifically, the guidelines used to attribute fair value levels 2 or 3 to the financial instruments are:

1. Valuation Techniques (Comparable Approach) – Fair value level 2. The valuation is not based on significant prices of the financial instrument to be valued, but on indicative valuations available from reliable info-providers or on prices determined by using an appropriate calculation method (pricing model) and observable market parameters, including therein credit spreads taken from the official prices of substantially similar instruments in terms of risk factors. If calculation methods are used (pricing models) in the comparable approach, these allow the reproduction of the prices of financial instruments listed on active markets (calibration of the model) without including discretional parameters – i.e. parameters whose value cannot be deduced from prices of financial instruments on active markets or cannot be fixed on levels as such to replicate prices on active markets – in such a way as to influence the final valuation in a determining manner.
2. Valuation Techniques (Mark to Model Approach) – Fair value level 3. Valuations are made by using different inputs, not all directly taken from observable market parameters and therefore entail estimates and assumptions by the analyst. In particular, this approach requires the valuation of the financial instrument to be conducted by using a calculation method (pricing model) which is based, among other things, on specific hypotheses or assumptions that, on the basis of the instrument to be valued, may concern:
    - the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of behavioural hypotheses;
    - the level of specific input parameters not listed on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred; where this is not available, past data on the specific risk of the underlying

asset or specialised reports are used (e.g. reports prepared by rating agencies or primary market players);
- the reference to all possible relevant information available, even accounting information, including therein, for example, the value of shareholders' equity in the case of interests or shareholdings in unlisted companies.

A.4.2 Processes and sensitivity of valuations

The financial instruments included in level 3 of the fair value hierarchy comprised:

1. the stakes held in the Bank of Italy amounting to EUR 302.4 mln;
2. the equity instruments (minority interests in unlisted companies) valued at cost as a replacement for the fair value which cannot be measured reliably, amounting to EUR 26.3 mln and,
3. the debt securities and equities in default or otherwise unlisted.

With reference to the stakes held in the Bank of Italy, it should be noted that – as detailed in the report drafted by the Bank at the request of the Ministry of Economy and Finance, with the help of a committee of experts, which is referred to for further details – the stakes' recognised fair value, identified for an amount of EUR 7.5 bln equal to the Bank of Italy's share capital following the share capital increase (corresponding to EUR 302.4 mln for the Banca Carige Group) may vary upon changes in the parameters used for fair value measurement(Beta, liquidity discount rate, risk-free rate, risk premium).[18]

Valuation methodologies, in which the significant input used could not be directly observed on the market (e.g. volatility), were adopted for some equity instruments coming from restructuring agreements involving significant debt.

A.4.3 Fair Value Hierarchy

With reference to the financial assets evaluated at fair value on a recurring basis, a quarterly analysis is performed for determining the characteristics of the individual securities in order to determine the correct allocation on a level of fair value.

If the stock exchanges that presented bid/ask quotations with a small bid/ask spread and with acceptable exchange volumes are reduced to less than three and the value can be estimated using internal models whose input are objectively observable on the market, a transfer is made from level 1 to level 2.

Conversely, if a loss of the conditions necessary for the financial asset to belong to level 1 or level 2 occurs, and if the price may be estimated via an internal model that makes use of at least one non-observable market input, the asset is classified in level 3 of the *fair value*.

[18] The full report is available on the Bank of Italy's website at the following address https://www.bancaditalia.it/media/notizie/aggiornam_quote_capitale_BdI/Valore_quote_capitale_BI.pdf

## Quantitative information

*A.4.5 Fair value hierarchy*

### A.4.5.1 Assets and liabilities measure at fair value on a recurring basis: breakdown by fair value levels

| Financial assets/liabilities measured at fair value | 31/12/2014 | | | 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets held for trading | 6,727 | 61,030 | 5 | 56,525 | 76,172 | - |
| 2. Financial assets at fair value through P&L | - | - | - | 195,270 | 63,363 | - |
| 3. Available for sale financial assets | 2,669,107 | 30,698 | 337,609 | 9,767,908 | 419,534 | 357,145 |
| 4. Hedging derivative assets | - | 201,525 | - | - | 125,811 | - |
| 5. Property, plant and equipment | - | - | - | - | - | - |
| 6. Intangible assets | - | - | - | - | - | - |
| Total | 2,675,834 | 293,253 | 337,614 | 10,019,703 | 684,880 | 357,145 |
| 1. Financial liabilities held for trading | - | 11,667 | - | - | 14,567 | - |
| 2. Financial liabilities at fair value through P&L | 949,640 | 15,086 | - | 1,281,430 | 15,.386 | - |
| 3. Hedging derivative liabilities | - | 515,252 | - | - | 457,998 | - |
| Total | 949,640 | 542,005 | - | 1,281,430 | 487,951 | - |

*Key*
*L1= level 1*
*L2=level 2*
*L3=level 3*

### A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

| | Financial assets held for trading | Financial assets at fair value through P&L | Financial assets available for sale | Hedging derivatives | Tangible assets | Intangible assets |
|---|---|---|---|---|---|---|
| A. Opening balance | - | - | 357,145 | - | - | - |
| 2. Increases | 11 | - | 20,046 | - | - | - |
| 2.1. Purchasing | - | - | 3,665 | - | - | - |
| 2.2. Profits recognized in | | | | | | |
| 2.2.1. P&L | - | - | 11,632 | - | - | - |
| Unreal. Gains | - | - | 11,632 | - | - | - |
| 2.2.2. Equity | X | X | 16 | - | - | - |
| 2.3. Transfer from/to other levels (+) | 7 | - | 1,853 | - | - | - |
| 2.4. Other increases | 4 | - | 2,880 | - | - | - |
| 3. Decreases | 6 | - | 39,582 | - | - | - |
| 3.1. Selling | - | - | 29,987 | - | - | - |
| 3.2. Refunds | - | - | 5,302 | - | - | - |
| 3.3. Losses recognized in: | | | | | | |
| 3.3.1. P&L | - | - | 1,533 | - | - | - |
| Unreal. Loss. | - | - | 1,533 | - | - | - |
| 3.3.2 Equity | X | X | 210 | - | - | - |
| 3.4. Transfer from/to other levels (-) | - | - | - | - | - | - |
| 3.5. Other decreases | 6 | - | 2,550 | - | - | - |
| 4. Closing balances | 5 | - | 337,609 | - | - | - |

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: distributions for levels of fair value

| Financial assets/liabilities measured at fair value | 31/12/2014 | | | | 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| measured at fair value on a non-recurring basis | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Held-to-maturity investments | - | - | - | - | - | - | - | - |
| 2. Due from banks | 754,732 | 3,975 | 737,644 | 13,195 | 1,218,989 | 6,263 | 1,173,150 | 39,534 |
| 3. Loans to customers | 23,682,831 | - | 21,502,776 | 3,895,250 | 25,476,359 | - | 23,398,595 | 3,642,876 |
| 4. Available for sale financial assets | 126,347 | - | 144,898 | - | 312,611 | - | 321,623 | 34,968 |
| 5. Non-current assets classified as held for sale | 6,854,768 | 5,363,318 | 530,484 | 149 | - | - | - | - |
| Total | 31,418,678 | 5,367,293 | 22,915,802 | 3,908,594 | 27,007,959 | 6,263 | 24,893,368 | 3,717,378 |
| 1. Due to banks | 1,877,094 | - | 1,759,612 | - | 8,161,242 | - | 8,027,511 | - |
| 2. Due to customers | 17,332,987 | - | 17,294,044 | - | 14,817,367 | - | 14,768,115 | 9,890 |
| 3. Debt certificates including bonds | 8,121,888 | 7,173,766 | 833,729 | 102,210 | 9,217,979 | 8,163,550 | 862,201 | 48,518 |
| 4. Liabilities included in disposal group classified as hfs | 6,474,615 | 207,721 | - | - | - | - | - | - |
| Total | 33,806,584 | 7,381,487 | 19,887,385 | 102,210 | 32,196,588 | 8,163,550 | 23,657,827 | 58,408 |

*Key*
*L1= level 1*
*L2=level 2*
*L3=level 3*

## A.5 – DISCLOSURE ON *"DAY ONE PROFIT/LOSS"*

Paragraph 28 of IFRS 7 regulates the specific case of purchase/sale of an unlisted financial instrument on an active market, where the price of the transaction, which generally represents the best estimate of initial recognition fair value, differs from the fair value determined according to measurement techniques adopted by the entity on recognition of the instrument itself.

In this case, a gain/loss is achieved on purchase for which adequate disclosures must be made by financial instrument class as regards the accounting method adopted for that difference, with an indication of any overall difference still to be recognised to the income statement at the beginning and end of the year and the related reconciliation of balance changes.

There are no such cases in the consolidated financial statements.

# Part B

## INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS
SECTION 1
# CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| a) Cash | 329,394 | 339,280 |
| b) Demand deposits with Central banks | - | - |
| Total | 329,394 | 339,280 |

SEZIONE 2

## FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

2.1 Financial assets held for trading: product breakdown

| | 31/12/2014 | | | 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| A. Balance-sheet assets | | | | | | |
| 1. Debt securities | 5,101 | - | 5 | 17,895 | 6,545 | - |
| 1.1 Structured securities | - | - | - | - | 6,304 | - |
| 1.2 Other | 5,101 | | 5 | 17,895 | 241 | - |
| 2. Equity instruments | 32 | - | - | 35 | - | - |
| 3. Units in investment funds | 1,591 | - | - | 38,572 | - | - |
| 4. Loans | - | - | - | - | - | - |
| 4.1 Repos | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total (A)** | **6,724** | **-** | **5** | **56,502** | **6,545** | **-** |
| B. Derivative instruments | | | | | | |
| 1. Financial derivatives: | 5 | 61,028 | - | 23 | 69,627 | - |
| 1.1 Trading | 5 | 8,604 | - | 23 | 24,536 | - |
| 1.2 Related to fair value option assets / liabilities | - | 52,424 | - | - | 45,091 | - |
| 1.3 Other | - | - | - | - | - | - |
| 2. Credit derivatives: | - | - | - | - | - | - |
| 2.1 Trading | - | - | - | - | - | - |
| 2.2 Related to fair value option assets / liabilities | - | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - | - |
| **Total (B)** | **5** | **61,028** | **-** | **23** | **69,627** | **-** |
| **Total (A+B)** | **6,729** | **61,028** | **5** | **56,525** | **76,172** | **-** |

Assets held for trading belonging to the Insurance companies, included in the item "Non-current assets and groups of assets held for sale" line as at 31 December 2014, amounted to EUR 6,305 thousand as at 31 December 2013.

2.1 Financial assets held for trading: product breakdown
2.1.1 Pertaining to the banking group

| | 31/12/2014 | | | 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| A. Balance-sheet assets | | | | | | |
| 1. Debt securities | 5,101 | - | 5 | 17,895 | 240 | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other | 5,101 | | 5 | 17,895 | 240 | - |
| 2. Equity instruments | 32 | - | - | 35 | - | - |
| 3. Units in investment funds | 1,591 | - | - | 38,572 | - | - |
| 4. Loans | - | - | - | - | - | - |
| 4.1 Repos | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total (A)** | **6,724** | **-** | **5** | **56,502** | **240** | **-** |
| B. Derivative instruments | | | | | | |
| 1. Financial derivatives: | 5 | 61,028 | - | 23 | 69,627 | - |
| 1.1 Trading | 5 | 8,604 | - | 23 | 24,536 | - |
| 1.2 Related to fair value option assets / liabilities | - | 52,424 | - | - | 45,091 | - |
| 1.3 Other | - | - | - | - | - | - |
| 2. Credit derivatives: | - | - | - | - | - | - |
| 2.1 Trading | - | - | - | - | - | - |
| 2.2 Related to fair value option assets / liabilities | - | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - | - |
| **Total (B)** | **5** | **61,028** | **-** | **23** | **69,627** | **-** |
| **Total (A+B)** | **6,729** | **61,028** | **5** | **56,525** | **69,867** | **-** |

## 2.2 Financial instruments held for trading: breakdown by debtors/issuers

| Items/Values | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Financial assets (non-derivatives) | | |
| 1. Debt securities | 5,106 | 24,440 |
| a) Governments and central banks | 4,940 | 17,657 |
| b) Other public-sector entities | - | 54 |
| c) Banks | 161 | 6,719 |
| d) Other issuers | 5 | 10 |
| 2. Equity instruments | 32 | 35 |
| a) Banks | - | - |
| b) Other issuers: | 32 | 35 |
| - Insurance companies | - | - |
| - Financial companies | 1 | 2 |
| - Non-financial companies | 33 | 33 |
| - Other | - | - |
| 3. Units investment funds | 1,591 | 38,572 |
| 4. Loans | - | - |
| a) Governments and Central Banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| **Total A** | **6,729** | **63,047** |
| B. Derivative instruments | | |
| a) Banks | 53,216 | 56,975 |
| - Fair value | 53,216 | 56,975 |
| b) Customers | 7,817 | 12,675 |
| - Fair value | 7,817 | 12,675 |
| **Total B** | **61,033** | **69,650** |
| **Total (A+B)** | **67,762** | **132,697** |

## 2.3 Financial assets held for trading: annual changes

| | Debt securities | Equity instruments | Units in investments funds | Loans | Total |
|---|---|---|---|---|---|
| A. Gross opening balance | 24,440 | 35 | 38,572 | - | 63,047 |
| B. Increases | 691,095 | 4,925 | 33,768 | - | 729,788 |
| B.1 Purchases | 689,849 | 4,861 | 33,566 | - | 728,276 |
| B.2 Positive changes in fair value | 49 | 1 | - | - | 50 |
| B.3 Other changes | 1,197 | 63 | 202 | - | 1,462 |
| C. Decreases | 710,429 | 4,928 | 70,749 | - | 786,106 |
| C.1 Sales | 695,900 | 4,841 | 70,734 | - | 771,475 |
| C.2 Redemptions | 6,606 | - | - | - | 6,606 |
| C.3 Negative changes in fair value | 10 | 2 | 2 | - | 14 |
| C.4 Transfers to other portfolios | - | - | - | - | - |
| C.5 Other changes | 7,913 | 85 | 13 | - | 8,011 |
| D. Closing balances | 5,106 | 32 | 1,591 | - | 6,729 |

SEZIONE 3

## FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – ITEM 30

3.1 Financial assets at fair value through profit or loss: product breakdown

| Items/Values | Total | | | Total | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Debt securities | - | - | - | - | 63,363 | - |
| 1.1 Structured securities | - | - | - | - | 63,363 | - |
| 1.2 Other debt securities | - | - | - | - | - | - |
| 2. Equity instruments | - | - | - | - | - | - |
| 3. Units in investment funds | - | - | - | 181,615 | - | - |
| 4. Loans | - | - | - | 13,655 | - | - |
| 4.1 Structured | - | - | - | - | - | - |
| 4.2 Other | - | - | - | 13,655 | - | - |
| **Total** | **-** | **-** | **-** | **195,270** | **63,363** | **-** |
| **Cost** | **-** | **-** | **-** | **179,324** | **86,701** | **-** |

Financial assets designated at fair value belonging to the Insurance companies which were included in the item "Non-current assets and groups of assets held for sale" as at 31 December 2014, amounted to EUR 258,633 thousand as at 31 December 2013 and accounted for the total amount of the item.

3.2 Financial assets at fair value: breakdown by issuer/borrower

| Items/Values | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Debt securities | - | 63,363 |
| a) Governments and central banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | 63,363 |
| d) Other issuers | - | - |
| 2. Equity instruments | - | - |
| a) Banks | - | - |
| b) Other issuers: | - | - |
| - insurance companies | - | - |
| - financial companies | - | - |
| - non-financial companies | - | - |
| - other | - | - |
| 3. Units investment funds | - | 181,615 |
| 4. Loans | - | 13,655 |
| a) Governments and central banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | 13,655 |
| d) Other entities | - | - |
| **Total** | **-** | **258,633** |

### 3.3 Financial assets designated at fair value: annual changes

| | Debt securities | Equity instruments | Units in investment funds | Loans | Total |
|---|---|---|---|---|---|
| A. Opening balance | 63,363 | - | 181,615 | 13,655 | 258,633 |
| B. Increases | - | - | - | - | - |
| B.1 Purchases | - | - | - | - | - |
| B.2 Positive changes in fair value | - | - | - | - | - |
| B.3 Other changes | - | - | - | - | - |
| C. Reductions | 63,364 | - | 181,615 | 13,654 | 258,633 |
| C.1 Sales | - | - | - | - | - |
| C.2 Redemptions | - | - | - | - | - |
| C.3 Negative changes in fair value | - | - | - | - | - |
| C.4 Other changes | 63,364 | - | 181,615 | 13,654 | 258,633 |
| **D. Closing balance** | **-** | **-** | **-** | **-** | **-** |

SECTION 4

## FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Available-for-sale financial instruments: product breakdown

| Items/Values | 31/12/2014 | | | 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Debt securities | 2,662,601 | 28,870 | - | 9,718,983 | 396,750 | 2,461 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other | 2,662,601 | 28,870 | - | 9,718,983 | 396,750 | 2,461 |
| 2. Equity instruments | 168 | - | 332,855 | 7,578 | - | 353,277 |
| 2.1 Designated at fair value | 168 | - | 306,535 | 7,578 | - | 309,946 |
| 2.2 Recognised at cost | - | - | 26,320 | - | - | 43,331 |
| 3. Units investment funds | 6,338 | 1,828 | 4,754 | 41,347 | 22,784 | 1,407 |
| 4. Loans | - | - | - | - | - | - |
| **Total** | **2,669,107** | **30,698** | **337,609** | **9,767,908** | **419,534** | **357,145** |

Financial assets available for sale belonging to the Insurance companies, included in the item "Non-current assets and groups of assets held for sale" as at 31 December 2014, amounted to EUR 4,294,763 thousand as at 31 December 2013.
Equity instruments for which the fair value cannot be reliably determined are designated at cost.

4.1 Available-for-sale financial instruments: product breakdown
4.1.1 Pertaining to the banking group

| Items/Values | 31/12/2014 | | | 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Debt securities | 2,662,601 | 28,870 | - | 5,787,098 | 42,133 | 1,080 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other | 2,662,601 | 28,870 | - | 5,787,098 | 42,133 | 1,080 |
| 2. Equity instruments | 168 | - | 332,855 | 2,829 | - | 352,719 |
| 2.1 Designated at fair value | 168 | - | 306,535 | 2,829 | - | 309,395 |
| 2.2 Recognised at cost | - | - | 26,320 | - | - | 43,324 |
| 3. Units investment funds | 6,338 | 1,828 | 4,754 | 39,774 | 22,784 | 1,407 |
| 4. Loans | - | - | - | - | - | - |
| **Total** | **2,669,107** | **30,698** | **337,609** | **5,829,701** | **64,917** | **355,206** |

4.2 Available-for-sale financial assets: breakdown by issuer / borrower

| Items/Values | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Debt securities | 2,691,471 | 10,118,194 |
| a) Governments and central banks | 2,655,675 | 8,893,330 |
| b) Other public-sector entities | - | - |
| c) Banks | 35,796 | 539,580 |
| d) Other issuers | - | 685,284 |
| 2. Equity instruments | 333,023 | 360,855 |
| a) Banks | 320,934 | 323,472 |
| b) Other issuers: | 12,089 | 37,383 |
| - insurance companies | - | 422 |
| - financial companies | 5,721 | 6,313 |
| - non-financial companies | 6,363 | 30,647 |
| - other | 5 | 1 |
| 3. Units in investment funds (including Private Equity funds) | 12,920 | 65,538 |
| 4. Loans | - | - |
| a) Governments and Central Banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other entities | - | - |
| Total | 3,037,414 | 10,544,587 |

4.3 Available-for-sale financial instruments: assets subject to micro hedging

| Items/Values | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Financial instruments subject to fair value micro hedging | 182,253 | 369,568 |
| a) Interest rate risk | 182,253 | 369,568 |
| b) currency risk | - | - |
| c) credit risk | - | - |
| d) multiple risks | - | - |
| 2. Financial instruments subject to cash flow micro hedging | - | - |
| a) interest rate risk | - | - |
| b) currency risk | - | - |
| c) other | - | - |
| Total | 182,253 | 369,568 |

The figures in the above table refer entirely to the Banking Group.

4.4 Available-for-sale financial assets: annual changes

| | Debt securities | Equity instruments | Units in investment funds | Loans | Total |
|---|---|---|---|---|---|
| A. Opening balance | 10,118,194 | 360,855 | 65,538 | - | 10,544,587 |
| B. Increases | 4,765,112 | 21,310 | 4,248 | - | 4,790,670 |
| B.1 Purchases | 4,572,922 | 3,611 | 2,611 | - | 4,579,144 |
| B.2 Positive changes in fair value | 22,600 | 73 | 281 | - | 22,954 |
| B.3 Write-backs | - | - | - | - | - |
| - related to P&L | - | X | - | - | - |
| - related to Equity | - | - | - | - | - |
| B.4 Transfers from other portfolios | - | - | - | - | - |
| B.5 Other changes | 169,590 | 17,626 | 1,356 | - | 188,572 |
| C. Decreases | 12,191,835 | 49,142 | 56,866 | - | 12,297,843 |
| C.1 Sales | 5,620,080 | 36,717 | 54,081 | - | 5,710,878 |
| C.2 Redemptions | 2,110,415 | 4,302 | - | - | 2,114,717 |
| C.3 Negative changes in fair value | 3,133 | 51 | 89 | - | 3,273 |
| C.4 Impairment write-downs | 87 | 1,276 | 88 | - | 1,451 |
| - through profit or loss | 87 | 1,276 | 88 | - | 1,451 |
| - in equity | - | - | - | - | - |
| C.5 Transfers to other portfolios | - | - | - | - | - |
| C.6 Other changes | 4,458,120 | 6,796 | 2,608 | - | 4,467,524 |
| D. Closing balances | 2,691,471 | 333,023 | 12,920 | - | 3,037,414 |

SECTION 6
# DUE FROM BANKS – ITEM 60

6.1 Due from banks: product breakdown

| Type of transaction / Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | FV | | | BV | FV | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| A. Loans to Central Banks | 85,147 | - | 85,147 | - | 186,038 | - | 186,038 | - |
| 1. Time deposits | - | X | X | X | - | X | X | X |
| 2. Compulsory reserves | 85,147 | X | X | X | 186,038 | X | X | X |
| 3. Repos | - | X | X | X | - | X | X | X |
| 4. Other | - | X | X | X | - | X | X | X |
| B. Loans to banks | 669,585 | 3,975 | 652,497 | 13,195 | 1,032,951 | 6,263 | 987,112 | 39,534 |
| 1. Loans | 659,709 | - | 652,197 | 7,761 | 923,111 | - | 915,502 | 7,607 |
| 1.1 Current accounts and demand deposits | 195,058 | X | X | X | 603,039 | X | X | X |
| 1.2 Time deposits | - | X | X | X | - | X | X | X |
| 1.3 Other loans: | 464,651 | X | X | X | 320,072 | X | X | X |
| - Repos | - | X | X | X | - | X | X | X |
| - Finance leases | - | X | X | X | - | X | X | X |
| - Other | 464,651 | X | X | X | 320,072 | X | X | X |
| 2. Debts securities | 9,876 | 3,975 | 300 | 5,434 | 109,840 | 6,263 | 71,610 | 31,927 |
| 2.1 Structured | - | X | X | X | - | X | X | X |
| 2.2 Other | 9,876 | X | X | X | 109,840 | X | X | X |
| Total | 754,732 | 3,975 | 737,644 | 13,195 | 1,218,989 | 6,263 | 1,173,150 | 39,534 |

Key
FV = Fair value
BV = Book value

Loans to banks belonging to the Insurance companies and other entities, included in the item "Non-current assets and groups of assets held for sale" as at 31 December 2014, amounted to EUR 30,664 thousand as at 31 December 2013.

6.1 Due from banks: product breakdown
6.1.1 Pertaining to the banking group

| Type of transaction / Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | FV | | | BV | FV | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| A. Loans to Central Banks | 85,147 | - | 85,147 | - | 186,038 | - | 186,038- | - |
| 1. Time deposits | - | X | X | X | - | X | X | X |
| 2. Compulsory reserves | 85,147 | X | X | X | 186,038 | X | X | X |
| 3. Repos | - | X | X | X | - | X | X | X |
| 4. Other | - | X | X | X | - | X | X | X |
| B. Loans to banks | 669,585 | 3,975 | 652,497 | 13,195 | 1,002,287 | 3,897 | 957,089 | 39,534 |
| 1. Loans | 659,711 | - | 652,197 | 7,761 | 922,850 | - | 915,241 | 7,607 |
| 1.1 Current accounts and demand deposits | 195,057 | X | X | X | 602,778 | X | X | X |
| 1.2 Time deposits | - | X | X | X | - | X | X | X |
| 1.3 Other loans: | 464,651 | X | X | X | 320,072 | X | X | X |
| - Repos | - | X | X | X | - | X | X | X |
| - Finance leases | - | X | X | X | - | X | X | X |
| - Other | 464,651 | X | X | X | 320,072 | X | X | X |
| 2. Debts securities | 9,876 | 3,975 | 300 | 5,434 | 79,437 | 3,897 | 41,848 | 31,927 |
| 2.1 Structured | - | X | X | X | - | X | X | X |
| 2.2 Other | 9,876 | X | X | X | 79,437 | X | X | X |
| Total | 754,732 | 3,975 | 737,644 | 13,195 | 1,188,325 | 3,897 | 1,143,127 | 39,534 |

6.2 Due from banks subject to micro-hedging

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Loans and receivables subject to micro-hedging of fair value | - | 48,223 |
| a) interest rate risk | - | 48,223 |
| b) currency risk | - | - |
| c) credit risk | - | - |
| d) multiple risks | - | - |
| 2. Loans and receivable subject to micro-hedging of cash-flow | - | - |
| a) interest rate risk | - | - |
| b) currency risk | - | - |
| c) expected transaction | - | - |
| d) other hedged activities | - | - |
| **Total** | **-** | **48,223** |

The figures in the above table refer entirely to the Banking Group.

SECTION 7

# LOANS TO CUSTOMERS – ITEM 70

7.1 Loans to customers: product breakdown

| Type of transaction / Values | Total 31/12/2014 | | | | | | Total 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book Value | | | Fair Value | | | Book Value | | | Fair Value | | |
| | Performing | Impaired | | L1 | L2 | L3 | Performing | Impaired | | L1 | L2 | L3 |
| | | Purchased | Other | | | | | Purchased | Other | | | |
| Loans | 19,786,015 | 9,631 | 3,883,957 | - | 21,499,038 | 3,895,250 | 21,743,272 | 14,873 | 3,618,765 | - | 23,300,377 | 3,642,876 |
| 1. Current accounts | 2,095,633 | 1,628 | 450,890 | X | X | X | 2,624,426 | 2,195 | 407,145 | X | X | X |
| 2. Repos | 3,699,294 | - | - | X | X | X | 2,676,576 | - | - | X | X | X |
| 3. Mortgages | 10,990,798 | 7,363 | 2,876,857 | X | X | X | 12,375,902 | 11,745 | 2,540,910 | X | X | X |
| 4. Credit cards and personal loans, incl. wage assignment loans | 90,751 | - | 2,776 | X | X | X | 634,324 | - | 8,836 | X | X | X |
| 5. Financial leasing | 616,515 | - | 126,039 | X | X | X | 643,074 | - | 157,706 | X | X | X |
| 6. Factoring | 53,549 | 151 | 47,141 | X | X | X | 80,123 | 143 | 52,863 | X | X | X |
| 7. Other loans | 2,239,475 | 489 | 380,254 | X | X | X | 2,708,847 | 790 | 451,305 | X | X | X |
| Debts securities | 3,228 | - | - | - | 3,738 | - | 99,449 | - | - | - | 98,218 | - |
| 8 Structured | - | - | - | X | X | X | - | - | - | X | X | X |
| 9 Other | 3,228 | - | - | X | X | X | 99,449 | - | - | X | X | X |
| Total | 19,789,243 | 9,631 | 3,883,957 | - | 21,502,776 | 3,895,250 | 21,842,721 | 14,873 | 3,618,765 | - | 23,398,595 | 3,642,876 |

Loans to customers belonging to the Insurance companies and other entities, included in the item "Non-current assets and groups of assets held for sale" as at 31 December 2014, amounted to EUR 178,098 as at 31 December 2013.

### 7.1 Loans to customers: product breakdown
### 7.1.1 Pertaining banking group

| Type of transaction / Values | Total 31/12/2014 | | | | | | Total 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book Value | | | Fair Value | | | Book Value | | | Fair Value | | |
| | Performing | Impaired | | L1 | L2 | L3 | Performing | Impaired | | L1 | L2 | L3 |
| | | Purchased | Other | | | | | Purchased | Other | | | |
| Loans | 19,786,015 | 9,631 | 3,883,957 | - | 21,499,038 | 3,895,250 | 21,637,973 | 14,873 | 3,618,765 | - | 23,195,078 | 3,642,876 |
| 1. Current accounts | 2,095,633 | 1,628 | 450,890 | X | X | X | 2,624,244 | 2,195 | 407,145 | X | X | X |
| 2. Repos | 3,699,294 | - | - | X | X | X | 2,676,576 | - | - | X | X | X |
| 3. Mortgages | 10,990,798 | 7,363 | 2,876,857 | X | X | X | 12,375,902 | 11,745 | 2,540,910 | X | X | X |
| 4. Credit cards and personal loans, incl. wage assignment loans | 90,751 | - | 2,776 | X | X | X | 632,671 | - | 8,836 | X | X | X |
| 5. Financial leasing | 616,515 | - | 126,039 | X | X | X | 643,074 | - | 157,706 | X | X | X |
| 6. Factoring | 53,549 | 151 | 47,141 | X | X | X | 80,123 | 143 | 52,863 | X | X | X |
| 7. Other loans | 2,239,475 | 489 | 380,254 | X | X | X | 2,605,385 | 790 | 451,305 | X | X | X |
| Debts securities | 3,228 | - | - | - | 3,738 | - | 26,650 | - | - | - | 24,631 | - |
| 8 Structured | - | - | - | X | X | X | - | - | - | X | X | X |
| 9 Other | 3,228 | - | - | X | X | X | 26,650 | - | - | X | X | X |
| Total | 19,789,243 | 9,631 | 3,883,957 | - | 21,502,776 | 3,895,250 | 21,664,623 | 14,873 | 3,618,765 | - | 23,219,709 | 3,642,876 |

### 7.2 Loans and receivables with customers: breakdown by issuer / borrower

| Type of transaction / Values | 31/12/2014 | | | 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | Performing | Impaired | | Performing | Impaired | |
| | | Purchased | Other | | Purchased | Other |
| 1. Debt securities issued by | 3,227 | - | - | 99,449 | - | - |
| a) Governments | - | - | - | 31,700 | - | - |
| b) Other public-sector entities | 753 | - | - | 877 | - | - |
| c) Other issuers | 2,474 | - | - | 66,872 | - | - |
| - non-financial companies | - | - | - | - | - | - |
| - financial companies | 2,474 | - | - | 63,963 | - | - |
| - insurance companies | - | - | - | - | - | - |
| - other | - | - | - | 2,909 | - | - |
| 2. Loans to: | 19,786,016 | 9,631 | 3,883,957 | 21,743,272 | 14,873 | 3,618,765 |
| a) Governments | 121,894 | - | - | 160,421 | - | - |
| b) Other public-sector entities | 822,551 | - | 674 | 914,865 | - | 7,565 |
| c) Other entities | 18,841,571 | 9,631 | 3,883,283 | 20,667,986 | 14,873 | 3,611,200 |
| - non-financial companies | 8,094,598 | 4,969 | 3,041,585 | 10,288,490 | 9,051 | 2,942,530 |
| - financial companies | 4,842,309 | - | 184,280 | 3,692,683 | - | 79,157 |
| - insurance companies | - | - | - | - | - | - |
| - other | 5,904,663 | 4,662 | 657,418 | 6,686,813 | 5,822 | 589,513 |
| Total | 19,789,243 | 9,631 | 3,883,957 | 21,842,721 | 14,873 | 3,618,765 |

7.3 Loans to customers subject to micro-hedging

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Loans and receivables subject to micro-hedging of fair value: | 558,654 | 514,552 |
| a) Interest rate risk | 558,654 | 514,552 |
| b) Currency risk | - | - |
| c) Credit risk | - | - |
| d) Multiple risks | - | - |
| 2. Loans and receivables subject to micro-hedging of cash flows | - | - |
| a) Interest rate risk | - | - |
| b) Currency risk | - | - |
| c) Expected transaction | - | - |
| d) Other hedging activities | - | - |
| Total | 558,654 | 514,552 |

The figures in the above table refer entirely to the Banking Group.

7.4 Financial leases

Amounts for financial lease transactions net of write-downs are shown in Table 7.1 for EUR 771,516 thousand (EUR 742,554 thousand of which recognised in item 5 and EUR 28,962 thousand referring to receivables on leases in progress included under Item 7). Non-performing financial leases amount to EUR 137,461 thousand, EUR 126,039 thousand of which are shown under item 5, and EUR 11,422 thousand under item 7 of table 7.1.

Total gross leasing investment amounts to EUR 1,322,344 thousand, whereas total implicit receivables, gross of write-downs, total EUR 784,503 thousand and are broken down into the following categories:

| | Initial gross investment | Gross implicit receivables |
|---|---|---|
| motor vehicles | 30,732 | 9,670 |
| equipment, plant and machinery | 207,049 | 102,207 |
| residential properties | 470,457 | 285,618 |
| industrial properties | 587,106 | 378,561 |
| boats | 23,530 | 7,988 |
| intangible assets (trademarks) | 3,470 | 459 |
| Total | 1,322,344 | 784,503 |

The breakdown by residual life is:

| Breakdown by remaining lease term | due | up to 1 year | between 1 and 5 years | over 5 years | indefinite | Total |
|---|---|---|---|---|---|---|
| Total gross leasing investment | 537,841 | 68,014 | 228,709 | 416,274 | 71,506 | 1,322,344 |
| Gross outstanding implicit receivables | | 68,014 | 228,709 | 416,274 | 71,506 | 784,503 |

Financial statement write-downs on loans deriving from leasing transactions totalled EUR 80,355 thousand.

Potential lease instalments were recorded during the year (involving the periodic index linking of interest), recognised as charges for the year for a total of EUR 13,188 thousand.

SECTION 8

## HEDGING DERIVATIVES – ITEM 80

8.1 Hedging derivatives: breakdown by hedging type and fair value hierarchy

| | FV 31/12/2014 | | | NV 31/12/2014 | FV 31/12/2013 | | | NV 31/12/2013 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| A) Financial derivatives | | | | | | | | |
| 1) Fair value | - | 201,525 | - | 2,933,106 | - | 125,788 | - | 2,105,942 |
| 2) Cash flows | - | - | - | - | - | 23 | - | - |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| B) Credit derivatives | | | | | | | | |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **201,525** | **-** | **2,933,106** | **-** | **125,811** | **-** | **2,105,942** |

*Key:*
*FV = fair value*
*NV = notional value*

The figures in the above table refer entirely to the Banking Group.

8.2 Hedging derivatives: breakdown by hedged assets and risk

| Transaction / Type of hedging | Fair value hedges | | | | | | Cash-flow hedges | | Net Investments on foreign subsidiaries |
|---|---|---|---|---|---|---|---|---|---|
| | Micro | | | | | Macro | Micro | Macro | |
| | Interest rate risk | Currency risk | Credit risk | Price risk | Multiple risk | | | | |
| 1.Available-for-sale financial instruments | - | - | - | - | - | x | - | x | x |
| 2. Loans and receivables | - | - | - | x | - | x | - | x | x |
| 3.Held-to-maturity investments | x | - | - | x | - | x | - | x | x |
| 4. Portfolio | x | x | x | x | x | - | x | - | x |
| 5. Other | - | - | - | - | - | x | - | x | - |
| Total assets | - | - | - | - | - | - | - | - | - |
| 1. Financial liabilities | 201,092 | - | - | x | - | x | - | x | x |
| 2. Portfolio | x | x | x | x | x | - | x | - | x |
| Total liabilities | 201,092 | - | - | - | - | - | - | - | - |
| 1.Highly probable transactions | x | x | x | x | x | x | - | x | x |
| 2. Financial assets and liabilities portfolio | x | x | x | x | x | 433 | x | - | - |

SECTION 10

## EQUITY INVESTMENTS – ITEM 100

10.1 Equity investments: information on investment relationships

| Company Name | Registered Office | Operating office | Type of relationship | Shareholding relationship | | Availability of votes (%) |
|---|---|---|---|---|---|---|
| | | | | held by | Shareholding % | |
| A. Subsidiaries subject to joint control | | | | | | |
| B. Companies subject to significant influence | | | | | | |
| 1 Autostrada dei Fiori SpA | Savona | Savona | Significant influence | Banca Carige SpA | 16.62 | |
| | | | | C. R. Savona SpA | 4.00 | |
| 2. Nuova Erzelli Srl | Genoa | Genoa | Significant influence | Banca Carige SpA | 40.00 | |

10.2 Significant interests: book vale, fair value and dividends earned

| Company Name | Book value (1) | Fair value (2) | Dividends earned |
|---|---|---|---|
| A. Subsidiaries | 346,151 | | |
| 1. Cassa di Risparmio di Savona SpA | 231,386 | - | - |
| 2. Banca del Monte di Lucca SpA | 49,239 | - | - |
| 3. Cassa di Risparmio di Carrara SpA | 65,526 | - | - |
| B. Subsidiaries subject to joint control | | | |
| C. Companies subject to significant influence | 91,205 | | |
| 1. Autostrada dei Fiori SpA | 91,205 | | 4,021 |
| Total | 437,356 | - | 4,021 |

(1) The reported book value is the value show in the Parent Company's separate financial statements, which is netted off in consolidation

(2) The *fair value* is only shown for listed securities

10.3 Significant interests: accounting information

| Company Name | Cash and cash equivalents | Financial assets | Non-financial assets | Financial liabilities | Non-financial liabilities | Total revenues (1) | Net Interest Income | Valuation adjustments to tangible and intangible assets: | Profit (loss) before tax from continuing operations | Profit (loss) after tax from continuing operations | Profit (loss) after tax from groups of assets held for sale | Net profit (loss) for the period (1) | Other comprehensive income, after tax (2) | Total comprehensive income (3) = (1) + (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A. Subsidiaries | | | | | | | | | | | | | | |
| 1. Cassa di Risparmio di Savona SpA | 25,021 | 1,613,919 | 105,797 | 1,530,459 | 61,447 | 66,098 | 39,071 | (841) | (9,080) | (3,579) | - | (3,579) | (1,348) | (4,927) |
| 2. Banca del Monte di Lucca SpA | 13,238 | 815,227 | 61,964 | 772,458 | 28,377 | 28,382 | 17,406 | (520) | (10,645) | (5,991) | - | (5,991) | (589) | (6,580) |
| 3. Cassa di Risparmio di Carrara SpA | 16,461 | 1,127,393 | 73,795 | 1,061,304 | 60,760 | 40,108 | 22,867 | (780) | (13,859) | (8,375) | - | (8,375) | (1,368) | (9,743) |
| B. Subsidiaries subject to joint control | | | | | | | | | | | | | | |
| C. Companies subject to significant influence | | | | | | | | | | | | | | |
| 1. Autostrada dei Fiori SpA (2) | 32,800 | 328,774 | 374,858 | 30,000 | 254,182 | 167,762 | (5,276) | (1,325) | 34,090 | 26,665 | - | 26,706 | - | 26,706 |
| Total | | | | | | | | | | | | | | |

(1) Total revenues means the total of item 120 "Net interest and other banking income" in the separate income statement
(2) Figures taken from the draft financial statements as at 31/12/2014 drawn up by the Directors

10.4 Non-significant interests: accounting information

| Company Name | Book value of equity investments | Total assets | Total liabilities | Total revenues | Profit (loss) after tax from continuing operations | Profit (loss) after tax from groups of assets held for sale | Net profit (loss) for the period (1) | Other comprehensive income, after tax (2) | Total comprehensive income (3) = (1) + (2) |
|---|---|---|---|---|---|---|---|---|---|
| Companies subject to joint control | | | | | | | | | |
| Companies subject to significant influence | | | | | | | | | |
| 1. Nuova Erzelli Srl (1) | 1,277 | 3,066 | 22 | - | (2,457) | - | (2,505) | - | (2,505) |

(1) Figures taken from the financial statements as at 31/12/2013 (latest financial statements approved)

## 10.5 Equity investments: changes in the year

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Opening balance | 91,552 | 90,164 |
| B. Increases | 1,987 | 1,388 |
| B.1 Purchases | - | - |
| B.2 Write-backs | | |
| B.3 Revaluations | - | - |
| B.4 Other increases | 1,987 | 1,388 |
| C. Decreases | 1,057 | - |
| C.1 Disposals | - | - |
| C.2 Write-downs | 1,052 | - |
| C.3 Other decreases | 5 | - |
| D. Closing balance | 92,482 | 91,552 |
| E. Total revaluation | | |
| F. Total write-downs | 1,052 | - |

Details of the changes are as follows:

| | |
|---|---|
| BANKING GROUP | |
| B. INCREASES | |
| ***OTHER INCREASES*** | |
| ***AUTOSTRADA DEI FIORI SPA*** | |
| Increase due to application of equity method based on 2014 reporting package | 1,927 |
| ***NUOVA ERZELLI Srl*** | |
| Capitalization loan granted | 60 |
| *Total other increases* | *1,987* |

C. DECREASES

| | |
|---|---|
| ***VALUE ADJUSTMENTS*** | |
| ***NUOVA ERZELLI Srl*** | 1,052 |
| *Total value adjustments* | ***1,052*** |

INSURANCE COMPANIES

C. DECREASES

| | |
|---|---|
| OTHER DECREASES | |
| ***SPORT E SICUREZZA SRL*** | 5 |
| Decrease due to classification as non-current assets and disposal groups held for sale | |
| *Total other decreases* | ***5*** |

SECTION 11

# TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES – ITEM 110

11.1 Reinsured portion of technical reserves: breakdown

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Non-life business | - | 100,650 |
| A1. Provision for unearned premiums | - | 6,605 |
| A2. Provision for outstanding claims | - | 94,045 |
| A3. Other insurance provisions | - | - |
| B. Life business | - | 54,583 |
| B1. Mathematical provisions | - | 50,866 |
| B2. Provision for outstanding claims | - | 3,261 |
| B3. Other insurance provisions | - | 456 |
| C. Provision for policies where the investment risk is borne by the policyholders | - | - |
| C1. Provision for policies where the performance is connected to investment funds and market indices | - | - |
| C2. Provision for pension funds | - | - |
| D. Total amounts ceded to reinsurers from insurance reserves | - | 155,233 |

Reinsurers' share of technical reserves belonging to the Insurance companies as at 31 December 2014 are posted to the item "Non-current assets and groups of assets held for sale".

SECTION 12

## PROPERTY AND EQUIPMENT – ITEM 120

12.1 Property and equipment used in the business: breakdown of assets carried at cost

| Activities/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1.1 Owned assets | 641,382 | 751,736 |
| a) land | 226,681 | 268,556 |
| b) buildings | 354,103 | 415,869 |
| c) office furniture and fittings | 3,088 | 6,378 |
| d) electronic systems | 17,583 | 18,485 |
| e) other | 39,927 | 42,448 |
| 1.2 Leased assets | 2,031 | 6,530 |
| a) land | - | 1,889 |
| b) buildings | - | 1,799 |
| c) office furniture and fittings | - | - |
| d) electronic systems | 2,031 | 2,842 |
| e) other | - | - |
| Total | 643,413 | 758,266 |

Property, plant and equipment used in the business belonging to the Insurance companies and other entities, included in the item "Non-current assets and groups of assets held for sale" as at 31 December 2014, amounted to EUR 98,190 thousand as at 31 December 2013.

12.1 Property and equipment used in the business: breakdown of assets carried at cost
12.1.1 Pertaining banking group

| Activities/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1.1 Owned assets | 641,382 | 654,045 |
| a) land | 226,681 | 228,564 |
| b) buildings | 354,103 | 362,304 |
| c) office furniture and fittings | 3,088 | 3,421 |
| d) electronic systems | 17,583 | 17,878 |
| e) other | 39,927 | 41,878 |
| 1.2 Leased assets | 2,031 | 6,031 |
| a) land | - | 1,707 |
| b) buildings | - | 1,482 |
| c) office furniture and fittings | - | - |
| d) electronic systems | 2,031 | 2,842 |
| e) other | - | - |
| Total | 643,413 | 660,076 |

12.2 Property and equipment: breakdown of assets carried at cost

| Activities/Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| 1. Owned assets | 126,347 | - | 144,898 | - | 312,611 | - | 321,623 | 34,968 |
| a) land | 57,600 | - | 57,600 | - | 139,677 | - | 146,736 | 16,332 |
| b) buildings | 68,747 | - | 87,298 | - | 172,934 | - | 174,887 | 18,636 |
| 2. Leased assets | - | - | - | - | - | - | - | - |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - | - | - |
| Total | 126,347 | - | 144,898 | - | 312,611 | - | 321,623 | 34,968 |

Property, plant and equipment held for investment purposes belonging to the Insurance companies and other entities, included in the "Non-current assets and groups of assets held for sale" line item as at 31 December 2014, amounted to EUR 190,301 thousand as at 31 December 2013.

12.2 Property and equipment: breakdown of assets carried at cost
12.2.1 Pertaining banking group

| Activities/Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| 1. Owned assets | 126,347 | - | 144,898 | - | 122,310 | - | 144,711 | - |
| a) land | 57,600 | - | 57,600 | - | 56,716 | - | 60,834 | - |
| b) buildings | 68,747 | - | 87,298 | - | 65,594 | - | 83,877 | - |
| 2. Leased assets | - | - | - | - | - | - | - | - |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - | - | - |
| Total | 126,347 | - | 144,898 | - | 122,310 | - | 144,711 | - |

12.5 Tangible assets used in the business: annual changes

| Activities/Values | Land | Buildings | Furniture | Electronic system | Other | Total |
|---|---|---|---|---|---|---|
| A. Gross opening balance | 270,445 | 485,792 | 41,527 | 81,735 | 94,544 | 974,043 |
| A.1 Total net reduction value | - | (68,124) | (35,148) | (60,408) | (52,097) | (215,777) |
| A.2 Net opening balance | 270,445 | 417,668 | 6,379 | 21,327 | 42,447 | 758,266 |
| B. Increase | 342 | 2,646 | 770 | 6,999 | 2,908 | 13,665 |
| B.1 Purchase | 342 | 1,298 | 770 | 6,999 | 2,908 | 12,317 |
| B.2 Capitalised expenditure on improvements | - | 1,348 | - | - | - | 1,348 |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Posit. changes in fair value allocated to: | - | - | - | - | - | - |
| - a) net equity | - | - | - | - | - | - |
| - b) profit & loss | - | - | - | - | - | - |
| B.5 Exchange difference | - | - | - | - | - | - |
| B.6 Transfer from investment properties | - | - | - | - | - | - |
| B.7 Other adjustment | - | - | - | - | - | - |
| C. Decreases | 44,106 | 66,211 | 4,061 | 8,712 | 5,428 | 128,518 |
| C.1 Sales | - | - | 14 | 7 | 21 | 42 |
| C.2 Amortization | - | 6,373 | 976 | 8,004 | 2,936 | 18,289 |
| C.3 Impairment losses allocated to: | 390 | 892 | - | - | - | 1,282 |
| - a) net equity | - | - | - | - | - | - |
| - b) profit & loss | 390 | 892 | - | - | - | 1,282 |
| C.4 Negat. changes in fair value allocated to: | - | - | - | - | - | - |
| - a) net equity | - | - | - | - | - | - |
| - b) profit & loss | - | - | - | - | - | - |
| C.5 Exchange difference | - | - | - | - | - | - |
| C.6 Transfer to: | 43,716 | 58,947 | 3,070 | 701 | 2,384 | 108,818 |
| - a) held-for-sales investments | 1,819 | 3,462 | - | - | - | 5,281 |
| - b) assets classified as held-for-sales | 41,897 | 55,485 | 3,070 | 701 | 2,384 | 103,537 |
| C.7 Other adjustments | - | (1) | 1 | - | 87 | 87 |
| D. Net closing balance | 226,681 | 354,103 | 3,088 | 19,614 | 39,927 | 643,413 |
| D.1 Total net write-down | - | (66,549) | (27,430) | (63,633) | (51,219) | (208,831) |
| D.2 Final gross balance | 226,681 | 420,652 | 30,518 | 83,247 | 91,146 | 852,244 |
| E. Carried at cost | - | - | - | - | - | - |

Property and equipment used in the business are measured at cost.
Sub-item E. “Carried at cost” has been left blank, as per Bank of Italy's instructions, as this only needs to be completed for assets accounted for at fair value.

## 12.6 Tangible assets held for investments: annual changes

| | Total | |
|---|---|---|
| | Land | Building |
| A. Opening balance | 139,677 | 172,934 |
| B. Increases | 3,520 | 8,297 |
| B.1 Purchases | 1,702 | 4,835 |
| B.2 Capitalised expenditure on improvements | - | - |
| B.3 Increases in fair value | - | - |
| B.4 Write backs | - | - |
| B.5 Positive exchange differences | - | - |
| B.6 Transfer from properties used in the business | 1,818 | 3,462 |
| B.7 Other changes | - | - |
| C. Reductions | 85,597 | 112,484 |
| C.1 Disposals | 517 | 1,993 |
| C.2 Depreciation | - | 1,256 |
| C.3 Negative changes in fair value | - | - |
| C.4 Impairment losses | - | - |
| C.5 Negative exchange difference | - | - |
| C.6 Transfers to | 85,021 | 109,117 |
| a) properties used in the business | - | - |
| b) non-current assets classified ad held for sale | 85,021 | 109,117 |
| C.7 Other changes | 59 | 118 |
| D. Closing balance | 57,600 | 68,747 |
| E. Measured at fair value | 57,564 | 87,156 |

## 12.7 Commitments for acquisition of tangible assets

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Assets for operational use | | |
| 1.1 property | - | 1,000 |
| - land | - | 270 |
| - buildings | - | 730 |
| - furniture | - | - |
| - electronic equipment | - | - |
| - other risks | - | - |
| 1.2 financial leasing | - | - |
| - land | - | - |
| - buildings | - | - |
| - furniture | - | - |
| - electronic equipment | - | - |
| - other risks | - | - |
| Total A | - | 1,000 |
| B. Assets held for investment purpose | | |
| 1.1 property | - | - |
| - land | - | - |
| - buildings | - | - |
| 1.2 financial leasing | - | - |
| - land | - | - |
| - buildings | - | - |
| Total B | - | - |
| Total (A+B) | - | 1,000 |

SECTION 13

## *INTANGIBLE ASSETS – ITEM 130*

13.1 Intangible assets: breakdown

| Activities/Values | 31/12/2014 | | 31/12/2013 | |
|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life |
| A.1 Goodwill | X | 57,145 | X | 106,479 |
| A.1.1 Attributable to the Group | X | 57,145 | X | 105,115 |
| A.1.2 Attributable to minorities | X | - | X | 1,364 |
| A.2 Other intangible assets | 59,003 | - | 81,588 | - |
| A.2.1 Assets valued at cost: | 59,003 | - | 81,588 | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | 59,003 | - | 81,588 | - |
| A.2.2 Assets valued at fair value: | - | - | - | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | **59,003** | **57,145** | **81,588** | **106,479** |

Intangible assets belonging to the Insurance companies, included in the item "Non-current assets and groups of assets held for sale" as at 31/12/2014, amounted to EUR 10,084 thousand as at 31/12/2013.

13.1 Intangible assets: breakdown
13.1.1 Pertaining banking group

| Activities/Values | 31/12/2014 | | 31/12/2013 | |
|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life |
| A.1 Goodwill | X | 57,145 | X | 106,479 |
| A.1.1 Attributable to the Group | X | 57,145 | X | 105,115 |
| A.1.2 Attributable to minorities | X | - | X | 1,364 |
| A.2 Other intangible assets | 59,003 | - | 71,504 | - |
| A.2.1 Assets valued at cost: | 59,003 | - | 71,504 | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | 59,003 | - | 71,504 | - |
| A.2.2 Assets valued at fair value: | - | - | - | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | **59,003** | **57,145** | **71,504** | **106,479** |

## 13.2 Intangible assets: annual changes

| | Goodwill | Other intangible assets: generated internally | | Other intangible assets: | | Total |
|---|---|---|---|---|---|---|
| | | Finite | indefinite | Finite | indefinite | |
| A. Gross opening balance | 1,816,137 | - | - | 237,123 | - | 2,053,260 |
| A.1 Total net reduction in value | (1,709,658) | - | - | (155,535) | - | (1,865,193) |
| A.2 Net opening balance | 106,479 | - | - | 81,588 | - | 188,067 |
| B. Increases | - | - | - | 18,377 | - | 18,377 |
| B.1 Puchases | - | - | - | 18,373 | - | 18,373 |
| B.2 Increases in intagible assets generated internally | X | - | - | - | - | - |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Increases in fair value: | - | - | - | - | - | - |
| - net equity | X | - | - | - | - | - |
| - profit & loss | X | - | - | - | - | - |
| B.5 Positive exchange differences | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | 4 | - | 4 |
| C. Reductions | 49,334 | - | - | 40,962 | - | 90,296 |
| C.1 Disposals | - | - | - | - | - | - |
| C.2 Write-downs | 15,919 | - | - | 28,594 | - | 44,513 |
| - Amortization | X | - | - | 28,594 | - | 28,594 |
| - Write-downs | 15,919 | - | - | - | - | 15,919 |
| + in equity | X | - | - | - | - | - |
| + profit & loss | 15,919 | - | - | - | - | 15,919 |
| C.3 Reduction in fair value | - | - | - | - | - | - |
| - in equity | X | - | - | - | - | - |
| - through profit or loss | X | - | - | - | - | - |
| C.4 Transfers to non-current assets held for sale | 33,415 | - | - | 12,368 | - | 45,783 |
| C.5 Negative exchange differences | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | - | - | - |
| D. Net closing balance | 57,145 | - | - | 59,003 | - | 116,148 |
| D.1 Total net reduction in value | (1,697,609) | - | - | (176,669) | - | (1,874,278) |
| E. Closing balance | 1,754,754 | - | - | 235,672 | - | 1,990,426 |
| F. Carried at cost | - | - | - | - | - | - |

Key:
DEF: definite duration
INDEF: indefinite duration

## Impairment test on goodwill

As at 31 December 2013, the recognised value of goodwill totalled EUR 106 mln. Following the changes resulting from the application of IFRS 5, which led to the full write-down of goodwill for the CGU Carige Assicurazioni S.p.A. (EUR 13.5 mln) and recognition under item 150 "Non-current assets and disposal groups held for sale" of the goodwill relating to the CGU Banca Cesare Ponti, intangible assets with an indefinite useful life are represented by goodwill relating to bank Cash Generating Units (CGUs; see IAS 36, paragraph 18) which, as at 31 December 2014, amounted to Euro 73.1 million (prior to the impairment test).

| *thousands of euro* | **Non-controlling interests' share of equity (a)** | ***o.w. Goodwill recognised in their separate fin. statements (b)*** | ***Residual goodwill for each CGU (c)*** | ***Total Residual (b+c)*** | **Carrying amount (a+c)** |
|---|---|---|---|---|---|
| Cassa di Risparmio di Savona | 146,565 | - | *57,145* | *57,145* | 203,710 |
| Cassa di Risparmio di Carrara | 94,434 | *13,642* | *2,277* | *15,919* | 96,711 |
| **Total** | **241,000** | ***13,642*** | ***59,422*** | ***73,064*** | **300,422** |

*Definition of the CGUs tested for impairment*. Under paragraph 22 of IAS 36, the recoverable amount should be determined for an individual asset where an asset does not generate cash inflows that are largely independent of those from other assets. In that case, the recoverable amount shall be determined for the cash-generating unit (CGU) which the asset belongs to. As at 31/12/2014 the CGUs tested for impairment were the subsidiary banks Cassa di Risparmio di Savona and Cassa di Risparmio di Carrara. Their carrying amount totalling EUR 300.4 mln, is the sum of its share of equity and residual goodwill, amounting to EUR 73.1 mln at the end of the year prior to the impairment test.
As a result of the *test* performed as at 31 December 2014, goodwill fell from EUR 73.1 mln to EUR 57.1 mln because of the identification of losses in value (*impairment*) according to the provisions of IAS 36. Reported below is the information provided for under the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010 and Consob Communication no. 0003907 of 19/01/2015.
IAS 36 requires the company to ensure that intangible assets with an indefinite useful life are carried at no more than their recoverable amount. This test must be performed at least once a year and, if there is evidence of impairment, at each financial statement date.
The impairment test procedure used by the Carige Group for the bank CGUs is described below, with the associated results.

Methodology used

The impairment testing method is based on the Excess Capital version of the Dividend Discount Model (DDM). Under this model, the recoverable value equals the present value of cash flows distributable by each CGU, namely the maximum amount of future dividends which may theoretically be distributed to the shareholders, on condition that certain capitalisation requirements are met (Common equity ratio). It is expressed by the following formula:

$$W = \sum_{K=1}^{n} Y_k \left(1 + Ke\right)^{(-k)} + Y_n \frac{(1+g)}{(Ke-g)} \left(1 + Ke\right)^{(-n)}$$

where:

W = recoverable value

n = period for the analytical evaluation of economic results, determined by taking into account the development of equity volumes, interest rates, net service revenues, costs and expenses and the cost of risk.

Yk = flow of dividends distributable in year k, calculated as the sum of net profits achieved each year between 1 and n, increased by the value of primary equity available and decreased by the capital requirement.

Ke = cost of capital calculated on the basis of the following formula:

Ke = Risk free interest rate + Equity risk premium * β coefficient

where:

- the *risk free* interest rate is equal to the average rate of return in the last two-year period of the investments in Italian ten-year Government bonds;
- the Equity risk premium is equal to the median of risk premiums assumed by equity analysts;
- the β coefficient represents the system risk sensitivity index (volatility of the security), relating to the Banca Carige ordinary share.

g = rate of long-term growth of distributable cash flows.

*Assessment time-frame*

The time-frame for assessing the profitability of the CGUs is an infinite period of time split into two sub-periods:

- a first sub-period for the analytical assessment of profit and loss results, determined by taking into account the development of balance sheet quantities and prices; this period was determined to be five years as per the Business Plan;
- a subsequent sub-period – of infinite duration – with reference to which the perpetual yield value (terminal value) was determined on the basis of the economic result of the last analytical evaluation year.

*Past performance of CGUs under test*

In the last three years the performance of the CGUs that were analysed highlighted a decrease in both revenue and in net income from financial activities. This last trend is linked with high value adjustments made by the Group. These phenomena are related to the crisis that the Italian economy is going through as well as the process of far-reaching corporate restructuring that the Group is conducting.
In the persistently weak and uncertain macroeconomic environment, the banking system continues to face difficulties in maintaining a proper balance of capitalisation, liquidity and profitability targets. In this difficult context, the Carige Group:

- in the 2015-2019 time-tame has planned to strengthen its capital position, preside over its risk profile and regain productivity in operations, through further improvement of the cost base and an evolution of the customer service model;
- as stated in the previous point, over the last two years boosted the stability of its capital, financial and credit situation above all thanks to the capital increase operation, the rebalancing of the liquidity profile and careful credit supervision.

In view of the far-reaching restructuring exercise of the Group, the CGUs can now be reasonably expected to restart a growth path on the basis of a system scenario that has been adopted by the Group and that is based on the one that was provided by a leading specialised firm in January 2015.

*Internal and external sources of information*

The Business plan underlying the 2014 Impairment test fits within the assumptions and guidance set forth by the 2014-2018 Business plan for the Carige Group, which was approved by the Parent Company's Board of Directors on 27 March 2014 and updated so as to take account, on the one hand, of the changing macro-economic environment and the latest preliminary results and 2019 estimates, and, on the other hand, of the preliminary forecasts of the 2015-2019 Business plan, which will be undergoing approval by the Board of Directors in March. Under this exercise, estimates excluded the cash flows connected with:

- improvements, optimisations or commercial developments still not implemented or which require investments which are still to be resolved or completed;
- any synergies from extraordinary corporate transactions and any future restructuring the Bank has still not committed to.

Taking into account the forecasts of the main macroeconomic indicators in the following table, such growth was submitted for the approval of the Board of Directors of the Parent company separately and autonomously on 11 February 2015.

| values in % | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **REAL ECONOMY** | | | | | | |
| GDP | -0.40 | 0.70 | 1.40 | 1.30 | 1.50 | 1.40 |
| Avg. annual inflation rate | 0.20 | -0.20 | 1.20 | 1.60 | 1.90 | 1.80 |
| Italian banking system: growth in loans | 0.10 | 2.30 | 3.70 | 3.90 | 4.10 | 3.30 |
| 3-month Euribor rate | 0.21 | 0.05 | 0.05 | 0.13 | 0.33 | 0.66 |

In qualitative terms, the valuation exercise was developed on the basis of the following guidelines:

- from the forecast of a leading specialised firm, processed at a national scenario level, from the point of view of real variables (GDP, inflation trend, consumption, unemployment rate. etc.), the point of view of financial variables (main interest rate trends; official discount rate, Euribor rates, government bond interest rates), as well as from the point of view of reference market variables (growth of the banking business). Usually the leading specialised firm makes such forecasts on a three year basis, but some "key" variables (banking market growth, reference interest rates) are calculated over a five year time-frame. Moreover, once again with the help of the leading specialised firm, the forecast growth in banking business is subsequently adapted to the territorial and productive characteristics, the product portfolio and the customers of the individual CGUs, with the objective of creating a better model of their possible growth;
- from the data covering the 12 months of 2014;

Notwithstanding the fact that the external sources used highlighted less favourable contextual conditions with respect to the past for the development of the CGU operations which were tested, it is believed that the efforts made by the Group in recent years should enable a recovery of the brokerage business of which the CGUs represent an important part in the territorial distribution channel.

*Future projections: the evolution of equity, interest rates and economic parameters*

Regarding the setting up of the scenario which served as a basis for the test, the support of the external company, in addition to providing a national economic and financial scenario, rearranged the brokerage business of the individual bank CGUs into segment/territory combinations, following a microfounded approach, and in comparing each combination with the reference market, highlighting the possible growth in each possible area of intersection which, when added up, enabled the determination of the real potential for growth. This potential was quantified for each combination in the following components:

- DT1 growth, which represents the growth forecast at the System level for specific segment/territory intersections with reference to the overall funding and the amount loaned;
- DT2 growth, which represents the change of productivity of the various Carige Group branches with respect to the competition that can be recovered in one year;
- DT3 growth, which represents the residual growth that can be obtained in one specific segment/territory combination with specific sales activities.

It is on the basis of these hypotheses therefore that the banking business growth of the CGUs that were subjected to an *impairment test* was founded.
The interest rates of the individual funding and loan macroproducts on the other hand were derived through index-linking with reference interest rates and estimating future mark-ups of medium to long term futures consistent with the adopted scenario.
Regarding the other income statement parameters (earnings from services, personnel costs, losses/reversals on credits and income tax), it should be specified that these have been estimated starting from an internal model that index links them to the determining keys provided by the company specialised for the system.

*The discount rate, the perpetuity growth rate, the minimum required equity that must be met, the terminal value and the methodology for determining risk-weighted assets*

The 8.95% discount rate (Ke), rounded up to 9% was determined on the basis of the following evidence:

- risk free interest rate of 3.56%;
- the equity risk premium of 5%;
- coefficient β of 1.08

The long term growth rate (g) was fixed to be the actual long term GDP growth rate of 1.33%; greatly more conservative with respect to the rate of inflation forecast for the end of 2017, consistently with the scenario of interest rates that are significantly lower with respect to last year.

The *Common equity ratio*, which is the ratio between *common equity* and the value of risk-weighted assets, was fixed at 11.5% for the whole 2014 – 2017 period, and subsequently, starting from 2018, it was lowered to 10%. With respect to the previous *impairment test*, it was decided to adopt a significant increment for this parameter (previously set at 8% - 8,5% in the plan time-frame) in consideration of the conservative review and evaluation process (the so-called *Supervisory Review and Evaluation Process*, *SREP*) in progress with the European Central Bank. In this respect, it should be noted that, following the transfer of banking supervision to the European Supervisory Authority and upon completion of the Comprehensive Assessment which consisted in a join up exercise between the stress tests and the Asset Quality Review (AQR) carried out by the group last year, a capital shortfall was highlighted and this required the presentation of a Capital Plan to identify the measures to be adopted.
In formulating the projections used to estimate the value in use, the Bank applied both the standardised approach and its AIRB model (from 2016) to forecast the amount of Risk Weighted Assets (RWA) and the ensuing capital absorption. Despite the fact that the AIRB does not constitute an improvement that modifies the actual cash flows of the Bank, but rather the application of an estimate method which makes it possible to evaluate the actual level of risk of the loan portfolio the Bank has prudentially adopted the standardised approach in light of the results from the recent Comprehensive Assessment and of the developments introduced by the Single Supervisory Mechanism (SSM).

Finally, in carrying out the *test*, the *terminal value* was not normalised, assuming that the result of the fifth year represents the best *proxy* of the result of the individual CGUs of the Group.

*Impairment test results*

The results of the impairment test highlighted the need to carry out value adjustments to the goodwill of the CGU Cassa di Risparmio di Carrara, as highlighted in the following table:

| | Values as at 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| Banks | Share of Value in use (a) | Carrying amount before impairment test (b) | *o.f. goodwill before impairment test (c)* | *Goodwill impairment (d)* | Carrying amount after impairment test (e = b+d) | *o.f. goodwill after impairment test (c)* |
| Carisa | 231,311 | 203,710 | *57,145* | *0* | 203,710 | *57,145* |
| Carrara | 57,363 | 96,711 | *15,919* | *-15,919* | 80,792 | - |
| **Total** | **288,675** | **300,422** | ***73,064*** | ***-15,919*** | **284,503** | ***57,145*** |

in €/1000

The pre-impairment value of Cassa di Risparmio di Carrara's goodwill amounted to EUR 15.9 mln; following the *impairment test*, it was entirely written down.

Regarding value reductions that exceed the amount calculated as an overall reduction of goodwill, it is believed that the uncertainty and volatility related to the current crisis render any exercise in estimation particularly delicate above all in relation to long term forecasts. In consideration of the above, as well as of sensitivity analysis results and of the composition of the assets/liabilities of the Cassa di Risparmio di Carrara (mainly loans, financial assets and property that have already been tested for impairment on the basis of individually applicable accounting standards), there was no recourse to a further proportional distribution of such residual parts on the bank's other assets/liabilities.

*Sensitivity analysis*

In order to fully appreciate the sensitivity of the *impairment test*, the Bank developed a *sensitivity* analysis of the value in use by considering variations of two parameters, cost of capital (Ke) and growth rate (g), increasing and decreasing by 25 bps. More specifically:

- an increase and decrease of 25 bps in the cost of capital (Ke), therefore fixed at 9.25% and 8.75%;
- upward and downward shifts in the constant growth rate (g); in particular the value was increased and decreased by 25 bps.

The sensitivity analysis was carried out by taking into consideration the changes in the two parameters, both separately and jointly, and produced the results which are summarised in the table below, expressed in terms of the percentage variation on the value in use.

| Sensitivity / CGU | Value in use December 2014 | Change in value in use | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | cost of equity "Ke" | | long-term growth rate "g" | | Ke + 25 bps g - 25 bps | Ke - 25 bps g - 25 bps | Ke + 25 bps g + 25 bps | Ke - 25 bps g + 25 bps |
| | | + 25 bps | - 25 bps | + 25 bps | - 25 bps | | | | |
| Carisa | 231,311 | -2.94% | 3.14% | 1.31% | -1.05% | -3.89% | 1.98% | -1.76% | 4.60% |
| Carrara | 57,363 | -3.12% | 3.33% | -0.44% | 0.35% | -2.72% | 3.62% | -3.61% | 2.95% |

*Amounts in EUR/000 and percentages*

In support of the *impairment test* carried out by the relevant units of Banca Carige, a specific assignment was commissioned to a long standing Advisory Firm which produced a *Fairness Opinion* on the accuracy and appropriateness of the internal valuations. The fairness opinion, issued to the Parent company on 10 February 2015, confirmed the Bank's appraisals.

SECTION 14

## *TAX ASSETS AND TAX LIABILITIES – ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)*

14.1 1. Deferred tax assets: breakdown

Offsetting the income statement item.

Deferred tax assets were recognised for a total of EUR 873,342 thousand.

The most significant items taken into account in the calculation of deferred tax assets were:

a) write-downs on loans exceeding the deductible limit in the year (0.30% of the value of loans in the financial statements until 2012), equal to four-fifths, following changes made during 2013 by means of Law no. 147 of 27.12.2013 – IRES and IRAP deferred tax assets starting from 2013;
b) provisions to the employee supplementary pension plan – prepaid IRES only;
c) off-balance sheet deduction of 18 years of devalued goodwill and 10 years of aligned goodwill - deferred IRES and IRAP tax;
d) tax losses carried forward in successive years.

Offsetting the shareholders' equity item.

Deferred tax assets were recognised for a total of EUR 124,712 thousand.

The tax assets in question mainly refer to:

a) the valuation of cash flow hedges (CFH) offsetting a shareholders' equity reserve;
b) accessory expenses in share capital increases;
c) the fair value measurement of equities and debt securities classified as available-for-sale (AFS);
d) provisions to the employee supplementary pension fund.

2. Current tax assets: breakdown

Recorded current tax assets amounted to EUR 1,034,463 thousand and refer mainly to:

a) tax credits on indirect tax prepayments for 2014;
b) tax credits for IRES pertaining to 2014; Banca Carige has, as consolidating company, adopted the special tax consolidation (art. 117 et seq., Consolidated Income Tax Law [TUIR]) along with the other Group banks, insurance companies and the other companies Columbus Carige Immobiliare S.p.A., Immobiliare Carisa S.r.l., Assi 90 S.r.l., I.H. Roma S.r.l., Dafne Immobiliare S.r.l. and Creditis Servizi Finanziari S.p.A.;
c) tax credits for advances paid for IRAP purposes;
d) tax credit pursuant to Law 214/2011, originating from the transformation of assets related to tax paid in advance that took place following a loss and/or a fiscal loss in 2013 for some Group companies;
e) tax credits from prior years awaiting refund.

14.2 1. Deferred tax liabilities: breakdown

Offsetting the income statement item.

Deferred tax liabilities were recognised for a total of EUR 7,719 thousand.

The most significant items taken into account in the calculation of deferred tax liabilities were:

a) transactions regarding the accounts with the Parent company of the securitisation companies;
b) tax on interest on receivables that has been booked but not yet cashed.

Offsetting the shareholders' equity item.

Deferred tax liabilities were recognised for a total of EUR 3,811 thousand and mainly refer to the fair value measurement of securities (equity and debt) classified as available-for-sale (AFS).

2. Current tax liabilities: breakdown

Current tax liabilities recorded amounted to EUR 12,891 thousand and refer mainly to:

a) tax payables for IRAP accruing to 2013;
b) tax liabilities for doubtful outcomes on tax credits awaiting refund;
c) liabilities for other indirect taxes (VAT, stamp duty, substitute tax on medium-and long-term loans, etc.).

14.3 Deferred tax assets: annual changes (balancing P&L)

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 1,675,381 | 951,837 |
| 2. Increases | 200,355 | 813,256 |
| 2.1 Deferred tax assets of the year | 200,355 | 808,916 |
| a) relating to previous years | 1,676 | 3 |
| b) due to change in accounting policies | - | - |
| c) write-backs | - | 29,014 |
| d) other (creation of temporary differences, use of TLCF) | 198,679 | 779,899 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | 4,340 |
| 3. Decreases | 1,002,394 | 89,712 |
| 3.1 Deferred tax assets derecognised in the year | 35,228 | 71,390 |
| a) reversals of temporary differences | 35,228 | 71,390 |
| b) write-downs of non-recoverable items | - | - |
| c) change in accounting policies | - | - |
| d) other | - | - |
| 3.2 Reduction in tax rates | 23 | - |
| 3.3 Other decreases | 967,143 | 18,322 |
| a) Conversion into tax credit under L. 214/2011 | 825,707 | - |
| b) Other | 141,436 | 18,322 |
| **4. Final amount** | **873,342** | **1,675,381** |

Deferred tax assets as a counter-item in the income statement belonging to the Insurance companies, which were included in the item "Non-current assets and groups of assets held for sale" as at 31/12/2014, amounted to EUR 121,349 thousand as at 31/12/2013.

### 14.3 Deferred tax assets: annual changes (balancing P&L)
### 14.3.a Pertaining to banking group

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 1,554,032 | 845,520 |
| 2. Increases | 200,355 | 779,902 |
| 2.1 Deferred tax assets of the year | 200,355 | 779,902 |
| a) relating to previous years | 1,676 | 3 |
| b) due to change in accounting policies | - | - |
| c) write-backs | - | - |
| d) other (creation of temporary differences, use of TLCF) | 198,679 | 779,899 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 881,045 | 71,390 |
| 3.1 Deferred tax assets derecognised in the year | 35,228 | 71,390 |
| a) reversals of temporary differences | 35,228 | 71,390 |
| b) write-downs of non-recoverable items | - | - |
| c) change in accounting policies | - | - |
| d) other | - | - |
| 3.2 Reduction in tax rates | 23 | - |
| 3.3 Other decreases | 845,794 | - |
| a) Conversion into tax credit under L. 214/2011 | 825,707 | - |
| b) Other | 20,087 | - |
| **4. Final amount** | **873,342** | **1,554,032** |

### 14.3.1 Deferred tax assets out of which for purposes of L. 214/2011: annual changes (balancing P&L)

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Opening balance | 1,425,756 | 786,629 |
| 2. Increases | 175,132 | 685,940 |
| 3. Decreases | 847,576 | 46,813 |
| 3.1 Reversals of temporary differences | 4,942 | 46,813 |
| 3.2 | 825,707 | - |
| a) from year losses | 786,932 | - |
| b) from tax losses | 38,775 | - |
| 3.3 Other decreases | 16,927 | - |
| **4. Final amount** | **753,312** | **1,425,756** |

The figures in the above table refer entirely to the Banking Group.

14.4 Deferred tax liabilities: annual changes (balancing P&L)

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 105,468 | 250,375 |
| 2. Increases | 5,510 | 21,511 |
| 2.1 Deferred tax liabilities of the year | 5,509 | 21,258 |
| a) relating to previous years | 25 | 19 |
| b) due to change in accounting policies | - | - |
| c) other | 5,484 | 21,239 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 1 | 253 |
| 3. Decreases | 103,259 | 166,418 |
| 3.1 Deferred tax liabilities derecognised in the year | 78,239 | 139,354 |
| a) reversals of temporary differences | 78,239 | 139,354 |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | 27 | - |
| 3.3 Other decreases | 24,993 | 27,064 |
| **4. Final amount** | **7,719** | **105,468** |

Deferred tax liabilities as a counter-item in the income statement belonging to the Insurance companies, which were included in the item "Liabilities associated with groups of assets held for sale" as at 31/12/2014, amounted to EUR 24,411 thousand as at 31/12/2013.

14.4 Deferred tax liabilities: annual changes (balancing P&L)
14.4.1 Pertaining banking group

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 81,057 | 198,897 |
| 2. Increases | 5,510 | 21,013 |
| 2.1 Deferred tax liabilities of the year | 5,509 | 21,013 |
| a) relating to previous years | 25 | 19 |
| b) due to change in accounting policies | - | - |
| c) other | 5,484 | 20,994 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 1 | - |
| 3. Decreases | 78,848 | 138,853 |
| 3.1 Deferred tax liabilities derecognised in the year | 78,201 | 138,807 |
| a) reversals of temporary differences | 78,201 | 138,807 |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | 27 | - |
| 3.3 Other decreases | 620 | 46 |
| 4. Final amount | 7,719 | 81,057 |

14.5 Deferred tax assets: annual changes ( balancing Net Equity)

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 109,631 | 349,148 |
| 2. Increases | 55,790 | 5,617 |
| 2.1 Deferred tax assets of the year | 55,748 | 79 |
| a) relating to previous years | - | - |
| b) due to change in accounting principles | - | - |
| c) other (creation of temporary differences) | 55,748 | 79 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | 42 | 5,538 |
| 3. Decreases | 40,709 | 245,134 |
| 3.1 Deferred tax assets derecognised in the year | 16,012 | 240,220 |
| a) reversals of temporary differences | 16,012 | 240,220 |
| b) writedowns of non-recoverable items | - | - |
| c) due to change in accounting principles | - | - |
| d) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 24,697 | 4,914 |
| **4. Final amount** | **124,712** | **109,631** |

Deferred tax assets as a counter-item in Shareholders' equity belonging to the Insurance companies and other entities, which were included in the item "Non-current assets and groups of assets held for sale" as at 31/12/2014, amounted to EUR 21,092 thousand as at 31/12/2013.

14.5 Deferred tax assets: annual changes ( balancing Net Equity)

14.5.1 Pertaining banking group

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 88,522 | 328,768 |
| 2. Increases | 55,790 | 143 |
| 2.1 Deferred tax assets of the year | 55,748 | 143 |
| a) relating to previous years | - | - |
| b) due to change in accounting principles | - | - |
| c) other (creation of temporary differences) | 55,748 | 143 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | 42 | - |
| 3. Decreases | 19,600 | 240,389 |
| 3.1 Deferred tax assets derecognised in the year | 16,712 | 240,220 |
| a) reversals of temporary differences | 16,712 | 240,220 |
| b) write-downs of non-recoverable items | - | - |
| c) due to change in accounting principles | - | - |
| d) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 2,888 | 169 |
| **4. Final amount** | **124,712** | **88,522** |

14.6 Deferred tax liabilities: annual changes ( balancing Net Equity)

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 52,091 | 11,278 |
| 2. Increases | 1 | 41,351 |
| 2.1 Deferred tax liabilities of the year | 1 | 19,108 |
| a) relating to previous years | - | - |
| b) due to change in accounting principles | - | - |
| c) Other (creation of temporary differences) | 1 | 19,108 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | - | 22,243 |
| 3. Decreases | 48,281 | 538 |
| 3.1 Deferred tax liabilities derecognised in the year | 11,614 | 422 |
| a) reversal of temporary differences | 11,614 | 422 |
| b) due to change in accounting principles | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 36,667 | 116 |
| **4. Final amount** | **3,811** | **52,091** |

Deferred tax liabilities as a counter-item in Shareholders' equity belonging to the Insurance companies, included in the item "Liabilities associated with groups of assets held for sale" as at 31/12/2014, amounted to EUR 36,616 thousand as at 31/12/2013.

14.6 Deferred tax liabilities: annual changes ( balancing Net Equity)
14.6.1 Pertaining banking group

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Opening balance | 15,475 | 2,186 |
| 2. Increases | 1 | 14,109 |
| 2.1 Deferred tax liabilities of the year | 1 | 14,109 |
| a) relating to previous years | - | - |
| b) due to change in accounting principles | - | - |
| c) Other (creation of temporary differences) | 1 | 14,109 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 11,665 | 820 |
| 3.1 Deferred tax liabilities derecognised in the year | 11,614 | 705 |
| a) reversal of temporary differences | 11,614 | 705 |
| b) due to change in accounting principles | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 51 | 115 |
| **4. Final amount** | **3,811** | **15,475** |

## 14.7 Other information

- Tax legislation.

In line with international accounting standards, deferred tax assets and deferred tax liabilities recognised to the financial statements were calculated at rates which, according to tax regulations in force as at 31/12/2014, will still be valid in the period in which the temporary differences are reversed.
Specifically, from 1 January 2008 the 2008 Budget Law, Law no. 244 of 24 December 2007 reduced, as of 01/01/2008, the IRES rate from 33% to 27.5% and the IRAP base rate from 4.25% to 3.90%.
The Law Decree no. 98, published in the Official Journal, General Series no. 155 of 6 July 2011, converted into Law no. 111 of 15 July 2011, which, in Art. 23, paragraphs 5 and 6 has changed the IRAP base rate to 4.65% for the banking sector and 5.90% for the insurance sector.
The coefficient of 0.9176 is maintained to reset the rates changed by the regions due to the application of the applicable surcharges.

Law No. 244/2007 also reinforced the principle of deriving company income from financial statements prepared according to international accounting standards. To this end, tax regulations were changed to envisage:

A) that for IAS subjects, the valuation criteria, matching principle and IAS financial statements classification prevail over the provisions of the Consolidated Income Tax Law (Article 83, TUIR);
B) a series of changes to other parts of the TUIR, to harmonise tax regulations to accounting rules with regard to valuation. An example of these changes is the requirement for tax significance in valuing trading book shares, financial assets other than shares and financial liabilities recognised to the income statement (see Art. 110, para. 1 bis and 1 ter of the TUIR).

To this effect, Ministerial Decree no. 48 of 1 April 2009, (the “IAS Decree”) clarified that “even the parties adopting IAS must apply the provisions of Chapter II, Section I of the Consolidated Act providing for quantitative limits on the deduction of negative components, or their exclusion or allocation to more than one tax period, or those that partially or fully exempt or exclude any positive components from the taxable income calculation, or permit allocation to more than one tax period, and those that establish the significance of positive or negative components for the year based, respectively, on their collection or payment”.

The 2008 Budget Law (Law 244 of 24 December 2007) also introduced changes in the calculation method for the IRAP tax base, establishing direct balance sheet item significance as classified according to the correct accounting standards.

More recently, Law no. 147 of 27.12.2013, published in the Official Journal on 27 December 2013, no. 302, Ordinary Section no. 87 (so-called “Stability Law 2014"), established that, for IRES purposes, effective from the current year ended as at 31 December 2013, credit and financial institutions can fully deduct losses realised during the year on loans to customers through factoring (art.106, paragraph 3, Consolidated Income Tax Law) and, in the year and four subsequent years, the write-downs on losses on loans to customers (art. 106, paragraph 3, Consolidated Income Tax Law).
This provision also modified IRAP regulations, providing the possibility of always deducting the value adjustments accounted for on loans to customers in fifths.

Write-downs and losses on loans to entities other than customers will, by contrast, continue to be deductible according to ordinary rules for IRES purposes (art. 101, paragraph 5 of the Consolidated Income Tax Law) and not deducted for IRAP purposes.

- Possibility of transforming advance taxes into tax credits.

Art. 2, paragraph 55 of Law Decree 225/2010 (the “Decreto Milleproroghe” converted to Law 10/2011) envisaged that, pending entry into force of the new Basel Accord, deferred tax assets recognised to the financial statements for loan write-downs (art. 106, paragraph 3, TUIR), goodwill and other intangible assets, the components of which are deductible over several tax years for income tax purposes, are transformed into tax credits if the separate financial statements of a company record a loss for the year. This transformation enters into force from approval of the financial statements closed with a loss, by an amount equal to the product of loss for the year and the ratio between deferred tax assets and total share capital-reserves.
Art. 8 of the Law Decree 201/2011 (the “Salva Italia” or “Save Italy” decree, converted to Law 214/2011), further expanded the possibility of converting deferred tax assets into cash, as already provided by the “Decreto Milleproroghe” (“One thousand extensions decree”) which made it possible to transform them into tax receivables, also in the event of tax loss, for the portion referred to said items, and to use the receivables to offset other tax liabilities or transfer such receivables to other Group companies or to request reimbursement of the amount.
This amendment, therefore, means that the recovery of the prepaid taxes in question and their subsequent calculation for Regulatory Capital purposes (pursuant to Basel 3) is practically certain.
More recently, Law no. 147 of 27.12.2013 (so-called “2014 Stability Law”) allowed, in the presence of a negative net value of production, for the conversion into tax credits of DTAs allocated for IRAP purposes in relation to write-downs and loan losses, and to the value of goodwill and other intangible assets.
This provision also definitively clears up the possibility of transforming IRAP DTAs on goodwill (and now also losses on impairment of loans) in the event a loss for the year is realised.
In 2014, following the approval of the 2013 financial statements showing a loss and/or with an income tax return reporting a tax loss, for various Group companies, the above mentioned transformation options for a loss of EUR 786.9 mln and fiscal losses of EUR 38.8 mln respectively (excluding those of Banca Cesare Ponti which are included in the "Non-current assets and groups of assets held for sale" line item for the respective amounts of EUR 6.1 mln and EUR 1.3 mln) materialised.
The tax paid in advance assets recorded in the balance sheet and singled out by the decree include goodwill for EUR 454.7 mln and provisions for loan loss for EUR 298.6 mln for a total of EUR 753.3 mln (see table 14.3.1).

- IAS 12 and "probability test" for the recognition of prepaid taxes.

IAS 12 requires deferred tax assets and liabilities to be recognised in accordance with the following criteria:

- temporary taxable differences: a deferred tax liability must be recorded for all temporary taxable differences;
- temporary deductible differences: a deferred tax asset must be recorded for all temporary deductible differences if taxable income is likely to be realised in respect of which the temporary deductible difference can be used.

The amount of prepaid taxes recorded in the financial statements must, therefore, be subject to testing every year, to verify whether it is reasonably likely that sufficient future taxable income will be realised with respect to the timing of its reversal.

In consideration of the significant amount of deferred tax assets recorded, also with regard to the 2014 financial statements, an analysis was conducted to verify whether the forecasts of future profitability are as such to ensure their re-absorption and therefore justify their recognition and maintenance in the financial statements (so-called "probability test").

In carrying out the probability test on prepaid taxes recorded in the Bank's financial statements as at 31 December 2014, those assets deriving from temporary deductible differences relating to write-downs of loans and goodwill were considered separately. It should be pointed out that, in this regard, article 2, paragraphs 55 to 57 of Law Decree no. 225/2010, converted to Law 214/2011, established the conversion to tax credits of said prepaid taxes recorded in the financial statements in the event of tax and/or statutory losses are realised.

This convertibility introduced an additional recovery method, which is suited to ensuring the recovery of qualified prepaid taxes in any situation, regardless of the company's future profitability. The convertibility of prepaid taxes which are determined from qualified temporary differences therefore constitutes an adequate basis for their recognition in the financial statements, in fact rendering the associated probability test fully superseded (see joint document from the Bank of Italy, Consob and ISVAP no. 5 of 15 May 2012, and subsequent IAS-ABI document no. 112 of 31 May 2012).

On the basis of such considerations, the probability test check centred on the amount of tax paid in advance that potentially cannot be converted into credit and it highlighted taxable earnings that are sufficient to absorb the tax paid in advance booked in the financial statements as at 31 December 2014 also taking into account the adoption of the consolidated IRES taxation option by the Banca Carige Parent company and other Group companies.

Out of total prepaid taxes booked to the financial statements of EUR 998,054 thousand, those relating to Law 214/2011 came to EUR 753,312 thousand.

- Deferred taxes on untaxed reserves.

No allocations were made for deferred tax liabilities on untaxed reserves, taking into account the fact that the distribution of untaxed reserves, equal to roughly EUR 211.6 million, was never verified in the past.

## 14.8 Tax disputes

As for possible tax risk profiles relating to the impugnation of the 2013 consolidated and Parent Company's separate financial statements by Consob, it should be noted that there's no ensuing change in the Parent Company's tax position, since the financial statements are assumed to be valid until a declaratory judgement of their invalidity is passed. It cannot be ruled out that, as a result of the impugnation, the Tax Administration may challenge the Group banks involved for violating the tax laws in force, via an incidental assessment based on the validity of the impugnated financial statements. Therefore, the risk for tax liabilities arising from the above mentioned impugnation is deemed unlikely.

Information about the individual Group companies is shown below.

### Banca Carige

Five liquidation notices were served in 2013 concerning the subjecting to tax of 14 medium/long-term pooled loans which were signed abroad.

On said loans, stipulated between 2009 and 2011 for a total amount of around EUR 447 mln, the Italian Inland Revenue is challenging the non-payment of tax of EUR 1.1 mln, plus interest and penalties of EUR 2.3 mln.

The Italian Inland Revenue's stance follows Resolution 20/E of 28/3/2013 in which it challenged the position taken by the company whereby it considered the loan agreements stipulated abroad not to be subject to substitute tax, based on the assumption that the parties in the contract had already reached an agreement and therefore concluded the contract prior to the formal signing and that, subsequently, said contract was "formed" in Italy.

This Resolution, however, seems to conflict with previous resolution no. 45 of 10 April 2000, which unequivocally ruled that the loan transactions entered into outside Italy, given they did not meet the tax jurisdiction requirement, were not subject to substitute tax on loans.

Appeals against the above liquidation notices were filed at the time.

Following further examination the Revenue Agency, having been expedited by protection requests, cancelled 4 of the 5 liquidation notices for which a "no contest" judgement was passed (with the additional tax claimed for an amount of EUR 0.8 mln in addition to fines and interest were cancelled).

Regarding the fifth notice (for EUR 0.3 mln of additional tax), favourable judgement was in any case passed in the first instance pending appeal.

Following the protection measures, a request was made for the repayment of the amounts paid while litigation was pending which, if already refunded in the meantime by financing parties, will be re-recognised at the moment of collection.

On 28/02/2014 the Genoa Provincial office of the Revenue Agency served a liquidation and correction notice to the Banca Carige levying a higher amount of registration tax (in addition to fines and interest) with reference to the deed of purchase of a company business unit bought from Banca del Monte dei Paschi di Siena in 2010.

This notice was based on the redetermination of the value of goodwill that was higher than what was previously indicated by the parties in the aforesaid deed, in particular the Office redetermined the value of goodwill from EUR 102,461,722 to EUR 140,167,758, resulting in levying a higher amount of registration tax, equal to EUR 455,116 in addition to fines of the same amount and interest. The Company submitted an appeal to the Provincial Tax Commission of Genoa.

Cassa di Risparmio di Carrara

On 03/03/2014 the Genoa Provincial office of the Revenue Agency served a liquidation and correction notice to the Company levying a higher amount of registration tax (in addition to fines and interest) with reference to the deed of purchase of a company business unit bought from Banca del Monte dei Paschi di Siena in 2010.

The liquidation and correction notice in question is based on the redetermination of goodwill to an amount that is greater than that indicated by the parties. In particular, the Tax Office redetermined the goodwill in question from EUR 13,642,160 to EUR 18,925,041. As a result of such redetermination the Tax Office requested the payment of additional registration tax for a value of EUR 77,248, in addition to fines for the same amount and interest.

The Company submitted an appeal to the Provincial Tax Commission of Genoa.

Banca del Monte di Lucca

On 07/03/2014 the Genoa Provincial office of the Revenue Agency served a liquidation and correction notice to the Company levying a higher amount of registration tax (in addition to fines and interest) with reference to the deed of purchase of a company business unit bought from Banca del Monte dei Paschi di Siena in 2010.

The liquidation and correction notice in question is based on the redetermination of goodwill to an amount that is greater than that indicated by the parties. In particular, the Tax Office redetermined the goodwill in question from EUR 9,210,173 to EUR 12,861,460. As a result of such redetermination the Tax Office requested the payment of additional registration tax for a value of EUR 53,257, in addition to fines for the same amount and interest.

The Company submitted an appeal to the Provincial Tax Commission of Genoa.

Carige Assicurazioni

In 2013 the Company was subjected to an assessment by the Revenue Agency with reference to IRES and IRAP tax and VAT for fiscal year 2009. The assessment was concluded on 29 November 2012 with an Assessment Report.

On 22/05/2014 the Revenue Agency served notice consisting of a Questionnaire on the subject of deduction of costs sustained with entities domiciled in countries with favourable tax regimes (black list of countries). In particular, the document focused mainly on costs sustained with reinsurance companies in Switzerland. The Company responded to the Questionnaire on 09/09/2014.

Based on the Assessment Report and the Questionnaire, on 19/12/2014 and 24/12/2014 the company was served with three notices of assessment and a dispute notice for a maximum amount of approximately EUR 3 mln in tax, fines and interest.

Going into the merits of the case, the following is noted:

- ✓ with reference to the disputed deduction of costs sustained in black list countries (for an overall amount of EUR 1.7 mln), possible arguments for opposition are being assessed that depend on the retrieval of the documentation that can demonstrate the validity of the exemptions as provided by the Law. A reinsurer has already supplied a tax certificate issued by the competent Cantonal authority, that is sufficient for the purpose of overruling the claim made by the Revenue Agency. The Company is actively looking for the missing certificates and is confident that the operation will be successful;

- ✓ an initial examination of the case regarding the presumed error in determining the reserves transferred to the reinsurers (additional earthquake, equalisation and ageing reserves), has identified arguments to enable a valid objection to the tax claimed (EUR 0.3 mln);
- ✓ it appears that the claimed undue deduction as costs of "loss on credits" (EUR 0.4 mln overall), can be opposed with arguments focused on the actual moment when it became certain that the credit was not recoverable.
- ✓ lastly, the notices once again recall the issue of applicability of VAT to the payment of commissions between insurers for delegated administrative services in the context of a coinsurance relationship. The deed will be appealed with minimum risk of exposure to liability, taking into account the prevailing trend in case law to recognise VAT exemption and the favourable outcome of disputes with similar claims for other fiscal years (EUR 0.2 mln).

Carige Vita Nuova Assicurazioni

Between 19 September and 16 December 2013, Carige Vita Nuova was subject to a tax inspection for the purposes of Direct Taxes, IRAP and VAT for the year 2009. During the assessment, the Inland Revenue also extended the control activities to the 2008 and 2010 tax periods, with targeted accesses solely for Direct Tax purposes.

While waiting for the notice of assessment the Company had prudentially allocated an overall reserve of EUR 2.6 mln in the 2013 financial statements.

At the end of April 2014, the Company was served with a summons to settle the dispute.

Regarding IRAP tax for 2009, the company has accepted the proposed settlement thereby enjoying the benefit of a reduction of the fine to 1/6 of the original amount. Upon payment of the sums due, in November 2010 Carige Vita Nuova submitted a request for the refund of excess IRAP tax paid for fiscal year 2010 in order to avoid double taxation phenomena.

Regarding the assessments for IRES 2009 and 2010 and IRAP 2010, these were settled by acceptance in December 2014. Even in this second case, further requests for the refund of the excess tax paid for fiscal years 2010, 2011, 2012 which is due as a result of the recovery of tax as determined by the Revenue Agency.

The settlements, in view of the reserves set aside in the 2013 financial statements generated a contingent asset for an amount of EUR 0.3 mln.

*** - ***

Lastly, it should be noted that:

- On 28 January 2015 a checking exercise began on Banca Carige's income tax for 2012 in accordance with and pursuant to the provisions of Article 2 of the Legislative Decree 68/2001, 32 and 33 of the Italian Presidential Decree No. 600 of 29 September 1973, in addition to Article 35 of Law No. 4/1929 was started by the *Guardia di Finanza* (the Italian Financial Guard - "GdF") – Genoa Tax Police Unit;
- targeted search access in accordance with Articles 57, 62 and 66 of the Legislative Decree No. 300 of 30 July 1999 in addition to Paragraph 3 of Article 4 of the Administrative Regulations of the Revenue Agency, to Banca Carige Italia in relation to direct taxation and VAT for fiscal years 2012 and 2013 began on 05 February 2015

SECTION 15

## NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES - ITEM 150 (ASSETS) AND ITEM 90 (LIABILITIES)

### 15.1 Non-current assets held for sale and discontinued operations: breakdown by assets

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Individual assets | | |
| A.1 Financial assets | - | - |
| A.2 Equity investments | - | - |
| A.3 Tangible assets | 100 | - |
| A.4 Intangible assets | - | - |
| A.5 Non current - Other | - | - |
| Total A | 100 | - |
| of which carried at cost | 100 | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| B. Asset group classified as held for sale (discontinued operations) | | |
| B.1 Financial assets held for trading | 74 | - |
| B.2 Financial assets designated at fair value | 189,442 | - |
| B.3 Available for sale financial assets | 5,177,060 | - |
| B.4 Held to maturity investments | - | - |
| B.5 Loans and receivables with banks | 30,481 | - |
| B.6 Loans and receivables with customers | 774,293 | - |
| B.7 Equity investments | 6 | - |
| B.8 Tangible assets | 92,103 | - |
| B.9 Intangible assets | 21,377 | - |
| B.10 Other assets | 569,832 | - |
| Total B | 6,854,668 | - |
| of which carried at cost | 960,717 | - |
| of which carried at fair value level 1 | 5,363,318 | - |
| of which carried at fair value level 2 | 530,484 | - |
| of which carried at fair value level 3 | 149 | - |

| | | |
|---|---|---|
| C. Liabilities included in disposal groups classified as held for sale | - | - |
| C.1 Deposits | - | - |
| C.2 Securities | - | - |
| C.3 Other liabilities | - | - |
| Total C | - | - |
| of which carried at cost | - | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| D. Liabilities included in disposal group classified as held for sale | | |
| D.1 Deposits from banks | (6) | - |
| D.2 Deposits from customers | (368,227) | - |
| D.3 Debt securities in issue | - | - |
| D.4 Financial liabilities held for trading | - | - |
| D.5 Financial liabilties designated at fair value | (207,721) | - |
| D.6 Reserve | (25,907) | - |
| D.7 Other Liabilities | (5,872,754) | - |
| Total D | (6,474,615) | - |
| of which carried at cost | (6,266,894) | - |
| of which carried at fair value level 1 | (207,721) | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |

The figures from the previous table are provided below with a breakdown between banking group, insurance companies and other companies.

## 15.1 Non-current assets held for sale and discontinued operations: breakdown by assets

### 15.1.1 Pertaining to the banking group

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Individual assets | | |
| A.1 Financial assets | - | - |
| A.2 Equity investments | - | - |
| A.3 Tangible assets | 100 | - |
| A.4 Intangible assets | - | - |
| A.5 Non-current - Other | - | - |
| Total A | 100 | - |
| of which carried at cost | 100 | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| B. Asset group classified as held for sale (discontinued operations) | | |
| B.1 Financial assets held for trading | 74 | - |
| B.2 Financial assets designated at fair value | - | - |
| B.3 Available for sale financial assets | 40,603 | - |
| B.4 Held to maturity investments | - | - |
| B.5 Loans and receivables with banks | 1,828 | - |
| B.6 Loans and receivables with customers | 619,557 | - |
| B.7 Equity investments | - | - |
| B.8 Tangible assets | 9,312 | - |
| B.9 Intangible assets | 21,377 | - |
| B.10 Other assets | 40,140 | - |
| Total B | 732,891 | - |
| of which carried at cost | 164,839 | - |
| of which carried at fair value level 1 | 40,677 | - |
| of which carried at fair value level 2 | 527,375 | - |
| of which carried at fair value level 3 | - | - |

| | | |
|---|---|---|
| C. Liabilities included in disposal groups classified as held for sale | - | - |
| C.1 Deposits | - | - |
| C.2 Securities | - | - |
| C.3 Other liabilities | - | - |
| Total C | - | - |
| of which carried at cost | - | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| D. Liabilities included in disposal group classified as held for sale | | |
| D.1 Deposits from banks | (6) | - |
| D.2 Deposits from customers | (364,391) | - |
| D.3 Debt securities in issue | - | - |
| D.4 Financial liabilities held for trading | - | - |
| D.5 Financial liabilities designated at fair value | - | - |
| D.6 Reserve | (310) | - |
| D.7 Other Liabilities | (10,229) | - |
| Total D | (374,936) | - |
| of which carried at cost | (374,936) | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |

15.1 Non-current assets held for sale and discontinued operations: breakdown by assets

## 15.1.2 Pertaining to insurance companies

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Individual assets | | |
| A.1 Financial assets | - | - |
| A.2 Equity investments | - | - |
| A.3 Tangible assets | - | - |
| A.4 Intangible assets | - | - |
| A.5 Non-current - Other | - | - |
| Total A | - | - |
| of which carried at cost | - | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| B. Asset group classified as held for sale (discontinued operations) | | |
| B.1 Financial assets held for trading | - | - |
| B.2 Financial assets designated at fair value | 189,442 | - |
| B.3 Available for sale financial assets | 5,136,457 | - |
| B.4 Held to maturity investments | - | - |
| B.5 Loans and receivables with banks | 28,637 | - |
| B.6 Loans and receivables with customers | 154,736 | - |
| B.7 Equity investments | 6 | - |
| B.8 Tangible assets | 67,183 | - |
| B.9 Intangible assets | - | - |
| B.10 Other assets | 522,345 | - |
| Total B | 6,098,806 | - |
| of which carried at cost | 772,907 | - |
| of which carried at fair value level 1 | 5,322,641 | - |
| of which carried at fair value level 2 | 3,109 | - |
| of which carried at fair value level 3 | 149 | - |

| | | |
|---|---|---|
| C. Liabilities included in disposal groups classified as held for sale | - | - |
| C.1 Deposits | - | - |
| C.2 Securities | - | - |
| C.3 Other liabilities | - | - |
| Total C | - | - |
| of which carried at cost | - | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| D. Liabilities included in disposal group classified as held for sale | | |
| D.1 Deposits from banks | - | - |
| D.2 Deposits from customers | (3,836) | - |
| D.3 Debt securities in issue | - | - |
| D.4 Financial liabilities held for trading | - | - |
| D.5 Financial liabilties designated at fair value | (207,721) | - |
| D.6 Reserve | (25,575) | - |
| D.7 Other Liabilities | (5,859,423) | - |
| Total D | (6,096,555) | - |
| of which carried at cost | (5,888,834) | - |
| of which carried at fair value level 1 | (207,721) | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |

## 15.1 Non-current assets held for sale and discontinued operations: breakdown by assets

### 15.1.3 Pertaining to other companies

| | 12/31/2014 | 12/31/2013 |
|---|---|---|
| A. Individual assets | | |
| A.1 Financial assets | - | - |
| A.2 Equity investments | - | - |
| A.3 Tangible assets | - | - |
| A.4 Intangible assets | - | - |
| A.5 Non-current - Other | - | - |
| Total A | - | - |
| of which carried at cost | - | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| B. Asset group classified as held for sale (discontinued operations) | | |
| B.1 Financial assets held for trading | - | - |
| B.2 Financial assets designated at fair value | - | - |
| B.3 Available for sale financial assets | - | - |
| B.4 Held to maturity investments | - | - |
| B.5 Loans and receivables with banks | 16 | - |
| B.6 Loans and receivables with customers | - | - |
| B.7 Equity investments | - | - |
| B.8 Tangible assets | 15,608 | - |
| B.9 Intangible assets | - | - |
| B.10 Other assets | 7,347 | - |
| Total B | 22,971 | - |
| of which carried at cost | 22,971 | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |

| | | |
|---|---|---|
| C. Liabilities included in disposal groups classified as held for sale | - | - |
| C.1 Deposits | - | - |
| C.2 Securities | - | - |
| C.3 Other liabilities | - | - |
| Total C | - | - |
| of which carried at cost | - | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |
| D. Liabilities included in disposal group classified as held for sale | | |
| D.1 Deposits from banks | - | - |
| D.2 Deposits from customers | - | - |
| D.3 Debt securities in issue | - | - |
| D.4 Financial liabilities held for trading | - | - |
| D.5 Financial liabilties designated at fair value | - | - |
| D.6 Reserve | (22) | - |
| D.7 Other Liabilities | (3,102) | - |
| Total D | (3,124) | - |
| of which carried at cost | (3,124) | - |
| of which carried at fair value level 1 | - | - |
| of which carried at fair value level 2 | - | - |
| of which carried at fair value level 3 | - | - |

SECTION 16

## *OTHER ASSETS - ITEM 160*

### 16.1 Other assets: breakdown

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Active item in transit | 14,553 | 10,843 |
| Bills and other securities for collection | 35,171 | 41,170 |
| Transit items receivable | 157,821 | 162,360 |
| C/a cheques drawn on third parties | 31,295 | 34,915 |
| C/a cheques drawn on bank | 4,017 | 4,258 |
| Advances paid to taxation for third parties | 18,380 | 17,968 |
| Guarantee deposits in own name | 3 | 8 |
| Revenues matured for collection | 75,073 | 78,312 |
| Improvements to third party leases assets | 2,070 | 2,678 |
| Other | 31,844 | 118,421 |
| Total | 370,227 | 470,933 |

LIABILITIES

SECTION 1

## DUE TO BANKS – ITEM 10

1.1 Due to banks: product breakdown

| Type of transaction/Values | | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| 1. Deposits from central banks | | 1,130,316 | 7,169,934 |
| 2. Deposits from banks | | 746,778 | 991,308 |
| 2.1 Other current accounts and demand deposits | | 92,639 | 379,172 |
| 2.2 Time deposits | | 403 | 16,165 |
| 2.3 Loans | | 557,504 | 500,389 |
| 2.3.1 Repos | | 49,811 | - |
| 2.3.2 Other | | 507,693 | 500,389 |
| 2.4 Liabilities in respect of commitments to repurchase treasury shares | | - | - |
| 2.5 Other debt | | 96,232 | 95,582 |
| Total | | 1,877,094 | 8,161,242 |
| | Fair value - level 1 | - | - |
| | Fair value - level 2 | 1,759,612 | 8,027,511 |
| | Fair value - level 3 | - | - |
| Total Fair value | | 1,759,612 | 8,027,511 |

The item "Deposits from central banks" for an amount of EUR 1.1 bn (L.T.R.O. of EUR 7.1 bn as at 31/12/2013) refers to refinancing operations with the European Central Bank (T.L.T.R.O.).

The figures in the above table refer entirely to the Banking Group.

SECTION 2

## DUE TO CUSTOMERS– ITEM 20

2.1 Due to customers: product breakdown

| Type of transaction/Values | | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| 1. Current accounts and demand deposits | | 12,850,328 | 12,794,190 |
| 2. Time deposits including saving deposits with maturity | | 1,877,180 | 1,442,277 |
| 3. Loans | | 2,403,566 | 382,033 |
| 3.1 Repos | | 2,395,867 | 376,440 |
| 3.2 Other | | 7,699 | 5,593 |
| 4. Liabilities in respect of commitments to repurchase treasury shares | | - | 9,890 |
| 5. Other | | 201,913 | 188,977 |
| Total | | 17,332,987 | 14,817,367 |
| | Fair value - level 1 | - | - |
| | Fair value - level 2 | 17,294,044 | 14,768,115 |
| | Fair value - level 3 | - | 9,890 |
| Fair value | | 17,294,044 | 14,778,005 |

Figures as at 31/12/2014 in the above table refer entirely to the Banking Group.
Deposits from customers belonging to the Insurance Companies, which were included in the item "Liabilities associated with groups of assets held for sale" as at 31/12/2014, amounted to EUR 1,626 thousand as at 31/12/2013.
The Banca Carige Group did not carry out any "long-term structured repo" transactions as defined by the joint Consob / Bank of Italy / Ivass communication dated 08 March 2013.

SECTION 3

## SECURITIES ISSUED – ITEM 30

3.1 Debt securities in issue: product breakdown

| Type of securities/Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance Sheet Value | *Fair Value* | | | Balance Sheet Value | *Fair Value* | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| A. Debts certificates including bonds | | | | | | | | |
| 1. Bonds | 8,088,826 | 7,173,766 | 800,667 | 102,210 | 9,170,315 | 8,163,550 | 814,537 | 48,518 |
| 1.1 structured | 102,210 | - | - | 102,210 | - | - | - | - |
| 1.2 other | 7,986,616 | 7,173,766 | 800,667 | - | 9,170,315 | 8,163,550 | 814,537 | 48,518 |
| 2. Other structured securities | 33,062 | - | 33,062 | - | 47,664 | - | 47,664 | - |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | 33,062 | - | 33,062 | - | 47,664 | - | 47,664 | - |
| Total | 8,121,888 | 7,173,766 | 833,729 | 102,210 | 9,217,979 | 8,163,550 | 862,201 | 48,518 |

Figures as at 31/12/2014 in the above table refer entirely to the Banking Group.
Securities issued belonging to the Insurance Companies, which were included in the item "Liabilities associated with groups of assets held for sale" as at 31/12/2014, amounted to EUR 505 thousand as at 31/12/2013.

### 3.2 Details of Item 30 "Securities issued": subordinated securities

| Issuing company | Security code | Nominal value | Book value | Currency | Interest rate | Maturity date |
|---|---|---|---|---|---|---|
| Banca Carige | XS0256396697 | 323,036 | 321,816 | Euro | 3-month Euribor + annual 42 bps spread with 60 bps increase from 6th year on | 07/06/2016 |
| Banca Carige | XS0372143296 | 100,000 | 99,516 | Euro | Fixed rate of 7.672% until 19/6/2013 - afterwards 3-month Euribor + 310 bps spread | 19/06/2018 |
| Banca Carige | XS0400411681 | 160,000 | 159,444 | Euro | Fixed rate of 8.338% p.a. until 4/12/2018 - afterwards 3-month Euribor + 550 bps spread | 31/12/2050 perpetual |
| Banca Carige | IT0004429137 | 135,000 | 135,051 | Euro | 3-month Euribor + annual 200 bps spread | 29/12/2018 |
| Banca Carige | XS0437305179 | 100,000 | 106,605 | Euro | Fixed rate of 6.14% p.a. | 29/06/2016 |
| Banca Carige | XS0524141057 | 20,000 | 21,840 | Euro | Fixed rate of 5.70% p.a. | 30/06/2017 |
| Banca Carige | XS0542283097 | 50,000 | 56,746 | Euro | Fixed rate of 5.70% p.a. | 17/09/2020 |
| Banca Carige | XS0570270370 | 200,000 | 199,541 | Euro | Fixed rate of 7.321% p.a. | 20/12/2020 |
| Argo Mortgage 2 | IT0003694137 | 26,800 | 26,820 | Euro | 6-month Euribor + annual 0.30 spread | 27/10/2043 |
| Argo Mortgage 2 | IT0003694145 | 21,650 | 21,686 | Euro | 6-month Euribor + annual 0.83 spread | 10/2043 |
| TOTAL | | 1,136,486 | 1,149,065 | | | |

Qualitative information on the subordinated securities issued and calculable is stated in Part "F" of the financial statements.

### 3.3 Breakdown of item 30 "Debt securities in issue subject to micro-hedging

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Securities subject to micro-hedging of fair value | 3,097,368 | 3,254,908 |
| a) Interest rate risk | 3,097,368 | 3,254,908 |
| b) Currency risk | - | - |
| c) Multiple risks | - | - |
| 2. Securities subject to micro-hedging of cash flows | - | - |
| a) Interest rate risk | - | - |
| b) Currency risk | - | - |
| c) Other | - | - |

SECTION 4

# FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: product breakdown

| Type of transaction/Values | 31/12/2014 | | | | | 31/12/2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV* | NV | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. Financial liabilities** | | | | | | | | | | |
| 1. Deposits from banks | - | - | - | - | - | - | - | - | - | - |
| 2. Deposits from customers | - | - | - | - | - | - | - | - | - | - |
| 3. Debt securities | - | - | - | - | - | - | - | - | - | - |
| 3.2 Bonds | - | - | - | - | - | - | - | - | - | - |
| 3.1.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 3.1.2 Other bond | - | - | - | - | x | - | - | - | - | x |
| 3.2 Other securities | - | - | - | - | - | - | - | - | - | - |
| 3.2.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 3.2.2 Other | - | - | - | - | x | - | - | - | - | x |
| Total A | - | - | - | - | - | - | - | - | - | - |
| **B. Derivative instruments** | | | | | | | | | | |
| 1. Financial derivatives | x | - | 11,667 | - | x | x | - | 14,567 | - | x |
| 1.1 Trading | x | - | 11,667 | - | x | x | - | 13,237 | - | x |
| 1.2 Related with fair value option | x | - | - | - | x | x | - | 1,330 | - | x |
| 1.3 Other | x | - | - | - | x | x | - | - | - | x |
| 2. Credits derivatives | x | - | - | - | x | x | - | - | - | x |
| 2.1 Trading | x | - | - | - | x | x | - | - | - | x |
| 2.2 Related with fair value option | x | - | - | - | x | x | - | - | - | x |
| 2.3 Other | x | - | - | - | x | x | - | - | - | x |
| Total B | x | - | 11,667 | - | x | x | - | 14,567 | - | x |
| Total (A+B) | x | - | 11,667 | - | x | x | - | 14,567 | - | x |

Key
FV = fair value
FV* = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The figures in the above table refer entirely to the Banking Group.

SECTION 5

# FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – ITEM 50

5.1 Financial liabilities at fair value through profit or loss: product breakdown

| Type of transaction/Values | 31/12/2014 | | | | | 31/12/2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV* | NV | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **1. Deposits from bank** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 1.2 Other | - | - | - | - | x | - | - | - | - | x |
| **2. Deposits from custc** | **-** | **-** | **-** | **-** | **-** | **276,877** | **276,877** | **-** | **-** | **276,877** |
| 2.1 Structured | - | - | - | - | x | 63,363 | 63,363 | - | - | x |
| 2.2 Other | - | - | - | - | x | 213,514 | 213,514 | - | - | x |
| **3. Debt securities** | **949,446** | **949,640** | **15,086** | **-** | **995,558** | **1,015,770** | **1,004,553** | **15,386** | **-** | **1,072,647** |
| 3.1 Structured | - | - | - | - | x | 449 | 455 | - | - | x |
| 3.2 Other | 949,446 | 949,640 | 15,086 | - | x | 1,015,321 | 1,004,098 | 15,386 | - | x |
| Total | 949,446 | 949,640 | 15,086 | - | 995,558 | 1,292,647 | 1,281,430 | 15,386 | - | 1,349,524 |

Key
FV = fair value
FV* = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets designated at fair value belonging to the Insurance companies which were included in the item "Liabilities associated with groups of assets held for sale" as at 31/12/2014, amounted to EUR 276,877 thousand as at 31/12/2013.

The Bank has attributed a fair value for bonds issued for derivative contracts connected to the interest rate risk, in order to avoid an accounting asymmetry with respect to the treatment reserved for the connected operating hedge derivatives. The latter are recorded until the specific items in tables “2.1 - Financial assets held for trading” and “4.1 - Financial liabilities held for trading” in part B of the Explanatory Notes.

5.1 Financial liabilities at fair value through profit or loss: product breakdown

5.1.1 Pertaining to the banking group

| Type of transaction/Values | 31/12/2014 | | | | | 31/12/2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV* | NV | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| 1. Deposits from banks | - | - | - | - | - | - | - | - | - | - |
| 1.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 1.2 Other | - | - | - | - | x | - | - | - | - | x |
| 2. Deposits from | - | - | - | - | - | - | - | - | - | - |
| 2.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 2.2 Other | - | - | - | - | x | - | - | - | - | x |
| 3. Debt securities | 949,446 | 949,640 | 15,086 | - | 995,558 | 1,015,770 | 1,004,553 | 15,386 | - | 1,072,647 |
| 3.1 Structured | - | - | - | - | x | 449 | 455 | - | - | x |
| 3.2 Other | 949,446 | 949,640 | 15,086 | - | x | 1,015,321 | 1,004,098 | 15,386 | - | x |
| Total | 949,446 | 949,640 | 15,086 | - | 995,558 | 1,015,770 | 1,004,553 | 15,386 | - | 1,072,647 |

5.3 Capital Stock - number of shares: annual changes

| | Deposits from banks | Deposits from customers | Debt securities in issue | Total |
|---|---|---|---|---|
| A. Opening balance | - | 276,877 | 1,019,939 | 1,296,816 |
| B. Increases | - | - | 38,255 | 38,255 |
| B1. Issues | - | - | 568 | 568 |
| B2. Sales | - | - | - | - |
| B3. Increases in fair value | - | - | 9,699 | 9,699 |
| B4. Other changes | - | - | 27,988 | 27,988 |
| C. Decreases | - | 276,877 | 93,468 | 370,345 |
| C1. Purchases | - | - | 67,292 | 67,292 |
| C.2 Redemptions | - | - | - | - |
| C.3 Negative changes in fair value | - | - | 334 | 334 |
| C4. Other changes | - | 276,877 | 25,842 | 302,719 |
| D. Closing balance | - | - | 964,726 | 964,726 |

SECTION 6

# HEDGING DERIVATIVES - ITEM 60

6.1 Hedging derivatives: breakdown by hedging type and fair value

| | Fair Value 12/31/2014 | | | NV 31/12/2014 | Fair Value 12/31/2013 | | | NV 31/12/2013 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| A. Financial derivatives | - | 515,252 | - | 1,785,784 | - | 457,998 | - | 3,214,634 |
| 1) Fair value | - | 280,038 | - | 865,428 | - | 289,089 | - | 2,200,740 |
| 2) Cash flows | - | 235,214 | - | 920,356 | - | 168,909 | - | 1,013,894 |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| B. Credit derivatives | - | - | - | - | - | - | - | - |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **515,252** | **-** | **1,785,784** | **-** | **457,998** | **-** | **3,214,634** |

NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Figures relate to the banking Group.

6.2 Hedging derivatives: breakdown by hedged items and risk type

| | Fair Value | | | | | | Cash flow | | |
|---|---|---|---|---|---|---|---|---|---|
| | Micro-hedge | | | | | | | | |
| 1. Available for sale financial assets | 63,985 | - | - | - | - | x | - | x | x |
| 2. Loans and receivables | 197,829 | - | - | x | - | x | - | x | x |
| 3. Held to maturity investments | x | - | - | x | - | x | - | x | x |
| 4. Portfolio | x | x | x | x | x | - | x | - | x |
| 5. Other | - | - | - | - | - | x | - | x | - |
| Total assets | 261,814 | - | - | - | - | - | - | - | - |
| 1. Financial liabilities | 40 | - | - | x | - | x | - | x | x |
| 2. Portfolio | x | x | x | x | x | - | x | 235,214 | x |
| Total liabilities | 40 | - | - | - | - | - | - | 235,214 | - |
| 1. Highly probable transactions | x | x | x | x | x | x | - | x | x |
| 2. Financial assets and liabilities portfolio | x | x | x | x | x | 18,184 | x | - | - |

SECTION 8

## TAX LIABILITIES – ITEM 80

Please refer to Section 14 - Assets for information relating to this section.

SECTION 9

## LIABILITIES ASSOCIATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS– ITEM 90

Please refer to Section 15 - Assets for information relating to this section.

SECTION 10

# OTHER LIABILITIES – ITEM 100

## 10.1 Other liabilities: breakdown

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| Security deposits received from third parties | 21 | 12 |
| Amounts to be paid to the tax authorities on behalf of third parties | 50,054 | 67,358 |
| Transit items due | 5,652 | 5,166 |
| Adjustment differences for bills portfolio | 131,963 | 151,559 |
| Unprocessed transactions | 186,050 | 221,737 |
| Amounts owed to suppliers | 72,612 | 91,720 |
| Amounts owed for staff costs | 45,180 | 24,206 |
| Costs accrued to be recognised | 13,817 | 17,518 |
| Amounts owed for guarantees and commitments | 57,436 | 41,038 |
| Other | 77,984 | 192,117 |
| **Total** | **640,768** | **812,430** |

SECTION 11

# EMPLOYEE TERMINATION INDEMNITIES – ITEM 110

11.1 Employee termination indemnities: annual changes

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| **A. Opening balance** | **89,232** | **91,652** |
| **B. Increases** | **4,245** | **4,364** |
| B.1 Provision of the year | 1,610 | 3,661 |
| B.2 Other increases | 2,635 | 703 |
| **C. Reductions** | **10,889** | **6,784** |
| C.1 Severance payments | 4,109 | 5,029 |
| C.2 Other decreases | 6,780 | 1,755 |
| **D. Closing balance** | **82,588** | **89,232** |

Figures as at 31/12/2014 refer entirely to the Banking Group. With regard to the comparative figure as at 31/12/2013, the provision for employee severance pay of the banking group was EUR 83,251 thousand.

Employee termination indemnities belonging to the Insurance companies and other entities, which were included in the item "Liabilities associated with groups of assets held for sale" as at 31/12/2014, amounted to EUR 5,981 thousand as at 31/12/2013.

11.2 Other information

The employee termination indemnities provision covers rights accrued as at 31/12/2014 by employees in accordance with current laws and national and supplementary company pay agreements.

Application of the new version of IAS 19 - Employee Benefits.

EC Regulation no. 475 of 5 June 2012 endorsed the new version of IAS 19 prescribing accounting and disclosure for employee benefits, which must be applied starting from the financial statements for the years that start on or after 1 January 2013.

The Banca Carige Group applied the newly formulated IAS 19 starting from 1 January 2012, according to the faculty of advanced application envisaged by the above-mentioned Regulation.

Description of provision for employee severance pay as a defined benefit plan.

The Consolidated Law on complementary social security (Legislative Decree No. 252/2005) makes it possible, on a voluntary basis, to allocate the employee termination indemnities, maturing as at 1/1/2007, to supplementary pension funds.
Companies with at least 50 employees shall pay the portions of employee termination indemnities not intended for supplementary pensions to the "Provision for disbursement to private sector employees pursuant to Article 2120 of the Italian Civil Code", managed by INPS [National Social Security Institute] and instituted by Law 296/2006 (2007 Budget Law).

Except for a residual part accruing in the first half of 2007, all accrued TFR amounts from 1 January 2007 must be paid into supplementary pension plans and/or to INPS.

These amounts constitute a "defined contribution plan": the expense for the Company is limited to the contributions set out as prescribed in the Italian Civil Code and it does not entail additional actuarial obligations for the Company, connected to the employee's future service.

However, the employee termination indemnities accrued as at 31 December 2006 still qualify, for accounting purposes, as a "defined benefit" plan providing post-employment benefits.

Application of IAS 19

As regards defined benefit plans, for accounting purposes the disaggregation of changes is envisaged for the three components: operational (service costs), financial (finance costs) and evaluation (remeasurement). The first two should be recognised in Income Statement, while the third should be recognised in Shareholders' Equity "Other Comprehensive Income" (OCI).

The operational component consists of the change in the obligation relating to:

- the service rendered by the employee in the current year (Current Service Cost, or CSC);

- the service rendered in previous years deriving from a change to the plan (Past Service Cost) or from a reduction thereof;
- actuarial gains or losses at the time of the extinction of the plan.

The financial component consists of the change in the obligation, during the year, deriving from the passage of time (Interest Cost or IC).
The evaluation component is represented by actuarial gains/losses.

Determination of the current value of obligations for defined benefits.

The valuation of future expense for employee termination indemnities was performed by an independent actuary in accordance with IAS 19 criteria for defined benefits plans. In particular, the approach called for a DBO calculation (Defined Benefit Obligation), i.e. of the average current value of defined benefit obligations accrued as at 31/12/2014 by staff employed on the calculation date for current and previous years.

It should be remembered that under current regulations, TFR-related service is considered accrued in full, and therefore the Current Service Cost (CSC) for this benefit is zero from 1 July 2007.

In addition, the TFR Interest Cost for 2014 was calculated by discounting the DBO as at 01/01/2014 by an annual rate of return equal to the service discount rate provided at the beginning of the year (2.00%), taking into account the changes in the liability as a result of the payment of contributions and benefits.

To arrive at a total DBO, future services due to each employee were estimated in cases of accrued entitlement to services on retirement on account of age or seniority, disability, death, resignation or an advance request.
Evaluations took account of Art. 24 of Law 214/2011 as regards access requisites to INPS pension schemes.

Demographic assumptions.

The following statistical sources with breakdown by age and gender were used:
- for the probability of death: ISTAT table for 2013 (ISTAT source – *Annuario statistico italiano 2014* the Italian statistical yearbook) appropriately reduced on the basis of Carige Group historical data;
- for the probability of retirement due to invalidity: figures were inferred from a survey on the credit sector and the experience regarding employees in the Carige Group;
- for the probability of resignation and/or dismissal: figures were compiled on the basis of Carige Group employee statistic.

Other estimates included:
- the maximum number of requests for advances that could be submitted;
- the frequency of requests for first advances and subsequent requests;
- the amount of TFR advance for each request.

Economic-financial assumptions.

Assumptions included a 2% annual inflation rate for the entire valuation period, a 2% annual remuneration growth rate for all employees' categories and for the entire valuation period and a 1% annual nominal discount rate (2.00% for the valuation as at 31/12/2013), in light of the average term to maturity of the CARIGE Banking Group's total liabilities for staff severance pay and Seniority Bonuses, and with reference to the interest rate curve of AA-rated securities issued by corporate issuers in the Euro area as at 31 December 2014.

SECTION 12

# ALLOWANCES FOR RISKS AND CHARGES – ITEM 120

12.1 Allowances for risk and charges: breakdown

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Provision to retirement payments and similar | 393,563 | 320,900 |
| 2. Other provisions | 52,448 | 54,515 |
| 2.1 Legal disputes | 19,234 | 33,875 |
| 2.2 Staff expenses | 29,938 | 7,266 |
| 2.3 Other | 3,276 | 13,374 |
| **Total** | **446,011** | **375,415** |

Provisions for risks and charges belonging to the Insurance companies and other entities, which were included in the item "Liabilities associated with groups of assets held for sale" as at 31/12/2014, amounted to EUR 26,213 thousand as at 31/12/2013

12.1 Allowances risk and charges: breakdown
12.1.1 Pertaining banking group

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 1. Provision to retirement payments and similar | 393,563 | 318,587 |
| 2. Other provisions | 52,448 | 30,615 |
| 2.1 Legal disputes | 19,234 | 18,562 |
| 2.2 Staff expences | 29,938 | 7,266 |
| 2.3 Other | 3,276 | 4,787 |
| **Total** | **446,011** | **349,202** |

## 12.2 Allowances for risks and charges: annual changes

| Items | Total | |
|---|---|---|
| | Pensions and post retirement benefit obligations | Other provisions |
| **A. Opening balance** | **320,900** | **54,515** |
| **B. Increases** | **90,853** | **35,535** |
| B.1 Provision for the year | 3,126 | 35,535 |
| B.2 Changes due to the passage of time | 10,536 | - |
| B.3 Difference due to discount-rate changes | 74,805 | - |
| B.4 Other increases | 2,386 | - |
| **C. Decreases** | **18,190** | **37,602** |
| C.1 Use during the year | 15,755 | 3,261 |
| C.2 Difference due to discount-rate changes | - | - |
| C.3 Other decreases | 2,435 | 34,341 |
| **D. Closing balance** | **393,563** | **52,448** |

12.3 Defined-benefit company pension funds:

There are company pension funds with Banca Carige S.p.A., Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A.
All three Funds are supplementary pension funds which already existed on entry into force of Law no. 421 of 23 October 1992 are subject to the supervision of the COVIP (Pension Fund Supervisory Commission) and have been registered since 14 October 1999 with the Registry of Pension Funds under special section III, respectively:

- under no. 9004, the Pension Fund of Banca Carige S.p.A.
- under no. 9026, the Pension Fund of Cassa di Risparmio di Savona S.p.A.
- under no. 9154, the Pension Fund of Cassa di Risparmio di Carrara S.p.A. ("Carrara Fund").

The Carige and Carisa Funds are defined benefit Funds, provided both for current employees and retired former employees. The Carrara Fund consists of two sections:

→ the "Supplementary regime" section with defined benefits for which the only subscribers are retired employees;

→ the "Additional, capitalization based regime", with defined contributions, to which personnel in employment that were hired before 30/06/2008 belong (starting from 01/01/2015 the section has been liquidated in accordance with the resolution passed on 10/11/2014 by the Board of Directors of Cassa di Risparmio di Carrara).

The Funds are closed to new participants.
The Funds are not structured in individual accounts (with the exception of the Carrara Fund, only for the defined contribution section).

Application of the new version of IAS 19 - Employee Benefits.

EC Regulation no. 475 of 5 June 2012 endorsed the new version of IAS 19 prescribing accounting and disclosure for employee benefits, which must be applied starting from the financial statements for the years that start on or after 1 January 2013.
The Banca Carige Group applied the newly formulated IAS 19 starting from 1 January 2012, according to the faculty of advanced application envisaged by the above-mentioned Regulation.

Classification of the Supplementary Pension Funds in accordance with IAS 19.

IAS 19 defines the accounting procedures for employee benefits, classifying such benefits according to the payment timing and to the degree of uncertainty in determining the Entity's obligation.
Pension benefits are classified as post-employment benefits and they are divided into defined contribution plans and defined benefit plans.
Defined benefit plans are characterised by the fact that actuarial and investment risks are not transferred to an outside party or to the employee, but fall on the Entity.
Accounting for defined benefit plans is complex because, to determine the value of the obligation and the cost, actuarial assumptions are necessary and there is a possibility that actuarial gains and losses may occur. Moreover, obligations are subject to discounting because they may be extinguished many years after the employees render the related service.

For IAS purposes, the aforesaid Funds (the Carrara Fund for the defined benefit section only) are post-employment defined benefit plans.

Determination of the present value of the obligation (Defined benefit Obligation).

The Entity's obligation concerns the payment of:
- direct pensions to retired employees;
- indirect pensions to survivors of employees who died while they were employed;
- dependants' pensions, to the survivors of former employees who died after retirement.

The right to receive a pension is obtained when reaching the requirements specified by the Regulation, but payment is subordinate to the liquidation of the INPS pension (pursuant to Italian Legislative Decree 124/1993 art. 18, paragraph 8-quinquies, introduced by Italian Law 335/1995 art. 15, which limited the supplementary pension benefits to only the supplementary part).

To determine the present value of the obligation, it is necessary:
- to determine the cost of current services (Current Service Cost) and, if the conditions are met, the cost of past services (Past Service Cost);
- to use the actuarial method of the unit projection of credit (also known as method of benefits accrued in proportion to the services rendered or with method of benefits/years of work);
- to estimate, with actuarial assumptions, the demographic and financial variables that will influence the cost of the benefits;
- to discount the benefits in order to determine the present value of the obligation;
- to subtract the fair value of the plan assets from the present value of the obligations.

The main demographic variables to be considered relate to the future characteristics of active employees and of pensioners (and of their dependants) that are entitled to the benefits. The demographic assumptions include aspects such as:
- mortality;
- staff turnover, invalidity and early retirement;
- percentage of participants in the plan with dependants who will be entitled to the benefits.

The main financial assumptions to be considered pertain to elements such as:
- the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and terms of the corporate bonds or government bonds shall be consistent with the currency and terms of the obligation;
- the level of the benefits provided by the plan;
- future estimated compensation raises that will influence the benefits to be paid.

The current value of the obligation was determined by an independent actuary using technical demographic, economic and financial bases in accordance with the aforesaid IAS 19 criteria.

The technical demographic bases used are the following:

- probability of death of the retired employees and their family members: inferred from the 2013 figures for the mortality rates in the Italian population (source: ISTAT – Annuario statistico italiano 2014) taking into account the progressive rise in life expectancy, inferred from the last projected tables published by ISTAT and referred to 2011-2065;
- probability of death of active employees: figures were calculated on the basis of the 2013 mortality table relating to the Italian population (source: ISTAT – Annuario statistico italiano 2014), taking account of both the increased life expectancy reported in recent years and the experience regarding employees in the Carige Group;
- probability of retirement due to invalidity: figures were inferred from a survey on the credit sector and the experience regarding employees in the Carige Group;
- probability of termination of employment for various reasons (resignation, firing): figures were inferred from the experience regarding employees in the Carige Group.

The definition of economic and financial assumptions led to the adoption of the following framework:

- annual inflation rate: 2% for the entire valuation period;
- nominal annual rate of increase in GDP: 2% from 2015 to 2017 and 3% from 2018 onward;
- rate of remuneration increase: 1.4% for 2015, 1.5% for 2016, 0.8% for 2017 and 2% from 2018 onwards for all categories;
- annual adjustment of the supplementary indemnity and INPS pension fund, according to provisions set out by regulations in force;
- annual discount rate of 2% (3.5% as at 31/12/2013 and 2.8% as at 30/06/2014), taking account of the residual average duration of the liabilities related to pension funds of the Group, amounting to approx. 16 years, and with reference to the rate curve of corporate issuers AA securities in the Euro area as at 31/12/2014.

The retirement payout and the measure of the public pension were calculated according to current regulations (Law no. 214/2011 - "Riforma Monti-Fornero").

<u>Level of the benefits provided by the plan and estimated future compensation raises.</u>

In every year of evaluation:

- for every active employee who has not attained requirements for retirement or who has not left the company for other causes of termination, the compensation raises, for contractual renewals, for seniority and for promotions were considered;
- for each retired participant, the amount of the pension to be paid was calculated;
- for each pensioner, the pension was revaluated, taking into account also the additional collected pensions, according to current law provisions regulating adjustments to pensions.

The definition of "plan assets" in accordance with IAS 19 prescribes that such assets:

→ are held by a fund that is <u>legally separate from the reporting Entity</u> and exists solely to pay or fund employee benefits

and

→ are available to be used only to pay or fund employee benefits, are not available to the reporting Entity's own creditors (even in bankruptcy), and cannot be returned to the reporting Entity, with strictly defined exceptions.

The Funds, lacking autonomous legal personality, are constituted by:
the Carige and Carisa funds, as accounting entries within the total assets of the Company, within which they are constituted; therefore, there are no plan assets;
the Carrara fund, as separate and autonomous assets in accordance with Article 2117 of the Italian Civil Code within the total assets of the Cassa; therefore, for the specific purposes of the determination of the obligation in accordance with IAS 19, the defined benefit plan assets are irrelevant. Hence, they were not deducted from the present value of the obligation.

Application of IAS 19.

As regards defined benefit plans, for accounting purposes the disaggregation of changes is envisaged for the three components: operational (service costs), financial (finance costs) and evaluation (remeasurement). The first two should be recognised in Income Statement, while the third should be recognised in Shareholders' Equity "Other Comprehensive Income" (OCI).
The operational component consists of the change in the obligation relating to:

- the service rendered by the employee in the current year (Current Service Cost, or CSC);
- the service rendered in previous years deriving from a change to the plan (Past Service Cost) or from a reduction thereof;
- actuarial gains or losses at the time of the extinction of the plan.

The financial component consists of the change in the obligation, during the year, deriving from the passage of time (Interest Cost or IC).
The evaluation component is represented by actuarial gains/losses.

12.4 Allowances for risks and charges - other allowances

Other long-term employee benefits.

The amounts as at 31/12/2014 do not include data relating to Banca Cesare Ponti S.p.A., which are included in item 90 - Liabilities associated with individual assets held for sale for an amount of EUR 238 thousand.

Funds related to access to the "Solidarity fund in support of income of Credit institutions' personnel" the so-called Redundancy Fund, transferred from the respective assignors in the context of the acquisition of Business Units from IntesaSanPaolo and Unicredit (for Banca Carige S.p.A. alone).
As at 31/12/2014 the amount totals EUR 34 thousand.

Fund for charges related to incentives for employment termination.
The provisions set aside are those related to the definitive financial benefits - essentially without the possibility of withdrawal from the offer - in favour of employees as an incentive for termination of employment. These incentives are recognised after a twelve month period following the end of the financial year. Considering the time-frame for the provision of these benefits (2016- 2018) no actuarial assessments were made: the amounts were discounted using the AA-rated corporate bonds curve as at 31/12/2014 for Eurozone corporate issuers.
As at 31/12/2014 the amount totals EUR 11,637 thousand.

Fund for restructuring charges related to incentives for employment termination.
The provisions set aside are those corresponding to the estimate of the benefits - for incentives for employment termination - from which it is still possible for the Company to withdraw. The provision was determined by applying the provisions of IAS37.
As at 31/12/2014 the amount totals EUR 5,376 thousand.

Fund for the one-off amount pursuant to agreement 30/9/2014.
The provisions set aside are those corresponding to the sum to be paid in June 2016 as part of the one-off amount as provided in the Agreement dated 30/09/2014, which is split into three instalments to be paid in November 2014, June 2015 and June 2016 respectively. Considering the forecasts related to the benefits, no actuarial assessments were made (the realisation of the debt was not carried out due to the irrelevance of the amount).
As at 31/12/2014 the amount totals EUR 9,131 thousand.

Seniority bonus.
The Seniority Bonus is an amount equal to one twelfth (one tenth for Cassa di Risparmio employees hired on or before 16 March 2007) of the annual contractual compensation, paid to the employee upon attainment of the 25th year of actual service (or the 20th and 30th year of service for Cassa di Risparmio di Carrara employees hired on or before 16 March 2007).

The Union Agreement of 30/09/2014 modified both the identification criteria of the recipients of the Seniority Bonus and its determination. In particular, starting from 01/01/2015, the Seniority Bonus will only be paid to employees who as at 01/01/2015 have matured no less than 6 years of service. In this case, the bonus will be paid to individuals entitled - who have been employed continuously and upon reaching the level of seniority as required by the company - prorated to the actual period of employment as at 30/09/2014, taking as a reference the annual contractual remuneration as at 30/09/2014 of each individual in question.

Based on the sub-division of the benefit plans as provided by the IAS 19 standard, the seniority bonus is included in “other long-term employee benefits”.

Evaluation of the seniority bonus does not feature the same degree of uncertainty as the evaluation of post-employment benefits, such as the employee termination indemnities and supplementary pension funds: therefore, IAS 19 requires a simplified method of accounting for said benefits which does not recognise the actuarial gains and losses to be credited or debited to OCI. Changes in the obligation are fully debited in the income statement. As required by IAS 19, an actuarial assessment of the obligation was carried out.
Taking into account the indications of IAS19, the discount rate used was 1% (valued at 2.4% in 31/12/2013), considering the average residual term of the Carige Group's overall liabilities with respect to the employee termination indemnities and the Seniority Bonus and with reference to the AA-rated corporate bonds curve as at 31/12/2014 for Eurozone corporate issuers.
As at 31/12/2014 the amount totals EUR 3,760 thousand.

2. Legal Disputes

The provision was established to meet any potential losses from legal proceedings in progress, for which a reliable estimate of liabilities could be made in accordance with IAS 37. These refer to pending disputes and recovery actions for which both the future liability and the duration of the dispute were estimated. At the end of 2014, the provision totalled Euro 19.2 million. Commitments reaching maturity were immaterial and therefore they were not discounted.

3. Other provisions

This item includes provisions for a credit of EUR 2.3 mln with a supplier the collection of which is in doubt, commitments with financial advisors who are not employed with the bank and other provisions for smaller amounts.

Potential liabilities

As at 31/12/2014 and with reference to the Group there were no potential liabilities.

SECTION 13

# TECHNICAL RESERVES – ITEM 130

13.1 Technical reserves: breakdown

| | Direct business | Indirect business | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|
| A. Non-life business | - | - | - | 980,452 |
| A.1 Provision for unearned premiums | - | - | - | 151,794 |
| A.2 Provision for outstanding claims | - | - | - | 828,268 |
| A.3 Other provisions | - | - | - | 390 |
| B. Life business | - | - | - | 4,037,316 |
| B.1 Mathematical provisions | - | - | - | 3,967,154 |
| B.2 Provisions for amounts payable | - | - | - | 13,317 |
| B.3 Other insurance provisions | - | - | - | 56,845 |
| C. Insurance provisions when investments risk is borne by the insured party | - | - | - | - |
| C.1 Provision for policies where the performance is connected to investment funds and market indices | - | - | - | - |
| C.2 Provision for pension funds | - | - | - | - |
| D. Total insurance provisions | - | - | - | 5,017,768 |

Technical reserves belonging to the Insurance companies as at 31 December 2014 are posted under "Liabilities associated with groups of assets held for sale".

SECTION 15

# GROUP SHAREHOLDERS' EQUITY – ITEMS 140, 160, 170, 180, 190, 200 AND 220

15.1 Share capital and treasury shares – breakdown

| Number of shares issued | Ordinary | Savings | Total |
|---|---|---|---|
| Number of shares at the end of the period | 10,167,553,157 | 2,554,218 | 10,170,107,375 |
| – fully paid-up | 10,167,553,157 | 2,554,218 | 10,170,107,375 |
| – not fully paid-up | | | |

| Treasury shares: type | Ordinary EUR/000 | Savings EUR/000 | Total EUR/000 |
|---|---|---|---|
| Shares outstanding at year-end | | | |
| – fully paid-up | 28,593,099 | - | 28,593,099 |
| – not fully paid-up | | | |

15.2 Share capital – Number of shares: changes in the year

| Item/Type | Ordinary | Savings |
|---|---|---|
| A. Shares outstanding at the beginning of the year | 2,174,664,623 | 2,554,218 |
| – fully paid-up | 2,174,664,623 | 2,554,218 |
| – not fully paid-up | | |
| A.1 Treasury shares (-) | (30,000,228) | - |
| A.2 Shares in issue: opening balance | 2,144,664,395 | 2,554,218 |
| B. Increases | 7,994,295,663 | - |
| B.1 New issues | 7,992,888,534 | - |
| – with consideration: | | |
| – business combinations | | |
| – conversion of bonds | | |
| – exercise of warrants | | |
| – other | 7,992,888,534 | |
| – without consideration | | |
| – in favour of employees | | |
| – in favour of directors | | |
| – other | | |
| B.2 Sale of treasury shares | 1,407,129 | |
| B.3 Other changes | - | |
| C. Decreases | - | - |
| C.1 Cancellation | | |
| C.2 Purchase of treasury shares | - | |
| C.3 Sale of companies | | |
| C.4 Other changes | | |
| D. Shares in issue: closing balance | 10,138,960,058 | 2,554,218 |
| D.1 Treasury shares (+) | 28,593,099 | |
| D.2 Shares outstanding at year-end | 10,167,553,157 | 2,554,218 |
| – fully paid-up | 10,167,553,157 | 2,554,218 |
| – not fully paid-up | - | |

## 15.4 Reserves from allocation of profit: other information

| Item/Value | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Profit reserves: | -477,978 | 215,783 |
| - Legal reserve | 0 | 235,778 |
| - Other reserves | -477,978 | -9,150 |
| - Minor reserves for stock options on subsidiaries | 0 | -10,845 |

## 15.5 Other information

| Item/Value | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Other reserves: | 51,630 | 80,278 |
| - Merger reserve | 0 | 12,341 |
| - Concentration reserve | 0 | 16,589 |
| - Reserve for share-based payments | 620 | 338 |
| - Reserves from capital increases without consideration for companies consolidated using valuation reserves | 51,010 | 51,010 |

SECTION 16

# MINORITY INTERESTS - ITEM 210

16.1 Breakdown of Item 210 "Shareholders' equity: Non-controlling interests"

| Company name | 2014 | 2013 |
|---|---|---|
| Equity investments in consolidated companies with significant non-controlling interests | | |
| 1. Cassa di Risparmio di Savona SpA | 6,660 | 6,844 |
| 2. Banca del Monte di Lucca SpA | 35,807 | 38,414 |
| 3. Cassa di Risparmio di Carrara SpA | 9,536 | 10,506 |
| Other investments | 68 | 74 |
| ***Total*** | ***52,071*** | ***55,838*** |

# OTHER INFORMATION

1. Guarantees given and commitments

| Operations | Amounts 31/12/2014 | Amounts 31/12/2013 |
|---|---|---|
| 1) Financial guarantees given to | 162,192 | 144,389 |
| a) Banks | 37,866 | 35,761 |
| b) Customers | 124,326 | 108,628 |
| 2) Commercial guarantees given to | 859,216 | 994,637 |
| a) Banks | 430 | 4,377 |
| b) Customers | 858,786 | 990,260 |
| 3) Irrevocable commitments to disburse funds | 1,419,354 | 1,642,776 |
| a) Banks | 19,120 | 123,649 |
| i) usage certain | 19,120 | 123,649 |
| ii) usage uncertain | - | - |
| b) Customers | 1,400,234 | 1,519,127 |
| i) usage certain | 573,833 | 66,544 |
| ii) usage uncertain | 826,401 | 1,452,583 |
| 4) Commitments underlying credit derivatives: protection sales | - | - |
| 6) Assets formed as collateral for third-party obligations | 5,392 | 5,400 |
| 6) Other commitments | - | 11,966 |
| **Total** | **2,446,154** | **2,799,168** |

Figures relate to the Banking Group.

2. Assets used to guarantee own liabilities and commitments

| Portfolios | Amounts 31/12/2014 | Amounts 31/12/2013 |
|---|---|---|
| 1. Financial instruments held for trading | 3,129 | - |
| 2. Financial instruments designated at fair value | - | - |
| 3. Financial instruments available for sale | 2,041,049 | 5,095,615 |
| 4. Financial instruments held to maturity | - | - |
| 5. Loans and receivables with banks | 437,262 | 211,148 |
| 6. Loans and receivables with customers | 6,058,530 | 6,818,856 |
| 7. Property, plant and equipment | 541 | - |

Assets pledged as collateral for the company's own liabilities and for commitments amounted to EUR 8.5 bn and are made up of securities underlying repo transactions, mortgages and securities pledged as collateral and as a deposit for refinancing operations with the European Central Bank, securities guaranteeing the issue of bank cheques that are guaranteed and issued by Banca Carige (*Covered bond*), securitised mortgages transferred to the special purpose vehicle company, Argo Mortgage 2 Srl that are not subject to cancellation, deposits and securities pledged as collateral on OTC derivative contracts, mortgages guaranteeing financing operations with the E.I.B., security deposits with Cassa Compensazione e Garanzia

S.p.A., deposits pledged as collateral for foreign operations and gold loans and assets belonging to the pension fund of Cassa di Risparmio di Carrara S.p.A..

4. Breakdown of investments in unit-linked and index-linked policies

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| I Land and buildings | - | - |
| II Investments in Group companies and investees: | - | - |
| 1. Shares and units | - | - |
| 2. Bonds | - | - |
| 3. Loans | - | - |
| III Units in mutual investment funds | 183,054 | 181,615 |
| IV Other financial investments: | 18,279 | 81,608 |
| 1. Shares and units | - | - |
| 2. Bonds and other fixed-income securities | 18,279 | 81,608 |
| 3. Deposits with credit institutions | - | - |
| 4. Other financial investments | - | - |
| V Other assets | - | - |
| VI Cash and cash equivalents | 6,388 | 13,654 |
| Total | 207,721 | 276,877 |

Investments are entirely referred to the insurance companies recognised as assets held for sale.

5. Asset management and trading on behalf of others

| Type of service | Total 31/12/2014 |
|---|---|
| 1. Orders execution on behalf of customers | |
| a) purchases | |
| 1. settled | 1,559,957 |
| 2. unsettled | - |
| b) sales | |
| 1. settled | 1,100,543 |
| 2. unsettled | - |
| 2. Portfolio management | |
| 1. Individual | 707,432 |
| 2. Collective | - |
| 3. Custody and administration of securities | |
| a) Third party securities on deposits: relating to depositary bank activities (excluding segregated accounts) | |
| 1. securities issued by companies included in consolidation | - |
| 2. other securities | - |
| b) Third party securities held in deposits (excluding segregated accounts): other | |
| 1. securities issued by companies included in consolidation | 4,538,959 |
| 2. other securities | 11,551,244 |
| c) securities of third deposited to third | 12,412,250 |
| d) property securities deposited to third | 2,679,052 |
| 4. Other operations | 4,188,464 |
| - receipt and issue of orders and brokerage: | 10,335,285 |
| 4. Other operations | 5,385,225 |
| 4. Other operations | 4,950,060 |
| 4. Other operations | 1,906,251 |
| 4. Other operations | 119,235 |
| 4. Other operations | 185,330 |
| 4. Other operations | 4,348 |

The figures in the above table refer entirely to the Banking Group.

6. Assets subject to accounting offsetting or under master netting agreements and similar ones

| Instrument type | | Gross amounts of financial assets (a) | Financial liabilities offset in Balance Sheet (b) | Net Balance Sheet values of financial asset (c=a-b) | Related amounts not recognised in Balance Sheet | | Net amounts 31/12/2014 (f=c-d-e) | Net amounts 31/12/2013 |
|---|---|---|---|---|---|---|---|---|
| | | | | | Financial instruments (d) | Cash collateral received (e) | | |
| 1) Derivatives | | 253,904 | - | 253,904 | - | 107,162 | 146,743 | 73,397 |
| 2) Repos | | - | - | - | - | - | - | - |
| 3) Securities lending | | - | - | - | - | - | - | - |
| 4) Other | | - | - | - | - | - | - | - |
| Total | 31/12/2014 | 253,904 | - | 253,904 | - | 107,162 | 146,743 | x |
| Total | 31/12/2013 | 173,297 | - | 173,297 | - | 99,900 | - | 73,397 |

The amount indicated in column (a) relates to derivatives disclosed under item 20 "Financial assets held for trading", equal to EUR 48,871 thousand, and item 80 "Hedging derivatives", in the amount of EUR 205,033 thousand. The related cash deposits pledged to guarantee, shown in column (e) are recognised under item 10 "Deposits from banks", amounting to EUR 96,232 thousand, and for the residual amount, under item 20 "Deposits from customers".

7. Liabilities subject to accounting offsetting, master netting agreements and similar ones

| Instrument type | | Gross amounts of financial liabilities (a) | Financial assets offset in Balance Sheet (b) | Net Balance Sheet values of financial liabilities (c=a-b) | Related amounts not recognised in Balance Sheet | | Net amounts 31/12/2014 (f=c-d-e) | Net amounts 31/12/2013 |
|---|---|---|---|---|---|---|---|---|
| | | | | | Financial instruments (d) | Cash collateral pledged (e) | | |
| 1) Derivatives | | 461,491 | - | 461,491 | 74,840 | 272,818 | 113,833 | 64,540 |
| 2) Repos | | - | - | - | - | - | - | - |
| 3) Securities lending | | - | - | - | - | - | - | - |
| 4) Other | | - | - | - | - | - | - | - |
| Total | 31/12/2014 | 461,491 | - | 461,491 | 74,840 | 272,818 | 113,833 | x |
| Total | 31/12/2013 | 439,100 | - | 439,100 | 189,315 | 185,245 | x | 64,540 |

The amount indicated in column (a) relates to derivatives disclosed under item 40 "Financial liabilities held for trading", equal to EUR 113,760 thousand, and item 60 "Hedging derivatives", in the amount of Euro 347,731 thousand. Related financial instruments pledged to guarantee, shown in column (d) are securities disclosed under item 40 "Financial assets available for sale". Cash deposits pledged to guarantee, shown in column (e) are recognised under item 60 "Loans to banks", in the amount of EUR 271,718 thousand, and for the remaining amount under item 70 "Loans to customers".

The Bank periodically analyses all types of mater netting agreements, or similar agreements, which might be eligible for offsetting.
For example, the netting agreements on derivatives (CSA), repurchase agreement transactions in compliance with TBMA/ISDA - *Global Master Repurchase Agreements* (GMRA) - international standards, security lending transactions in compliance with TBMA/ISDA - *Global Master Securities Lending Agreements* (GMSLA) - international standards, and all rights related to financial collaterals. Arrangements that can be qualified as "collateral agreements" are excluded.

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.

# Part C

## INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

## FOREWORD

Figures as at 31/12/2013 in all tables have been restated pursuant to the provisions of IFRS 5 (Non-current assets held for sale and discontinued operations).
Income statement figures, therefore, are entirely relating to the Banking Group, with the exception of Section 21 "Profit (loss) after tax from assets held for sale and discontinued operations" – Item 310.

## SECTION 1

# INTERESTS – ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

| Voices/Technical forms | Debt securities | Loans | Other transactions | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading - Cash Instruments | 377 | - | 14,429 | 14,806 | 15,823 |
| 2. Financial assets designated at fair value through profit or loss | - | - | - | - | - |
| 3. Available for sale financial assets | 63,301 | - | - | 63,301 | 174,353 |
| 4. Held to maturity investments | - | - | - | - | 14,209 |
| 5. Loans and receivables with banks | 4,136 | 797 | 525 | 5,458 | 3,739 |
| 6. Loans and receivables with customers | 128 | 711,529 | 6 | 711,663 | 781,718 |
| 7. Hedging derivatives | x | x | - | - | - |
| 8. Other assets | x | x | 1 | 1 | 1,263 |
| Total | 67,942 | 712,326 | 14,961 | 795,229 | 991,105 |

1.3 Interest and similar income: other information

1.3.1 Interest income from financial assets denominated in foreign currency

Interest on financial assets held in foreign currency amount to EUR 15,412 thousand.

1.3.2 Interest income from finance leases

Interest income from finance leases amounted to EUR 19,002 thousand.

1.4 Interest and similar expense: breakdown

| Items/Technical forms | Debts | Securities | Other transactions | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|
| 1. Deposits from central banks | (9,122) | x | - | (9,122) | (39,278) |
| 2. Deposits from banks | (5,302) | x | (124) | (5,426) | (6,217) |
| 3. Deposits from customers | (114,513) | x | (12) | (114,525) | (116,894) |
| 4. Debt securities in issue | x | (275,341) | - | (275,341) | (316,848) |
| 5. Financial liabilities held for trading | - | - | - | - | - |
| 6. Financial liabilities at fair value through profit or loss | - | (28,032) | - | (28,032) | (23,467) |
| 7. Other liabilities and found | x | x | (2,955) | (2,955) | (556) |
| 8. Hedging derivatives | x | x | (6,231) | (6,231) | (57,125) |
| **Total -** | **(128,937)** | **(303,373)** | **(9,322)** | **(441,632)** | **(560,385)** |

1.5 Interest and similar expense: differentials on hedging transactions

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Positive differentials related to hedging operations | 363 | 76,378 |
| B. Negative differentials related to hedging operations | (6,594) | (133,503) |
| **C. Net differentials (A-B)** | **(6,231)** | **(57,125)** |

1.6 Interest and similar expense: other information

1.6.1 Interest expense on liabilities denominated in foreign currency

Interest on liabilities in foreign currency amount to EUR 3,194 thousand.

1.6.2 Interest expense on liabilities from financial leasing transactions

Interest expense on liabilities from financial leasing transactions amounted to EUR 110 thousand.

SECTION 2

# FEES AND COMMISSIONS – ITEMS 40 AND 50

## 2.1 Fee and commission income: breakdown

| Type of service/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| a) guarantees given | 12,291 | 15,040 |
| b) credit derivatives | - | - |
| c) management, brokerage and consultancy services: | 74,971 | 85,875 |
| 1. securities trading | 725 | 572 |
| 2. currency trading | 2,421 | 2,314 |
| 3. portfolio management | 4,149 | 42,048 |
| 3.1. individual | 4,149 | 4,370 |
| 3.2. collective | - | 37,678 |
| 4. custody and administration of securities | 2,459 | 2,506 |
| 5. custodian bank | - | - |
| 6. placement of securities | 38,026 | 12,085 |
| 7. reception and transmission of orders | 8,736 | 8,799 |
| 8. advisory services | - | - |
| 8.1 related to investments | - | - |
| 8.2 related to financial structure | - | - |
| 9. distribution of third party services | 18,455 | 17,551 |
| 9.1 portfolio management | 1,762 | 107 |
| 9.1.1. individual | 39 | 54 |
| 9.1.2. collective | 1,723 | 53 |
| 9.2 insurance products | 570 | 714 |
| 9.3 other products | 16,123 | 16,730 |
| d) collection and payment services | 67,307 | 67,422 |
| e) securitization servicing | 1 | 74 |
| f) factoring services | 1,115 | 1,456 |
| g) tax collection services | - | - |
| h) management of multilateral trading facilities | - | - |
| i) management of current accounts | 123,418 | 127,229 |
| j) other services | 17,036 | 16,814 |
| **Total** | **296,139** | **313,910** |

The "other services" line item includes EUR 803 thousand for Fiduciary Management Services.

## 2.2 Fee and commission expense: breakdown

| Services/Amounts | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| a) guarantees received | (19,194) | (21,710) |
| b) credit derivatives | - | - |
| c) management, brokerage and consultancy services: | (2,585) | (2,795) |
| 1.trading in financial instruments | (121) | (17) |
| 2. currency trading | - | - |
| 3. portfolio management: | (575) | - |
| 3.1 own portfolio | (575) | - |
| 3.2 third party portfolio | - | - |
| 4. custody and administration securities | (1,191) | (1,858) |
| 5. financial instruments placement | (106) | (39) |
| 6. off-site distribution of financial instruments. products and services | (592) | (881) |
| d) collection and payment services | (20,655) | (20,717) |
| e) other services | (8,463) | (8,549) |
| **Total** | **(50,897)** | **(53,771)** |

SECTION 3

# DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

| Items/Income | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Dividends | Income from units in investment funds | Dividends | Income from units in investment funds |
| A. Financial assets held for trading | 23 | - | - | 571 |
| B. Available for sale financial assets | 16,912 | 1,330 | 3,655 | 539 |
| C. Financial assets at fair value through profit or loss- others | - | - | - | - |
| D. Investments | - | x | - | x |
| **Total** - - | **16,935** | **1,330** | **3,655** | **1,110** |

SECTION 4

# PROFITS (LOSSES) ON TRADING – ITEM 80

4.1 Profits and losses on financial assets and liabilities held for trading: breakdown

| Transactions / Income | Unrealized profits (A) | Realized profits (B) | Unrealized losses (C) | Realized losses (D) | Net Profit (A+B)-(C+D) 31/12/2014 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 55 | 4,847 | (1,610) | (399) | 2,893 |
| 1.1 Debt securities | 55 | 1,002 | (357) | (301) | 399 |
| 1.2 Equity | - | 63 | (2) | (83) | (22) |
| 1.3 Units in investment funds | - | 205 | (2) | (15) | 188 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | 3,577 | (1,249) | - | 2,328 |
| 2. Financial liabilities held for trading | - | - | - | - | - |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Deposits | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - |
| 3. Financial assets and liabilities in foreign currency: exchange differences | | x | x | x | 13,015 |
| 4. Derivatives | 3,710 | 7,091 | (9,367) | (7,030) | (10,982) |
| 4.1 Financial derivatives: | 3,710 | 7,091 | (9,367) | (7,030) | (10,982) |
| - on debt securities and interest rates | 3,710 | 7,017 | (9,365) | (6,911) | (5,549) |
| - on equity securities and shares indexes | - | 74 | (2) | (119) | (47) |
| - On currencies and gold | x | x | x | x | (5,386) |
| - Other | - | - | - | - | - |
| 4.2 Credit derivatives | - | - | - | - | - |
| Total | 3.765 | 11,938 | (10,977) | (7,429) | 4,926 |

SECTION 5

# FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING – ITEM 90

## 5.1 Fair value adjustments in hedge accounting

| Income components/Value | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| A. Income from: | | |
| A.1 Fair value hedging instruments | 127,426 | 264,331 |
| A.2 Hedged asset items (in fair value hedge relationships) | 71,833 | 1,466 |
| A.3 Hedged liability items (in fair value hedge relationship) | 18,552 | 102,432 |
| A.4 Cash-flow hedging derivatives (including ineffectiveness of net investment hedge) | - | - |
| A.5 Assets and liabilities denominated in currency (not derivative hedging instruments) | - | - |
| Total gains on hedging activities (A) | 217,811 | 368,229 |
| B. Losses on: | | |
| B.1 Fair value hedging instruments | (89,039) | (137,391) |
| B.2 Hedged asset items (in fair value hedge relationship) | (7,384) | (235,996) |
| B.3 Hedged liabilities items (in fair value hedge relationships) | (119,357) | (5,161) |
| B.4 Cash-flow hedging derivatives (including ineffectiveness of net investment hedge) | - | - |
| B.5 Assets and liabilities denominated in currency (not derivative hedging instruments) | - | - |
| Total losses on hedging activities (B) | (215,780) | (378,548) |
| **C. Net profit from hedging activities (A – B)** | **2,031** | **(10,319)** |

SECTION 6

# PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE – ITEM 100

## 6.1 Profits and losses on disposals/repurchases: breakdown

| Items / Income | Total 31/12/2014 | | | Total 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | Gain | Losses | Net profit | Gain | Losses | Net profit |
| Financial assets | | | | | | |
| 1. Loans and receivables with banks | 5,202 | (905) | 4,297 | 1 | - | 1 |
| 2. Loans and receivables with customers | 1,429 | (3,103) | (1,674) | 449 | (1,546) | (1,097) |
| 3. Financial assets available for sale | 118,803 | (33,665) | 85,138 | 368,482 | (40,079) | 328,403 |
| 3.1 Debt securities | 102,084 | (31,037) | 71,047 | 61,629 | (20,631) | 40,998 |
| 3.2 Equity Instruments | 12,297 | (1,562) | 10,735 | 305,887 | (758) | 305,129 |
| 3.3 Units in investment funds | 4,422 | (1,066) | 3,356 | 966 | (18,690) | (17,724) |
| 3.4 Loans | - | - | - | - | - | - |
| 4. Financial assets held to the deadline | - | - | - | 21,261 | - | 21,261 |
| Total assets - - - | 125,434 | (37,673) | 87,761 | 390,193 | (41,625) | 348,568 |
| Financial liabilities | | | | | | |
| 1. Deposits with banks | - | - | - | - | - | - |
| 2. Deposits with customers | - | - | - | - | - | - |
| 3. Debt Securities in issue | 5,712 | (2,985) | 2,727 | 5,017 | (1,650) | 3,367 |
| Total financial liabilities - - - | 5,712 | (2,985) | 2,727 | 5,017 | (1,650) | 3,367 |

SECTION 7

# PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE – ITEM 110

7.1 Profits (losses) on financial assets and liabilities designed at fair value

| Transactions / Income | Unrealized profits (A) | Realized profits (B) | Unrealized losses (C) | Realized losses (D) | Net profit [(A+B) – (C+D)] 31/12/2014 |
|---|---|---|---|---|---|
| 1. Financial assets | - | - | - | - | - |
| 1.1 Debt securities | - | - | - | - | - |
| 1.2 Equity securities | - | - | - | - | - |
| 1.3 Units in investment funds | - | - | - | - | - |
| 1.4 Loans | - | - | - | - | - |
| 2. Financial liabilities | 320 | 285 | (10,046) | (574) | (10,015) |
| 2.1 Debt securities | 320 | 285 | (10,046) | (574) | (10,015) |
| 2.2 Deposits from banks | - | - | - | - | - |
| 2.3 Deposits from customers | - | - | - | - | - |
| 3. Financial assets and liabilities in foreign currencies: exchange differences | x | x | x | x | - |
| 4.Credit and financial derivatives | 18,012 | 3,392 | (11,022) | - | 10,382 |
| Total | 18,332 | 3,677 | (21,068) | (574) | 367 |

SECTION 8

# NET LOSSES/RECOVERIES ON IMPAIRMENT– ITEM 130

8.1 Net losses/recoveries on impairment of loans: breakdown

| Transactions/Income | Write - downs (1) | | | Write - backs (2) | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | 31/12/2014 | 31/12/2013 |
| | Write - offs | Other | | A | B | A | B | | |
| A. Loans and receivables with banks | - | (166) | - | - | 1,527 | - | - | 1,361 | (2,920) |
| - Loans | - | - | - | - | 152 | - | - | 152 | (91) |
| - Debt securities | - | (166) | - | - | 1,375 | - | - | 1,209 | (2,829) |
| B. Loans and receivables with customers | (27,764) | (684,773) | (61,236) | 27,405 | 99,157 | - | 323 | (646,888) | (1,039,864) |
| Deteriorated purchased loans | - | - | x | - | - | x | x | - | - |
| - Loans | - | - | x | - | - | x | x | - | - |
| - Debt securities | - | - | x | - | - | x | x | - | - |
| Other receivables | (27,764) | (684,773) | (61,236) | 27,405 | 99,157 | - | 323 | (646,888) | (1,039,864) |
| - Loans | (27,764) | (684,773) | (61,236) | 27,405 | 99,157 | - | 323 | (646,888) | (1,039,864) |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| C. Total | (27,764) | (684,939) | (61,236) | 27,405 | 100,684 | - | 323 | (645,527) | (1,042,784) |

Key
A = From interest
B = other reversals

## 8.2 Net losses/recoveries on impairment of financial assets available for sale: breakdown

| Transactions/Income | Adjustments (1) Specific | | Reversals of impairment losses (2) Specific | | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|---|
| | Write-off | Other | A | B | | |
| Debt securities | - | (87) | - | - | (87) | (4,371) |
| B. Equity instruments | (138) | (1,139) | - | - | (1,277) | (6,912) |
| C. Units in investments funds | - | (88) | x | x | (88) | (2,844) |
| D. Loans to banks | - | - | x | - | - | - |
| E. Loans to customers | - | - | - | - | - | - |
| **F. Total** | **(138)** | **(1,314)** | **-** | **-** | **(1,452)** | **(14,127)** |

Key
A = From interest
B = other reversals

## 8.4 Net losses/recoveries on impairment of other financial activities: breakdown

| Transactions/Income | Adjustments (1) Specific | | Adjustments (1) Portfolio | Reversals of impairment losses (2) Specific | | Reversals of impairment losses (2) Portfolio | | Total 12/31/2014 | Total 12/31/2013 |
|---|---|---|---|---|---|---|---|---|---|
| | Write - offs | Other | | A | B | A | B | | |
| A. Guarantees given | (50) | (12,744) | (16,727) | - | 7,059 | - | 8 | (22,454) | (28,244) |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to disburse funds | - | - | - | - | - | - | - | - | - |
| D. Other transactions | - | - | - | - | - | - | - | - | 955 |
| **E.Total** | **(50)** | **(12,744)** | **(16,727)** | **-** | **7,059** | **-** | **8** | **(22,454)** | **(27,289)** |

Key
A = From interest
B = other reversals

SECTION 11
# ADMINISTRATIVE EXPENSES – ITEM 180

## 11.1 Personnel expenses: breakdown

| Type of expense/Amounts | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1) Employees | (402,935) | (371,446) |
| a) wages and salaries | (227,635) | (245,134) |
| b) social security contributions | (69,360) | (74,281) |
| c) Severance pay (only for Italian legal entities) | (6,093) | (6,307) |
| d) Social security costs | (213) | (203) |
| e) allocation to employee severance pay provision | (1,738) | (2,024) |
| f) provision for retirements and similar provisions: | (13,571) | (13,574) |
| - defined contribution | (372) | (651) |
| - defined benefit | (13,199) | (12,923) |
| g) payments to external pension funds: | (14,650) | (14,191) |
| - defined contribution_old | (14,650) | (14,191) |
| - defined benefit | - | - |
| h) Expenses resulting from share based payments | 77 | 486 |
| i) other employee benefits | (69,752) | (16,218) |
| 2) Other staff | (882) | (867) |
| 3) Directors and Statutory Auditors | (7,686) | (5,844) |
| 4) Early retirement costs | - | - |
| **Total** | (411,503) | (378,157) |

11.2 Average numbers of employees by category

| | Total 31/12/2014 |
|---|---|
| 1) Employees | 5,570 |
| a) executives | 88 |
| b) managers | 1,440 |
| c) other employees | 4,042 |
| 2) Other personnel | 125 |
| Total | 5,695 |

The average total number of employees of the banking group is 5,194. There are 485 employees in the insurance companies and 16 in other companies.

## 11.3 Defined-benefit pension funds: total cost

During the year, total costs of EUR 13,199 thousand were recorded for defined benefit company pension funds. Of this amount, EUR 12,923 thousand refer to the company pension fund of Banca Carige and respectively EUR 168 and 108 thousand to the company pension funds of Cassa di Risparmio di Carrara SpA and Cassa di Risparmio di Savona S.p.A. For more details refer to Section 12.3, Liabilities.

## 11.4 Other employee benefits

Among other things, this item includes charges connected with the health policy and voluntary redundancy incentives for employees who are eligible for retirement.

## 11.5 Other administrative expenses: breakdown

| Type of service/Amounts | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| Indirect duties and taxes | (69,680) | (67,179) |
| - stamp duties and taxes on stock exchange | (58,163) | (53,543) |
| - substitute tax (Pres. Decree 601/73) | (2,511) | (4,498) |
| - local property taxes | (5,862) | (5,786) |
| - other indirect duties and taxes | (3,144) | (3,352) |
| Leases and rent payable | (27,702) | (28,903) |
| - property | (16,158) | (16,811) |
| - electronic equipment and software | (10,612) | (10,756) |
| - other | (932) | (1,336) |
| Expenses for software acquisition | - | - |
| Maintenance and operating expenses | (27,163) | (25,729) |
| - property owned and used by the bank | (5,327) | (5,416) |
| - rented property | (2,170) | (2,093) |
| - operating assets | (10,217) | (10,068) |
| - software | (9,449) | (8,152) |
| Cleaning services | (4,011) | (4,218) |
| Electricity, heating and water | (10,306) | (11,305) |
| Printed materials and stationery | (2,234) | (3,088) |
| Post and telephone | (11,535) | (12,882) |
| Security | (3,482) | (3,370) |
| Transport | (6,251) | (5,971) |
| Insurance premiums | (3,996) | (4,344) |
| Advertising, publicity and media initiatives | (5,415) | (6,603) |
| Expenses for corporate hospitality | (1,258) | (1,431) |
| Association fees | (1,507) | (1,567) |
| Contributions to bodies and associations | (229) | (149) |
| Subscriptions to newspapers, magazines and publication | (750) | (710) |
| Professional services fees | (40,411) | (38,148) |
| - consultancy | (21,526) | (18,323) |
| - legal expenses | (16,951) | (17,916) |
| - commercial information and investigation | (1,493) | (1,437) |
| - other | (441) | (472) |
| Expenses for IT services and outsourcing | (29,264) | (30,167) |
| Indirect staff expenses | - | - |
| Other expenses | (4,118) | (8,895) |
| **Total** | **(249,312)** | **(254,659)** |

SECTION 12

# NET PROVISIONS FOR RISKS AND CHARGES - ITEM 190

12.1 Provisions: breakdown

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| All.tion to provision for risks and charges related to legal dispotives and revocation lawsuits | (6,655) | (8,208) |
| Interest expense from discounting of provisions for legal disp. and revocation lawsuits | - | - |
| Re-allocation to Income Statement related to provision for risk and charges related to legal disputes and rev.lawsuits | 3,868 | 2,363 |
| Re-allocation to Income Statement related to other provisions | 9 | 10 |
| Allocation to other provisions | (2,851) | (106) |
| Total | (5,629) | (5,941) |

SECTION 13

## NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - ITEM 200

### 13.1 Net adjustment to/recoveries on property and equipment: breakdown

| Asset/Income | Depriciation (a) | Impairment losses (b) | Write-backs (c) | Net result (a + b + c) 31/12/2014 |
|---|---|---|---|---|
| A. Property, equipment and investment property | | | | |
| A.1 Owned | (18,708) | (1,281) | - | (19,989) |
| - For operational use | (17,453) | (1,281) | - | (18,734) |
| - For investment | (1,255) | - | - | (1,255) |
| A.2 Acquired through finance lease | (812) | - | - | (812) |
| - For operational use | (17,453) | (1,281) | - | (18,734) |
| - For investment | (1,255) | - | - | (1,255) |
| **Total** | **(19,520)** | **(1,281)** | **-** | **(20,801)** |

SECTION 14

# NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS – ITEM 210

14.1 Net adjustments to/recoveries on intangible assets: breakdown

| Asset/Income | Depreciation (a) | Impairment losses (b) | Write-backs (c) | Net result (a + b + c) 31/12/2014 |
|---|---|---|---|---|
| A. Intangible assets | | | | |
| A.1 Owned | (28,593) | - | - | (28,593) |
| - Generated internally by the company | - | - | - | - |
| - Other | (28,593) | - | - | (28,593) |
| A.2 Held by Finance leases | - | - | - | - |
| **Total** | **(28,593)** | **-** | **-** | **(28,593)** |

SECTION 15

# OTHER OPERATING EXPENSES AND INCOME - ITEM 220

## 15.1 Other operating expenses: breakdown

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Operating costs on financial leases | (511) | (893) |
| Ordinary maintenance costs on investment property | (608) | (649) |
| Expenses for improvement of third parties' assets | (610) | (367) |
| Other expenses | (9,837) | (25,986) |
| **Total** | **(11,566)** | **(27,895)** |

## 15.2 Other operating income: breakdown

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Rents and rental income | 4,505 | 4,661 |
| Charges to third parties | 88,066 | 87,854 |
| commission of inquiry fast | 28,632 | 32,234 |
| recovery of taxes | 59,011 | 55,172 |
| customer insurance premiums | 423 | 448 |
| Other revenues | 21,375 | 41,468 |
| **Total** | **113,946** | **133,983** |

SECTION 16

# PROFIT (LOSS) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – ITEM 240

16.1 Profit (Loss) on investments in associates and companies subject to joint control: breakdown

| Income/Value | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1) Joint ventures | | |
| A. Income | - | 92,890 |
| 1. Revaluations | - | - |
| 2. Gains on disposal | - | 92,890 |
| 3. Writebacks | - | - |
| 4. Other gains | - | - |
| B. Expenses | 1 | (1) |
| 1. Write-downs | - | - |
| 2. Impairment losses | 1 | - |
| 3. Losses on disposal | - | - |
| 4. Other expenses | - | (1) |
| Net profit | 1 | 92,889 |
| 2) Companies subject to significant influence | | |
| A. Income | 5,991 | 5,586 |
| 1. Revaluations | 5,991 | 5,586 |
| 2. Gains on disposal | - | - |
| 3. Writebacks | - | - |
| 4. Other gains | - | - |
| B. Expenses | (1,052) | - |
| 1. Write-downs | - | - |
| 2. Impairment losses | (1,052) | - |
| 3. Losses on disposal | - | - |
| 4. Other expenses | - | - |
| Net profit | 4,939 | 5,586 |
| **Total** | **4,940** | **98,475** |

SECTION 18
## IMPAIRMENT ON GOODWILL - ITEM 260

18.1 Impairment of goodwill: breakdown

| | 2014 |
|---|---|
| Cassa di Risparmio di Carrara SpA | (15,919) |
| ***Totale*** | ***(15,919)*** |

For further details and relevant comments reference is made to Section 13 in Assets.

SECTION 19

# PROFITS (LOSSES) FROM DISPOSAL OF INVESTMENTS – ITEM 270

19.1 Profits and losses from disposal of investments

| Income/Value | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| A. Assets | (160) | - |
| - Gains on disposal | 67 | - |
| - Losses on disposal | (227) | - |
| B. Other assets | (19) | (276) |
| - Gains from disposals | 23 | 11 |
| - Losses from disposals | (42) | (287) |
| **Net result** | **(179)** | **(276)** |

SECTION 20

## TAXES ON INCOME FROM CONTINUING OPERATIONS – ITEM 290

20.1 Tax income (expense) related to profit or loss from continuing operations: breakdown

| Income components/Sectors | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Current tax expense (-) | (65,143) | (32,471) |
| 2. Changes of current tax expense of previous years (+/-) | (1,100) | 6,944 |
| 3. Reduction in current tax expense for the period (+) | - | - |
| 3. bis Reductions in current tax expense for the period due tax credit related to L. 214/2011 (+) | 825,706 | - |
| 4. Changes to deferred tax assets (+/-) | (661,210) | 703,818 |
| 5. Changes to deferred tax liabilities (+/-) | 72,644 | 117,850 |
| 6. Tax expense for the year (-) ( -1+/-2+3+3bis+/-4+/-5) | 170,897 | 796,141 |

The figures in the above table refer entirely to the Banking Group.

20.2 Reconciliation of theoretical to actual tax charge
The overall tax impact on pre-tax profit – tax rate – calculated with reference to items in the Income Statement as at 31 December 2014 (Item 290/ Item 280) is close to 29.5%.
This impact is positive by reason of the fact that the loss for the year generates a tax credit to be carried forward over following financial years, and which will result in future savings (e.g. prepaid taxes and tax loss carryovers), or will be transformed in tax credit, pursuant to Law 214/2011.

IRES and IRAP substitute tax on the higher value recognised, is included in the current tax burden, in a total amount of EUR 42 mln, due to the new rates applied following the amendment of the Bank of Italy made in compliance with Law Decree 133/2013. The amount of tax is equal to the differential between the 12% of the indicated greater value (equal to EUR 299.9 million) that was initially determined and the 26% set forth by Italian Law Decree 66/2014 published in the Italian Official Journal on 24 April 2014. Therefore, when calculating the tax rate for the purposes of IRES and IRAP, this does not account for the increase in the substitute tax, which has an impact on income that is already recorded in the financial statements the previous financial year.

Furthermore, during the year the option was selected to realign the lower value of property for tax purposes to the higher value posted in the balance sheet following the accounting revaluation that was made the first time that the IAS/Ifrs accounting standards were applied in the 2005 financial statements. This option, set forth in art. 1, paragraph 147 of Italian Law 147/2013, led to a net benefit to the Income Statement equal to approx. EUR 40.4 million, equal to the differential between the substitute tax included among the current taxes, the 16% rate for fiscally amortisable assets and 12% for non-amortisable assets (EUR 32.3 million), and the deferred taxes entered with the ordinary rate (27.5% IRES and 5.57% IRAP – EUR 72.7 million). Neither is such accounting taken into account in calculating the tax rate as the tax benefit is not related to any proceeds posted in the Income Statement.

Concerning the accrued IRES receivable, it should be noted that the tax rate is around 27.3%. It should be noted that the reference tax rate of 27.5% on loss from continuing operations generates a substantially corresponding credit inasmuch as the taxable amount is increased, for example, by the partial non-deductibility of interest due that is almost completely offset by permanent negative variations (e.g. exempt quota of cashed dividends or ACE (aid for economic growth) and Irap deductions on personnel expenses and non-deductible interest due).

Concerning IRAP, it should be mentioned that, in relation to its specific nature and the different definition of the taxable amount with respect to Item 280, which, after applying the adjustments of Law 244/2007, excludes from the computation, inter alia, the expenses related to staff and other operational revenues and expenses, the tax burden is 2.5%.
It can be observed that the actual tax rate proves to be less than the theoretical 5.57% applicable to the banking sector due to the particular effect of IRAP tax that characterizes companies closing their financial year with a negative result or with a gross profit that is significantly less than the value of production (IRAP taxable amount).
Due to provisions set out by Law no. 147/2013 ("2014 Stability Law"), value adjustments on receivables from customers are now deductible from IRAP tax over a five year period.

SECTION 21

# INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS – ITEM 310

21.1 Total income or loss from discontinued operations after tax: breakdown

| Income components/Sectors | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Income | 1,299,449 | 1,332,805 |
| 2. Expense | (1,184,585) | (1,501,954) |
| 3. Gains and losses from valuations of the group of assets and associated liabilities | (218,692) | - |
| 4. Realised gains (losses) | - | - |
| 5. Tax expenses | (34,878) | 22,281 |
| **Profit (Loss)** | **(138,706)** | **(146,868)** |

The figures from the previous table are provided below with a breakdown into Banking Group, Insurance Companies and Other Companies.

21.1. Total income or loss from discontinued operations after tax: breakdown

21-.1.1 Pertaining to banking group

| Income components/Sectors | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Income | 67,558 | 73,464 |
| 2. Expense | (35,643) | (78,113) |
| 3. Gains and losses from valuations of the group of assets and associated liabilities | (218,692) | - |
| 4. Realised gains (losses) | - | - |
| 5. Tax expenses | (7,798) | (2,609) |
| **Profit (Loss)** | **(194,575)** | **(7,258)** |

21.1 Total income or loss from discontinued operations after tax: breakdown

21.1.2 Pertaining to insurance companies

| Income components/Sectors | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Income | 1,228,608 | 1,256,512 |
| 2. Expense | (1,145,219) | (1,369,350) |
| 3. Gains and losses from valuations of the group of assets and associated liabilities | - | - |
| 4. Realised gains (losses) | - | - |
| 5. Tax expenses | (25,252) | 25,148 |
| **Profit (Loss)** | **58,137** | **(87,690)** |

21.1 Total income or loss from discontinued operations after tax: breakdown

21.1.3 Pertaining to other companies

| Income components/Sectors | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Income | 3,283 | 2,829 |
| 2. Expense | (3,723) | (54,491) |
| 3. Gains and losses from valuations of the group of assets and associated liabilities | - | - |
| 4. Realised gains (losses) | - | - |
| 5. Tax expenses | (1,828) | (258) |
| **Profit (Loss)** | **(2,268)** | **(51,920)** |

21.2 Tax income (expense) from discontinued operations

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Current tax expense (-) | (18,208) | (15,891) |
| 2. Changes in deferred tax assets (+/-) | (7,951) | 50,236 |
| 3. Changes in deferred tax liabilities (+/-) | (8,718) | (12,064) |
| 4. Income tax for the year (-1+/-2+/-3) | (34,877) | 22,281 |

The Fiscal Year 2013 column was revised in accordance with the section "Restatement of prior period accounts in compliance with IFRS 5 (Non-current assets held for sale and discontinued operations)", to which reference is made for further details.

The figures from the previous table are provided below with a breakdown into Banking Group, Insurance Companies and Other Companies.

21.2 Tax income (expense) from discontinued operations

21.2.1 Pertaining to banking group

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Current tax expense (-) | (543) | (7,260) |
| 2. Changes in deferred tax assets (+/-) | (7,599) | 4,707 |
| 3. Changes in deferred tax liabilities (+/-) | 343 | (56) |
| 4. Income tax for the year (-1+/-2+/-3) | (7,799) | (2,609) |

21.2 Tax income (expense) from discontinued operations

21.2.2 Pertaining to insurance companies

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Current tax expense (-) | (15,768) | (6,849) |
| 2. Changes in deferred tax assets (+/-) | (462) | 44,458 |
| 3. Changes in deferred tax liabilities (+/-) | (9,022) | (12,461) |
| 4. Income tax for the year (-1+/-2+/-3) | (25,252) | 25,148 |

## 21.2 Tax income (expense) from discontinued operations

### 21.2.3 Pertaining to other companies

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Current tax expense (-) | (1,899) | (1,782) |
| 2. Changes in deferred tax assets (+/-) | 110 | 1,071 |
| 3. Changes in deferred tax liabilities (+/-) | (39) | 453 |
| 4. Income tax for the year (-1+/-2+/-3) | (1,828) | (258) |

SECTION 22

# MINORITY INTERESTS - ITEM 330

22.1 Breakdown of item 330 "Profit (loss) for the period: Non-controlling interests"

| Company Name | 2014 | 2013 |
|---|---|---|
| Cassa di Risparmio di Savona SpA | (132) | (588) |
| Banca del Monte di Lucca SpA | (2,388) | (13,704) |
| Cassa di Risparmio di Carrara SpA | (833) | (769) |
| Centro Fiduciario SpA | 2 | 12 |
| Carige Assicurazioni SpA | - | (2) |
| ***Total*** | *(3,351)* | *(15,051)* |

SECTION 24

# EARNINGS PER SHARE (EPS)

24.1 Average number of diluted ordinary shares

| | 31/12/14 | 31/12/2013 |
|---|---|---|
| Weighted average of ordinary shares in issue | 6,142,046,748 | 2,145,216,455 |
| Dilutive effect from sale of put options | | |
| Dilutive effect from convertible liabilities | - | - |
| ***Weighted average of diluted ordinary shares in issue*** | ***6,142,046,748*** | ***2,145,216,455*** |

24.2 Other information

| Basic earnings (EUR/000) | 31/12/14 | 31/12/2013 |
|---|---|---|
| Net profit (loss) | (543,591) | (1,761,657) |
| - Earnings attributable to other share categories | 137 | 2,531 |
| ***Net earnings attributable to ordinary shares*** | ***(543,454)*** | ***(1,759,126)*** |
| Diluted earnings (EUR/000) | | |
| Net profit (loss) | (543,591) | (1,761,657) |
| - Earnings attributable to other share categories | 137 | 2,531 |
| Net interest expense on convertible instruments | - | - |
| ***Net diluted earnings attributable to ordinary shares*** | ***(543,454)*** | ***(1,759,126)*** |
| ***Earnings per share (EUR)*** | | |
| ***Basic*** | ***-0.088*** | ***-0.820*** |
| ***Diluted*** | ***-0.088*** | ***-0.820*** |

Earnings per share - continuing operations

| Basic earnings (EUR/000) | 31/12/14 | 31/12/13 (*) |
|---|---|---|
| Net profit (loss) | (543,591) | (1,761,657) |
| Less: Net income from discontinued operations | 138,707 | 146,868 |
| Less: Earnings attributable to other share categories | 102 | 2,320 |
| ***Net earnings attributable to ordinary shares*** | ***(404,782)*** | ***(1,612,469)*** |
| Diluted earnings (EUR/000) | | |
| Net profit (loss) | (543,591) | (1,761,657) |
| Less: Net income from discontinued operations | 138,707 | 146,868 |
| Less: Earnings attributable to other share categories | 102 | 2,320 |
| Plus: Net interest expense on convertible instruments | - | - |
| ***Net diluted earnings attributable to ordinary shares*** | ***(404,782)*** | ***(1,612,469)*** |

| | | |
|---|---|---|
| Weighted average of ordinary shares in issue | 6,142,046,748 | 2,145,216,455 |
| Dilutive effect from sale of put options | - | - |
| Dilutive effect from convertible liabilities | - | - |
| ***Weighted average of diluted ordinary shares in issue*** | ***6,142,046,748*** | ***2,145,216,455*** |

| **Earnings per share from continuing operations (EUR)** | | |
|---|---|---|
| ***Basic*** | ***-0.066*** | ***-0.752*** |
| ***Diluted*** | ***-0.066*** | ***-0.752*** |

(*) As shown in the paragraph "Accounting policies" of the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of IFRS 5 "Non-current assets held for sale and discontinued operations".

# Part D

## CONSOLIDATED COMPREHENSIVE INCOME

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Items | 2014 Gross | 2014 Income tax | Net |
|---|---|---|---|---|
| 10. | Net income (loss) | (682,961) | 136,019 | (546,942) |
| | Other comprehensive income (net of tax), without reversal to income statement | | | |
| 20. | Property and equipment | - | - | - |
| 30. | Intangible assets | - | - | - |
| 40. | Defined benefit plans | (79,378) | 21,829 | (57,549) |
| 50. | Non-current assets classified as held for sale | (831) | 280 | (551) |
| 60. | Share of valuation reserves of equity investments valued at equity | (61) | 21 | (40) |
| | Other comprehensive income (net of tax) with reversal to income statement | | | |
| 70. | Hedges of foreign investments: | - | - | - |
| | a) changes in fair value | - | - | - |
| | b) reversal to profit and loss | - | - | - |
| | c) other changes | - | - | - |
| 80. | Exchange differences: | - | - | - |
| | a) changes in fair value | - | - | - |
| | b) reversal to profit and loss | - | - | - |
| | c) other changes | - | - | - |
| 90. | Cash flow hedges: | (65,659) | 21,711 | (43,948) |
| | a) changes in fair value | (65,287) | 21,591 | (43,696) |
| | b) reversal to profit and loss | - | - | - |
| | c) other changes | (372) | 120 | (252) |
| 100. | Financial assets available for sale: | 7,240 | (2,449) | 4,791 |
| | a) changes in fair value | 19,078 | (6,331) | 12,747 |
| | b) reversal to profit and loss | (11,836) | 3,882 | (7,954) |
| | - impairment provisions | - | - | - |
| | - income/losses on disposals | (11,836) | 3,882 | (7,954) |
| | c) other changes | (2) | - | (2) |
| 110. | Non-current assets classified as held for sale | 78,362 | (39,535) | 38,827 |
| | a) changes in fair value | 368,251 | (126,378) | 241,873 |
| | b) reversal to profit and loss | (3,672) | 1,258 | (2,414) |
| | c) other changes | (286,217) | 85,585 | (200,632) |
| 120. | Share of valuation reserves of equity investments valued at equity: | - | - | - |
| | a) changes in fair value | - | - | - |
| | b) reversal to profit and loss | - | - | - |
| | - impairment provisions | - | - | - |
| | - income/losses on disposals | - | - | - |
| | c) other changes | - | - | - |
| 130. | Total other comprehensive income (net of tax) | (60,327) | 1,857 | (58,470) |
| 140. | Total comprehensive income (items 10 + 130) | (743,288) | 137,876 | (605,412) |
| 150. | Total consolidated comprehensive income pertaining to minority interests | (6,607) | 2,828 | (3,779) |
| 160. | Total consolidated comprehensive income pertaining to the Parent Company | (736,681) | 135,048 | (601,633) |

# Part E

## INFORMATION ON RISKS AND RISK HEDGING POLICIES

**Introduction**

# INTERNAL CONTROL SYSTEM

In order to guarantee healthy and prudent management which reconciles the pursuit of profitability with a measured assumption of risk and the conduct of business according to the criteria of transparency and fairness, 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 articulation of the Corporate Organizational System.

The Corporate Organizational System comprises 5 systems:
- The organizational and corporate governance system
- Management System
- The risk assessment and measurement system
- The capital adequacy self-assessment system
- The internal control system

is designed and monitored continually 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 the 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 governing bodies in defining the banks' internal control systems.

The strategic supervision unit is charged with 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 organisational system is to regulate the risks to which the Group is exposed, especially the risk of regulatory non-compliance, i.e. the danger that the processes do not comply with the legislation and supervisory regulations (external rules).
The 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 rules and procedures 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 within the procedures 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 procedures;
– 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 organisational structures designed to ensure conformity with company strategies and management equilibrium.

It should be recalled that in 2014 a number of significant measures were taken to strengthen the Internal Auditing and Compliance function from a qualitative and a 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.

Banca Carige has defined a system of internal controls for the Group to carry out the following types of controls foreseen by the supervisory regulations and/or by the internal rules:

1) **Line Controls** (level 1)

These consist of:

- continual line controls (self-assessments) by the organisational units on the individual activities. These can either be: i) incorporated within the IT procedures supporting the activities; (ii) back office controls on samples by the head of the organizational unit (hierarchical line control);
- regular controls by individual units on their own procedures (a set of homogeneous controls) over a specific period.

The personnel has a duty to notify management of any procedural anomalies discovered in the provision of services or the conduct of transactions, and take initiatives to improve the safeguards against risk.

Lending is controlled by an operational and organizational monitoring structure supported by a special IT application designed to provide structured and effective control of any positions that show signs of deterioration and, after an initial 'commercial' stage, charge dedicated individuals with the task of monitoring and guiding the actions of managers and the progress of the positions. This model is based on checking parameters that are deemed significant for customer assessment (the *early warning*) for the purpose of identifying and managing promptly any signs of weakness in a customer's creditworthiness and to protect the Group's credit. Ratings are one of the tools used to define the level of priority for intervention on positions within the perimeter.

2) **Compliance Controls and Risk Controls** (level 2)

These are designed to verify the company's regulatory and operational compliance with the law and regulations, define risk measurement methods, verify compliance with the limits assigned to the various control units and monitor the achievement of their risk-return targets. They are performed by a number of distinct structures:

- **Compliance.** The compliance control function lies with the Compliance Department which, in accordance with supervisory instructions, has complete independence of judgement and action, is part of the Chief Executive Officer's staff and may report directly, via the Head of Compliance, to the governing and control bodies of the Parent Company and Group banks.
  Compliance performs these controls for the Parent and the banks which outsource this function to the Parent, working in conjunction with other corporate structures and with the support of special representatives in each of the companies concerned.
  The unit:
  - controls regulatory compliance (comparing the internal rules with the external rules) and operational compliance (comparing the activities performed as part of company procedures with those foreseen by the external rules) and issues a judgement on regulatory and operational compliance based on the extent of any deviations revealed by the said controls;
  - periodically informs the Board of Directors, the Board of Statutory Auditors, the Chief Executive Officer, Internal Audit and Risk Management of the results of the compliance controls and the non-compliance assessment, and recommends measures to contain or eliminate this risk;
  - contributes, through collaboration with the training programmes on the applicable regulations and the dissemination of a corporate culture founded on the principles of honesty, fairness and respect for rules, to prevent illicit and/or non-compliant practices.
- **Anti-Money Laundering.** The Head of Compliance is also the Head of Anti-Money Laundering and the Head of Anti-Money Laundering is the Manager responsible for reporting suspicious transactions, pursuant to article 42, paragraph 4, of Legislative Decree no. 231/2007, under powers attributed by the Legal Representative of all the Group Banks, Centro Fiduciario and Creditis Servizi Finanziari S.p.A.. The Anti-Money Laundering Unit operates on behalf of all the Group banks and Centro Fiduciario and is also authorized to report suspicious transactions for Creditis Servizi Finanziari S.p.A..
  The Unit's main task is to continually verify that company procedures serve the goal of preventing and combating the violation of external and self-imposed rules against money laundering and the funding of terrorism.
- **Risk Management.** 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 director, to the governing and control bodies of the Parent Company and the Group member banks who outsource this function to the Parent Company.
  Risk Management verifies the:
  - correct recognition and measurement of all risks facing the Group;
  - capital adequacy (overall capital) in relation to the summation of risk (overall internal capital);
  - compliance of the procedures of the organizational units responsible for credit classification, loss forecasts and credit recovery;
  - compliance with the RAF limits laid down by the Board of Directors;
  - operational compliance of the ICAAP process.

  Risk Management performs its functions for the Parent and the Group banks 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 new supervisory instructions of the Bank of Italy (15th update, Circular No. 263 dated 27/12/2006) the progressive 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 the Unit.
- **Ratings Validation.** Ratings Validation, located inside Risk Management, verifies compliance of the internal rating system with the legal (qualitative/quantitative) requirements, with the support of other operating units belonging to the various structures of the Bank, in order to ensure a uniformity of process.
- **Manager responsible for preparing the Company's financial reports (with the support of Accounting Control).** The "Governance and Control Model for Administrative/Accounting Procedures in Banca Carige Group" covers the whole of the Group's operations and set outs the responsibilities of the various organizational units involved in the financial reporting process to provide reasonably certainty of achieving the Bank's objectives:
  - effectiveness and efficiency of operations (operations);
  - reliability of reporting (reporting);
  - compliance with applicable laws and regulations (compliance).

  The Operations and Compliance dimensions are seen as important because the underlying activities, if not adequately controlled, can have a significant impact on the annual and consolidated financial statements.

  The Reporting aspect, is seen as the central focus of the Model, covering all communications and disclosures to the market on the annual and interim accounts.

3) **Internal Audit (level 3)**

Internal Audit (known as Internal Control up until 3/8/2014) is performed by the Internal Audit Unit which reports directly to the Board of Directors. Its task is to assess the adequacy and effectiveness of the first and second level controls and to uncover anomalous trends, violations of procedures and regulations, and evaluate the workings of the Internal Control System as a whole.

Internal Audit performs its functions for the Parent and the Group banks which outsource this function to the Parent, working in conjunction with corporate structures and with the support of special representatives in each of the companies concerned.
Internal Audit:
- assesses the effectiveness and adequacy of the Internal Control System as a whole in accordance with the Regulation of the Internal Audit Process (audit planning, execution of the audit plan, recommendations to improve the corporate system, verification of recommended measures);
- carries out annual and multi-year planning of internal audit activities including controls at the operating units (in loco audits) and remote line controls on the procedures followed by the individual units;
- assesses the correct execution by the organizational units of line controls on their procedures;
- assesses the correct execution by the second level control units of the audits within their remit (risk controls, compliance controls);
- carries out investigations related to complex situations that may result from fraud, errors, etc., giving an opinion as required.

Internal Audit carries out its work on the basis of the Group Audit Model which rests on a methodology designed to identify the risk levels associated with company processes, resulting in a qualitative survey of the residual risk facing the company and a subsequent measurement of the adequacy of the Internal Control System.

The Audit Model covers all company processes and all Group entities. It applies to both process audits and network audits, throughout the audit life cycle, with the support of dedicated IT tools for the various steps:
1. Planning activities;

2. Carrying out audits;
3. Assessing risks and controls;
4. Detailed or summary reporting;
5. Follow-ups;
6. Managing resources.

The Parent Company performs steering and supervision functions in respect of all risks, primarily via an integrated management of Pillar 1 and Pillar 2 risks under the Bank of Italy's supervisory instructions (Circ. No. 263 of 27/12/2006 as later amended).

The strategy pursued for the Group's banks has over time led to the centralization of numerous functions within the Parent, in particular internal audit, compliance, anti-money laundering, risk management, accounting, finance, planning and control. A similar strategy was adopted for Creditis Servizi Finanziari S.p.A., however, in view of its specific characteristics, Creditis Servizi Finanziari S.p.A. set up the *compliance* and anti-money laundering functions in house.

The different categories of risk - as has been mentioned - are monitored by the 2nd level control structures, and their findings are reported periodically to the Board of Directors, the Risk Committee (up until 21/7/2014 called the Risks and Control Committee) and the Board of Statutory Auditors, as well as to the various management committees (Management Committees, Risk Control Committee, Lending Committee, Commercial Committee, and the Finance and ALM Committee).

Within the Group's insurance companies a series of important strategic units have been created centred on Carige Vita Nuova S.p.A., including Internal audit, Risk Management and Compliance. The Parent Company ensures that periodic audits are carried out at the Group companies, including - via the Insurance Group Parent Carige Vita Nuova - at the insurance companies and their subsidiaries, to verify compliance of the subsidiaries' practices with the Parent's guidelines and the effectiveness of their internal control systems. In this regard, Banca Carige has set out a unified methodological approach for the audit of the banking and insurance companies and Internal Audit carries out periodic inspections at the subsidiaries to evaluate the level of adoption of the Parent's control guidelines (management audit).

The internal control system and its ramifications are also discussed in the "Corporate Governance and Ownership Structure Report for 2014" which can be accessed on the www.gruppocarige.it internet site.

# SECTION 1 – THE BANKING GROUP'S RISKS

## *1.1 CREDIT RISK*

Qualitative Information

1. General aspects

The Parent Company's credit offer is mainly focused on households, small businesses, small and medium-sized companies and public authority segments.
The Parent Company pursues the policy of consolidating its current market leadership position through actions to increase the level of penetration on current customers, mainly via cross-selling, in any event without neglecting new business initiatives. Development activities target the consumer and small business segments, as well as the corporate segment.
The main objective outside of the Liguria region, is the assessment of the potential of the network to increment the customer base, with particular reference to the Consumer and Small Business segment and the SME segment.
The economic and financial crisis of the last few years, which resulted in a significant increase of non-performing loans, stressed the strategic importance of monitoring credit relations and managing critical positions.
The main credit policy guidelines require:

- the containment of credit risk to pursue through the selective growth of loans, guided by the rating class of the counter-parties and by their business sector, together with a renewed impetus for security agreements;
- the restructuring of the credit portfolio in accordance with the prospects for growth expressed by the markets;
- the containment of risk of concentration of loans for individual customers or groups of customers;
- reinforcing recovery activities for the recovery of non-performing loans in terms of effectiveness and efficiency.

In accordance with its mission, the Group has adopted Agreements signed by the ABI within the scope of the arrangement known as "New measures for credit to SMEs" and household support measures identified mainly within the "Household Plan", while promptly offering support to people hit by natural disasters.

2. Credit risk management policies

2.1 Organisational aspects

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

## 2.2 Management, measurement and control systems

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

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

- Credit Risk Management, aimed at the strategic governance of the Group's lending activities, through portfolio quality monitoring based on the performance analysis of risk indicators from rating sources (PD, LGD and EAD) and other phenomena of interest, with accurate control of compliance with the limits envisaged in supervisory regulations on risk concentration and capital adequacy with respect to the assumed credit risk;
- activities of an operational nature, to monitor the quality of loans disbursed. Specifically, a tool for the operational monitoring of credit is operational and allows for the combination of the various fields of control activities with risk indicators developed according to IRB approach, to improve the monitoring efficiency and achieve management increasingly consistent with customer risk profiles. From this point of view, in 2014 the monitoring process was strengthened by defining maximum resolution times for loan positions characterised with very abnormal performance, after which, if the situation was not normalised, they will then be reclassified among non-performing loans.

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

Internal rating models were developed by the Parent Company based on historic data for the Retail (Private, Small operators and Small Business) and Corporate (SME and LARGE) segments.

Banca Carige also implemented models for determining, at the consolidated level, probability of default (PD), loss in the event of insolvency (Loss given default – LGD), exposure in the event of insolvency (Exposure at default –EAD).

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

In 2009 Expected Loss (the product of PD, LGD and EAD) was introduced as the parameter used to determine the decision-making path on lending practices in relation to counterparties in the retail (Private; Small operators and Small Business), Corporate (SME and Large Corporate) segments.

The risk parameters (PD, and LGD) are recalibrated in order to incorporate the most recent evolutions of the risk rate of the portfolio used by the Group.

## 2.3 Credit risk mitigation techniques

The Group's credit policy is centred around maximum care in the selection of credit, financed initiatives and borrowers and account monitoring. Credit rating appraisal is based on statistical indicators and qualitative information used to assess the borrower's capacity to generate financial resources in line with repayment of the debt.
Medium/long-term loans are mainly backed by mortgages and, if a more significant risk profile is identified, the credit facilities are backed by personal guarantees (standard and omnibus) and CONFIDI guarantees.

Given that, in this context, personal guarantees and collaterals are obtained – as deemed appropriate for credit risk mitigation, given the impact of mortgage loans on the aggregate portfolio and in compliance with regulatory provisions – a value monitoring process for the assets lodged as security was designed.
More specifically, for a proper assessment of the extent of loan hedging for the capital requirements calculation, the value of mortgaged property is subject to periodic revaluation based on statistical data obtained from a leading specialist in real economy studies.
Moreover, a new appraisal shall be carried out if there is a significant impairment in the market value of the asset, with the aim of implementing the most suitable management measures to safeguard disbursed loans.

## 2.4 Impaired financial assets

The classification of impaired assets is based on an ongoing process which involves monitoring activities focused on the prompt identification of any anomalies in account management, on changes in rating scores and on the emergence of events indicating a potential deterioration of the account.

Furthermore, the Parent Company has implemented operating procedures, on behalf of all subsidiary banks, which determine automatic measures for qualifying positions with irregular repayment of loans and IT monitoring tools which support a management approach that is in line with the identified risk profiles.

Measures triggered by the afore-mentioned monitoring activities are differentiated according to the degree of anomaly detected and comply with regulations approved by the Boards of Directors of all Carige Group banks.
Reclassification to performing status of receivables that were classified - not automatically - among impaired assets takes place following the positive assessment of the financial capacity of customers who, having overcome the difficulties that led to the qualification, believes they are fully able to fulfil their commitments to the Bank.

*Forborne exposures*
In order to guarantee homogeneity of credit exposure classification at a European level, on 21 October 2013 the EBA issued the final draft of a specific "*technical standard*" which included a definition of "*Non performing exposures*". The EBA document also included the definition of "*Forbearance*".
*Forbearance* measures ("concessions") refer to the modification of the original contract terms and conditions, or the total or partial refinancing of the debt conceded to a debtor for the exclusive reason

to address, or to prevent, such debtor's financial difficulty that could have a negative effect on her/his ability to fulfil her/his contractual obligations as originally undertaken, and that would not have been conceded to another debtor with a similar risk profile but without financial difficulty.

The enforcement of a guarantee for the purpose of payment whenever such enforcement involves a new concession is also considered a modification.

Concessions must be identified at the level of single lines of credit (*forborne exposures*) and can refer to exposure of debtors that are classified both as *performing* as well as *non-performing*.

In any case, renegotiated exposures must not be considered forborne when the debtor is not in financial difficulty.

By way of example, *forbearance measures* conceded on non-performing exposures (or exposures that would have become non-performing in the absence of *forbearance measures*), refinancing used by customers for paying back other exposures that are already classified as non-performing, contract modifications that involve the total or partial cancellation of debt; by definition restructured credit is included in forborne exposures.

The Banca Carige Group defined the process of management of positions that are subject to *forbearance* by introducing the definition of *forbearance* and also by making provisions for the use of a minimum *rating* for all counterparties belonging to such segment, with a consequent increase of the *coverage ratio*.

As at 31 December 2014, the Banking Group had on-balance-sheet exposures for *forborne performing* loans and *non performing* (*past due*, restructured loans, bad loans) loans for a gross amount of EUR 958 mln and EUR 1,248 mln respectively (an overall amount of EUR 2,206 mln) and a net amount of EUR 928 mln and EUR 1,022 mln respectively (an overall amount of EUR 1,950 mln).

Quantitative Information

# CREDIT QUALITY

## A.1 NON-PERFORMING AND PERFORMING LOANS: AMOUNTS, WRITEDOWNS, CHANGES, BREAKDOWN BY BUSINESS ACITIVY AND GEOGRAPHIC AREA

The credit assessments carried out during 2014 are affected by both the worsening of the overall macro-economic situation (in Italy, in particular), as well as by the adjustments made to the policy, procedures and parameters used for the assessment of credit risks in order to be aligned with the criteria the ECB used as a basis for the AQR. For further details, please refer to the paragraph "ECB'S comprehensive assessment findings" of the Report on Operations and to "Part A – Accounting Policies".

A.1.1 Breakdown of credit exposure by portfolio and credit quality (carrying value)

| Portfolios/quantity | | Banking Group | | | | | | Other companies | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-performing loans | Doubtful assets | Restructured exposures | Impaired past due exposures | Not impaired past due exposures | Other assets | Impaired | Other assets | |
| 1. Financial assets held for trading | | 5 | 1,646 | - | - | - | 64,488 | - | - | 66,139 |
| 2. Available-for-sale financial assets | | - | - | - | - | - | 2,691,471 | - | - | 2,691,471 |
| 3. Held-to-maturity financial instruments | | - | - | - | - | - | - | - | - | - |
| 4. Loans and receivables with banks | | 7,761 | - | - | - | - | 746,971 | - | - | 754,732 |
| 5. Loans and receivables with customers | | 1,282,149 | 2,299,051 | 167,195 | 145,191 | 756,753 | 19,032,492 | - | - | 23,682,831 |
| 6. Financial assets at fair value through profit or loss | | - | - | - | - | - | - | - | - | - |
| 7. Financial instruments classified as held for | | 4,382 | 2,579 | - | 3,533 | 55,138 | 596,430 | 4 | 5,326,222 | 5,988,288 |
| 8. Hedging instruments | | - | - | - | - | - | 201,525 | - | - | 201,525 |
| Total | 31/12/2014 | 1,294,297 | 2,303,276 | 167,195 | 148,724 | 811,891 | 23,333,377 | 4 | 5,326,222 | 33,384,986 |
| Total | 31/12/2013 | 1,161,702 | 1,944,138 | 201,887 | 339,715 | 525,941 | 28,357,110 | 94 | 4,579,874 | 37,110,461 |

The amounts shown in the preceding table aggregated under "other companies" refer to insurance companies and their subsidiaries.

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

| Portfolio / Quality (Figures must be filled in absolute values) | | Impaired assets | | | Performing | | | Total (net exposure) |
|---|---|---|---|---|---|---|---|---|
| | | Gross exposures | Specific writedowns | Net exposure | Gross exposures | Portfolio adjustments | Net exposure | |
| A. Banking group | | | | | | | | |
| 1. Financial assets held for trading | | 2,440 | 789 | 1,651 | X | X | 64,488 | 66,139 |
| 2. Available-for-sale financial assets | | 986 | 986 | - | 2,691,471 | - | 2,691,471 | 2,691,471 |
| 3. Held-to-maturity financial instruments | | - | - | - | - | - | - | - |
| 4. Loans and receivables with banks | | 18,021 | 10,260 | 7,761 | 746,971 | - | 746,971 | 754,732 |
| 5. Loans and receivables with customers | | 6,482,471 | 2,588,885 | 3,893,586 | 19,995,941 | 206,696 | 19,789,245 | 23,682,831 |
| 6. Financial assets at fair value through profit or loss | | - | - | - | X | X | - | - |
| 7. Financial instruments classified as held for sale | | 30,415 | 19,921 | 10,494 | 655,992 | 4,424 | 651,568 | 662,062 |
| 8. Hedging instruments | | - | - | - | X | X | 201,525 | 201,525 |
| Total A | | 6,534,333 | 2,620,841 | 3,913,492 | 24,090,375 | 211,120 | 24,145,268 | 28,058,762 |
| B. Other consolidated companies | | | | | | | | |
| 1. Financial assets held for trading | | - | - | - | X | - | - | - |
| 2. Available-for-sale financial assets | | - | - | - | - | - | - | - |
| 3. Held-to-maturity financial instruments | | - | - | - | - | - | - | - |
| 4. Loans and receivables with banks | | - | - | - | - | - | - | - |
| 5. Loans and receivables with customers | | - | - | - | - | - | - | - |
| 6. Financial assets at fair value through profit or loss | | - | - | - | X | X | - | - |
| 7. Financial instruments classified as held for sale | | 1,199 | 1,195 | 4 | 5,376,777 | 50,555 | 5,326,222 | 5,326,226 |
| 8. Hedging instruments | | - | - | - | X | X | - | - |
| Total B | | 1,199 | 1,195 | 4 | 5,376,777 | 50,555 | 5,326,222 | 5,326,226 |
| Total | 31/12/2014 | 6,535,531 | 2,622,036 | 3,913,495 | 29,467,156 | 261,675 | 29,471,497 | 33,384,992 |
| Total | 31/12/2013 | 5,709,233 | 2,061,697 | 3,647,536 | 33,368,135 | 198,583 | 33,462,925 | 37,110,461 |

The amounts shown aggregated under "other companies" refer to insurance companies and their subsidiaries.
As regards the Loans to customers portfolio, it should be noted that, at the reporting date, the total amount of partial eliminations on loans is equal to EUR 226.6 mln. The amount does not include EUR 17.5 mln recorded by special purpose vehicle companies Argo Finance Srl and Priamar Finance Srl before the transfer of their portfolios to the Group.

A.1.2.1 Breakdown of performing exposures by portfolio

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

The figures in the above table refer entirely to the Banking Group.

It should be noted that the following tables in this section refer entirely to the Banking Group, and that the data reported is gross of relations with other companies included in the scope of consolidation.

A.1.3 Banking group - On- and off - Balance Sheet credit exposure to banks: gross and net values

| Type of exposure/Amounts | Gross exposure | Specific write-downs | Portfolio adjustments | Net exposure |
|---|---|---|---|---|
| A. BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | 19,007 | 11,246 | - | 7,761 |
| b) Doubtful loans | - | - | - | - |
| c) Restructured Exposures | - | - | - | - |
| d) Impaired past due exposures | - | - | - | - |
| e) Other assets | 788,121 | - | - | 788,121 |
| TOTAL A | 807,128 | 11,246 | - | 795,882 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Impaired | - | - | - | - |
| b) Other | 150,703 | - | 1,477 | 149,226 |
| TOTAL B | 150,703 | - | 1,477 | 149,226 |
| TOTAL A+B | 957,831 | 11,246 | 1,477 | 945,108 |

A.1.4 Banking group - On-Balance Sheet credit exposures with banks: gross change in impaired exposures

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Past due exposures |
|---|---|---|---|---|
| A. Opening balance (gross amount) | 18,659 | 5,392 | - | - |
| - Sold but not derecognised | - | - | - | - |
| B. Increases | 348 | 1,375 | - | - |
| B.1 transfers from performing loans | - | - | - | - |
| B.2 transfers from other impaired exposures | - | - | - | - |
| B.3 other increases | 348 | 1,375 | - | - |
| C. Decreases | - | 6,767 | - | - |
| C.1 transfers to performing loans | - | - | - | - |
| C.2 write-offs | - | 2,995 | - | - |
| C.3 recoveries | - | - | - | - |
| C.4 sales proceeds | - | 3,617 | - | - |
| C.4 bis losses on disposals | - | - | - | - |
| C.5 transfers to other impaired exposures | - | - | - | - |
| C.6 other decreases | - | 155 | - | - |
| D. Closing balance (gross amounts) | 19,007 | - | - | - |
| - Sold but not derecognised | - | - | - | - |

## A.1.5 Banking group - Balance Sheet credit exposures to banks: change in overall impairments

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Impaired Past due exposures |
|---|---|---|---|---|
| A. Opening balance overall amount of writedowns | 10,963 | 2,829 | - | - |
| - Sold but not derecognised | - | - | - | - |
| B. Increases | 435 | 1,541 | - | - |
| B.1 write-downs | 87 | 166 | - | - |
| B.1 bis losses on disposal | - | - | - | - |
| B.2 transfer from other impaired exposure | - | - | - | - |
| B.3 other increases | 348 | 1,375 | - | - |
| C. Reductions | 152 | 4,370 | - | - |
| C.1 write-backs from assessments | 152 | 1,375 | - | - |
| C.2 write-backs from recoveries | - | - | - | - |
| C.2 bis gains on disposal | - | - | - | - |
| C.3 write-offs | - | 2,995 | - | - |
| C.4 transfers to other impaired exposures | - | - | - | - |
| C.5 other decreases | - | - | - | - |
| D. Closing overall amount of writedowns | 11,246 | - | - | - |
| - Sold but not derecognised | - | - | - | - |

## A.1.6 Banking Group - On and off - Balance sheet credit exposure to customers: gross and net values

| Type of exposure/amount | Gross exposure | Specific writedowns | Portfolio adjustments | Net exposure |
|---|---|---|---|---|
| A. BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | 3,108,615 | 1,822,079 | x | 1,286,536 |
| b) Doubtful loans | 3,025,626 | 723,996 | x | 2,301,630 |
| c) Restructured Exposures | 204,765 | 37,570 | x | 167,195 |
| d) Impaired past due exposures | 173,885 | 25,161 | x | 148,724 |
| e) Other assets | 23,307,355 | x | 211,120 | 23,096,235 |
| TOTAL A | 29,820,246 | 2,608,806 | 211,120 | 27,000,320 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Impaired | 309,038 | 25,962 | x | 283,076 |
| b) Other | 2,191,362 | x | 30,849 | 2,160,513 |
| TOTAL B | 2,500,400 | 25,962 | 30,849 | 2,443,589 |
| TOTAL A+B | 32,320,646 | 2,634,768 | 241,969 | 29,443,909 |

A.1.7 Banking group - Balance Sheet credit exposure to customers: gross change in impaired exposures

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Past due exposures |
|---|---|---|---|---|
| A. Opening balance (gross amount) | 2,640,741 | 2,430,361 | 232,375 | 375,824 |
| - Sold but not derecognised | 21,769 | 3,135 | 19 | 3,526 |
| B. Increases | 687,403 | 1,236,035 | 50,234 | 196,504 |
| B.1 transfers from performing loans | 73,684 | 995,296 | 13,837 | 134,923 |
| B.2 transfers from other impaired exposures | 489,589 | 154,042 | 31,895 | 3,744 |
| B.3 other increases | 124,130 | 86,697 | 4,502 | 57,837 |
| C. Decreases | 219,529 | 640,770 | 77,844 | 398,443 |
| C.1 transfers to performing loans (including not impaired past-due) | 93 | 73,292 | 380 | 179,273 |
| C.2 write-offs | 111,723 | 2,890 | 1,229 | 74 |
| C.3 recoveries | 106,868 | 93,547 | 65,296 | 22,103 |
| C.4 sales proceeds | - | - | - | - |
| C.4 bis losses on disposals | - | - | - | - |
| C.5 transfers to other impaired exposures | 316 | 471,024 | 10,939 | 196,987 |
| C.6 other decreases | 529 | 17 | - | 6 |
| D. Closing balance (gross amounts) | 3,108,615 | 3,025,626 | 204,765 | 173,885 |
| - Sold but not derecognised | 21,537 | 2,845 | 10 | 1,672 |

A.1.8 Banking group - Balance Sheet credit exposures to customers: changes in overall impairment

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Past due exposures |
|---|---|---|---|---|
| A.Opening balance total writedowns | 1,486,735 | 492,332 | 30,488 | 36,109 |
| - Sold but not derecognised | 7,083 | 581 | 4 | 106 |
| B. Increase variations | 519,765 | 405,208 | 18,346 | 3,855 |
| B1. write-downs | 299,176 | 404,765 | 9,918 | 660 |
| B.1 bis losses on disposal | - | - | - | - |
| B.2 transfers from other impaired exposure | 131,211 | 336 | 8,428 | 85 |
| B.3 other increase variations | 89,378 | 107 | - | 3,110 |
| C. Decrease variations | 184,421 | 173,544 | 11,264 | 14,803 |
| C.1 write-backs from assessments | 52,892 | 24,627 | 6,605 | 2,908 |
| C.2 write-backs from recoveries | 19,098 | 7,295 | 3,015 | - |
| C.2 bis gains on disposal | - | - | - | - |
| C.3 write-offs | 111,723 | 2,890 | 1,229 | 74 |
| C.4 transfers to other impaired exposures | 205 | 138,693 | 415 | 747 |
| C.5 other reductions | 503 | 39 | - | 11,074 |
| D. Closing balance - writedowns | 1,822,079 | 723,996 | 37,570 | 25,161 |
| - Sold but not derecognised | 8,333 | 860 | 1 | 120 |

## A.2 LOAN CLASSIFICATION BASED ON INTERNAL AND EXTERNAL RATINGS

The Group's loans are concentrated in the *retail* segment (*small business*, small operators and *mass market*); and as a result, only a partial share of the overall exposures are evaluated by rating agencies. Furthermore, considering that the Group also has exposure towards supervised intermediaries and the public administration, the risk profile has been represented correctly by attributing to it a rating that corresponds to that of a sovereign state, decreased by one notch.

The internal rating models created by the Parent Company on the other hand, permit an evaluation of credit worthiness extended to the majority of exposures towards customers.

The two tables show the breakdown of cash and off-balance sheet exposures by internal and external rating class. Exposures classified as bad loans, substandard, rescheduled and past due loans, were included amongst default exposures.

A.2.1 Breakdown of on- and off-balance-sheet exposures by external rating classes

| Exposures | External rating class | | | | | | No Rating | Total |
|---|---|---|---|---|---|---|---|---|
| | Class I | Class II | Class III | Class VI | Class V | Class VI | | |
| A. BALANCE-SHEET EXPOSURES | 7,608 | 479,442 | 2,964,892 | 4,729,926 | 441 | 166,656 | 19,461,747 | **27,810,713** |
| B. DERIVATIVES | 361 | 89,194 | 16,716 | 11,266 | 11,451 | 2,638 | 6,973 | **138,599** |
| B.1 FINANCIAL DERIVATIVES | 361 | 89,165 | 16,710 | 11,262 | 11,447 | 2,683 | 6,971 | **138,599** |
| B.2 CREDIT DERIVATIVES | | | | | | | | **0** |
| C. GUARANTEES ISSUED | 128 | 14,494 | 9,397 | 41,963 | 6,894 | 24,724 | 937,261 | **1,034,861** |
| D. COMMITMENTS | 0 | 44,502 | 27,800 | 739,835 | 0 | 172 | 607,046 | **1,419,355** |
| **Total** | **8,097** | **627,633** | **3,018,804** | **5,522,990** | **18,785** | **194,191** | **21,013,026** | 30,403,528 |

Rating class - Moody's External rating:

Class I: Aaa/Aa3; Class II: A1/A3; Class III: Baa1/Baa3; Class IV: Ba1/Ba3; Class V: B1/B3; Class VI: lower than B3.

In addition to units in UCITS, on- and off-balance-sheet exposures of tables A.1.3 and A.1.6 are included.

A.2.2 Breakdown of on- and off-balance-sheet exposures by internal rating classes

| Exposures | Internal rating class | | | | | | No Rating | Total |
|---|---|---|---|---|---|---|---|---|
| | Class I | Class II | Class III | Class VI | Class V | Class VI | | |
| A. BALANCE-SHEET EXPOSURES | 1,277,321 | 4,070,352 | 11,874,582 | 1,257,394 | 1,374,467 | 306,274 | 7,650,324 | **27,810,713** |
| B. DERIVATIVES | 101,068 | 1,728 | 29,147 | 398 | 1,118 | 2,649 | 2,491 | **138,599** |
| B.1 FINANCIAL DERIVATIVES | 101,035 | 1,728 | 29,137 | 398 | 1,117 | 2,694 | 2,490 | **138,599** |
| B.2 CREDIT DERIVATIVES | | | | | | | | **0** |
| C. GUARANTEES ISSUED | 56,021 | 191,080 | 339,901 | 144,574 | 103,764 | 30,137 | 169,384 | **1,034,861** |
| ***D. COMMITMENTS*** | 3,588 | 152,940 | 864,697 | 75,964 | 56,831 | 3,805 | 261,530 | 1,419,355 |
| **Total** | **1,437,998** | **4,416,100** | **13,108,326** | **1,478,330** | **1,536,179** | **342,865** | **8,083,729** | 30,403,528 |

Internal rating classes are shown in decreasing order of creditworthiness.

In addition to units in UCITS, on- and off-balance-sheet exposures of tables A.1.3 and A.1.6 are included.

Internal ratings are not used for calculation of prudential capital requirements.

Borrowers of segments 'INTVI', 'public administrations' and 'government-controlled companies' were rated as per the class of the sovereign State they belong to.

## A.3 BREAKDOWN OF SECURED EXPOSURE BY TYPE OF COLLATERAL

### A.3.1 Banking group - Secured credit exposures with banks

| | | Collaterals (1) | | | | Guarantees | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Credit derivatives | | | | | Signature loans | | | |
| | | | | | | | Other derivatives | | | | | | | |
| | Net exposures | Property, Mortgages | Financial leasing property | Securities | Other assets | CLN | Governments and Central Banks | Other public entities | Banks | Other entities | Governments and Central Banks | Other public entities | Banks | Other entities | Total (1)+(2) |
| 1. Secured balance sheet credit exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.1 totally secured | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 partially secured | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Secured off-balance sheet credit exposures | 106,530 | - | - | - | 96,085 | - | - | - | - | - | - | - | - | - | 96,085 |
| 2.1 totally secured | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 partially secured | 106,530 | - | - | - | 96,085 | - | - | - | - | - | - | - | - | - | 96,085 |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## A.3.2 Secured credit exposures with customers

| | | Collaterals (1) | | | | Guarantees | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Credit derivatives | | | | | Signature loans | | | | |
| | | | | | | | Other derivatives | | | | | | | | |
| | Net exposures | Property Mortgages | Financial leasing property | Securities | Other assets | CLN | Governments and Central Banks | Other public entities | Banks | Other entities | Governments and Central Banks | Other public entities | Banks | Other entities | Total (1)+(2) |
| 1. Secured Balance Sheet credit exposures: | 19,721,108 | 33,147,479 | 937,346 | 3,903,778 | 850,259 | - | - | - | - | - | 634 | 33,182 | 1,591 | 1,582,091 | 40,456,360 |
| 1.1 totally secured | 18,910,157 | 32,778,377 | 937,346 | 3,835,923 | 799,177 | - | - | - | - | - | 617 | 31,935 | 945 | 1,438,310 | 39,822,630 |
| - of which | 2,823,985 | 7,605,865 | 107,222 | 40,741 | 170,020 | - | - | - | - | - | 19 | 840 | - | 176,831 | 8,101,538 |
| 1.2 partially secured | 810,951 | 369,102 | - | 67,855 | 51,082 | - | - | - | - | - | 17 | 1,247 | 646 | 143,781 | 633,730 |
| - of which | 457,608 | 301,976 | - | 53,818 | 40,766 | - | - | - | - | - | - | - | - | 61,642 | 458,202 |
| 2. Secured off- Balance Sheet credit exposures: | 1,426,593 | 843,473 | - | 606,111 | 33,902 | - | - | - | - | - | - | 73 | 73 | 325,659 | 1,809,291 |
| 2.1 totally secured | 1,377,269 | 840,937 | - | 602,280 | 27,976 | - | - | - | - | - | - | 73 | - | 303,082 | 1,774,348 |
| - of which | 167,593 | 268,919 | - | 4,592 | 2,609 | - | - | - | - | - | - | - | - | 26,839 | 302,959 |
| 2.2 partially secured | 49,324 | 2,536 | - | 3,831 | 5,926 | - | - | - | - | - | - | - | 73 | 22,577 | 34,943 |
| - of which | 8,832 | 1,161 | - | 6 | 1,192 | - | - | - | - | - | - | - | - | 6,434 | 8,793 |

## *B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE*

B.1 Banking Group - Distribution by segment of Balance Sheet and off-Balance Sheet credit exposure to customers (book value)

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

B.2 Banking group - Distribution of Balance Sheet and Off-Balance Sheet exposures to customers by geographic area (book value)

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

B.2.1 Banking group - Distribution of Balance Sheet and Off-Balance Sheet exposures to customers by geographic area (book value) - Italy

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

B.3 Banking Group - Distribution of Balance Sheet and Off-Balance Sheet credit exposures to banks by geographic area (book value)

| Exposures / Geographical | | Italy | | Other European | | America | | Asia | | Rest of the world | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs |
| A. Balance sheet exposures | | | | | | | | | | | |
| A.1 Non-performing loans | | - | - | - | 986 | 7,761 | 10,260 | - | - | - | - |
| A.2 Doubtful loans | | - | - | - | - | - | - | - | - | - | - |
| A.3 Restructured exposures | | - | - | - | - | - | - | - | - | - | - |
| A.4 Impaired past due exposures | | - | - | - | - | - | - | - | - | - | - |
| A.5 Other exposures | | 204,197 | - | 543,627 | - | 38,013 | - | 1,527 | - | 757 | - |
| TOTAL A | | 204,197 | - | 543,627 | 986 | 45,774 | 10,260 | 1,527 | - | 757 | - |
| B. Off-balance sheet exposures | | | | | | | | | | | |
| B.1 Non-performing loans | | - | - | - | - | - | - | - | - | - | - |
| B.2 Doubtful loans | | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | | - | - | - | - | - | - | - | - | - | - |
| B.4 Other exposures | | 56,850 | 1,477 | 92,246 | - | - | - | 130 | - | - | - |
| TOTAL B | | 56,850 | 1,477 | 92,246 | - | - | - | 130 | - | - | - |
| Total A+B | 31/12/2014 | 261,047 | 1,477 | 635,873 | 986 | 45,774 | 10,260 | 1,657 | - | 757 | - |
| Total A+B | 31/12/2013 | 578,735 | 8,909 | 830,457 | 899 | 24,083 | 10,064 | 1,691 | - | 774 | - |

B.3.1 Banking Group - Distribution of Balance Sheet and Off-Balance Sheet credit exposures to banks by geographic area (book value)- Italy

| | | North West Italy | | North East Italy | | Italian Centre | | South Italy and Islands | |
|---|---|---|---|---|---|---|---|---|---|
| A. Balance sheet exposures | | | | | | | | | |
| A.1 Bad loans | | - | - | - | - | - | - | - | - |
| A.2 Substandard loans | | - | - | - | - | - | - | - | - |
| A.3 Restructured exposures | | - | - | - | - | - | - | - | - |
| A.4 Past due exposures | | - | - | - | - | - | - | - | - |
| A.5 Other exposures | | 99,448 | - | 9,576 | - | 95,173 | - | - | - |
| Total A | | 99.448 | - | 9,576 | - | 95,173 | - | - | - |
| B. Off-balance sheet exposures | | | | | | | | | |
| B.1 Bad loans | | - | - | - | - | - | - | - | - |
| B.2 Substandard loans | | - | - | - | - | - | - | - | - |
| B.3 Other non-performing assets | | - | - | - | - | - | - | - | - |
| B.4 Other exposures | | 7,800 | - | - | - | 49,050 | 1,477 | - | - |
| Total B | | 7,800 | - | - | - | 49,050 | 1,477 | - | - |
| Total (A+B) | 31/12/2014 | 107,248 | - | 9,576 | - | 144,223 | 1,477 | - | - |
| Total (A+B) | 31/12/2013 | 278,121 | 3,572 | 57,187 | - | 243,427 | 5,337 | - | - |

B.4 Large exposures

| | |
|---|---|
| A) Amount (book value): | 14,300,054 |
| B) Amount (weighted value): | 1,883,370 |
| C) Number of positions: | 8 |

## C. SECURITISATIONS AND ASSET DISPOSALS

Qualitative Information

The Carige Group has carried out a securitisation operation for performing loans, which was implemented in the first half of 2004 by the Parent Company, together with two "Covered Bond" operations, which are further described in section E.4. For this securitisation operation, Banca Carige carries out the role of a 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 across the board by multiple divisions and departments 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 Special 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 as at 30 June 2004 of EUR 864.5 mln at a price of EUR 925.6 mln.(This figure includes EUR 61.1 mln as the deferred price calculated by means of a profit extraction mechanism which specifically took into account the excess spread net of transaction costs as at each payment date, the level of risk of the loans transferred and early repayment options).

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

The securities issued as at 31/12/2014 have the following ratings:

| SECURITY | CODE | FITCH | OUTLOOK | MOODYS | OUTLOOK* |
|---|---|---|---|---|---|
| Class A | IT0003694129 | AA+ | Neg | A2 | RUR UPG |
| Class B | IT0003694137 | AA+ | Neg | A2 | RUR UPG |
| Class C | IT0003694145 | BBB | Stab | Baa2 | RUR UPG |

*Rating Under Review for upgrade.

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

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

The residual credit for the deferred price to be paid to Banca Carige and Banca Carige Italia as at 31/12/2104 was EUR 47.7 million.

In 2014, collections on receivables amounted to EUR 25.1 mln and servicing fees and commissions totalled EUR 0.2 mln.

As the Argo Mortgage 2 S.r.l. securitisation transaction does not fully reflect the conditions of substantial transfer to third parties of the associated risks and benefits, it was reclassified in the Balance Sheet as from 1 January 2005.

## Quantitative Information

C.1 Banking Group – exposure resulting from securitisation transaction broken down by quality of underlying assets

| Quality of underlying assets/Exposures | On Balance-sheet | | | | | | Guarantees given | | | | | | Credit facilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure |
| A. With own underlying assets | 9,441 | 9,441 | 3,792 | 3,792 | 47,669 | 42,471 | - | - | - | - | - | - | - | - | - | - | - | - |
| a) Impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | 9,441 | 9,441 | 3,792 | 3,792 | 47,669 | 42,471 | - | - | - | - | - | - | - | - | - | - | - | - |
| B. With third-party underlying assets | 2,474 | 2,474 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| a) Impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | 2,474 | 2,474 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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

C.2 Exposures arising from major 'own' securitisation transactions broken down by type of securitised asset and exposure

| Type of securitised asset/exposure | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Lines of credit | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs |
| A. Totally derecognised | - | | - | | - | | | | | | | | | | | | | |
| B. Partially derecognised | | | | | | | | | | | | | | | | | | |
| C. Not derecognised | 9,441 | | 3,792 | | 42,471 | 5,199 | | | | | | | | | | | | |
| C.1 Argo Mortgage 2 Srl | | | | | | | | | | | | | | | | | | |
| - non-performing loans | | | | | - | - | | | | | | | | | | | | |
| - performing loans | 9,441 | | 3,792 | | 42,471 | 5,199 | | | | | | | | | | | | |

C.3 Exposures arising from main “third-party” securitisations broken down by type of securitised asset and exposure

| Type of underlying asset/exposure | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Lines of credit | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs |
| A.1 FIP Funding Srl | | | | | | | | | | | | | | | | | | |
| - performing loans | 2,474 | - | | | | | | | | | | | | | | | | |

## C.4 Banking group – exposure resulting from securitisation transaction broken down by portfolio and type

| Exposure / portfolio | Trading | Carried at fair value | Available-for-sale | Held-to-maturity | Loans | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|---|---|
| 1. Balance sheet exposure | - | - | - | - | 2,474 | 2,474 | 2,510 |
| - Senior | - | - | - | - | 2,474 | 2,474 | 2,510 |
| - Mezzanine | - | - | - | - | - | - | - |
| - Junior | - | - | - | - | - | - | - |
| 2. Off-balance sheet exposure | - | - | - | - | - | - | - |
| - Senior | - | - | - | - | - | - | - |
| - Mezzanine | - | - | - | - | - | - | - |
| - Junior | - | - | - | - | - | - | - |

## C.5 Banking Group – securitised assets underlying junior securities or other forms of credit support

| Assets/Values | Traditional securitisations | "Synthetic" securitisation |
|---|---|---|
| A. Own underlying assets | 140,507 | x |
| A.1 Totally derecognised | - | x |
| 1. Non-performing loans | - | x |
| 2. Doubtful loans | - | x |
| 3. Restructured exposures | - | x |
| 4. Past-due exposures | - | x |
| 5. Other assets | - | x |
| A.2 Partially derecognised | - | x |
| 1. Non-performing loans | - | x |
| 2. Doubtful loans | - | x |
| 3. Restructured exposures | - | x |
| 4. Past-due exposures | - | x |
| 5. Other assets | - | x |
| A.3 Non-derecognised | 140,540 | - |
| 1. Non-performing loans | 21,570 | - |
| 2. Doubtful loans | 2,845 | - |
| 3. Restructured exposures | 10 | - |
| 4. Past-due exposures | 1,672 | - |
| 5. Other assets | 114,443 | - |
| B. Third party underlying assets | - | - |
| B.1 Non-performing loans | - | - |
| B.2 Doubtful loans | - | - |
| B.3 Restructured exposures | - | - |
| B.4 Past-due exposures | - | - |
| B.5 Other assets | - | - |

C.6 securitisation vehicles

| Name of securitisation/Name of securitisation vehicle | Registered Office | Consolidation | ASSETS | | | LIABILITIES | | |
|---|---|---|---|---|---|---|---|---|
| | | | oans and receivable | Debt securities | Other | Senior | Mezzanine | Junior |
| Argo Mortgage 2 S.r.l. | Genoa | YES | 136,586 | - | 32,014 | 64,100 | 56,150 | 48,350 |

C.8 Servicer - securitised credit collections and repayment of SPV-issued securities

| Servicer | Special purpose vehicle | Securitised assets (year-end data) | | Credit collections during the year | | % share of securities repaid (year-end data) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Senior | | Mezzanine | | Junior | |
| | | Non-performin | Performing | Non-performin | Performing | Non-performing assets | Performing assets | Non-performing assets | Performing assets | Non-performing assets | Performing assets |
| Banca Carige S.p.A. | Argo Mortgage 2 Srl (1) | 26,096 | 114,443 | 1,049 | 24,064 | | 92% | | | | |

1) Banca Carige S.p.A. performs the role of Master servicer in the securitisation, while Banca Carige Italia fulfils the role of servicer of the loans transferred to the SPV.

## E. DISPOSALS

### A. Financial assets sold and not fully derecognised

### Qualitative Information

Assets sold and not fully derecognised from the Bank financial statements are as follows:

1) Receivables transferred within the securitisation performed through the SPE Argo Mortgage 2 s.r.l., as described in paragraph C of Section E in the Explanatory Notes. The non-derecognition follows the recognition of a receivable from the SPE, for an accrued deferred price, which entailS a risk for the Group of first losses as well as extra-spread benefits of securitisation. Receivables sold, recognised as assets, are offset by liabilities represented by outstanding securities issued by the Special Purpose Vehicle as at the closing of the fiscal year net of those repurchased by the Parent Company.
2) the securities, as assets, underlying repo liabilities with banks and customers the non-derecognition of which is subject to a repurchase transaction, is due to the fact that the Group substantially retains all risks and rewards connected with the security as it is committed to repurchase the security at a contractually agreed price. These securities are therefore disclosed in the pertaining accounting portfolios. The amount of the transfer is recognised among payables according to the type of counter-item.

# Quantitative Information

## E.1 Banking Group – Financial assets sold and not derecognised: value and fair value

| Type / Portfolio | Financial assets held for trading | | | Financial assets carried at fair value through | | | Available-for-sale financial assets | | | Held-to-maturity investments | | | Loans and receivables with banks | | | Loans and receivables with customers | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | 31/12/2014 | 31/12/2013 |
| A. Balance-sheet assets | - | - | - | - | - | - | 1,503,170 | - | - | - | - | - | - | - | - | 131,091 | - | - | 1,634,261 | 1,284,686 |
| 1. Debt securities | - | - | - | - | - | - | 1,503,170 | - | - | - | - | - | - | - | - | - | - | - | 1,503,170 | 1,129,241 |
| 2. Equity securities | - | - | - | - | - | - | - | - | - | x | x | x | x | x | x | x | x | x | - | - |
| 3. UCIS | - | - | - | - | - | - | - | - | - | x | x | x | x | x | x | x | x | x | - | - |
| 4. Loans | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 131,091 | - | - | 131,091 | 155,445 |
| B. Derivatives | - | - | - | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | - | - |
| Total 31/12/2014 | - | - | - | - | - | - | 1,503,170 | - | - | - | - | - | - | - | - | 131,091 | - | - | 1,634,261 | - |
| of which impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 16,751 | - | - | 16,751 | - |
| Total 31/12/2013 | 39 | - | - | - | - | - | 1,129,202 | - | - | - | - | - | - | - | - | 155,445 | - | - | - | 1,284,686 |
| of which impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 20,711 | - | - | - | 20,711 |

Key:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
C = Financial assets sold and partially recognised (full value)

## E.2 Banking Group – Financial liabilities related to financial assets sold and not derecognised: book value

| Liabilities/portfolio assets | | Financial assets held for trading | Financial assets carried at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Loans and receivables with banks | Loans and receivables with customers | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Deposits from customers | | - | - | 1,450,195 | - | - | - | 1,450,195 |
| a) related to fully recognised assets | | - | - | 1,450,195 | - | - | - | 1,450,195 |
| b) relating to partially recognised assets | | - | - | - | - | - | - | - |
| 2. Deposits from banks | | - | - | 49,811 | - | - | - | 49,811 |
| a) related to fully recognised assets | | - | - | 49,811 | - | - | - | 49,811 |
| b) relating to partially recognised assets | | - | - | - | - | - | - | - |
| 3. Debt securities in issue | | - | - | - | - | - | 102,210 | 102,210 |
| a) related to fully recognised assets | | - | - | - | - | - | 102,210 | 102,210 |
| b) relating to partially recognised assets | | - | - | - | - | - | - | - |
| Total | 31/12/2014 | - | - | 1,500,006 | - | - | 102,210 | 1,602,216 |
| Total | 31/12/2013 | 20,896 | - | 406,699 | - | 13,780 | 482,803 | 924,178 |

E.3 Banking Group – sales transactions relating to financial liabilities with repayment exclusively based on assets sold: fair value

| Type / Portfolio | Financial assets held for trading | | Financial assets carried at fair value | | Available-for-sale financial assets | | Held-to-maturity investments (fair value) | | Loans and receivables with banks (fair value) | | Loans and receivables with customers (fair value) | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B | A | B | 31/12/2014 | 31/12/2013 (1) |
| A. Balance-sheet assets | - | - | - | - | - | - | - | - | - | - | 140,945 | - | 140,945 | 167,891 |
| 1. Debt securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Equity securities | - | - | - | - | - | - | x | x | x | x | x | x | - | - |
| 3. UCIS | - | - | - | - | - | - | x | x | x | x | x | x | - | - |
| 4. Loans | - | - | - | - | - | - | - | - | - | - | 140,945 | - | 140,945 | 167,891 |
| B. Derivative instruments | - | - | x | x | x | x | x | x | x | x | x | x | - | - |
| Assets Total | - | - | - | - | - | - | - | - | - | - | 140,945 | - | 140,945 | 167,891 |
| C. Liabilities associated | - | - | - | - | - | - | - | - | - | - | 102,210 | - | x | x |
| 1. Due with customers | - | - | - | - | - | - | - | - | - | - | - | - | x | x |
| 2. Due with banks | - | - | - | - | - | - | - | - | - | - | - | - | x | x |
| 3. Securities | - | - | - | - | - | - | - | - | - | - | 102,210 | - | x | |
| Liabilities Total | - | - | - | - | - | - | - | - | - | - | 102,210 | - | 102,210 | - |
| Net value 31/12/2014 | - | - | - | - | - | - | - | - | - | - | 38,735 | - | 38,735 | x |
| Net value 31/12/2013 | - | - | - | - | - | - | - | - | - | - | 24,971 | - | x | 24,971 |

(1) The data from the previous financial year has been modified with respect to the published version.

Key:
A = financial assets sold and recognised in full.
B = financial assets sold and partially recognised.

## E.4 COVERED BOND TRANSACTIONS

Banca Carige S.p.A. implemented two medium/long-term deposit programmes, via the issue of covered bonds, with collateral primarily consisting in residential and commercial mortgages.

As part of the programmes, Banca CARIGE adopted the internal control procedures (also at Group level) suitable for the working plan prescribed for the covered bonds, given the high level of operational and legal innovation and complexity of such transactions and pursuant to applicable regulatory provisions and, in particular, to the supervisory instructions issued by the Bank of Italy with Circular no. 263 of 27 December 2006, as amended (hereinafter referred to as the "Supervisory Instructions").

At the meeting held on 29 August 2008, the Board of Directors acknowledged the organisational model prepared by the Organisation Division for the implementation and management of the Programme. This organisation model was subsequently updated.

As part of these programmes, Banca Carige plays the role of issuer, assignor of eligible assets and Master Servicer.

Banca Carige Italia, Cassa di Risparmio di Savona, Cassa di Risparmio di Carrara and Banca del Monte di Lucca take part in the two programmes as additional assignors and servicers.

Banca Carige appointed the audit firm Mazars & Guerard Spa to serve as Asset Monitor, i.e. to oversee transaction compliance and the integrity of the guarantee in favour of investors. The controls

and assessments made on transaction performance are subject to an annual report that is also addressed to the Board of Statutory Auditors of Banca CARIGE.
The Internal Auditing Department of Banca CARIGE carries out a complete control of the audits made, at least on an annual basis, also making use of the information received and the opinions expressed by the Asset Monitor. The results of these controls are reported to the Banca Carige Board of Directors.
On a regular basis, and for each transaction, the risk monitoring department of Banca Carige controls:

- The quality and integrity of the assets transferred, in particular the estimated property value – both residential and non-residential – mortgaged in relation to the land and property loans transferred;
- Maximum ratio compliance between the covered bonds issued and the assets transferred as security;
- Compliance with transfer limits and integration methods;
- The real and adequate risk hedging offered by any derivative contracts signed in relation to the transaction.

In order for the transferee to fulfil the obligations of the collateral pledged, Banca Carige uses suitable asset & liability management techniques to ensure a substantial balance between the maturities of cash flows generated by the transferred assets and the maturities of payments due from the issuing bank on the covered bonds issued and other transaction costs.

The programmes were structured in compliance with applicable legal and regulatory provisions allowing the issue of covered bonds with certain capital requirements for the Group.
The Bank periodically carries out assessments required by the Supervisory Provisions concerning the capital requirements for transferors or issuing banks as part of covered bond issue transactions, all necessary controls for compliance with transfer limits, together with thorough assessments of the objectives pursued and the risks associated with implementation of the Programme.

With respect to the first assets transferred, each single transferor, for the pertaining portion, supplied a subordinated loan to the special purpose vehicle, in order to grant financial means necessary to the purchase of loans. As for subsequent transfers, the SPE used both new subordinated financing and its own cash.

Under the accounting point of view, the loans transferred to the two vehicles will continue to be posted to item 70 of the Assets "Loans to customers" as their related risks and rewards have not been transferred.

The subordinated financing is not recognised in the accounts and therefore it is not measured for the purposes of the credit risk due to the fact that this risk is entirely reflected in the measurement of transferred mortgage loans, which are still recorded in the financial statements of the transferors.

The selling Banks receive a commission from Banca Carige for the guarantee given and disclose the assets transferred in part B of the Explanatory Notes, Other information section, in table 1. Guarantees and commitments reported under item no. 5) "Assets lodged to guarantee minority interest".

The receivables transferred are described by the issuer Banca Carige S.p.A. in part B of the Explanatory Notes, Other information section, Table 2. Assets held to guarantee own liabilities and commitments under item no. 6) “Loans to customers”.

a) Medium/long-term deposit programme over the 2008-2013 period, through the issue of Covered Bonds.

The first Covered Bond issue programme, related to the 2008-2013 period, was implemented through the SPE Carige Covered Bond S.r.l. in 2008 and was renewed by the Board of Directors on 16 September 2013.

As at 31 December 2014, residential and commercial mortgages amounting to EUR 4,514 mln were segregated in the special purpose entity, of which EUR 1,589 mln were transferred from Banca Carige, EUR 2,298 mln were from Banca Carige Italia and EUR 627 mln from the other Group Banks.

The issues by the Parent Company until 31 December 2014 and not yet matured are listed below and amount to EUR 2,930.5 million, of which EUR 17.5 million are held by other companies in the Carige Group:

| Amount issued | Date of Issuance | Maturity date | Amount held by Group companies |
|---|---|---|---|
| 1,000,000,000 | 05.11.2009 | 25.11.2016 | |
| 75,000,000 | 20.09.2010 | 29.12.2030 | |
| 20,000,000 | 04.10.2010 | 25.10.2022 | |
| 20,000,000 | 25.10.2010 | 25.10.2040 | |
| 20,000,000 | 25.10.2010 | 25.10.2040 | |
| 180,000,000 | 28.10.2010 | 25.11.2016 | 17,500,000 |
| 18,500,000 | 15.11.2010 | 25.11.2030 | |
| 20,000,000 | 25.11.2010 | 25.11.2030 | |
| 40,000,000 | 27.12.2010 | 27.12.2030 | |
| 500,000,000 | 10.03.2011 | 25.03.2015 | |
| 30,000,000 | 23.04.2012 | 23.04.2032 | |
| 150,000,000 | 31.10.2012 | 25.10.2022 | |
| 17,000,000 | 02.11.2012 | 02.11.2032 | |
| 50,000,000 | 05.11.2012 | 05.11.2032 | |
| 10,000,000 | 06.11.2012 | 26.10.2032 | |
| 5,000,000 | 16.01.2013 | 25.01.2023 | |
| 5,000,000 | 25.01.2013 | 25.01.2023 | |
| 10,000,000 | 29.08.2013 | 29.08.2033 | |
| 750,000,000 | 24.10.2013 | 24.10.2018 | |
| 10,000,000 | 05.06.2014 | 25.05.2029 | |
| **2,930,500,000** | | | **17,500,000** |

At the reporting date, securities issued were rated as follows: Fitch BBB+ with negative outlook; Moody's Ba1 on Credit Watch for possible downgrade.

b) Medium/long-term deposit programme over the 2012-2017 period, through the issue of Covered Bonds.

The second Covered Bond issue programme was implemented in 2012, through the SPE Carige Covered Bond 2 S.r.l., and commercial mortgages originated from the Parent Company and other Group Banks were primarily used as collaterals.

As at 31 December 2012, residential and commercial mortgages amounting to EUR 939 mln were segregated in the special purpose entity, of which EUR 300 mln were transferred from Banca Carige, EUR 395 mln were from Banca Carige Italia and EUR 244 mln from the other Group Banks.

A single issuance amounting to EUR 500 mln (used by Banca Carige for medium/long-term refinancing operations with the European Central Bank) is outstanding at the reporting date.
The bond issued has the following rating assigned by Moody's: Baa3, with a rating that is under observation for downgrade.

## *F. BANKING GROUP - CREDIT RISK MEASUREMENT MODELS*

The policies for provisions to the Group loans portfolio are based on a specific Credit Assessment Model which envisages differentiated value adjustment estimation methods, according to asset quality. In particular, with regard to the performing loans portfolio, adjustment provisions are determined as a product of the application on each individual loan exposure of the related probability of default and loss given default. As regards the retail component only (households, small operators and businesses), the Loss Confirmation Period is applied on performing loans. This is the correction factor which allows for the inclusion of expected loss, calculated on a prudence basis, in the incurred but not reported loss, as set out by the international accounting standards, through measurement of average timing required for a default to occur, starting from an event which might lead to an impairment.
With regard to non-performing loans, the evaluation takes place using statistical mechanisms (by means of LGD) for entries of irrelevant dimensions and using an individual analytical evaluation for positions of a significant amount. With specific reference to the aggregate being analysed, which forms a predominant share of non-performing loans, the loss forecasts are determined on the basis of rigorous policies, which involve the application of prudent haircuts when assessing the real estate collateral for non-performing loans.
The PD and LGD parameters, which are used for the collective write-downs of performing loans and those of a statistical nature for the part of the non-performing portfolio have been recalibrated in order to incorporate the most recent evolutions of the risk rate of the portfolio used by the Group.

## 1.2 BANKING GROUP - MARKET RISK

### *1.2.1 INTEREST RATE AND PRICE RISK – REGULATORY TRADING PORTFOLIO*

Qualitative Information

Organizational structure

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 the liquidity risk and the observance of the limits, whereas the Finance and ALM Committee monitor the actions for managing the liquidity risk, operationally implemented by the Finance Structure.
The Risk Management Function regularly guarantees the measurement and control of the exposure of the Group to market risk by monitoring the Value at Risk (VaR) on a daily basis, also with stress assumptions.

A. General aspects

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

The main sources of price risk are represented by the activities carried out on equity-related financial assets, equity funds and equity derivatives.

The risk profile of the regulatory trading portfolio is prudential, mainly due to the small size of the portfolio itself. The modified duration of the portfolio – net of the intra-group component – is approx. 0.02 as at 31/12/2014.

B. Interest rate and price risk: operational procedures and measurement methods

For management purposes the Parent Company Risk Management function provides the service of daily monitoring of interest rate risk and price risk in the regulatory trading portfolio, at the same time checking compliance with the established operational limits.

Interest rate risk and price risk are measured by calculating the Value at Risk (VaR) and its breakdown into Interest Rate and Stock Risk factors. Risk Management uses the VaR for management purposes, with the objective of measuring both the risks associated with financial instruments held in HFT trading portfolios and the risks associated with financial instruments allocated in AFS portfolios, monitoring dynamics over time and constantly verifying compliance with the operational limits defined in the context of the Risk Appetite Framework.

The VaR is calculated using a methodology based on the Montecarlo approach, with a 99% confidence interval and a 10-day holding period. Stress test analyses are also carried out that highlight the impact both in terms of VaR and in terms of present value resulting from the predetermined shocks that refer to specific past events. Stress scenarios are defined by the Financial Risk Management Office on the basis of particularly severe market conditions, taking into account the actual portfolio composition.

The Balance Sheet impact is analysed hereunder, in terms of Net Interest Income, net interest and other banking income, profit and shareholders' equity margins of parallel movements of the curve (+100 bps up, and -100 bps down). The following table notes the overall impact and details of the regulatory trading portfolio (figures in millions of euro):

| | +100 bp | -100 bp |
|---|---|---|
| **Net Interest Income** | **55.59** | **-23.31** |
| - of which Trading book | 0.10 | -0.03 |
| **Net interest and other bankin** | **55.99** | **-23.38** |
| - of which Trading book | 0.51 | -0.10 |
| **Profit** | **37.47** | **-15.65** |
| - of which Trading book | 0.34 | -0.07 |
| **Shareholders' equity** | **19.50** | **-9.73** |
| - of which Trading book | 0.34 | -0.07 |

## Quantitative Information

1. Regulatory trading book: breakdown of balance sheet assets/liabilities and financial derivatives by residual life (repricing date)

Currency: EURO.

| Type/Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| **Balance-sheet assets** | **-** | **3,121** | **784** | **647** | **346** | **92** | **179** | **-** |
| 1.1 Debt securities | - | 3,121 | 5 | 88 | 47 | 92 | 178 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | 3,121 | 5 | 88 | 47 | 92 | 178 | - |
| 1.2 Other | - | - | 779 | 559 | 299 | - | 1 | - |
| **2. Balance-sheet liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 With prepayment option | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 10,907 | 25,034 | 80 | 2,091 | 696 | - | - |
| + Short positions | - | 28,187 | 8,218 | - | 2,050 | 697 | - | - |
| 3.2 Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 4,819 | 12,760 | 4,035 | 5,503 | 1,377 | 3,659 | - |
| + Short positions | - | 3,615 | 10,691 | 4,027 | 4,865 | 972 | 7,985 | - |
| - Other derivatives | | | | | | | | |
| + Long positions | 13 | 337,685 | 358,893 | 158,866 | 124,321 | 118,582 | 26,627 | - |
| + Short positions | - | 330,106 | 324,828 | 157,295 | 121,992 | 117,965 | 27,715 | - |

1. Regulatory trading book: breakdown of balance sheet assets/liabilities and financial derivatives by residual life (repricing date)

Currency: US DOLLAR

| Type/Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| **Balance-sheet assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Other | - | - | - | - | - | - | - | - |
| **2. Balance-sheet liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1With prepayment option | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2 Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 711 | 3,739 | 4,113 | 572 | - | - | - |
| + Short positions | - | 711 | 3,739 | 4,113 | 572 | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 21,760 | 32,677 | 7,907 | - | - | - | - |
| + Short positions | 14 | 30,637 | 68,757 | 9,291 | 2,471 | - | - | - |

1. Regulatory trading book: breakdown of balance sheet assets/liabilities and financial derivatives by residual life (repricing date)

Currency: OTHER CURRENCIES

| Type/Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| **Balance-sheet assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Other | - | - | - | - | - | - | - | - |
| **2. Balance-sheet liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 With prepayment option | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2 Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 444 | - | 206 | 204 | - | - | - |
| + Short positions | - | 444 | - | 206 | 204 | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 3,002 | 854 | 630 | 208 | - | - | - |
| + Short positions | - | 2,298 | 561 | 865 | - | - | - | - |

## 2. Regulatory trading book: breakdown of exposures in equity instruments and stock indices by major countries of the listing market

| Type of transaction/Stock exchange market | Listed | | | | | | Unlisted |
|---|---|---|---|---|---|---|---|
| | ITALY | FRANCE | GERMANY | UNITED KINGDOM | U.S.A. | OTHER COUNTRIES | |
| A. Equity instruments | | | | | | | |
| - long positions | 16 | - | - | - | 10 | - | - |
| - short positions | - | - | - | - | - | - | - |
| B. Unsettled equity instrument trades | | | | | | | |
| - long positions | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| C. Other equity instruments derivatives | | | | | | | |
| - long positions | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| D. Share index derivatives | | | | | | | |
| - long positions | 2 | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |

## *1.2.2 INTEREST RATE AND PRICE RISK – BANKING BOOK*

Qualitative Information

A. Interest rate and price risk: general aspects, operational procedures and measurement methods

The interest rate risk of the banking book is the risk that a variation in market interest rates has a negative effect on the value of equity (a risk associated with equity) and on the Net Interest Income (a risk associated with earnings) in relation to assets and liabilities in the Financial Statements that are not allocated in the regulatory trading portfolio for the purpose of supervision. The exposure to such type of risk, with reference to transactions with a variable interest rate, is a direct consequence of balance sheet structures that are mismatched both in terms of maturity dates (maturity gap) as well as scheduled dates for the revision of remuneration conditions (refixing gap). Exposure for transactions with a fixed interest rate depends on the maturity gap.

The Board of Directors of the Parent Company defines the strategic policies and guidelines related to the assumption of interest rate risk on 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 the interest rate risk on the banking book and the observance of the limits, whereas the Finance Committee and the ALM monitor the actions for managing the interest rate risk on the banking book, operationally implemented by the Finance Structure.

The Risk Management Function regularly guarantees the measurement and control of the exposure of the Group to interest rate risk for the banking book, from both the equity as well as the earnings perspectives.

From an equity point of view, the objective of monitoring the interest rate risk for the banking book consists in measuring the impact of variations in interest rates on the fair value of the equity in order to maintain its stability. The variability in the economic value of the equity followed by a market interest rate shock is measured according to two distinct approaches:

- the supervisory standardized approach (duration analysis): the variation in the economic value of the equity is approximated using the duration metric applied to aggregates of operations classified in a time bucket of reference based on the date of maturity or repricing; as at 31/12/2014 the indicator is lower than the warning threshold fixed at 20% of own funds.
- internal method (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.

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

The variability in the Net Interest Income following a market interest rate shock is measured according to a gap analysis approach, according to which this variability depends both on the reinvestment (refinancing) at the new market conditions not known ex ante of the capital cash flows maturing during the period of reference, and on the variation of the interest cash flows (due to the variable interest rate operation).

The Balance Sheet impact is analysed hereunder, in terms of Net Interest Income, net interest and other banking income, profit and shareholders' equity margins of parallel shifts of the curve (+100 bps up, and -100 bps down). The following table notes the overall impact and details of the banking book (figures in millions of euro):

| | +100 bp | -100 bp |
|---|---|---|
| **Net Interest Income** | **55.59** | **-23.31** |
| - of which Banking book | 55.48 | -23.28 |
| **Net interest and other bankin** | **55.99** | **-23.38** |
| - of which Banking book | 55.48 | -23.28 |
| **Profit** | **37.47** | **-15.65** |
| - of which Banking book | 37.13 | -15.58 |
| **Shareholders' equity** | **19.50** | **-9.73** |
| - of which Banking book | 19.16 | -9.66 |

Please see paragraph 1.2.1 B regarding the price risk component of the banking book portfolio.

## B. Fair value hedging

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 Department monitors hedge effectiveness for hedge accounting purposes in compliance with international accounting standards, with particular reference to the identification and documentation of the hedging relation through the production of hedging cards. Effectiveness controls are performed through both prospective and retrospective testing on a quarterly basis.

The types of financial instruments with fair value hedges are interest-bearing postal bonds, Balance Sheet assets, loans and bonds issued. Overall, as at 31/12/2014, assets for a nominal amount of EUR 440.9 million and liabilities for a nominal amount of EUR 3,014.3 million have been hedged.

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

## C. Cash flow hedging

Risk hedging transactions carried out according to Cash Flow Hedge methodology are aimed at avoiding negative repercussions on the Net Interest Income caused by unexpected variations in market interest rates. In particular, the aim of cash flow hedges is to immunise changes in cash flow against changes in the interest rate curve.

Interest rate risk is covered with the use of non-listed derivative instruments (interest rate swaps). The effectiveness of this hedge is checked periodically by the Risk Management Function. The variable interest rate bonds that were issued (liabilities for an amount of EUR 1015.5 mln hedged as at 31/12/2014) are covered with cash flow hedges.

# Quantitative Information

## 1. Banking book: breakdown of financial assets and liabilities by residual life (repricing date)

### Currency: EURO

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | 3,963,291 | 13,591,762 | 2,099,935 | 1,195,781 | 3,746,853 | 1,335,908 | 1,017,942 | - |
| 1.1 Debt securities | 12,868 | 607,445 | 537,004 | 717,497 | 659,166 | 181,023 | 30,175 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 12,868 | 607,445 | 537,004 | 717,497 | 659,166 | 181,023 | 30,175 | - |
| 1.2 Loans to banks | 609,409 | 85,147 | - | - | 7,761 | - | - | - |
| 1.3 Loans to customers | 3,341,014 | 12,899,170 | 1,562,931 | 478,284 | 3,079,926 | 1,154,885 | 987,767 | - |
| - current accounts | 2,038,846 | - | - | - | 509,157 | 1,278 | - | - |
| - Other loans | 1,302,168 | 12,899,170 | 1,562,931 | 478,284 | 2,570,769 | 1,153,607 | 987,767 | - |
| - With prepayment option | 353,802 | 9,164,727 | 766,305 | 265,980 | 971,259 | 597,799 | 791,458 | - |
| - Other | 948,366 | 3,734,443 | 796,626 | 212,304 | 1,599,510 | 555,808 | 196,309 | - |
| 2. Balance-sheet liabilities | 13,807,385 | 3,910,190 | 2,245,556 | 2,277,865 | 5,235,208 | 628,569 | 324,978 | - |
| 2.1 Due to customers | 13,476,451 | 962,783 | 1,196,959 | 1,281,143 | 819,854 | 1,589 | 2,044 | - |
| - Current accounts | 12,523,119 | 201,038 | 272,896 | 564,740 | 814,776 | - | - | - |
| - Other loans | 953,332 | 761,745 | 924,063 | 716,403 | 5,078 | 1,589 | 2,044 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 953,332 | 761,745 | 924,063 | 716,403 | 5,078 | 1,589 | 2,044 | - |
| 2.2 Due to banks | 189,942 | 1,219,061 | 236,424 | 921 | 82,826 | 14,580 | 3,951 | - |
| - Current accounts | 22,147 | - | - | - | - | - | - | - |
| - Other loans | 167,795 | 1,219,061 | 236,424 | 921 | 82,826 | 14,580 | 3,951 | - |
| 2.3 Debt securities | 136,114 | 1,728,346 | 812,173 | 995,801 | 4,332,528 | 612,400 | 318,983 | - |
| - With prepayment option | 756 | 321,639 | 99,540 | 159,679 | 100 | - | 58,347 | - |
| - Other | 135,358 | 1,406,707 | 712,633 | 836,122 | 4,332,428 | 612,400 | 260,636 | - |
| 2.4 Other liabilities | 4,878 | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 4,878 | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 76,635 | - | - | - | - | - | - |
| + Short positions | - | 48,351 | - | - | 14,454 | 11,428 | - | - |
| 3.2Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 1,641,766 | 1,028,876 | 191,771 | 2,375,074 | 327,107 | 248,500 | - |
| + Short positions | - | 2,099,507 | 805,578 | 982,169 | 502,802 | 651,859 | 339,534 | - |
| 4. Other off-balance sheet | | | | | | | | |
| + Long positions | (259,157) | (1,040,626) | (94,080) | (8,644) | (94,629) | (1,653) | (462) | - |
| + Short positions | 1,399,438 | 99,816 | - | - | - | - | - | - |

## 1. Banking book: distribution by maturity (repricing date) of financial assets and liabilities

## Currency: US DOLLAR

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | 130,265 | 42,118 | 303,629 | 5,367 | 48,891 | 68,990 | 67,860 | - |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Loans to banks | 35.217 | - | - | - | - | - | - | - |
| 1.3 Loans to customers | 95.048 | 42.118 | 303,629 | 5,367 | 48,891 | 68,990 | 67,860 | - |
| - current accounts | 2.630 | - | - | - | - | - | - | - |
| - Other loans | 92.418 | 42.118 | 303,629 | 5,367 | 48,891 | 68,990 | 67,860 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 92,418 | 42,118 | 303,629 | 5,367 | 48,891 | 68,990 | 67,860 | - |
| 2. Balance-sheet liabilities | 106,568 | 11,945 | 953 | 40 | - | - | 126,508 | - |
| 2.1 Due to customers | 104,089 | 4,713 | 953 | 8 | - | - | - | - |
| - Current accounts | 104,089 | 4,713 | 953 | 8 | - | - | - | - |
| - Other loans | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 2.2 Due to banks | 2,451 | - | - | 32 | - | - | 126,508 | - |
| - Current accounts | 67 | - | - | - | - | - | - | - |
| - Other loans | 2,384 | - | - | 32 | - | - | 126,508 | - |
| 2.3 Debt securities | 28 | 7,232 | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 28 | 7,232 | - | - | - | - | - | - |
| 2.4 Other liabilities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 3,624 | 824 | 700 | - | - | - | - |
| + Short positions | - | 257,227 | 182,852 | 700 | - | - | - | - |
| 4. Other off-balance sheet | | | | | | | | |
| + Long positions | - | (1,406) | - | - | - | - | - | - |
| + Short positions | 1,406 | - | - | - | - | - | - | - |

1. Banking book: distribution by maturity (repricing date) of financial assets and liabilities

Currency: OTHER CURRENCIES

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | 11,059 | 3,024 | 2,082 | 334 | 961 | - | - | - |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Loans to banks | 9,154 | - | - | - | - | - | - | - |
| 1.3 Loans to customers | 1,905 | 3,024 | 2,082 | 334 | 961 | - | - | - |
| - current accounts | 1,237 | - | - | - | - | - | - | - |
| - Other loans | 668 | 3,024 | 2,082 | 334 | 961 | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 668 | 3,024 | 2,082 | 334 | 961 | - | - | - |
| 2. Balance-sheet liabilities | 7,926 | 1,539 | 397 | - | - | - | - | - |
| 2.1 Due to customers | 7,925 | 1,136 | 397 | - | - | - | - | - |
| - Current accounts | 7,925 | 1,136 | 397 | - | - | - | - | - |
| - Other loans | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 2.2 Due to banks | 1 | 403 | - | - | - | - | - | - |
| - Current accounts | 1 | - | - | - | - | - | - | - |
| - Other loans | - | 403 | - | - | - | - | - | - |
| 2.3 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 2.4 Other liabilities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 572 | - | 103 | - | - | - | - |
| + Short positions | - | 15,871 | - | 103 | - | - | - | - |
| 4. Other off-balance sheet | | | | | | | | |
| + Long positions | - | (12) | - | - | - | - | - | - |
| + Short positions | 12 | - | - | - | - | - | - | - |

## *1.2.3 FOREIGN EXCHANGE RISK*

### Qualitative Information

### A. Exchange rate risk: general information, operational processes and measurement methods

The various Group companies mainly operate in euro: therefore, foreign exchange risk within the Carige Group is entirely residual and the Treasury department takes steps to systematically equalise foreign currency positions.

### B. Hedging of exchange rate risk

The exchange position of individual Group banks is subject to constant monitoring by the Finance department so as to comply with set threshold values.

### Quantitative Information

1. Breakdown of assets, liabilities and derivatives by currency of denomination

| Items | Currency | | | | | |
|---|---|---|---|---|---|---|
| | USD | CHF | GBP | CAD | JPY | OTHER CURRENCIES |
| A. Financial assets | 668,750 | 7,477 | 3,249 | 1,147 | 2,176 | 3,412 |
| A.1 Debt securities | - | - | - | - | - | - |
| A.2 Equity securities | 1,630 | - | - | - | - | - |
| A.3 Loans to banks | 35,217 | 1,895 | 1,366 | 1,147 | 1,334 | 3,412 |
| A.4 Loans to customers | 631,903 | 5,582 | 1,883 | - | 842 | - |
| A.5 Other financial assets | - | - | - | - | - | - |
| B. Other assets | 4,756 | 2,089 | 1,194 | 249 | 362 | 1,157 |
| C. Financial liabilities | 246,017 | 3,406 | 2,510 | 1,738 | 355 | 1,852 |
| C.1 Deposits from banks | 128,992 | 1 | - | - | - | 403 |
| C.2 Deposits from customers | 109,764 | 3,405 | 2,510 | 1,738 | 355 | 1,449 |
| C.3 Debt securities in issue | 7,261 | - | - | - | - | - |
| C.4 Other financial liabilities | - | - | - | - | - | - |
| D. Other liabilities | 3,761 | 63 | 171 | 29 | 213 | 980 |
| E. Financial derivatives | - | - | - | - | - | - |
| - Options | - | - | - | - | - | - |
| + Long positions | 5,201 | - | - | - | 427 | - |
| + Short positions | 5,201 | - | - | - | 427 | - |
| - Other derivatives | - | - | - | - | - | - |
| + Long positions | 31,112 | 1,423 | 59 | 803 | 1,253 | 877 |
| + Short positions | 515,478 | 10,735 | 2,194 | 321 | 3,230 | 2,457 |
| Total Assets | 709,819 | 10,989 | 4,502 | 2,199 | 4,218 | 5,446 |
| Total liabilities | 770,457 | 14,204 | 4,875 | 2,088 | 4,225 | 5,289 |
| Difference (+/-) | 60,638 | 3,215 | 373 | (111) | 7 | (157) |

## *1.2.4 DERIVATIVE INSTRUMENTS*

## A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: end of period notional amounts

| Underlying assets / Type of derivatives | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Over the counter | Clearing House | Over the counter | Clearing House |
| 1. Debt securities and interest rate indexes | 1,149,785 | - | 1,963,695 | - |
| a) Options | 135,139 | - | 793,724 | - |
| b) Swap | 1,014,646 | - | 1,169,971 | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 2. Equity instruments and stock indexes | 3 | - | 38 | 1,211 |
| a) Options | 3 | - | 38 | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | 1,211 |
| e) Other | - | - | - | - |
| 3. Gold and currencies | 216,702 | - | 402,846 | - |
| a) Options | 51,961 | - | 48,582 | - |
| b) Swap | - | - | - | - |
| c) Forward | 164,741 | - | 354,264 | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 4. Commodities | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 1,366,490 | - | 2,366,579 | 1,211 |
| Average amounts | 1,867,602 | 340 | 2,518,208 | 1,211 |

## A.2 Banking book: end of period and average notional amounts

A.2.1 Notional amounts

| Underlying assets / Type of derivatives | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Over the counter | Clearing House | Over the counter | Clearing House |
| 1. Debt securities and interest rate indexes | 4,380,142 | - | 5,264,777 | - |
| a) Options | - | - | - | - |
| b) Swap | 4,380,142 | - | 5,264,777 | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 2. Equity instruments and stock indexes | - | - | - | - |
| a) Options | - | - | - | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 3. Gold and currencies | 462,576 | - | 80,801 | - |
| a) Options | - | - | - | - |
| b) Swap | 1,439 | - | - | - |
| c) Forward | 461,137 | - | 80,801 | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 4. Commodities | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 4,842,718 | - | 5,345,578 | - |
| Average amounts | 5,163,552 | - | 8,211,978 | - |

## A.2.2 Other derivatives

| Underlying assets / Type of derivatives | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Over the counter | Clearing House | Over the counter | Clearing House |
| 1. Debt securities and interest rate indexes | 970,883 | - | 1,047,243 | - |
| a) Options | - | - | - | - |
| b) Swap | 970,883 | - | 1,047,243 | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 2. Equity instruments and stock indexes | - | - | 11,966 | - |
| a) Options | - | - | 11,966 | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 3. Gold and currencies | - | - | - | - |
| a) Options | - | - | - | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 4. Commodities | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 970,883 | - | 1,059,209 | - |
| Average amounts | 1,037,589 | - | 1,062,707 | - |

A.3 Financial derivatives: gross positive fair value - breakdown by product

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

## A.4 Financial derivatives: gross negative fair value - breakdown by product

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

A.5 OTC Financial derivatives: regulatory trading book - notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement

| Contracts not included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 15,886 | 60,445 | - | 188,193 | 46,360 |
| - positive fair value | - | - | 54 | 1,129 | - | 4,706 | 377 |
| - negative fair value | - | - | 268 | - | - | 6 | 57 |
| - future exposure | - | - | 169 | 102 | - | 326 | 45 |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | 2 | - | - | - | 1 |
| - positive fair value | - | - | 8 | - | - | 4 | 2 |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | 113,748 | - | - | 66,662 | 82 |
| - positive fair value | - | - | 2,042 | - | - | 327 | - |
| - negative fair value | - | - | 777 | - | - | 3,898 | 5 |
| - future exposure | - | - | 1,135 | - | - | 772 | 1 |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |

A.6 OTC Financial Derivatives: Regulatory trading book - notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreement

| Contracts included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 838,903 | - | - | - | - |
| - positive fair value (before netting) | - | - | 109,801 | - | - | - | - |
| - negative fair value (before netting) | - | - | 116,922 | - | - | - | - |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value (before netting) | - | - | - | - | - | - | - |
| - negative fair value (before netting) | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | 36,209 | - | - | - | - |
| - positive fair value (before netting) | - | - | 953 | - | - | - | - |
| - negative fair value (before netting) | - | - | 475 | - | - | - | - |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value (before netting) | - | - | - | - | - | - | - |
| - negative fair value (before netting) | - | - | - | - | - | - | - |

A.7 OTC Financial derivatives: banking book - notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement

| Contracts not included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 179,195 | - | - | - | - |
| - positive fair value | - | - | 309 | - | - | - | - |
| - negative fair value | - | - | 42,828 | - | - | - | - |
| - future exposure | - | - | 1,809 | - | - | - | - |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | 462,576 | - | - | - | - |
| - positive fair value | - | - | 500 | - | - | - | - |
| - negative fair value | - | - | 18,385 | - | - | - | - |
| - future exposure | - | - | 4,625 | - | - | - | - |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |

A.8 OTC Financial derivatives: banking book - notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreements

| Contracts included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 4,959,152 | 212,678 | - | - | - |
| - positive fair value | - | - | 190,190 | 10,526 | - | - | - |
| - negative fair value | - | - | 452,912 | 1,127 | - | - | - |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

A.9 OTC financial derivatives - residual life: notional amounts

| Underlying / residual | | Up to 1 year | Over 1 year up to 5 year | Over 5 year | Total |
|---|---|---|---|---|---|
| A. Regulatory trading book | | 711,285 | 290,487 | 364,716 | 1,366,488 |
| A.1 Financial derivative contracts on debt securities and interest rates | | 501,048 | 284,020 | 364,716 | 1,149,784 |
| A.2 Financial derivative contracts on equity securities and stock indexes | | 3 | - | - | 3 |
| A.3 Financial derivative contracts on exchange rates and gold | | 210,234 | 6,467 | - | 216,701 |
| A.4 Financial derivative contracts on other values | | - | - | - | - |
| B. Banking book | | 1,393,724 | 2,877,876 | 1,542,000 | 5,813,600 |
| B.1 Financial derivative contracts on debt securities and interest rates | | 931,148 | 2,877,876 | 1,542,000 | 5,351,024 |
| B.2 Financial derivative contracts on equity securities and stock indexes | | - | - | - | - |
| B.3 Financial derivative contracts on exchange rates and gold | | 462,576 | - | - | 462,576 |
| B.4 Financial derivative contracts on other values | | - | - | - | - |
| Total | 31/12/2014 | 2,105,009 | 3,168,363 | 1,906,716 | 7,180,088 |
| Total | 31/12/2013 | 1,453,325 | 4,127,638 | 3,157,718 | 8,738,681 |

## B. CREDIT DERIVATIVES

There were no credit derivatives as at 31/12/2014 nor as at 31/12/2013.

## C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC Financial and credit derivatives: net fair value and future exposure by counterparty

| | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1) Netting agreements related to Financial Derivatives | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |
| 2) Netting agreements related to Credit Derivatives | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |
| 3) Cross product netting agreements | - | - | 704,910 | 13,936 | - | - | - |
| - positive fair value | - | - | 217,396 | 10,510 | - | - | - |
| - negative fair value | - | - | 419,927 | 1,110 | - | - | - |
| - future exposure | - | - | 23,255 | 1,368 | - | - | - |
| - net counterparty risk | - | - | 44,332 | 948 | - | - | - |

## 1.3 BANKING GROUP - LIQUIDITY RISK

Qualitative Information

A. Liquidity risk: general information, operational processes and measurement methods

Liquidity risk, in the sense of "funding" liquidity risk, is the risk that the Group is not able to cope, in an economically viable manner, with its cash outflows (both expected and unexpected) and the collateral it needs without jeopardising its core business or the financial situation of the Group itself. Liquidity risk can be generated by events that are closely linked with the Group and its core business (idiosyncratic risks) and/or with external events (systemic risks).

The Board of Directors of the Parent Company defines the strategic policies and guidelines related to the assumption of liquidity risk. The Risk Control Committee monitors the dynamics of the liquidity risk and the observance of the limits, whereas the Finance and ALM Committee monitors the actions for managing the liquidity risk, operationally implemented by the Finance Structure.

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

The objective of controlling operational liquidity (short-term) is to guarantee that the Group will be able to face its foreseen and unforeseen payment commitments over a reference period of 12 months, without jeopardising business continuity. The measurement and monitoring of operational liquidity is carried out 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 itself 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 exceptional albeit realistic crisis scenarios on the liquidity position and assessing the adequacy of liquidity reserves in place.

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

The Group’s treasury position as at 31/12/2014 confirmed that liquidity reserves are adequate to meet future commitments.

The objective of controlling structural liquidity is to guarantee the maintenance of a suitable ratio between assets and liabilities, establishing constraints regarding the possibility to finance medium term assets with short term liabilities and therefore limiting pressure on short-term funding.

The measurement and monitoring of medium to long term liquidity is carried out 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 as regards strategic and budget planning.
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.

1.Time breakdown by contractual residual maturity of financial assets and liabilities

Currency: EURO

| Items / time | On demand | 1 to 7 days | 7 to 15 days | 15 days to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| On-balance sheet assets | 4,011,544 | 2,223,196 | 461,240 | 417,555 | 1,098,602 | 1,481,628 | 1,959,144 | 7,197,146 | 8,566,012 | 85,152 |
| A.1 Government securities | 376 | - | 455 | - | 450,253 | 164,840 | 883,104 | 975,369 | 165,239 | - |
| A.2 Other debt securities | 165 | - | 329 | 300 | - | 63 | 32,952 | 22,746 | 3,370 | 5 |
| A.3 Units in investment funds | 12,892 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 3,998,111 | 2,223,196 | 460,456 | 417,255 | 648,349 | 1,316,725 | 1,043,088 | 6,199,031 | 8,397,403 | 85,147 |
| - Banks | 591,776 | - | - | - | 20,000 | - | - | 7,761 | - | 85,147 |
| - Customers | 3,406,335 | 2,223,196 | 460,456 | 417,255 | 628,349 | 1,316,725 | 1,043,088 | 6,191,270 | 8,397,403 | - |
| On-balance sheet liabilities | 14,396,228 | 346,743 | 33,336 | 95,614 | 1,668,694 | 1,659,174 | 2,143,300 | 7,465,712 | 1,191,318 | 160,000 |
| B.1 Deposits and current accounts | 13,943,287 | 22,534 | 30,770 | 40,674 | 107,504 | 272,976 | 565,786 | 816,119 | - | - |
| - Banks | 580,811 | - | - | - | - | - | - | - | - | - |
| - Customers | 13,362,476 | 22,534 | 30,770 | 40,674 | 107,504 | 272,976 | 565,786 | 816,119 | - | - |
| B.2 Debt securities | 149,027 | 11,568 | 925 | 49,237 | 1,067,908 | 444,172 | 841,060 | 5,343,184 | 1,020,738 | 160,000 |
| B.3 Other liabilities | 303,914 | 312,641 | 1,641 | 5,703 | 493,282 | 942,026 | 736,454 | 1,306,409 | 170,580 | - |
| Off-balance sheet transactions | | | | | | | | | | |
| C.1 Physically settled fin. derivatives | | | | | | | | | | |
| - Long positions | 13 | 22,777 | 59,484 | 65,441 | 138,776 | 241,357 | 9,501 | 4,814 | 961 | - |
| - Short positions | - | 33,144 | 1,528 | 4,565 | 8,574 | 7,842 | 8,011 | 1,984 | 630 | - |
| C.2 Cash settled Fin. derivatives | | | | | | | | | | |
| - Long positions | 6,445 | 97 | - | 3,257 | 10,632 | 21,707 | 59,576 | - | - | - |
| - Short positions | 114,047 | 90 | - | 1,759 | 13,481 | 13,483 | 23,733 | - | - | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | - | 99,816 | - | - | - | - | - | - | - | - |
| - Short positions | - | 99,816 | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | 62,163 | 572,555 | 61 | 765 | 3,044 | 10,135 | 22,322 | 280,890 | 447,501 | - |
| - Short positions | 1,399,438 | - | - | - | - | - | - | - | - | - |
| C.5 Written guarantees | 10,424 | - | - | - | - | 489 | 1,453 | 8,510 | 7,894 | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Physically settled cred. derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Cash settled Cred. derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

## 1.Time breakdown by contractual residual maturity of financial assets and liabilities

## Currency: US DOLLAR

| Items / time | On demand | 1 to 7 days | 7 to 15 days | 15 days to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| On-balance sheet assets | 84,855 | 3,779 | 2,398 | 11,913 | 14,529 | 44,806 | 20,412 | 121,189 | 402,818 | - |
| A.1 Government securities | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt securities | - | - | - | - | - | - | - | - | - | - |
| A.3 Units in investment funds | 1,615 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 83,240 | 3,779 | 2,398 | 11,913 | 14,529 | 44,806 | 20,412 | 121,189 | 402,818 | - |
| - Banks | 35,217 | - | - | - | - | - | - | - | - | - |
| - Customers | 48,023 | 3,779 | 2,398 | 11,913 | 14,529 | 44,806 | 20,412 | 121,189 | 402,818 | - |
| On-balance sheet liabilities | 106,556 | 1,277 | 556 | 1,111 | 9,004 | 953 | 40 | - | 126,508 | - |
| B.1 Deposits and current accounts | 104,148 | 1,277 | 556 | 1,111 | 1,771 | 953 | 8 | - | - | - |
| - Banks | 67 | - | - | - | - | - | - | - | - | - |
| - Customers | 104,081 | 1,277 | 556 | 1,111 | 1,771 | 953 | 8 | - | - | - |
| B.2 Debt securities | 24 | - | - | - | 7,233 | - | - | - | - | - |
| B.3 Other liabilities | 2,384 | - | - | - | - | - | 32 | - | 126,508 | - |
| Off-balance sheet transactions | | | | | | | | | | |
| C.1 Physically settled fin. derivatives | | | | | | | | | | |
| - Long positions | - | 7,358 | 1,489 | 4,614 | 7,838 | 6,925 | 7,713 | 376 | - | - |
| - Short positions | 14 | 18,002 | 52,648 | 67,904 | 145,132 | 225,034 | 9,097 | 2,847 | - | - |
| C.2 Cash settled Fin. derivatives | | | | | | | | | | |
| - Long positions | 9 | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | - | 1,406 | - | - | - | - | - | - | - | - |
| - Short positions | 1,406 | - | - | - | - | - | - | - | - | - |
| C.5 Written guarantees | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Physically settled cred. derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Cash settled Cred. derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

## 1.Time breakdown by contractual residual maturity of financial assets and liabilities

### CURRENCY: OTHER CURRENCIES

| Items / time | On demand | 1 to 7 days | 7 to 15 days | 15 days to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| On-balance sheet assets | 11,039 | 47 | 29 | 59 | 1,077 | 2,135 | 410 | 1,355 | 1,401 | - |
| A.1 Government securities | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt securities | - | - | - | - | - | - | - | - | - | - |
| A.3 Units in investment funds | - | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 11,039 | 47 | 29 | 59 | 1,077 | 2,135 | 410 | 1,355 | 1,401 | - |
| - Banks | 9,154 | - | - | - | - | - | - | - | - | - |
| - Customers | 1,885 | 47 | 29 | 59 | 1,077 | 2,135 | 410 | 1,355 | 1,401 | - |
| On-balance sheet liabilities | 7,926 | - | 388 | 777 | 373 | 397 | - | - | - | - |
| B.1 Deposits and current accounts | 7,926 | - | 388 | 777 | 373 | 397 | - | - | - | - |
| - Banks | 1 | - | 134 | 269 | - | - | - | - | - | - |
| - Customers | 7,925 | - | 254 | 508 | 373 | 397 | - | - | - | - |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - |
| Off-balance sheet transactions | | | | | | | | | | |
| C.1 Physically settled fin. derivatives | | | | | | | | | | |
| - Long positions | - | 1,266 | 197 | 283 | 1,159 | 794 | 836 | 310 | - | - |
| - Short positions | - | 3,434 | 10,286 | 3,109 | 860 | 501 | 1,070 | 102 | - | - |
| C.2 Cash settled Fin. derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | - | 12 | - | - | - | - | - | - | - | - |
| - Short positions | 12 | - | - | - | - | - | - | - | - | - |
| C.5 Written guarantees | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Physically settled cred. derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Cash settled Cred. derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

2. Disclosure on pledged assets recognised in the financial statements

| Type | Pledged | | Not pledged | | Total | Total |
|---|---|---|---|---|---|---|
| | BV | FV | BV | FV | 31/12/2014 | 31/12/2013 |
| 1. Cash and cash equivalents | - | x | 329,394 | x | 329,394 | 339,174 |
| 2. Debt securities | 2,044,576 | 2,044,609 | 665,104 | 665,415 | 2,709,680 | 5,964,117 |
| 3. Equity instruments | - | - | 347,565 | 347,565 | 347,565 | 355,583 |
| 4. Loans | 6,495,392 | x | 17,929,069 | x | 24,424,461 | 26,433,923 |
| 5. Other financial assets | 4,440 | x | 1,319,362 | x | 1,323,802 | 297,998 |
| 6. Non-financial assets | 543 | x | 3,365,273 | x | 3,365,816 | 3,628,727 |
| Total 31/12/2014 | 8,544,951 | 2,044,609 | 23,955,767 | 1,012,980 | 32,500,718 | x |
| Total 31/12/2013 | 12,922,214 | 5,230,786 | 24,097,308 | 1,085,131 | x | 37,019,522 |

*Key:*
BV = Book value
FV = Fair value

## 3. Disclosures on pledged assets not entered in the financial statements

| Instrument type | Encumbered assets | Unencumbered assets | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|
| 1. Financial assets | 2,337,904 | 7,981,755 | 10,319,659 | 7,154,167 |
| - Securities | 2,337,904 | 7,981,755 | 10,319,659 | 7,154,166 |
| - Other | - | - | - | - |
| 2. Non-financial assets | - | - | - | - |
| Total 31/12/2014 | 2,337,904 | 7,981,755 | 10,319,659 | x |
| Total 31/12/2013 | 3,813,901 | 3,340,265 | x | 7,154,166 |

It should be noted that, at the closing date of the financial statements, there were re-financing transactions with the European Central Bank (T.L.T.R.O. see Table 1.1 in Liabilities), totalling EUR 1.13 bn.

The collateral provided for this operation included securities classified as financial assets available for sale, (mortgage) loans to customers, and assets not entered in the financial statement consisting of own debt securities that are irrevocably and unconditionally guaranteed by the State pursuant to art. 8 of Italian Law Decree 201/2011, securities underlying repurchasing agreements, repurchased covered bonds, traditionally purchased securities deriving from own securitisations.

## Disclosure on financial instruments the marketplace considers to be high-risk

The exposure to financial instruments that the market considers 'high-risk' (according to the definition in the Recommendation issued on 7 April 2008 by the Financial Stability Forum, as later confirmed by joint document no. 2 issued on 6 February 2009 by the Bank of Italy / CONSOB / ISVAP) amounts to EUR 2.46 mln, accounting for 0.1% of the securities portfolio, and includes:

- securities arising from securitisation transactions (excluding CDOs - Collateralised Debt Obligations), for a total book value of EUR 2.46 mln (0.06% of the securities portfolio). They only consist in senior tranches of the securitisation of commercial mortgage loans backed by commercial non-residential properties transferred to the 'Fondo Immobili Pubblici' real estate investment fund.

SECURITIES FROM SECURITISATIONS *(thousands of euro)*

| | countervalues at cosst price | % portion on total securities portfolio |
|---|---|---|
| Senior | 2,458 | 0.06% |
| Mezzanine | - | - |
| Junior | - | - |
| Securitisations of consumer loans, leases, mortgage loans, other | 2,458 | 0.06% |
| Senior | - | - |
| Mezzanine | - | - |
| Junior | - | - |
| Securitisations of mortgage and bad loans of the Group | - | - |
| Total | 2,458 | 0.06% |

- securities and derivatives related to *leveraged finance* operations for a book value of EUR 4 thousand all with a guaranteed/protected structure, hedged against specific risk or in any case envisaging reimbursement upon maturity.

SECURITIES/DERIVATIVES FROM LEVERAGE TRANSACTIONS *(thousands of euro)*

| | countervalues at cosst price | % portion on total securities portfolio |
|---|---|---|
| Unhedged leveraged instruments: | 3,84 | 0.00% |
| credit | - | - |
| *of which with repayment at pair* | - | - |
| rate | 3,84 | 0.00% |
| *of which with repayment at pair* | *3,84* | *0.00%* |
| Hedged leveraged instruments: | - | - |
| rate | - | - |
| Total | 3,84 | 0.00% |

The exposure to Special Purpose Entities (SPE) is attributable to securities issued by the vehicle company for securitisations originated by the *Fondo Immobili Pubblici*.
As regards the exposure in sovereign debt instruments issued by countries in distress, the Carige Group only has marginal portfolio exposure to Greece.

## 1.4 BANKING GROUP - OPERATIONAL RISK

Qualitative Information

A. Operational risk: general information, operational procedures and measurement methods

The Group is subject to the operational risk inherent to the typical activities carried out by the Group; this risk also consists in the risk of suffering losses deriving from internal or external fraud, from the inadequacy or incorrect functioning of company procedures, from 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 from exogenous events. The operating risk also includes the 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 services, investment and insurance services, and penalties deriving from regulatory violations as well as non-compliance with procedures relative to the identification, monitoring and management of the risks themselves), but not the strategic or reputation risk.

The main sources of operational risk statistically include the instability of operating processes, poor IT security, the increasing use of automation, the outsourcing of company functions, the use of a reduced number of suppliers, changes in strategy, fraud, errors, recruitment, training and establishing the loyalty of personnel, and finally, social and environmental impacts. It is not possible to identify a permanent prevalent source of operating risk: operating risk differs from credit and market risks because this type of risk is not taken on by the company as a result of strategic decisions, but is inherent to its operations.

In order to increase its control of these risks, the Banca Carige Group has created during the last quarter of 2014, on occasion of the organisational structure review of the Parent Company, the function of Operational Risk Management within the Risk Management structure, who directly reports to the CEO. The Group also started a project in October 2014 with the main objectives that include the regulation of the role and responsibilities of this function, the implementation of a framework for measuring, managing and monitoring the operational risks aligned with the best practices of the system.

In particular, the objective is to start up and render operational a Loss data collection (LDC) process alongside a Risk Self Assessment (RSA) process, for all that concerns the prospective risk perceived by the various Risk Owners that are also identified within the scope of the project. The project activities also include the development of a framework for the measurement, management and monitoring of reputational risk, addressing the synergic practices between the two processes. During the first phase of the activities, appropriate synergies with IT Risk Management aspects implemented within the scope of ICT were also addressed in accordance with update Circular 263 15.

Within the scope of projects, the processes relative to 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.

For informational purposes only[19], it should be noted that, in parallel to the quantitative recognition, the Group is systematically analysing the processes using a self assessment approach in order to integrate the aspects of a quantitative nature with the analyses of a qualitative nature, as regards the IT system of all Group companies, this is concentrated on the Parent Company which, with regard to the risks connected with a business interruption, has defined a Business Continuity and Disaster

[19] This activity is excluded from the scope of the project related to the definition and implementation of a framework for measuring and managing operational risks.

Recovery plan in order to identify the operations required in order to restore normal Group operations in the case of a crisis situation. Furthermore, in light of the need to define standard criteria for process managing (mapping, archiving, use, etc.) and identifying suitable methodological and IT solutions, the "Business Process Management" project is being continued and is undergoing continuous updates. In this respect, the Carige Group has adopted a methodological framework for the rationalization and homogenization of the information available in the company and for the simplification of the mechanisms for the production and use of company regulations; therefore organisational guidelines and the relative models have been formulated with regard to the processes, risks and checks defined for each operational area of the company.

Quantitative Information

The impact, in terms of operating losses as at 31/12/2014, was equal to EUR 7.4 million. The impact of robberies was around 6% over the total amount.

As regards capital absorption, the Group has adopted the Foundation Approach. As at 31/12/2014, the capital requirement, calculated as 15% of the average net interest and other banking income over the last three financial statements, amounted to Euro 120.6 million.

Under the provisions of article 316, paragraph 1, letter b of EU Regulation 575/2013, the definition of Net interest and other banking income for calculation of the Operational Requirements differs from the definition as at 31 December 2013.

## Risks related to ongoing proceedings

To our knowledge, the Genoa Public Prosecutor's Office is carrying out investigations within the framework of criminal proceedings no. 10688/2013 of the General Register of Crimes, in which the Bank's former Chairman Giovanni Berneschi is indicted for the offences set out in articles 2622, paragraphs 3 and 4 (false corporate communications to the detriment of the company, shareholders or creditors) and 2637 (market manipulation) of the Italian Civil Code, as well as embezzlement under art. 646 of the Civil Code; the Bank is awaiting the outcome of the preliminary investigations by the Public Prosecutor.

To our knowledge, the facts involved in the charge would have partly been the subject of findings by the Bank of Italy and Consob.

As for the offences that constitute the presumed liability of the entity pursuant to Legislative Decree no. 231, being such offences attributed to a person in a senior position, the Bank was recorded in the roll of suspects due to the administrative offence resulting from a crime under article 25-ter of Legislative Decree no. 231 for false corporate communications to the detriment of the company, shareholders or creditors (art. 2622 of the Italian Civil Code) and for market manipulation (art. 2637 of the Italian Civil Code). The investigations involve, among other things, the regularity of the granting of credit facilities and the overall management of creditor relations and the compliance of the internal organisational models regarding the granting and management of credit facilities and the drafting of financial statements with the legislation for the sector. It should be noted that, regardless of any evaluation of the legitimacy of the charge levelled against the Bank, the risks resulting from the harshest sanction theoretically applicable to the Bank for the unlawful administrative acts contested are estimated not to exceed Euro 2 mln, with no prohibitory sanctions envisaged for said offences.

Other offences were also charged within the above mentioned criminal proceedings no.10688/13, in particular criminal association aggravated by its transnational nature (under article 416 of the Italian Criminal Code and article 4 of Law no.146/06), aggravated fraud (under articles 640 and 61 no.11 of the Italian Criminal Code), embezzlement (under article 646 of the Italian Criminal Code), money laundering (under article 648-bis of the Italian Criminal Code), illegal transfer of funds aggravated by the transnational nature of the criminal association (under articles 12-quinquies of Law no. 356/1992 and 4 of Law no.146/2006), in connection with which, to the Bank's knowledge, precautionary measures (both preventive detention and seizure) were served, among others against the Bank's former Chairman: all of the said crimes were written off and have converged into the criminal proceeding no.17008/14 always before the Genoa Public Prosecutor's Office.
With regard to the latter proceeding, the Bank was expressly identified as the offended party, which will make it possible for the Bank to file a claim for compensation as part of the criminal trial case being instituted. The Public Prosecutor served the indictees a notification of the conclusion of investigations pursuant to art. 415-bis of the Italian Code of Criminal Procedure and the Bank is awaiting the Public Prosecutor's decision with regard to the related criminal prosecution.

In addition, there are also further proceedings related to the bank, in which neither the Bank nor other Group companies are currently involved, relating to the granting of loans to certain companies and/or natural persons, who would have subsequently been insolvent, as part of which certain Group executives would have been investigated. Since the Bank is not part of the investigations and is not knowledgeable of the trial documents, Banca Carige is not currently in a position to provide any further analytical details on the subject.

With regard to the complex criminal events which received extensive coverage by the media, it is not possible to provide any further analytical assessment of the afore-mentioned trial developments, which the Bank is however following with utmost attention as a party offended or damaged by the crime.

It should also be noted that, to the Bank's knowledge, under criminal proceedings no. 10688/2013 (general register of criminal offences), besides Centro Fiduciario pursuant to articles 25-ter and 25-octies of Legislative Decree no. 231, three seconded employees with management duties at the Centro Fiduciario were also investigated upon and sentenced to measures of precaution, both pre-trial detention and seizure, for the criminal offences of obstruction of public regulators pursuant to article 2638 of the Italian Civil Code, money-laundering pursuant to article 648-bis of the Italian Criminal Code and concurrence in income tax evasion under article 4 of Legislative Decree no. 74/2000; the continuation of business of the afore-mentioned company under court-ordered administration was resolved upon for a six-month period as of 17 July 2014 under article 13 para. 1, 2, 15 and 45, para. 3 of Legislative Decree no. 231; in this respect it is noted that the afore mentioned period of court-ordered administration came to a close on 17 January 2015 and the Centro Fiduciario has fully resumed its operations. To the Bank's knowledge, preliminary investigations are still underway with regard to the latter criminal issue.

To our knowledge, it should be noted that the Bank cannot exclude that further criminal-related misconduct may emerge from investigation developments -including against other parties- or that the facts under investigation may result in circumstances assumably leading to requests for compensation and/or claims for settlement against the Group from offended and/or damaged third parties. These assumed potential actions for damage compensation are merely hypothetical, therefore their legitimacy can hardly be assessed: in any case, should these actions for damage compensation be taken, they would hardly result in an outlay for the Bank before a sentence is passed, which is reasonable to expect may occur in a time frame of years as of today.

The Bank reserves the right to take any action to protect its own rights and interests against the abusive conduct resulting from the ongoing criminal investigations.

## SECTION 2 - INSURANCE COMPANIES RISKS

### *2.1 INSURANCE RISKS*

Insurance risks are analysed in relation to business performed by the two Banca Carige subsidiaries in non-life insurance (Carige Assicurazioni) and life insurance (Carige Vita Nuova).

### *a) NON-LIFE INSURANCE*

*Qualitative Information*

*Definition of Insurance Risk*

Insurance risks, which are generated from the specific activities of the insurer, which acts as an intermediary on the market and is able to determine an assignment and a subsequent reduction of the risk, through the professional centralised management of risks;

Insurance risks can be divided in two risk sub-categories:

- Assumed risk
- Reservation risk

and common sub-risk:

- Reinsurance risk

In particular, the assumed risk, linked to the underwriting of insurance contracts, relates to the risk that premiums required to insured people are not sufficient to cover related liabilities, according to hedged events, fees, trend of claims, corporate policies of risk assumption, reinsurance policies. Actuarial models are used to determine fees and monitor claims for each single branch or type of insurance policy. In addition, underwriting guidelines are issued along with rules on assumption limits for each individual risk category.

Reservation risk is connected with reserve quantification, which might be inadequate with respect to commitments undertaken. This inadequacy might result from both incorrect estimates of reserves and changes in the general and market context where the Company operates. The pricing functions for Motor and Non-Motor Insurance, within the Technical Department, establish prices on the basis of technical considerations that can be referred to company or market data in addition to appropriate safety margins. In the context of risk assumption policies, significant attention is given to concentration risk with respect to acquired portfolios; in particular with reference to catastrophic risk (earthquakes and floods), risk accumulations are monitored, subdivided into territorial zones and measured by adding up sums assured and indemnification limits in order to quantify overall exposure. For the determination of foreseeable charges for claims, the result of the inventory check is coupled with statistical actuarial methodologies based on an analysis of historical data. Such data constitutes the information base that is necessary to define hypotheses that are at the basis of the methodological structures used, with particular reference to the development of average cost and the specific claim inflation rate. Particular attention was paid to the analysis and monitoring of major claims in order to optimise the process of correct reservation at the claims' ultimate cost. For the preparation of the Financial Statements, the adequacy check on reserves set aside for the Motor TPL business is commissioned to the appointed Actuary and subsequently checked and adopted by the Company's Board of Directors. Moreover, the Company constantly monitors the development of reserves allocated for claims incurred but not paid, and any related changes.

Lastly, with regard to reinsurance risk, after the definition of self-retention levels, suited arrangements are made - with leading market counterparties only - for the main segments in order to mitigate the risk of insolvency. The counterparties are constantly monitored and the exposure limits are reviewed annually, in compliance with the reinsurance policy outlined by the Board of Directors, pursuant to Circular Isvap n. 574/D, in order to verify the credit standing of the reinsurer and any potential need to carry out write-downs of loans recorded in the financial statements. In this case, the reinsurance risk is added to the credit risk which is described in details under financial risk.

### *Quantitative Information*

The main non-life business of the Company includes:

1. Third party motor;
2. Land vehicles
3. Assistance;
4. Accident;
5. Health;
6. Fire and natural forces;
7. Other damages to assets;
8. General third-party liability;
9. Monetary loss
10. Guarantees

### *1 Premiums*

Premiums paid in 2014 totalled EUR 352,362 thousand as compared to EUR 428,654 thousand in 2013, down by 17.8%, and are detailed as follows:

**PREMIUMS ISSUED** *(thousands of Euro)*

| LINE | PREMIUMS 2014 | 2013 | % Change 2014 - 2013 Absolute | % |
|---|---|---|---|---|
| Accident | 36,720 | 42,543 | -5,823 | -13.7 |
| Health | 4,409 | 4,464 | -56 | -1.2 |
| Aircraft | 3 | 5 | -2 | -32.4 |
| Ships (sea, lake, river and canal vess | 528 | 649 | -120 | -18.5 |
| Transported goods | 301 | 315 | -15 | -4.7 |
| Fire and natural forces | 33,153 | 33,343 | -190 | -0.6 |
| Other damages to assets | 13,923 | 15,309 | -1,386 | -9.1 |
| TPL aircraft | 2 | 4 | -2 | -54.3 |
| TPL general | 39,950 | 44,436 | -4,486 | -10.1 |
| Guarantees | 3,528 | 4,178 | -649 | -15.5 |
| Various monetary losses | 2,758 | 5,854 | -3,096 | -52.9 |
| Legal protection | 3,535 | 4,382 | -847 | -19.3 |
| Assistance | 8,045 | 8,951 | -906 | -10.1 |
| **Total P&C** | **146,856** | **164,433** | **- 17,578** | **- 10.7** |
| Land vehicles | 20,120 | 24,967 | -4,847 | -19.4 |
| 3rd party land and sea veh. | 185,267 | 239,122 | -53,855 | -22.5 |
| **Total TPL Car + land vehicles** | **205,387** | **264,089** | **- 58,703** | **- 22.2** |
| **Total direct business** | **352,242** | **428,522** | **- 76,280** | **- 17.8** |
| Indirect business | 119 | 132 | -12 | -9.2 |
| **Grand total** | **352,362** | **428,654** | **- 76,292** | **- 17.8** |

| *thousands of Euro* LINES | PREMIUMS 2014 | 2013 | % Change 2014 - 2013 Absolute | % |
|---|---|---|---|---|
| Land vehicles | 20,120 | 24,967 | -4,847 | -19.4 |
| TPL vehicles and sea vehicles | 185,267 | 239,122 | -53,855 | -22.5 |
| P&C Motor | 19,117 | 23,481 | -4,364 | -18.6 |
| **Total Motor** | **224,503** | **287,570** | **- 63,067** | **- 21.9** |
| P&C | 127,858 | 141,084 | -13,225 | -9.4 |
| **Grand total** | **352,362** | **428,654** | **- 76,292** | **- 17.8** |

Motor Insurance segment (Motor TPL +Land Vehicle Insurance): the Motor TPL premiums show a EUR 53.9 mln decrease which is -22.5% with respect to 2013; the Land Vehicle Insurance line decreased by EUR 4.8 mln (-19.4%), and the Motor P&C line showed a negative variation of EUR 4.4 mln (-18.6%). The total car range is therefore down by EUR 63.1 million as a whole (-21.9%). The ratio of accessory guarantees to third party liability premiums increased from 20.3% to 21.2%.
There were 458,689 Motor TPL contracts as at 31 December 2014, down 12.2% (approximately 64 thousand policies).

**P&C (non-car) (excluding Motor P&C)**: went from EUR 141.1 mln to EUR 127.9 mln as at 31 December 2014, with a fall of EUR 13 mln (-9.4%).

The negative trend observed since the beginning of the year slowed down in the second part of the year following numerous commercial initiatives that were undertaken to stimulate recovery.

As regards the Italian insurance market, the latest data available shows an overall decrease in written premiums, driven by a decrease in motor TPL insurance compounded by the current economic crisis in the insurance sector:

**CHANGE IN PERCENTAGE OF PREMIUMS UNDERWRITTEN BY BUSINESS SEGMENT**

| AS AT Q3 2014 | Change % |
|---|---|
| Land vehicles | - 2.7 |
| TPL vehicles and sea vehicles | - 7.3 |
| P&C | 1.1 |
| **Grand total** | **- 3.1** |

(*) latest data available

In addition to the fall in the number of new car registrations, the reduction in the Motor TPL line of business is due to the lowering of the average premium which registered a negative 2014 half yearly variation of 5.3% with reference to the private car sector (data published in the Ivass statistical bulletin " IPER: price trends for Motor Third Party Liability Insurance "), made up of a 3.7% fall in Q1 2014 and a further 1.6% decrease in Q2 with respect to Q1.

In terms of a breakdown of premiums issued in the different insurance segments, 52.6% of the portfolio mix as at 31 December 2014 is accounted for by motor TPL premiums, a slightly higher share than the latest available market percentage and slightly lower than the Company's figure for 2013, as shown in the table below, due to the major clean-up of the company's portfolio:

**PREMIUMS - PORTFOLIO MIX**

| | 2014 | 2013 | % Change 2014- 2013 | Market 09/2014 |
|---|---|---|---|---|
| TPL vehicles and sea vehicles | 52.6% | 55.8% | -3.2 | 49.1% |
| Land vehicles | 5.7% | 5.8% | -0.1 | 7.5% |
| P&C | 41.7% | 38.4% | 3.3 | 43.4% |
| **Total** | **100.0%** | **100.0%** | | **100.0%** |

Lastly, an analysis on the annual production, divided by macro geographical areas is provided hereunder.

**PREMIUMS ISSUED IN 2014** (*thousands of Euro*)

| Non-life | NORTH | CENTRE | SOUTH | ISLANDS |
|---|---|---|---|---|
| TPL vehicles and sea vehicles | 68,048.7 | 35,359.3 | 45,870.7 | 35,987.9 |
| Land vehicles | 12,171.3 | 3,631.4 | 2,447.2 | 1,870.1 |
| Assistance | 3,648.0 | 1,326.8 | 1,570.9 | 1,450.9 |
| Accident | 19,378.8 | 6,096.0 | 6,123.2 | 5,122.2 |
| Health | 3,651.1 | 545.6 | 92.3 | 119.7 |
| Fire | 24,112.4 | 4,733.2 | 1,878.9 | 2,428.3 |
| Other damages to assets | 9,591.4 | 1,993.7 | 1,045.0 | 1,292.9 |
| General third-party liability | 24,473.9 | 7,327.1 | 3,969.8 | 4,179.3 |
| Monetary loss | 3,505.2 | -2,186.7 | 803.7 | 636.1 |
| Other insurance lines | 3,717.5 | 1,986.4 | 1,059.5 | 1,182.6 |
| **Total** | **172,298** | **60,813** | **64,861** | **54,270** |

## *2 Claims*

With regard to claims, 2014 trend showed an aggregate charge for claims paid, including expenses, equal to EUR 392.9 million, down by 16.2% compared to the previous year; this decrease is primarily due to claims of the current generation, after the drop in the number of claims reports.

Indemnity-related amounts only – including management and debtor lump sums, excluding settlement expenses and including partial payments – were recorded as follows:

**CLAIMS PAID** (*millions of Euro)*

| | | | Change 2014 - 2013 | |
|---|---|---|---|---|
| | 2014 | 2013 | absolute | % |
| Motor TPL (10+12) | 176.5 | 231.9 | -55.4 | -23.9 |
| Other insurance lines | 166.7 | 187.5 | -20.8 | -11.1 |
| **Total** | **343.2** | **419.4** | **-76.2** | **-18.2** |

With regard to the main indicators, reported motor TPL claims (for each segregated line of business) decreased by around 34% (equal to 15,500 claims). There was a 38% decrease in No Card and 31.4% decrease in the Card D claims (claims caused by our policy holders), while Card G claims (claims incurred) dropped by 30.9%.

The speed of claim settlement (Card G + No Card) amounted to 71.4%, almost in line with 2013 (72.6%)

The speed for Card D claims, an external variable in that it depends on the activity of the associates, is also in line with the previous year (80.4% compared with 80.1%).

When considering the average cost trend of claims settled during the year compared to 2013, the following figures are observed for the current and the previous years:

**AVERAGE COST OF CLAIMS FOR CURRENT PERIOD** *(thousands of Euro)*

| Claims paid (including partial payments and expenses) | 2014 | 2013 | Change 2013-2014 absolute | % |
|---|---|---|---|---|
| CARD G claims (no lump sum) | 2.079 | 2.043 | 35,8 | 1,8 |
| Lump sum G | 1.858 | 1.960 | -102,1 | -5,2 |
| CARD D claims | 1.909 | 2.083 | -173,9 | -8,3 |
| NO CARD claims | 5.076 | 5.041 | 35,5 | 0,7 |

**AVERAGE COST OF CLAIMS FOR PRIOR PERIOD** *(thousands of Euro)*

| Claims paid (including partial payments and expenses) | 2014 | 2013 | Change 2013-2014 absolute | % |
|---|---|---|---|---|
| CARD G claims (no lump sum) | 2.976 | 2.984 | -8,2 | -0,3 |
| Lump sum G | 2.514 | 2.138 | 376,1 | 17,6 |
| CARD D claims | 2.554 | 3.066 | -511,3 | -16,7 |
| NO CARD claims | 11.335 | 12.528 | -1.193,0 | -9,5 |

A reduction in the average cost of No Card claims settled, is noted mainly with respect to previous years; such reduction is substantially due to an improvement in the representation of the payment of legal fees for claims that have already been settled, for the purpose of supervisory reporting. Such improvement, which occurred in 2014, gave rise to a reduction of the average cost. Under the same conditions, the average cost for 2013 went from EUR 12,528 to EUR 11,586.

In P&C, there is a fall in claims settled, attributable almost entirely to the current year for the reduction of claims reported:

**COMPENSATION PAID** *(thousands of Euro)*

| | 2014 | 2013 | Change 2014-2013 absolute | Change 2014-2013 % |
|---|---|---|---|---|
| Accident | 19,247 | 19,360 | -113 | -0.6 |
| Land vehicles | 18,837 | 32,323 | -13,486 | -41.7 |
| Fire | 27,011 | 27,431 | -420 | -1.5 |
| Other damages to assets | 17,064 | 19,759 | -2,695 | -13.6 |
| General TPL | 63,203 | 66,716 | -3,513 | -5.3 |
| Monetary loss | 12,174 | 11,473 | 701 | 6.1 |
| Guarantees | 2,999 | 3,755 | -756 | -20.1 |
| Other insurance lines | 6,186 | 6,709 | -523 | -7.8 |
| **Total** | **166,722** | **187,527** | **-20,805** | **-85** |

P&C reserves for direct claims only (excluding IBNR) showed the following developments:

**CLAIMS RESERVE, P&C** *(thousands of Euro)*

| | 2014 | 2013 | Change 2014-2013 absolute | Change 2014-2013 % |
|---|---|---|---|---|
| Accident | 21,317 | 26,215 | -4,898 | -18.7 |
| Land vehicles | 6,032 | 7,069 | -1,037 | -14.7 |
| Fire | 22,473 | 34,056 | -11,583 | -34.0 |
| Other damages to assets | 16,544 | 14,129 | 2,415 | 17.1 |
| General third party liability | 224,229 | 257,771 | -33,542 | -13.0 |
| Monetary loss | 15,018 | 16,848 | -1,831 | -10.9 |
| Guarantees | 28,995 | 25,112 | 3,883 | 15.5 |
| Other insurance lines | 14,178 | 18,682 | -4,504 | -24.1 |
| **Total** | **348,786** | **399,882** | **-51,097** | **-12.8** |

Only compensation reserve

| | | | | |
|---|---|---|---|---|
| No. reserved for accidents | 5,744 | 8,210 | -2,466 | -30.0 |
| No. reserved for general TPL | 11,683 | 15,263 | -3,581 | -23.5 |
| No. reserved other lines | 18,307 | 30,187 | -11,880 | -39.4 |
| **No. reserved for P&C+land ve** | **35,733** | **53,660** | **-17,927** | **-33.4** |

Proportional numbers

Overall, the P&C claims reserve decreased by 12.8% relative to the end of 2013. Such decrease is mainly due to the effect of a smaller number of outstanding claims. Indeed, a look at the average reserved costs shows how these are almost all increasing as the following table demonstrates:

As regards Motor TPL, the following table summarises the evolution in number and average cost of claims in the reserve.

## NUMBER OF CLAIMS IN RESERVE AND AVERAGE COST (Motor)

| | 2014 | | 2013 | | % Change 2014 - 2013 | |
|---|---|---|---|---|---|---|
| **Current** | **No. claims** | **Avg Cost** | **No. claims** | **Avg Cost** | No. claims | Avg Cost |
| No Card | 3,508 | 11,512 | 5,290 | 11,509 | -33.7 | 0.0 |
| Management Card | 4,096 | 3,303 | 5,453 | 3,426 | -24.9 | -3.6 |
| **Tot claims managed** | **7,544** | **7,146** | **10,688** | **7,444** | **-29.4** | **-4.0** |
| Management Lump-sum | 2,511 | 1,995 | 3,424 | 2,411 | -26.7 | -17.2 |
| Debtor Lump-sum | 4,021 | 2,468 | 6,258 | 2,199 | -35.7 | 12.2 |

| | 2014 | | 2013 | | Variaz. % 2014 - 2013 | |
|---|---|---|---|---|---|---|
| **Previous** | **No. claims** | **Avg Cost** | **No. claims** | **Avg Cost** | No. claims | Avg Cost |
| No Card | 6,742 | 31,959 | 6,892 | 36,606 | -2.2 | -12.7 |
| Management Card | 2,018 | 5,929 | 2,967 | 5,874 | -32.0 | 0.9 |
| **Tot claims managed** | **8,665** | **26,247** | **9,809** | **27,497** | **-11.7** | **-4.5** |
| Management Lump-sum | 791 | 5,274 | 1,215 | 4,625 | -34.9 | 14.0 |
| Debtor Lump-sum | 2,035 | 6,839 | 5,328 | 2,842 | -61.8 | 140.7 |

The reserve was revalued, also due to the analysis of the individual claims by liquidators and, for particularly complex claims, by Management structures. The evaluation of reserves took into account any possible element which might increase the charge of the claim. A further integration was provided by the Management for No Card claims. The Company assessed the consistency of the reserve by applying a Paid Loss Development Method (PLDM) statistical approach with separate method for managed claims, No Card claims and Management Card claims, via net projection of threshold caps equal to EUR 300 thousand.

The total number of outstanding claims in the P&C insurance line in the reserve, including those related to lines that are not highlighted, is 15,929 (-31.9% with respect to 2013), with an average cost of EUR 4,030, while the total for the previous year was 19,776 (-34.7% with respect to 2013), with an average cost of EUR 15,037.

In view of the data shown above, it is opportune to highlight that the reduction in the current average cost of General Third Party Liability Insurance is due to a different mix in the claims portfolio. In 2013, there were still claims related to health establishments; by making a like-for-like comparison, and therefore excluding claims related to health establishments, the average cost in 2014 is in line with 2013, with a slight increase (2013 Average Cost excluding health establishment claims was EUR 4,923, while 2014 Average Cost of claims excluding health establishment claims was EUR 4,954).

**CLAIMS RESERVE, P&C** *(thousands of Euro)*

| | 2014 | 2013 | Change 2014-2013 absolute | % |
|---|---|---|---|---|
| Accident | 21,317 | 26,215 | -4,898 | -18.7 |
| Land vehicles | 6,032 | 7,069 | -1,037 | -14.7 |
| Fire | 22,473 | 34,056 | -11,583 | -34.0 |
| Other damages to assets | 16,544 | 14,129 | 2,415 | 17.1 |
| General third party liability | 224,229 | 257,771 | -33,542 | -13.0 |
| Monetary loss | 15,018 | 16,848 | -1,831 | -10.9 |
| Guarantees | 28,995 | 25,112 | 3,883 | 15.5 |
| Other insurance lines | 14,178 | 18,682 | -4,504 | -24.1 |
| **Total** | **348,786** | **399,882** | **-51,097** | **-12.8** |

Only compensation reserve

| | | | | |
|---|---|---|---|---|
| No. reserved for accidents | 5,744 | 8,210 | -2,466 | -30.0 |
| No. reserved for general TPL | 11,683 | 15,263 | -3,581 | -23.5 |
| No. reserved other lines | 18,307 | 30,187 | -11,880 | -39.4 |
| **No. reserved for P&C+land vehicl** | **35,733** | **53,660** | **-17,927** | **-33.4** |

### *Reinsurance risk – Non-life insurance*

The reinsurance policy, as for last year, continues to focus on maintaining certain levels of proportionate cover and in excess to claims according to the recorded risk category.

Specifically, in the motor third-party liability segment, protection was maintained in 2014 solely for excess claims.
For property and casualty, coverage in 2014 proved adequate with respect to the risk retention level. In 2014, coverage for such insurance segments remained separate, where necessary adjusting priorities according to the risk assumed, especially for Fire risk which was brought into line with the extent and type of risk subscribed. For other businesses coverage is provided for excess claims only, except for technological risks, for which coverage is proportionate in addition to that for excess claims. The same cover was maintained for the transport and roadside assistance lines of business. In addition, a proportional cover for Legal Protection was taken out with a specialized reinsurer.

The 2014 reinsurance plan takes into account Isvap circular no. 574/D of 23 December 2005 on "Reinsurance liability provisions". During its meeting, held on 17 February 2014, the Board of Directors updated the framework resolution on the reinsurance strategy, originally approved in February 2006. The disposal plan and 2014 placements were carried out in compliance with the guidelines approved by the Board of Directors, by adopting the types of reinsurance agreements aimed at mitigating risks and exposure according to the tolerance level (risk appetite). Reinsurance contracts are periodically reviewed; for certain segments, technical and financial simulation models are used to analyse efficiency in terms of capital allocation.

The adoption of such policy led to the selection of preferably continental reinsurers, with a solid financial background and equity base (Standard and Poor's rating higher than or equal to Standard and Poor's "A-" or A.M. Best's "A"), with a preference for high quality reinsurers with a demonstrable ability to settle future claims, on the basis of past experience and their ability to make timely payments. In the selection process, reinsurer management and technical know-how was assessed, with a particular focus on leading reinsurers. External information sources include the analysis of counterparty financial statements and independent audit reports, as well as Standard & Poor's ratings, if available, or the A.M. Best index.

As in previous years and again according to limits set in the framework resolution, concentration risk was mitigated, therefore avoiding the existence of sufficiently dominant positions affecting the Company's underwriting policies. Risk concentrations of reinsurers in the same group, if any, were also assessed.

Contracts signed according to instructions of the Board of Directors are of the traditional and non-financial type.

## *b) LIFE INSURANCE*

### *Qualitative Information*

Reference should be made to the relevant section of the non-life insurance.

### *Quantitative Information*

The main categories of life insurance distributed or managed are classified below in relation to the reserves and the changes since last year:

**TYPES OF CONTRACT** *(thousands of Euro)*

| Description | Risk | Mathematical reserves as at 31.12.2014 | Mathematical reserves as at 31.12.2013 | Change % |
|---|---|---|---|---|
| Hybrid and Combined | Performance, death | 655,501 | 510,006 | 28.53% |
| Term life insurance | Death | 18,345 | 20,572 | -10.83% |
| Full life | Performance | 3,449,783 | 3,246,767 | 6.25% |
| Deferred capital and performance | Survival, performance | 55,184 | 56,651 | -2.59% |
| Immediate Annuity | Survival | 488 | 502 | -2.79% |
| Unit linked | Performance/credit | 187,855 | 194,399 | -3.37% |
| Index linked | Performance/credit | 18,316 | 81,755 | -77.60% |
| Supplementary insurance | Accident | 56 | 69 | -18.49% |
| Financial capitalisation | Performance | 110,381 | 126,447 | -12.71% |
| **Total** | | **4,495,909** | **4,237,168** | **6.106%** |

Any risks typical of the specific insurance or financial guarantees inherent in the life insurance products are noted beside the various contract types in the table. The main risk types are:

- ***mortality and accident.*** The portfolio with significant "death" risk contains basic diversification as the distribution channels are spread throughout the entire country. At underwriting stage, the following comprise important considerations: health, professional activity, sports played, age restrictions and any additional premiums in cases characterised by "tares". The use of demographic locations, prevalently for Italian residents, also establishes basic prudential margins. The reinsurance policy for both new and past business aims to limit risk, also in the event of catastrophe. Maximum retention limits are also envisaged for individual risk of EUR 25,000 on all products sold and the disposal of risks exceeding this threshold.
- ***survival.*** In relation to extended life expectancy, a special "demographic adjustment reserve" has been established, based on IPS55 life expectancy statistics and the propensity to market performance as recorded by ANIA;
- ***performance.*** Performance risk - inherent to most contracts with a financial component linked to performance of the two Separate Management lines (Norvita and C. Vitanuova) - is the failure to achieve results that would cover the minimum guaranteed to the insured party. ALM Analysis carried out in accordance with the provisions of Article 38 of the IVASS Regulations pursuant to Article 36 of the Legislative Decree No. 209/2005, enables the Company to examine the future cash flows of assets and liabilities and to assess any reserves that may be necessary to make good for differences between minimum guarantees and foreseeable future earnings of Separate Management lines; wherever present, the relative reserve represents a measure of the risk in question. The products sold offer guarantees in line with market rates, or rather lower, whereas the older products in the portfolio include guarantee levels that justify a specific focus on ALM analysis monitoring. ALM monitoring is performed on a near monthly basis for both the Norvita Fund (guarantee levels: 5%, 4%, etc.) and the C. Vitanuova Fund (maximum guaranteed rate of 3%). The strong increase in production in recent years of products mainly with a 1% or 0% guaranteed rate means that the portfolio of higher-rate guarantees is less significant in percentage terms. In fact, the negative gap offsets the positive gap on the higher-rate guarantees.

## *Reinsurance risk*

The reinsurance management strategy was formalised in the resolution of the Board of Directors - in application of the Isvap circular 574/D - and subsequently notified to the Supervisory Authority.

In light of its balancing, the protection of the Life portfolio remained unchanged with respect to the previous year. The offer of products, in fact, had not been modified, nor had higher actual mortality levels been reported with respect to the one assumed for the calculation of premiums.

The adopted reinsurance policy therefore maintained the risk appetite principles unchanged, as well as unchanged was coverage of products already placed on the market, which remained unchanged on already existing policies.

Depending on the characteristics of products placed, the following types of reinsurance treaty were adopted by the Company: proportional treaties (Surplus) for pure risk pricing and non-proportional treaties (Claims excess) for injury protection supplementary guarantees in the portfolio.

Reinsurers operating in OECD Member States were reconfirmed for the year. They have guaranteed economic and financial soundness, certified by Standard and Poor's (minimum rating: A-).

During the year, on account of the prolonged international financial crisis, a strict assessment of the creditworthiness of its Reinsurers was still at the centre of the Company's focus, as was the occurrence of natural disasters liable to have an impact on the financial strength of individual Reinsurers and the reinsurance market as a whole.

## *2.2 FINANCIAL RISKS*

### *Definitions*

The Company defines the risk management policy as a generalised approach to identifying, understanding, measuring and managing its business risks.

Financial risks are generated by the management of the investment portfolios of the companies, which are comprised of properties, securities, receivables of different types and other liquid assets. They are divided in:

- Credit risk
- Liquidity risk
- Market risk, which in turn comprises:
  - foreign exchange risk
  - interest rate risk
  - price risk.

The Companies are also subject to the control of the Supervisory Authority for the insurance segment which, via prudential provisions, influences the corporate capacity to absorb equity risks which might affect the insurance management.

Investments are substantially concentrated in low risk sectors and in any event made prudentially on the bonds market so as to ensure good returns on commitments.

### *Credit risk*

Credit risk is defined as the risk that a party to a financial contract defaults on obligations assumed, thus causing financial damage to the counterparty.

In general, the Company manages the credit risk level through a meticulous and appropriate counterparty selection policy.

In particular, as regards loans to insured people, the risk is managed through the direct collection carried out by the intermediaries, the payments of which, made daily by Group Banks and on a decadal basis by agents, are subject to careful supervision by the central and peripheral structures for the purpose of limiting the risk of insolvency. For Carige Vita Nuova there is also the guarantee that the Companies that operate in the Life Insurance segment, are not exposed to risks in case of non-payment by the customers.

With regard to risk related to more strictly financial instruments,

- Securities and Other Financial Instruments

The Board of Directors has defined a series of investment limits in relation to a specific issuer based on the nature of the counterparty, counterparty rating and the type of instrument acquired.

- Derivatives and derivative contracts

Derivative transactions are performed by the Company in compliance with instructions issued by the Supervisory Authority and in compliance with Board of Directors' resolutions. The Company has the right to underwrite derivatives as hedges and for the effective management of investments. These contracts are signed with counterparties of high standing, solvent and in any event on financial instruments that must be able to generate a high degree of liquidity. In any case, the Insurance Company does not undertake any proprietary positions, except for the derivatives embedded in the structured financial instruments. Carige Vita Nuova is eligible to hold derivatives in portfolio – with exclusively defensive purposes – that may be connected with the unit- or index-linked policies marketed by the same company.

### *Liquidity Risk*

Liquidity risk is defined as the risk that a party finds it difficult to obtain funds to meet its commitments and obligations. Liquidity risk can derive from an inability to quickly sell a financial asset at or close to its fair value, from insurance claim compensation settlements made earlier than expected or from a general inability to generate positive cash flows as forecast.

### *Market risk*

Market risk is defined as the risk of potential losses deriving from a change in fair value of a financial instrument as a result of a change in exchange rates (exchange risk), in prevalent market interest rates (interest rate risk) and in market prices (price risk), to the extent that these changes are due to specific factors related to the instrument and/or its issuer, i.e. to factors that have a general impact on the market of the financial instrument concerned.

*Qualitative and quantitative information*

## *a) NON-LIFE INSURANCE*

For a more complete overview of financial risk exposure, here follows a detailed description of the various types of risk.

### *1.1. Credit risk*

The degree of risk of the investment portfolio in question is illustrated in the table below which lists the total portfolio investments recorded as assets in the balance sheet per counterparty *rating*.

**RATINGS OF FINANCIAL INSTRUMENTS***(thousands of Euro)*

| | Loans and receivables | | AFS | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 |
| AAA | | | | |
| AA | | | | 2,856 |
| A | | 2,152 | | 2,107 |
| BBB | | 3,269 | 609,262 | 630,830 |
| BB | | 5,288 | 43,362 | 41,514 |
| B | 399 | | 2,121 | 1,936 |
| CCC | | | 2,435 | 2,433 |
| CC | | | | |
| C | | | | |
| Not rated | | | 12,085 | 6,551 |
| **Total** | **399** | **10,709** | **669,264** | **688,227** |

The "BBB" class rating represents 91.1% of the total portfolio, the exposures with a lower rating or without a rating make up the remaining 8.9% of the total. The rating was obtained from the main international agencies (Standard & Poor's, Moody's, etc.), and adopting the "*second-best*" from those available whenever there are two different ratings with the following order of priority: specific rating for the issuance, rating of the issuer, rating of the holding of the Group which the issuer belongs to, rating given to the SPE issuing the financial instruments (in the event of a securitisation) and lastly, the implicit or internal rating given to the Counterparty by the Parent Company, if available.

### *1.2. Liquidity Risk*

The table below shows the breakdown by maturity of financial assets and liabilities. The immediate liquidation "within 1 year" was assumed for assets with an undefined maturity date, valued at fair value (market value as of 31/12/2014).

## **TERM-TO-MATURITY OF FINANCIAL ASSETS** *(thousands of euro)*

| Years to maturity | <=1y | >1 and =<2 y | >2 and =<3y | >3 and =<4y | >4 and =<5y | >5y |
|---|---|---|---|---|---|---|
| Equities and derivatives measured at cost | | | | | | |
| Equities at fair value | 8 | | | | | |
| of which listed | | | | | | |
| Debt securities | 98,242 | 93,581 | 108,685 | 104,387 | 82,919 | 181,841 |
| of which listed | 98,227 | 93,581 | 108,639 | 103,985 | 82,919 | 181,777 |
| Units in UCITS | | | | | | |
| Loans to/receivables from banking customers | | | | | | |
| Interbank loans and receivables | | | | | | |
| Deposits held by assignors | | | | | | |
| Financial asset components of insurance contracts | | | | | | |
| Other loans and receivables | | | | | | |
| Non-hedging derivatives | | | | | | |
| Hedging derivatives | | | | | | |
| Other financial investments | | | | | | |
| **Total financial assets** | **98,250** | **93,581** | **108,685** | **104,387** | **82,919** | **181,841** |

It is also worth noting that the securities portfolio is mainly composed of financial instruments listed on regulated markets; non listed securities are limited to less than 0.1% of the total amount.

### *1.3. Market risk*

The Company controls the market risk by holding a balanced investment portfolio mix and through the sensitivity analysis (e.g. modified duration for the various components).

It should also be noted that an impairment test was carried out with qualitative and quantitative metrics for a list of securities for which a significant or durable loss in value had been identified that was higher than the "severity" or "durability" thresholds defined per type of instrument by the model of impairment approved by the Company's Board of Directors. The outcome of the analysis as at 31/12/2014 did not identify any new securities to be devalued due to impairment, and so the value adjustments of those instruments that had already been devalued in previous years and that still had a negative value was carried out as they were, at that stage, deemed definitively impaired.

### *1.3.1. Foreign exchange risk*

Foreign exchange risk is currently nil, given that, as at 31/12/2014, all securities in portfolio are denominated in Euro.

### *1.3.2. Interest rate risk*

Interest rate risk is defined as the risk that the value and/or expected cash flows of a financial asset or liability will fluctuate as a result of a change in market interest rates.
The Company tends to mitigate interest rate risk by maintaining a balanced investment portfolio mix, with fixed rate component which represent around half the entire portfolio (47.7%).
The table below illustrates the exposure to interest rate risk of the various balance sheet assets invested in financial instruments.

**BOND RATE EXPOSURE AS AT 31/12/2014** *(thousands of Euro)*

| | Fixed rate and ZC | Floating rate |
|---|---|---|
| Assets held for trading | | |
| Assets available for sale | 321,599 | 347,665 |
| Loans and receivables | | 399 |

### *1.3.3. Price risk*

Price risk is defined as exposure to the risk that the value of financial assets and liabilities fluctuates as a result of changes in market prices, whether the changes derive from specific factors relating to the asset/liability concerned or from market factors. In this respect, the Company is exposed to price risk for that portion of financial assets and liabilities subject to changes in market prices. In fact, for financial assets used as non-life insurance hedges, price changes are either immediately reflected in the accounts or deferred, depending on the classification adopted in the financial statements.

In order to avoid excessive overall changes in the value of financial investments, the company asset management complies with policy established by the Investments Committee. This policy imposes limits in terms of issuers, total exposure, expected performance, the types of financial assets that may be acquired and the use of derivatives. In addition, monitoring and remedial actions were undertaken, if necessary, on the distribution and concentration of assets, according to market trends and the expected overall return on the portfolio.

## *b) LIFE INSURANCE*

For a more complete overview of financial risk exposure, here follows a detailed description of the various types of risk. The description does not include financial instruments hedging Line III contracts (Unit and Index Linked), whose effects on the Income Statement are fully offset by reverse-sign changes in the reserves.

### *1.1. Credit risk*

As already specified, credit risk is defined as the risk that a party to a financial contract defaults on obligations assumed, thus causing financial damage to the counterparty.
The Company manages the accepted credit risk via meticulous, appropriate selection of counterparties, on the basis of analyses and assessments performed by international rating agencies.

## RATINGS OF FINANCIAL INSTRUMENTS *(thousands of Euro)*

| | Loans and receivables | | AFS | | HFT | |
|---|---|---|---|---|---|---|
| Rating | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 |
| AAA | | | 1,329 | 1,310 | | |
| AA | 2,961 | | 281 | 3,063 | | |
| A | | 9,936 | 37,651 | 35,051 | | 1,683 |
| BBB | 68,887 | 73,215 | 3,937,959 | 3,267,726 | | 4,621 |
| BB | 3,299 | 2,323 | 323,960 | 290,970 | | 2,296 |
| B | 1,525 | | 63,440 | 14,597 | 3,216 | |
| CCC | | 8,543 | 25,948 | 31,069 | | |
| CC | | | | 762 | | |
| C | | | | | | |
| Not rated | | | 95,013 | 48,273 | | |
| **Total** | **76,671** | **94,017** | **4,485,582** | **3,692,821** | **3,216** | **8,600** |

As at 31/12/2014, 68% of the securities portfolio, measured at ad hoc market prices, was composed of Italian Government bonds. In aggregate, around 89% of securities are classified with investment grade rating. The rating was obtained from the main international agencies (Standard & Poor's, Moody's, etc.), and adopting the "*second-best*" from those available whenever there are two different ratings with the following order of priority: specific rating for the issuance, rating of the issuer, rating of the holding of the Group which the issuer belongs to, rating given to the SPE issuing the financial instruments (in the event of a securitisation) and lastly, the implicit or internal rating given to the Counterparty by the Parent Company, if available.

### *1.2. Liquidity Risk*

The table below shows the breakdown by maturity of investment portfolios.

It is also worth noting that the securities portfolio is mainly composed of financial instruments listed on regulated markets; non listed securities are limited to 5% of the total amount.

## **TERM-TO-MATURITY OF FINANCIAL ASSETS** *(thousands of euro)*

| Years to maturity | <= 1 y | > 1 and =< 2 y | > 2 and =< 3 y | > 3 and =< 4 y | > 4 and =< 5 y | > 5 y |
|---|---|---|---|---|---|---|
| Equities and derivatives measured at cost | | | | | | |
| Equities at fair value | | | | | | |
| *of which listed* | | | | | | |
| Debt securities | 149,419 | 237,809 | 503,962 | 493,992 | 406,918 | 2,771,844 |
| *of which listed* | *146,054* | *237,659* | *493,927* | *493,835* | *401,659* | *2,564,621* |
| Uits in UCITS | | | | | | |
| Loans to/receivables from banking customers | | | | | | |
| Interbank loans and receivables | | | | | | |
| Deposits held by assignors | | | | | | |
| Financial asset components of insurance contracts | | | | | | |
| Other loans and receivables | | | | | | 1,525 |
| Non-hedging derivatives | | | | | | |
| Hedging derivatives | | | | | | |
| Other financial investments | | | | | | |
| **Total financial assets** | **149,419** | **237,809** | **503,962** | **493,992** | **406,918** | **2,773,369** |

### *1.3. Market risk*

As already said, market risk is defined as the risk of potential losses deriving from a change in the current value of a financial instrument as a result of a change in exchange rates (exchange risk), in prevalent market interest rates (interest rate risk) and in market prices (price risk), to the extent that these changes are due to specific factors related to the instrument and/or its issuer, i.e. to factors that have a general impact on the market of the financial instrument concerned.

The Company controls the market risk by holding a balanced investment portfolio mix and through the sensitivity analysis (e.g. modified duration for the various components).

It is also noted that a list of securities were tested for impairment according to quantitative and qualitative parameters and were proven to have suffered a significant and durable loss of value, i.e. in excess of the "*severity*" or "*durability*" thresholds defined for each type of instrument under the *impairment* model approved by the Board of Directors. The outcome of the analysis as at 31/12/2014 did not identify any new securities to be devalued due to impairment, and so the value adjustments of those instruments that had already been devalued in previous years and that still had a negative value was carried out as they were, at that stage, deemed definitively impaired.

### *1.3.1. Foreign exchange risk*

Foreign exchange risk is currently nil, given that, as at 31/12/2014, all securities in portfolio are denominated in Euro.

### *1.3.2. Interest rate risk*

With regard to interest rate risk, defined as the risk that the value and/or expected cash flows of a financial asset or liability will fluctuate as a result of a change in market interest rates, the Company tends to mitigate interest rate risk by maintaining a balanced investment portfolio mix. In 2014, there was a prevalence of investments in fixed rate instruments (76%, up compared with 68% at end 2013), to guarantee medium-term cover of commitments to insured parties.

The table below illustrates the exposure to interest rate risk of the various balance sheet assets invested in financial instruments.

**BOND RATE EXPOSURE AS AT 31/12/2014** *(thousands of Euro)*

| | Fixed rate | Floating rate |
|---|---|---|
| Assets held for trading | 3,216 | - |
| Assets available for sale | 3,452,783 | 1,032,799 |
| Assets held to maturity | | |
| Loans and receivables | 40,887 | 35,784 |
| **Total** | **3,496,886** | **1,068,583** |

### *1.3.3. Price risk*

With regard to price risk, which is the exposure to the risk that the value of financial assets and liabilities fluctuates as a result of changes in market prices, whether the changes derive from specific factors relating to the asset/liability concerned or from market factors, the Company is exposed to this risk for that portion of financial assets and liabilities subject to changes in market prices. In fact, for financial assets used as Life insurance hedges, price changes are either immediately reflected in the accounts or deferred, depending on the classification adopted in the financial statements.

In order to avoid excessive overall changes in the value of financial investments, the company asset management complies with the policy established by the Investments Committee, based on strategic guidance given by the Board of Directors. This policy imposes limits in terms of issuers, total exposure, expected returns, the types of financial assets that may be acquired and the use of derivatives. In addition, monitoring and remedial actions were undertaken, if necessary, on the distribution and concentration of assets, according to market trends and the expected overall return on the portfolio.

# Part F

## INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

## SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

### A. Qualitative Information

As of 1/1/2014, the new supervisory regulations Basel III defined by EU Regulation 575/2013 (CRR) came into force. These were implemented by the Bank of Italy in its Circular 285/2013 and subsequent updates based on which Banca Carige adopts the measures required in order to maintain a suitable amount of capital in order to face the risks connected with its operations.

Following the results of the Comprehensive Assessment conducted by the ECB and published on 26 October 2014, the Bank submitted its Capital Plan, intended to cover the capital shortfall, to the ECB. Within the scope of the measures approved by the Board of Directors, a recapitalisation plan is envisaged which is already guaranteed by an established underwriting syndicate of banks for a maximum aggregate amount of EUR 700 million.

# B. Quantitative information

## B.1 Consolidated shareholders' equity: breakdown by type of company

| | Banking group | Insurance companies | Other companies | Netting-off and adjustments from consolidation | Total |
|---|---|---|---|---|---|
| Share capital | 2,615,066 | 290,040 | 501 | -290,539 | 2,615,068 |
| Share premium | 384,647 | 79,123 | - | -79,123 | 384,647 |
| Reserves | -424,491 | 31,056 | 46,262 | -77,319 | -424,492 |
| Equity instruments | - | - | - | - | - |
| Treasury shares (-) | -20,283 | - | - | - | -20,283 |
| Valuation reserves | -190,455 | 68,388 | - 15 | -68,373 | -190,455 |
| - Financial assets available for sale | 134 | - | - | 1 | 135 |
| - Property, plant and equipment | - | - | - | - | - |
| - Intangible assets | - | - | - | - | - |
| - Foreign investment hedges | - | - | - | - | - |
| - Cash flow hedges | -151,627 | - | - | - | -151,627 |
| - Exchange differences | - | - | - | - | - |
| - Non-current assets held for sale | -5,866 | 68,388 | -15 | - 363 | 62,144 |
| - Actuarial gains (losses) on defined benefit plans | -102,318 | - | - | - | -102,318 |
| - Share of valuation reserves of equity investments valued at equity | 69,219 | - | - | -68,011 | 1,208 |
| - Special revaluation laws | 3 | - | - | - | 3 |
| Profit (loss) for the year: Group and non-controlling | -546,943 | 49,181 | 3,223 | -52,403 | -546,942 |
| Shareholders' equity | 1,817,541 | 517,788 | 49,971 | -567,757 | 1,817,543 |

## B.2 Valuation reserves of financial assets available for sale: break-down

| Asset/Values | Banking Group | | Insurance companies | | Other companies | | Netting-off and adjustments form consolidation | | Totale 31/12/2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 6,106 | (6,658) | - | - | - | - | - | - | 6,106 | (6,658) |
| 2. Equities | 129 | (42) | - | - | - | - | - | - | 129 | (42) |
| 3. Share in CIS | 652 | (52) | - | - | - | - | - | - | 652 | (52) |
| 4. Loans | - | - | - | - | - | - | - | - | - | - |
| Total | 6,887 | (6,752) | - | - | - | - | - | - | 6,887 | (6,752) |
| Total 31/12/2013 | 30,525 | (40,818) | 42,449 | (14,190) | - | - | - | 1,310 | 72,974 | (53,698) |

As at 31.12.2014 the net negative reserves on debt securities amounted to EUR 552 thousand and they are decreasing significantly due to both the revaluation of Government Bonds in 2014 and sales and reimbursements made during the year.

B.3 Revaluation reserves for available-for-sale assets: annual changes

| | Debt securities | Equity securities | Units in investments funds | Loans |
|---|---|---|---|---|
| 1. Opening balance | 15,750 | 850 | 2,676 | - |
| 2. Positive changes | 41,143 | 39 | 210 | - |
| 2.1 Fair value increases | 14,835 | 39 | 189 | - |
| 2.2 Reclassification through profit or loss of negative reserves | 20,476 | - | 21 | - |
| - due to impairment | - | - | - | - |
| - following disposal | 20,476 | - | 21 | - |
| 2.3 Other changes | 5,832 | - | - | - |
| 3. Negative changes | 57,445 | 802 | 2,286 | - |
| 3.1 Fair value reductions | 2,143 | 113 | 60 | - |
| 3.2 Impairment losses | - | - | - | - |
| 3.3 Reclassification through profit or loss of positive reserves: following disposal | 26,170 | 19 | 2,178 | - |
| 3.4 Other changes | 29,132 | 670 | 48 | - |
| 4. Closing balance | (552) | 87 | 600 | - |

B.4 Valuation reserves relating to defined benefit plans: changes in the year

| | Banking group | Insurance companies | Other companies | Total |
|---|---|---|---|---|
| Opening balance | (44,841) | 6 | 1 | (44,834) |
| Changes | (57,477) | (6) | (1) | (57,484) |
| Closing balance | (102,318) | - | - | (102,318) |

## SECTION 2 – OWN FUNDS AND REGULATORY RATIOS

### 2.1 The regulatory framework - scope of application

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 supervision of banks to the European Union. The provisions issued by the Bank of Italy with circulars Nos. 285/2013 and 286/2013 and their relative updates were also taken into account with specific reference to the right to exercise national discretion.

### 2.2 Own bank funds

### A. Qualitative Information

Transitory provisions on own funds (see Second Part, Chapter 14, Section II, of Circular letter no. 285), set out that banks are eligible to keep a prudential filter on unrealized profits and losses related to exposures to central governments and classified as "Available-for-sale assets", until the adoption 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.

#### 1. Common Equity Tier 1– CET 1

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

- Share capital
- share premium reserve
- reserves net of negative reserve
    - treasury shares in the securities portfolio
- Loss for the period
- other accumulated items in the Income Statement
- non-controlling interests

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

- cash flow hedge
- gains from own liabilities evaluated at fair value due to its credit rating
- fair value gains deriving from its own credit risk correlated to derivative liabilities
- regulatory value adjustments

The deductions from CET 1 consist of:

- goodwill
- Other intangible assets
- Deferred fiscal assets that are based on future income and that do not derive from temporary differences net of the relative fiscal liabilities
- Detractions with a 10% threshold consisting of a) differed fiscal assets that are based on future income and that emerge from among the temporary differences b) significant investments in CET 1 instruments from other entities in the financial sector
- detractions with a 17.65% threshold (the 15% threshold resulting from the transitory scheme applies until 2017) with reference to the sum of the elements indicated in the previous section that are lower than the 10% threshold
- Other negative elements

The impacts on CET 1 due to the transitory scheme must be added to the elements listed above.

## 2. Additional Tier 1 capital (AT1)

Additional Tier 1 capital consists of:

- Paid-in capital (savings shares)
- Share premium on savings shares
- AT1 instruments subject to transitional provisions (grandfathering)
- Impacts on AT1 due to the transitory scheme

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

- Nominal value issued: euro 160,000,000 divided into bonds with a unit par value of euro 50,000;

- 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: if the Bank should be wound up, the bondholders - with precedence over the shareholders - must be subordinated to all other creditors. Interest payments 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 Bank has not paid dividends to shareholders. Interest is not cumulative if unpaid and the right to remuneration is permanently lost.
- 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 subject to transitional provisions (grandfathering)
- Impacts on T2 due to the transitory scheme

T2 also includes the portion of interest belonging to third parties that can be calculated as a result of transitional provisions

The instruments calculable in T2 are represented by the following subordinated loans:

1) Upper Tier II subordinated bond loan issued by the Bank, with the following characteristics:
- Nominal issued value: EUR 150,000,000 divided into bonds with a unitary nominal value of EUR 50,000, outstanding securities as at 31/12/2014 for a nominal value of EUR 135,000,000, value calculable in T2 EUR 119,852,136

- 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 not equally subordinated by the Bank. 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 activities, amounts relating to capital and accrued interest can be used as loss cover. If management performance proves negative, remuneration may be suspended;
- Bond redemption must receive 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. Residual value in circulation as at 31/12/2014: EUR 100,000,000; amount calculable in T2 EUR 29,902,586;
- Nominal rate: 6.14% p.a.;
- Maturity: 29.06.2016;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence 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. Residual value in circulation as at 31/12/2014: EUR 20,000,000, amount calculable in T2 EUR 10,996,714;
- Rate: 5.70% p.a. nominal;
- Maturity: 30.06.2017;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence 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. Residual value in circulation as at 31/12/2014: EUR 50,000,000; amount calculable in T2 EUR 50,000,000;
- Rate: 5.70% p.a. nominal;
- Maturity: 17.09.2020;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence 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. Residual value in circulation as at 31/12/2014: EUR 200,000,000, amount calculable in T2 EUR 200,000,000;
- Rate: 7.321% p.a. nominal;
- Maturity: 20.12.2020;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence over shareholders, holders of innovative capital instruments and holders of hybrid capitalisation instruments - will be subordinated to all other creditors.

The Tier 2 Capital tool 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 December 2014 for a nominal value of EUR 323,036,000, nominal value calculated for Regulatory capital purposes as at 31 December 2014, EUR 300,000,000;
- Rate: 3-month Euribor + 42 b.p.s.; from June 2011, 3-month Euribor + 102 b.p.s.;
- Maturity: 07.06.2016;
- special clauses: early redemption option in favour of the issuer from June 2011;
- subordination clause: in the event of voluntary or compulsory winding-up, bondholders will be reimbursed after all other creditors not equally subordinated by the Bank.

It should be noted that the T2 grandfathering also includes EUR 32 million from the AT1 tool that could not be included in additional Tier 1 capital.

B. Quantitative information

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

Capital losses sterilised on debt securities issued by central governments of countries members of the European Union, included in the "Available-for-sale assets" portfolio, amounted to EUR 8.2 mln. If the option had not been carried out, CET 1 would have decreased by 1.3 million, AT1 by 5.1 million, T2 by 0.8 million; therefore the overall positive impact on own funds due to this option amounts to 1.4 million.

Shown below is the 2013 regulatory capital table, drawn up according to the rules of Basel 2. The regulatory amendments introduced do not allow for a comparative representation.

B. Quantitative information

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

No benefit connected with the recognition of the new stakes in the Bank of Italy is included while determining Tier 1 as at 31 December 2013.

## 2.3 Capital adequacy

### A. Qualitative Information

As part of its risk management policies, the Parent Company monitors all risk profiles of its assets with respect to the capital base on a regular basis. The purpose of the analysis is to check compliance of the capital coefficients from a current and projected point of view (total capital ratio, tier one ratio, common equity ratio) and to prevent possible tension regarding the availability of free equity (equity exceeding the equity requirements for the assumed risks). The Parent Company's monitoring activity is conducted both as a supervision exercise and by checking the RAF (Risk Appetite Framework) indicators approved by the Board of Directors of the Parent Company, which was used to define the target risk/yield profile that the Group intends to apply in compliance with its business model and strategic plan.

### B. Quantitative Information

B. Quantitative information

| Categories/Amounts | Unweighted amounts | | Weighted amounts/ requirements | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 |
| A. RISK ASSETS | | | | |
| A.1 Credit and counterparty risk | 33,601,274 | 35,560,711 | 18,920,409 | 19,747,675 |
| 1. Standardised Approach | 33,585,628 | 35,541,652 | 18,909,459 | 19,735,000 |
| 2. Internal rating-based (IRB) approach | | | | |
| 2.1.Foundation | | | | |
| 2.2 Advanced | | | | |
| 3. Securitisations | 15,646 | 19,059 | 10,950 | 12,675 |
| B. REGULATORY CAPITAL REQUIREMENTS | | | | |
| B.1 Credit and counterparty risk | | | 1,513,633 | 1,579,814 |
| B.2 Credit valuation adjustment risk | | | 1,785 | |
| B.3 Settlement risk | | | | |
| B.4 Market risk | | | 1,866 | 13,617 |
| 1. Standardised approach | | | 1,866 | 13,617 |
| 2. Internal models | | | | |
| 3. Concentration risk | | | | |
| B.5 Operational risk (2) | | | 120,611 | 130,697 |
| 1. Foundation | | | 120,611 | 130,697 |
| 2. Standardised Approach | | | | |
| 3. Advanced | | | | |
| B.6 Other calculation elements | | | | |
| B.7 Total prudential requirements (3) | | | 1,637,895 | 1,724,128 |
| C. RISK ASSETS AND REGULATORY CAPITAL RATIOS | | | | |
| C.1 Risk-weighted assets | | | 20,473,688 | 21,551,600 |
| C.2 Common Equity Tier 1 capital /Risk Weighted Assets (CET1 capital ratio) | | | 8.4% | |
| C.3 Tier 1 capital/Risk Weighted Assets (Tier 1 capital ratio) | | | 8.7% | 5.8% |
| C.4 Total Own Funds/Risk Weighted Assets (Total capital ratio) | | | 11.2% | 9.2% |

Values as at 31/12/2013 are in accordance with Basel II criteria (circular no. 263 of 27/12/2006 as later amended), whereas values as at 31/12/2014 are in accordance with Basel II criteria (CRR, circ. no. 285 of 17 December 2013 as later amended).

(1) Exposures in equity instruments are included.

(2) Under the provisions of article 316, paragraph 1 b) of EU Regulation 575/2013, the definition of Net interest and other banking income for calculation of the Operational Requirements differs from the definition as at 31 December 2013.

(3) Basel 3 regulations do not provide for a 25% discount on capital requirements for banks belonging to banking groups.

The regulatory amendments introduced in the regulatory framework as of 01 January 2014 do not allow for comparability with data as at 31 December 2013.

The equity ratios as at 31 December 2014 were clearly higher than the minimum requirements of the applicable legislation in force on that date:

- Common Equity Tier 1 ratio ("CET1 ratio"): the ratio is equal to 8.4% with respect to a minimum level of 7% (4.5% + Capital Conservation Buffer: "CCB" equal to 2.5%);
- Tier 1 ratio: the ratio is equal to 8.7% with respect to a minimum level of 8% (5.5% + 2.5% of CCB);
- Total Capital Ratio: the ratio is equal to 11.2% with respect to a minimum level of 10.5% (8% + 2.5% of CCB).

Additionally, it is pointed out that EU Regulation no.1024 dated 15 October 2013 attributes power to the European Central Bank to request the monitored banks to maintain an amount of own funds that exceeds the minimum equity requirements defined by current legislation. As of the date of preparation of this yearly financial report, the ECB did not provide the Bank with its own final decision regarding the minimum equity ratios that the Bank is required to respect on an individual level. Based on the information that is available, it is believed that the Bank's equity funds are adequate in view of the more stringent requirements that the Supervisory Authority will impose on the Bank upon completion of the Supervisory Review and Evaluation Process (SREP).

## SECTION 3 – INSURANCE CAPITAL AND REGULATORY RATIOS

### Correct solvency position

The solvency check as at 31/12/2014, pursuant to Article 217 of the Legislative Decree 209/2005 and conducted on the basis of the provisions of ISVAP regulation No. 18 of 12 March 2008, reported the following situation:

Correct solvency summary
*(EUR mln)*

| | 2014 | 2013 |
|---|---|---|
| Capital and reserves | 391.4 | 433.8 |
| Profit (loss) for the year | 49.4 | - 144.5 |
| Total capital | 440.8 | 289.3 |
| AFS reserve | 68.9 | 28.3 |
| Prudential filter on technical reserves | - 4.8 | - 2.3 |
| Other components and adjustments | - 74.4 | - 37.3 |
| **Total solvency margin components** | **430.5** | **278.0** |
| **Total solvency margin required** | **- 286.7** | **- 293.4** |
| **Surplus / -Deficit** | **143.8** | **- 15.4** |

Last year's negative result was impacted by some extraordinary components affecting the financial year of both Companies. In particular, the write-downs on real estate properties and technical receivables were among the most significant factors.

In 2014 a capital increase of Carige Assicurazioni for an amount of EUR 92 mln was completed in order to reconstitute a solvency margin equal to 120% of the required solvency ratio as recommended by the Supervisory Authority.

This action, together with the considerable improvement of the results achieved by the two companies, re-established the correct solvency conditions of the Group.

## SECTION 4 – CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

| | *AMOUNTS* |
|---|---|
| A. Total assets of the conglomerate | 2,264 |
| B. Capital requirements of banking components | 1,638 |
| C. Solvency margin requirement for insurance components | 287 |
| D. Total capital demand of the conglomerate (B+C) | 1,925 |
| E. Surplus (deficit) of the conglomerate (A-D) | 339 |

Figures in EUR/mln

# Part G

## BUSINESS COMBINATIONS

## SECTION 1 – TRANSACTIONS PERFORMED DURING THE YEAR

### 1.1. Business combinations

During the year, no business combinations, as regulated by IFRS 3, were carried out.

## SECTION 2 – TRANSACTIONS PERFORMED AFTER YEAR END

### 2.1. Business combinations

No business combinations were performed after the end of the financial year.

## SECTION 3 – ADJUSTMENTS WITH RETROSPECTIVE EFFECT

No adjustments with retrospective effect were made after the end of 2014.

# Part H

# RELATED-PARTY TRANSACTIONS

This section contains information regarding related parties as required under IAS 24 "Related Party Disclosures" and according to Consob regulations.

This section also supplies information on the main transactions excluded by the application of proceedings set out pursuant to the Consob resolution no. 17221 of 12 March 2010, in application of provisions set forth by the regulation on transactions with related parties adopted by Banca Carige Board of Directors.

1. Information relating to remuneration for executives with strategic responsibilities

1.1 Information relating to remuneration for directors, statutory auditors and executives with strategic responsibilities

| | 31/12/2014 |
|---|---|
| Remuneration for Directors | 6,563 |
| Remuneration Statutory Auditors(*) | 1,127 |
| Remuneration for Executives with strategic responsibilities | 3,471 |
| Total | 11,161 |

(*) Fees net of VAT and industry social security contributions.

The amounts indicated refer to emoluments due to directors, statutory auditors and executives with strategic responsibilities of both the Parent Company and other Group companies.

2. Disclosure on transactions with related parties

2.1 Relations with shareholders exercising significant influence and with investees

**TRANSACTIONS WITH SHAREHOLDERS EXERCISING SIGNIFICANT INFLUENCE AND INVESTEES (1)** *(EUR/000)*

| | Assets | Liabilities | Guarantees and commitments | Income | Expenses | Dividends (2) |
|---|---|---|---|---|---|---|
| Carige shareholders exercising significant influence | 80,067 | | | 893 | - | |
| Companies subject to significant influence | - | 5,021 | 61 | 155 | 13 | |
| **TOTAL** | **80,067** | **5,021** | **61** | **1,048** | **13** | **-** |

*(1) Relations with subsidiaries included in the scope of consolidation were not taken into account.*

*(2) Dividends collected by companies subject to significant influence netted off in the consolidation process are not shown and Banca Carige did not distribute dividends in 2014.*

## 2.2 Relations with other related parties

**TRANSACTIONS WITH OTHER RELATED PARTIES** *(EUR/000)*

| Assets | Liabilities | Guarantees and commitments | Income | Expenses | Purchase of assets and services | insurance premiums | insurance indemnities and redemptions |
|---|---|---|---|---|---|---|---|
| 2,259 | 1,090 | - | 45 | 7 | - | 8 | - |
| **2,259** | **1,090** | **-** | **45** | **7** | **-** | **8** | **-** |

Other related parties include:

a) "Executives with strategic responsibilities for the entity".
This refers to individuals with direct or indirect authority and responsibility to manage and control Bank business, including Directors, Statutory Auditors, the Chief Executive Officer and Top-Level Managers.

b) "Close relatives of one of the parties referred to under point a)".
These are persons who it is expected could influence, or be influenced by, the party concerned in their relations with the Bank, and could therefore include a life partner and individuals dependent upon the party concerned or his/her life partner.

c) "Parties controlled by, jointly controlled by or subject to the significant influence of one of the parties referred to under points a) and b) or in which such parties hold significant direct or indirect voting rights".

**% SHARE OF TRANSACTIONS WITH RELATED PARTIES AS AT 31/12/2014** *(EUR/000)*

| | transactions with related | of financial statement item | % share |
|---|---|---|---|
| **Assets** | | | |
| Item 70 - Loans to customers | 82,254 | 23,682,831 | 0.3% |
| Other assets | 72 | 14,626,729 | 0.0% |
| **Liabilities** | | | |
| Item 20 - Deposits from customers | 6,007 | 17,332,987 | 0.0% |
| Other liabilities (1) | 104 | 19,159,030 | 0.0% |
| **Income statement** | | | |
| Item 10 - Interest income | 851 | 795,229 | 0.1% |
| Item 20 - Interest expense | (20) | (441,632) | 0.0% |
| 310 - Profit (loss) from non-current assets held for sale | 83 | (138,706) | 0.1% |
| Other positive items in the income statement | 167 | 519,536 | 0.0% |
| Other negative items in the income statement (2) | - | (1,436,347) | 0.0% |

*(1) The % share is calculated on 'other liabilities', except for those referring to the shareholders' equity.*

*(2) The % share is calculated on 'other negative items', except for value adjustments on goodwill, taxes and profit attributable to non-controlling interests.*

## 2.3 Significant transactions

The following significant transactions were carried out during the year:

- with the subsidiary Creditis Servizi Finanziari S.p.A., concerning the granting/renewal of loans for a total of approx. EUR 336 million;
- the sale by Banca Carige Italia S.p.A. to Banca Carige S.p.A. of bonds that had been issued by itself and repurchased from customers, for a nominal amount of EUR 179 mln;
- the repurchase, and subsequent redemption by the subsidiaries Cassa di Risparmio di Savona S.p.A., Cassa di Risparmio di Carrara S.p.A. and Banca del Monte di Lucca S.p.A. of bonds outstanding with the Parent Company (for EUR 245 mln, EUR 146 mln and EUR 100 mln respectively).

  These transactions were excluded from application of the procedures in accordance with the "Regulations for transactions with related parties and associated entities", approved by the Board of Directors of the Parent Company in accordance with the "Regulation on Related Party Transactions" adopted by Consob with its Resolution no. 17221 of 12 March 2010 and with the Supervisory Instructions issued by the Bank of Italy on "Risk assets and conflict of interest in relation with associated parties".

# Part I

# SHARE-BASED PAYMENT AGREEMENTS

## Qualitative Information

1. Description of share-based payments

The Remuneration Policies of the CARIGE Banking Group for 2014, recently approved by the Ordinary Shareholders' Meeting of the Parent Company, Banca Carige S.p.A., on 29 April 2013, define the structure of the variable component for the different personnel categories of the Group Banks, making provision for the use of short-term incentives for 'key employees',: with the granting of partly 'spot' and partly pro-rata deferred (5 yearly instalments) amounts (in cash and financial instruments connected with the value of the Parent Company's shares):

Without prejudice to the conditions specified below, all the components in financial instruments include the possible payment in "Performance Units", meaning "virtual" share units that will be transformed into money based on the variation of the underlying share value between the start of the granting of the "virtual shares" and the moment of their transformation.

The plan based on Performance Units includes the initial fixing of a defined number of Performance Units, which is determined based on an initial price of the underlying share (calculated as the average of the share price for the previous quarter). This number of Performance Units, at the end of the performance period (so-called vesting) and the lock up period (additional maturity period of 2 years for cash instruments and 1 year for deferred instruments), is multiplied by the obtained performance and by the current value of the share price (calculated as the average of the share price for the previous quarter, possibly taking into account adjustments to the share price following extraordinary company operations) and liquidated in cash.

During 2014, no incentive schemes were set up at Group level and therefore no Performance Units were assigned during the year to any potential recipients of such schemes.

### Annual incentive plan (IBT) and long-term deferment system (ILT)

In relation to the previous remuneration policies of the CARIGE Banking Group, based on the one last approved by the ordinary shareholders' meeting of the Parent Company Banca Carige S.p.A. dated 29 April 2013, the following was planned:

- an IBT deferment system structured on the basis of the participants' management level (Top Management and Central Risk Taking Managers) that provided for the deferment of 20% of the bonus through the assignment of Performance Units subject to a 2 year lock up period.
  The right of payment, under condition of a positive performance, is conditional to:
  - the presence of the employee in the Company;
  - financial strength and income efficiency of the Bank and the Group.
- a long term incentive system ILT (three-year), fully deferred and intended for management who was to be attributed Performance Units subjected to a vesting and lock up period that varied between 4 and 6 years. In other words, the actual payment of ILT will be made starting from the year following the three-year period under evaluation, with a proportional mechanism (1/3 per each of the three years following the three-year period considered).
  The right of payment is conditional to the achievement of positive performance in at least two of the three reference years, measured through the IBT system, and provided that, upon payment, the following conditions occur:
  - presence of the employee in the company;
  - equity solidity and income efficiency of the Bank and the Group.

In this respect and in relation to the appointment of the Chief Executive Officer (hereafter the "Manager") whose acceptance of the office and powers as of 5/11/2013, a variable remuneration will eventually be defined consisting partially of cash and partially in Performance Units and in any case coherent with the current Remuneration Policies which can mature proportionally to the attainment of objectives in accordance with the industrial plan at the end of each three-year term, during the course of which the Manager continuously exercised his office and powers.

Without prejudice to the inherent positive performance and the above mentioned conditions, the fair value of the financial liabilities associated with the Performance Units is determined by estimating their total number - on the basis of variables as specified in the Remuneration Policy - and applying the ordinary pricing model for options on equity instruments.

In relation to the current plans, the following is pointed out:

- In relation to the non-verification of the conditions of income efficiency of the Bank and the Group, the deferred shares of IBT, as well as the third payment of the ILT 2009-2011 were not paid;
- The requirement for activating the right to payment of the ILT 2012-2014 was not fulfilled regarding the attainment of positive performance for at least 2 years of the three-year period of reference, measured by means of the IBT.

## 2. Description of share-based payments and equity-settled

With reference to Managers, there are provisions for a one-off incentive payment for the acceptance of the appointment and the associated authority, of 2,814,258 Banca CARIGE ordinary shares under the following conditions: one unit was assigned to each ordinary share. Half the units were converted into ordinary shares, of which the Manager became the holder as at 30 April 2014 (for 1,407,129 shares). As regards the other half, they were converted into ordinary shares of which the Manager will become the holder as at 29 April 2015 (for a total of 1,407,129 shares + 1,407,129 shares/25*93= 6.641649 shares, taking into account the diluting effect of the increase in capital that took place during 2014) if the Manager in question is still in the same position with the same authority at that date.

This case concerns operations with employees and third parties who provide similar services, for which there is the indirect measurement of the fair value, referring to the fair value of the assigned equity instruments. In that case, the fair value of the equity instruments (ordinary Banca CARIGE shares) was determined on the date of assignment of the instruments identified on the date of accepting the office and powers ("grant date").

## A. Quantitative Information

### 1. Annual changes linked to share-based payments and settled in cash

| Items/Number of options and exercise prices | Total (2014) | | | Total (2013) | | |
|---|---|---|---|---|---|---|
| | Number of options | Average exercise price | Average maturity | Number of options | Average exercise price | Average maturity |
| A. Outstanding at beginning of period | 11,195,637 | 0.4425 | nov-16 | 7,979,873 | 0.5642 | nov-16 |
| B. Increases | | | | | | |
| B1. New issues | | | | 4,165,702 | 0.4430 | apr-17 |
| B2. Other | | | | | | |
| C. Decreases | | | | | | |
| C1. Forfeited | - 7,136,145 | 0.1743 | mar-16 | - 949,937 | 0.5071 | apr-14 |
| C2. Exercised | | | | | | |
| C3. Expired | | | | | | |
| C4. Other | - 1,972,201 | 0.4431 | apr-17 | | | |
| D. Outstanding at end of period | 2,087,292 | 0.4431 | mar-17 | 11,195,637 | 0.4425 | nov-16 |
| E. Options exercisable at year-end | | | | | | |

### 2. Annual changes linked to share-based payments and equity-settled

| Items/Number of options and exercise prices | Total (2014) | | | Total (2013) | | |
|---|---|---|---|---|---|---|
| | Number of options | Average exercise price | Average maturity | Number of options | Average exercise price | Average maturity |
| A. Outstanding at beginning of period | 2,814,258 | 0.5665 | ott-14 | - | - | |
| B. Increases | | | | | | |
| B1. New issues | | | | 2,814,258 | 0.5665 | ott-14 |
| B2. Other | 5,234,520 | 0.1200 | apr-15 | | | |
| C. Decreases | | | | | | |
| C1. Forfeited | | | | | | |
| C2. Exercised | - 1,407,129 | 0.576 | apr-14 | | | |
| C3. Expired | | | | | | |
| C4. Other | | | | | | |
| C5. Other | | | | | | |
| D. Outstanding at end of period | 6,641,649 | 0.2146 | apr-15 | 2,814,258 | 0.5665 | ott-14 |
| E. Options exercisable at year-end | | | | | | |

### 3. Other information

In relation to the ILT Plan for the three year period 2012-2014, for the share pertaining to financial year 2014, no charges were recorded as the requirement for activating right to its payment relative to reaching a positive performance in at least 2 years of the three-year period of reference, measured with IBT, was not satisfied. Therefore, all of the Performance Units that were originally attributed were annulled.

Similarly, also the third tranche of the ILT Plan 2009-2011, as well as the deferred shares pertaining to the IBT were also annulled.

With regard to the variable portion of the remuneration of Managers, as normalised with respect to the 2014 Remuneration Policy schemes, the Performance Units (recalculated following the above mentioned reconciliation) accrue on a *pro-rata temporis* basis and are valued as at 31/12/2014 (for the accrued part). The direct charge in the Income Statement as at 31/12/2014 equals EUR 416,875.18, of which 114,748.4 for charges with payments in Performance units, which offsets amounts due to personnel (Other liabilities).

Lastly, in relation to the one-off incentive for the acceptance of office and powers by the Manager, given equity instruments mature during specific service provision periods, the expense is booked to the income statement in the maturity period, at the same time as provision of the services, with a corresponding increase in shareholders' equity. On the basis of the above information, the personnel costs recorded for the year amount to EUR 1,079,385 and the balance as at 31/12/2014 of the specific reserve in shareholders' equity amounts to EUR 619,997.

# Part L

## SEGMENT REPORTING

The Carige Group's business model is developed and analysed according to a geographical approach which mirrors the corporate setup of the Group, broken down into the regional retail banks of the 'Liguria' and 'Outside Liguria' market areas.
In accordance with the management approach defined by IFRS 8, the bank chose the territory model as a model of reference for segment reporting,

which, adjusted into line with the statutory structure, breaks down the results and the activities into the following operating segments:

- "Liguria": operating customers at branches of the Parent Company, together with the results of Cassa di Risparmio di Savona, located predominantly in that area. This operational sector also includes Centro Fiduciario;
- "Outside Liguria": includes Banca Carige Italia, in addition to operating results of subsidiary banks located in the geographical areas outside Liguria (Cassa di Risparmio di Carrara, Banca del Monte di Lucca and Banca Cesare Ponti);
- "Other operating segments": include the other Group companies that perform financial and instrumental activities;
- "Netting": remaining segment explicitly envisaged in the regulations for reporting intra-group netting.

In 2014, the results of the geographical operating sectors were as follows:

- the Liguria network's net interest and other banking income totalled EUR 328 mln (46% of the Group's total), net income from banking and insurance was a negative EUR 470.5 mln (a loss on equity investments of EUR 348 mln was accounted for Banca Carige) and operating expenses came to EUR 332 mln (54% of the Group's total). These values are reflected in a loss from continuing operations of EUR 802 mln and a cost/income ratio of 101% (85.8% for the Carige Group). With regard to volumes, loans to customers stood at EUR 11,606 mln (49% of the Group's total), deposits from customers totalled EUR 8,213 mln (47.4% of the Group's total); debt securities in issue and financial liabilities designated at fair value through profit and loss amounted to EUR 3,518 mln; indirect funding amounted to EUR 10,064 mln. Financial Intermediation Activities totalled EUR 21,795 mln and account for 46% of the Group total.
- the Extra-Liguria network achieved total revenues of EUR 434 mln (61% of the Group total), income from banking and insurance activities amounted to EUR 201 mln and operating expenses came to EUR 297 mln (48.4% of the Group total): these figures entail income from continuing operations of EUR 95.6 mln. The cost/income ratio stood at 68.4% (85.8% for the Carige Group). From a funding/lending volumes standpoint, loans to customers amounted to EUR 9,014 mln, deposits from customers came to EUR 7,470 mln, debt securities in issue amounted to EUR 4,497 mln and indirect funding amounted to EUR 8,745 mln (42% of the Group's total). Financial Intermediation Activities totalled EUR 20,712 mln and account for 43.8% of the Group total.

## Business geographic areas (thousands of Euro)

| | Liguria | Outside Liguria | Other operating segments | Intersegment elimination net | TOTAL |
|---|---|---|---|---|---|
| **Net interest and other banking income** | | | | | |
| *12 months 2014* | 328,466 | 433,873 | -562 | -46,861 | 714,916 |
| *12 months 2013* [(1)] | 430,402 | 455,066 | -469 | -86,084 | 798,915 |
| **Net income from banking and insurance activities** [(2)] | | | | | |
| *12 months 2014* | -470,449 | 201,090 | -562 | 304,246 | 34,325 |
| *12 months 2013* [(1)] | -1,919,873 | -1,469,070 | -469 | 1,547,963 | -1,841,449 |
| **Operating expenses** | | | | | |
| *12 months 2014* | -331,598 | -296,734 | -34 | 14,908 | -613,458 |
| *12 months 2013* [(1)] | -301,775 | -300,383 | -2,590 | 20,216 | -584,532 |
| **Income (loss) before tax from continuing operations** | | | | | |
| *12 months 2014* | -802,047 | -95,644 | -596 | 319,154 | -579,133 |
| *12 months 2013* [(1)] | -2,221,648 | -1,769,453 | -3,059 | 1,568,179 | -2,425,981 |
| **Cost income (%)** | | | | | |
| *12 months 2014* | 101.0 | 68.4 | -6.0 | | 85.8 |
| *12 months 2013* [(1)] | 70.1 | 66.0 | -552.2 | | 73.2 |
| **Loans to customers** | | | | | |
| 31/12/2014 | 11,606,297 | 9,014,070 | 3,699,294 | -636,830 | 23,682,831 |
| 31/12/2013 | 12,815,324 | 10,424,189 | 2,856,386 | -619,540 | 25,476,359 |
| **Due to customers (a)** | | | | | |
| 31/12/2014 | 8,213,311 | 7,470,503 | 2,395,867 | -746,695 | 17,332,987 |
| 31/12/2013 | 7,446,573 | 7,460,129 | 378,066 | -467,401 | 14,817,367 |
| **Securities issued and financial liabilities designated at fair value through profit and loss (b)** | | | | | |
| 31/12/2014 | 3,517,713 | 4,496,665 | 4,747,060 | -3,674,825 | 9,086,614 |
| 31/12/2013 [(3)] | 4,885,227 | 5,245,302 | 4,663,720 | -4,556,331 | 10,237,918 |
| **Other financial assets (c)** | | | | | |
| 31/12/2014 | 10,063,949 | 8,745,257 | 4,766,616 | -2,657,682 | 20,918,141 |
| 31/12/2013 | 10,405,898 | 8,950,561 | 4,400,810 | -932,554 | 22,824,715 |
| **Financial Intermediation Activities (FIA) (d= a+b+c)** | | | | | |
| 31/12/2014 | 21,794,974 | 20,712,426 | 11,909,544 | -7,079,202 | 47,337,742 |
| 31/12/2013 | 22,737,698 | 21,655,991 | 9,442,597 | -5,956,286 | 47,880,000 |

(1) As shown in the paragraph "Accounting policies" of the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of IFRS 5 "Non-current assets held for sale and discontinued operations ".

(2) Including gains (losses) on equity investments, disposal of investments and impairment of goodwill.

(3) Carige Vita Nuova liabilities, carried at fair value and relating to products for which the investment risk is borne by the policy holder, are not included in this table.

## Business geographic areas (% of the total)

| | Liguria | Outside Liguria | Other operating segments | Intersegment elimination net | TOTAL |
|---|---|---|---|---|---|
| **Net interest and other banking income** | | | | | |
| *12 months 2014* | 45.9 | 60.7 | -0.1 | -6.6 | 100.0 |
| *12 months 2013* (1) | 53.9 | 57.0 | -0.1 | -10.8 | 100.0 |
| **Net income from banking and insurance activities** (2) | | | | | |
| *12 months 2014* | -1370.6 | 585.8 | -1.6 | 886.4 | 100.0 |
| *12 months 2013* (1) | 104.3 | 79.8 | 0.0 | -84.1 | 100.0 |
| **Operating expenses** | | | | | |
| *12 months 2014* | 54.1 | 48.4 | 0.0 | -2.4 | 100.0 |
| *12 months 2013* (1) | 51.6 | 51.4 | 0.4 | -3.5 | 100.0 |
| **Income (loss) before tax from continuing operations** | | | | | |
| *12 months 2014* | 138.5 | 16.5 | 0.1 | -55.1 | 100.0 |
| *12 months 2013* (1) | 91.6 | 72.9 | 0.1 | -64.6 | 100.0 |
| **Loans to customers** | | | | | |
| 31/12/2014 | 49.0 | 38.1 | 15.6 | -2.7 | 100.0 |
| 31/12/2013 | 50.3 | 40.9 | 11.2 | -2.4 | 100.0 |
| **Due to customers (a)** | | | | | |
| 31/12/2014 | 47.4 | 43.1 | 13.8 | -4.3 | 100.0 |
| 31/12/2013 | 50.3 | 50.3 | 2.6 | -3.2 | 100.0 |
| **Securities issued and financial liabilities designated at fair value through profit and loss (b)** | | | | | |
| 31/12/2014 | 38.7 | 49.5 | 52.2 | -40.4 | 100.0 |
| 31/12/2013 (3) | 47.7 | 51.2 | 45.6 | -44.5 | 100.0 |
| **Other financial assets (c)** | | | | | |
| 31/12/2014 | 48.1 | 41.8 | 22.8 | -12.7 | 100.0 |
| 31/12/2013 | 45.6 | 39.2 | 19.3 | -4.1 | 100.0 |
| **Financial Intermediation Activities (FIA) (d= a+b+c)** | | | | | |
| 31/12/2014 | 46.0 | 43.8 | 25.2 | -15.0 | 100.0 |
| 31/12/2013 | 47.5 | 45.2 | 19.7 | -12.4 | 100.0 |

(1) As shown in the paragraph "Accounting policies" of the Explanatory Notes, balances as at 31 December 2013 reflect, with respect to those published, changes resulting from the application of IFRS 5 "Non-current assets held for sale and discontinued operations".
(2) Including gains (losses) on equity investments, disposal of investments and impairment of goodwill.
(3) Carige Vita Nuova liabilities, carried at fair value and relating to products for which the investment risk is borne by the policy holder, are not included in this table.

# CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81 TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND FOLLOWING AMENDMENTS AND SUPPLEMENTS

## Certification of the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and following amendments and supplements

1. The undersigned Piero Luigi Montani, in his capacity as Managing Director, and Luca Caviglia, in his capacity as Manager responsible for preparing the Company's financial reports, of Banca CARIGE S.p.A., certify, taking also into consideration Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the Company's features and
   - the actual application,

   of the administrative and accounting procedures put in place for preparing the consolidated financial statements during the year 2014.

2. The assessment of the adequacy of the administrative and accounting procedures put in place for preparing the consolidated financial statements as at 31 December 2014 is based on a Model defined by Banca CARIGE S.p.A. consistently with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents the international commonly accepted standard for internal control system.

3. The undersigned also certify that:

   3.1 the consolidated financial statements:

      a. have been drawn up in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of 19 July 2002;

      b. correspond to the results of the accounting books and records;

      c. are suitable to provide a true and correct representation of the assets and liabilities and of the economic and financial situation of the issuer and of the group of companies included in the scope of consolidation.

   3.2 The report on operations contains a reliable analysis of the trend and operating results, as well as the situation of the issuer and of the group of companies included in the scope of consolidation, together with a description of the main risks and uncertainties that they face.

Genoa, 3 March 2015

| The Managing Director | The Manager responsible for preparing the Company's financial reports |
|---|---|
| Piero Luigi Montani | Luca Caviglia |

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# INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Building a better working world

Reconta Ernst & Young S.p.A.
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**Independent auditors' report**
**pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010**
(Translation from the original Italian text)

To the Shareholders of
Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia

1. We have audited the consolidated financial statements of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia and its subsidiaries (the "Banca Carige Group") as of 31 December 2014 and for the year then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, the Directors have restated certain comparative data with respect to the data previously presented in the consolidated financial statements as of 31 December 2013 and for the year then ended audited by us, on which we issued our auditors' report dated 3 April 2014. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements at 31 December 2014.
3. In our opinion, the consolidated financial statements of the Banca Carige Group at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Carige Group for the year then ended.
4. The Directors disclose in the report on operations and in the explanatory notes the actions for the strengthening of the Banca Carige Group's capital, including the proposal for capital increase via a rights issue for existing shareholders for a maximum amount of euro 850 million, aimed at fulfilling the additional own funds requirements formulated by the European Central Bank.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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5. The Directors of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Governance - Company Documents - Corporate Governance Report" of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia's website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Banca Carige Group at 31 December 2014.

Genova, Italy, 26 March 2015

Reconta Ernst & Young S.p.A.

Signed by: Guido Celona, partner

*This report has been translated into the English language solely for the convenience of international readers.*

# ANNEXES

**GRUPPO BANCA CARIGE S.P.A.**

**Information pursuant to sub-sections a), b) and c) of Annex A to Part 1, Title III, Chapter 2 of Bank of Italy's Circular no. 285 of 17 December 2013.**
**Status as at 31 December 2014**

**Sub-section a) - legal form and structure of established companies and nature of business activity**

| | Country of establishment | | Summary description of key business activities |
|---|---|---|---|
| | Italy | France | |
| *Banks* | | | |
| BANCA CARIGE S.p.A. - CASSA DI RISPARMIO DI GENOVA E IMPERIA - Parent Company | X | X | Funding and lending via a network of branches, trading for third parties, receipt and transmission of orders, placement of financial instruments, payments and settlements, asset custody/management |
| BANCA CARIGE ITALIA S.P.A. | X | | Funding and lending via a network of branches, trading for third parties, receipt and transmission of orders, placement of financial instruments, payments and settlements, asset custody/management |
| CASSA DI RISPARMIO DI SAVONA S.P.A. | X | | Funding and lending via a network of branches, trading for third parties, receipt and transmission of orders, placement of financial instruments, payments and settlements, asset custody/management |
| CASSA DI RISPARMIO DI CARRARA S.P.A. | X | | Funding and lending via a network of branches, trading for third parties, receipt and transmission of orders, placement of financial instruments, payments and settlements, asset custody/management |
| BANCA DEL MONTE DI LUCCA S.P.A. | X | | Funding and lending via a network of branches, trading for third parties, receipt and transmission of orders, placement of financial instruments, payments and settlements, asset custody/management |
| BANCA CESARE PONTI S.P.A. (1) | X | | Funding and lending via a network of branches, trading for third parties, receipt and transmission of orders, placement of financial instruments, payments and settlements, asset custody/management |
| *Financial companies* | | | |
| CREDITIS SERVIZI FINANZIARI S.P.A. (1) | X | | Consumer lending |
| ARGO MORTGAGE 2 S.R.L. | X | | Securitisation of receivables under Law no. 130/1999 |
| CARIGE COVERED BOND S.R.L. | X | | Bank-bond guarantees under Law no. 130/1999 |
| CARIGE COVERED BOND 2 S.R.L. | X | | Bank-bond guarantees under Law no. 130/1999 |
| *Trust companies* | | | |
| CENTRO FIDUCIARIO CF spa | X | | Fiduciary custody activities |
| *Insurance companies* | | | |
| CARIGE ASSICURAZIONI S.P.A. (1) | X | | Insurance activity - Non-Life |
| CARIGE VITA NUOVA S.P.A. (1) | X | | Insurance activity - Life |
| *Other companies* | | | |
| COLUMBUS CARIGE IMMOBILIARE S.P.A. | X | | Purchase, sale and temporary management of real estate properties, to favour debt collection for Group Companies |
| IMMOBILIARE CARISA S.R.L. | X | | Purchase, sale and temporary management of real estate properties, to favour debt collection for Group Companies |
| ASSI 90 S.R.L. (1) | X | | Insurance brokerage activities |
| ROMA S.R.L. (1) | X | | Management of owned immovable properties |
| DAFNE IMMOBILIARE S.R.L. (1) | X | | Management of owned immovable properties |

(1) For the purpose of these financial statements, these companies have been reclassified as held for sale.

**Sub-section b) - BANCA CARIGE GROUP turnover broken down by Country of establishment and business activity (Net interest and other banking income as per Item 120 of the Income Statement, in EUR/000)**

| | Country of establishment | | | |
|---|---|---|---|---|
| | Italy | France | Value adjustments and cancellations | **TOTAL** |
| Banks | 739,575 | 5,214 | | **744,789** |
| Financial companies | -59 | | | **-59** |
| Trust companies | 1,209 | | | **1,209** |
| Insurance companies | | | | **0** |
| Other companies | -503 | | | **-503** |
| Value adjustments and cancellations | | | -30,520 | **-30,520** |
| **TOTAL** | **740,222** | **5,214** | **-30,520** | **714,916** |

**Sub-section c) - Number of FTEs**

| | Country of establishment | | **TOTAL** |
|---|---|---|---|
| | Italy | France | |
| No. of employees | **5,635** | **4** | **5,639** |

**Letter d) - BANCA CARIGE Group profit (loss) before tax broken down by Country of establishment and business activity (sum of items 280 and 310, the latter before tax, of the Income Statement, in EUR/000)**

| | Country of establishment | | | |
|---|---|---|---|---|
| | Italy | France | Value adjustments and cancellations | **TOTAL** |
| Banks | -890,413 | -7,373 | | **-897,786** |
| Financial companies | 18,985 | | | **18,985** |
| Trust companies | 96 | | | **96** |
| Insurance companies | 73,687 | | | **73,687** |
| Other companies | 4,568 | | | **4,568** |
| Value adjustments and cancellations | | | 117,489 | **117,489** |
| **TOTAL** | **-793,077** | **-7,373** | **117,489** | **-682,961** |

**Letter e) - Tax on profit or loss of the BANCA CARIGE Group, broken down by Country of establishment and business activity (sum of taxes referred to under item 290 of the Consolidated Income Statement and income taxes on groups of assets held for sale, in EUR/000)**

| | Country of establishment | | | |
|---|---|---|---|---|
| | Italy | France | Value adjustments and cancellations | **TOTAL** |
| Banks | 172,456 | -827 | | **171,629** |
| Financial companies | -6,591 | | | **-6,591** |
| Asset Management and Trust companies | -56 | | | **-56** |
| Insurance companies | -25,019 | | | **-25,019** |
| Other companies | -1,770 | | | **-1,770** |
| Value adjustments and cancellations | | | -2,174 | **-2,174** |
| **TOTAL** | **139,020** | **-827** | **-2,174** | **136,019** |

This table shows the 2014 fees due for the auditing and non-auditing services provided by the Independent Auditors Reconta Ernst & Young S.p.A. and/or by companies associated to it (1)

| Type of services | Entity providing the service | User of the service | Remuneration (EUR/000) |
|---|---|---|---|
| Auditing | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 330 |
| Auditing | Reconta Ernst & Young s.p.a. | Other Group companies | 405 |
| Voluntary auditing of the consolidated financial statements as at 31 March 2014 | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 90 |
| Agreed-upon audit procedures | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 139 |
| Comfort letters associated with Capital Increase | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 950 |
| Work groups' support for obligations required by changes in the regulatory framework | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 578 |
| Agreed-upon audit procedures | Ernst & Young Financial Business Advisory S.p.A. | Banca Carige S.p.A | 305 |
| Total | | | 2,797 |

*(1) Fees net of VAT and out-of-pocket expenses*

## List of IAS/IFRS standards and related interpretations (SIC/IFRIC) endorsed by the European Commission and effective at reporting date

1) International accounting standards (IAS/IFRS)

| IAS/IFRS | Description | Endorsing EC Regulation (1) |
|---|---|---|
| Framework | Framework | See note (2) |
| IAS 1 | Presentation of Financial Statements | Reg. 1274/2008 (18/12/2008), Reg. 53 (22/01/2009), Reg. 70 (24/01/2009), Reg. 494 (12/06/2009), Reg. 243/2010 (24/03/2010), Reg. 149/2011 (19/02/2011), Reg. 475/2012 (06/06/2012), Reg. 301/2013 (28/03/2013) |
| IAS 2 | Inventories | Reg. 1126/2008 (29/11/2008), Reg. 70 (24/01/2009) |
| IAS 7 | Statement of Cash Flows | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 494/2009 (12/06/2009), Reg. 243/2010 (24/03/2010) |
| IAS 8 | Accounting Policies, Changes in Estimates and Errors | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 10 | Events after the Reporting Period | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (23/01/2009), Reg. 1142 (27/11/2009) |
| IAS 11 | Construction Contracts | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008) |
| IAS 12 | Income Taxes | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 495 (12/06/2009), Reg. 1255/2012 (29/12/2012) |
| IAS 16 | Property, Plant and Equipment | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 301/2013 (28/03/2013) |
| IAS 17 | Leasing | Reg. 1126/2008 (29/11/2008), Reg. 243/2010 (24/03/2010) |
| IAS 18 | Revenue | Reg. 1126/2008 (29/11/2008), Reg. 69 (24/01/2009) |
| IAS 19 | Employee Benefits | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 475/2012 (06/06/2012) |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 21 | The Effects of Changes in Foreign Exchange Rates | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 69 (24/01/2009), Reg. 494 (12/06/2009), Reg. 149/2011 (19/02/2011) |
| IAS 23 | Financial charges | Reg. 1260 (17/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 24 | Related Party Disclosures | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 632/2010 (20/07/2010) |
| IAS 26 | Accounting and Reporting by Retirement Benefit Plans | Reg. 1126/2008 (29/11/2008) |
| IAS 27 | Separate Financial Statements | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 69/2009 (24/01/2009), Reg. 70/2009 (24/01/2009), Reg. 494/2009 (12/06/2009), Reg. 1254/2012 (29/12/2012), Reg. 1174/2013 (20/11/2013) |

| | | |
|---|---|---|
| IAS 28 | Investments in Associates and Joint Ventures | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 149/2011 (19/02/2011), Reg. 1254/2012 (29/12/2012) (3) |
| IAS 29 | Financial Reporting in Hyperinflationary Economies | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 32 | Financial instruments: presentation | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 53/2009 (22/01/2009), Reg. 70/2009 (24/01/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 1293 (24/12/2009), Reg. 149/2011 (19/02/2011), Reg. 301/2013 (28/03/2013), Reg. 1256 (29/12/2013) |
| IAS 33 | Earnings per Share | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009) |
| IAS 34 | Interim Financial Reporting | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 149/2011 (19/02/2011), Reg. 301/2012 (28/03/2013) |
| IAS 36 | Impairment of Assets | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 69/2009 (24/01/2009), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 243/2010 (24/03/2010), Reg. 1374/2013 (19/12/2013) |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 495 (12/06/2009) |
| IAS 38 | Intangible assets | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 243/2010 (24/03/2010) |
| IAS 39 | Financial Instruments: recognition and measurement | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 53 (22/01/2009), Reg. 70 (24/01/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 824/2009 (10/09/2009), Reg. 839/2009 (16/09/2009), Reg. 1171/2009 (01/12/2009), Reg. 243/2010 (24/03/2010), Reg. 149/2011 (19/02/2011), Reg. 1375/2013 (19/12/2013) |
| IAS 40 | Investment Property | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 1361/2014 (19/12/2014) |
| IAS 41 | Agriculture | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 69 (24/01/2009), Reg. 70 (24/01/2009), Reg. 254 (26/03/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 1136 (26/11/2009), Reg. 1164 (01/12/2009), Reg. 550/2010 (24/06/2010), Reg. 574/2010 (01/07/2010), Reg. 662/2010 (24/07/2010), Reg. 149/2011 (19/02/2011), Reg. 1255/2012 (29/12/2012), Reg. 301/2013 (28/03/2013), Reg. 183/2013 (05/03/2013), Reg. 313 (04/04/2013) |
| IFRS 2 | Share-based Payment | Reg. 1126/2008 (29/11/2008), Reg. 1261 (17/12/2008), Reg. 495 (12/06/2009), Reg. 243/2010 (24/03/2010), Reg. 244/2010 (24/03/2010) |

| | | |
|---|---|---|
| IFRS 3 | Business Combinations | Reg. 1126/2008 (29/11/2008), Reg. 495/2009 (12/06/2009), Reg. 149/2011 (19/02/2011), Reg. 1361/2014 (19/12/2014) |
| IFRS 4 | Insurance Contracts | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 494/2009 (12/06/2009), Reg. 1165/2009 (01/12/2009) (3) |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 494/2009 (12/06/2009), Reg. 1142/2009 (27/11/2009), Reg. 243/2010 (24/03/2010) |
| IFRS 6 | Exploration for and Evaluation of Mineral Resources | Reg. 1126/2008 (29/11/2008) |
| IFRS 7 | Financial instruments: disclosures | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 53/2009 (22/01/2009), Reg. 70/2009 (24/01/2009), Reg. 495/2009 (12/06/2009), Reg. 824/2009 (10/09/2009), Reg. 1165/2009 (01/12/2009), Reg. 574/2010 (01/07/2010), Reg. 149/2011 (19/02/2011), Reg. 1205/2011 (22/11/2011), Reg. 1256/2012 (29/12/2012) |
| IFRS 8 | Financial instruments: disclosures | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 243/2010 (24/03/2010), Reg. 632/2010 (20/07/2010) |
| IFRS 10 | Consolidated Financial Statements | Reg. 1254/2012 (29/12/2012), Reg. 313/2013 (04/04/2013), Reg. 1174/2013 (20/11/2013) |
| IFRS 11 | Joint arrangements | Reg. 1254/2012 (29/12/2012), Reg. 313/2013 (04/04/2013) (3) |
| IFRS 12 | Disclosure of interests in other entities | Reg. 1254/2012 (29/12/2012), Reg. 313/2013 (04/04/2013), Reg. 1174/2013 (20/11/2013) |
| IFRS 13 | Fair Value Measurement | Reg. 1255/2012 (29/12/2012), Reg. 1361/2014 (19/12/2014) |

## 2) Interpretations (SIC/IFRIC)

| SIC / IFRIC | Description | Endorsing EC Regulation (1) |
|---|---|---|
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | Reg. 1126/2008 (29/11/2008), Reg. 1260/2008 (17/12/2008), Reg. 1274/2008 (18/12/2008) |
| IFRIC 2 | Members' Shares in Co-operative Entities and Similar Instruments | Reg. 1126/2008 (29/11/2008), Reg. 53/2009 (22/01/2009), Reg. 301/2013 (28/036/ 2013) |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | Reg. 1126/2008 (29/11/2008), Reg. 254/2009 (26/03/2009) |
| IFRIC 5 | Rights arising from interests in Decommissioning, Restoration and Environmental Rehabilitation Funds | Reg. 1126/2008 (29/11/2008) |
| IFRIC 6 | Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | Reg. 1126/2008 (29/11/2008) |
| IFRIC 7 | Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| IFRIC 9 | Reassessment of Embedded Derivatives | Reg. 1126/2008 (29/11/2008), Reg. 495/2009 (12/06/2009), Reg. 1171/2009 (01/12/2009), Reg. 243/2010 (24/03/2010) |

| | | |
|---|---|---|
| IFRIC 10 | Interim Financial Reporting and Impairment | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| IFRIC 12 | Service Concession Arrangements | Reg. 254/2009 (26/03/2009) |
| IFRIC 13 | Customer Loyalty Programmes | Reg. 1262/2008 (17/12/2008), Reg. 149/2011 (19/02/2011) |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | Reg. 1263/2008 (17/12/2008), Reg. 1274/2008 (18/12/2008), Reg. 633/2010 (20/07/2010) |
| IFRIC 15 | Agreements for the Construction of Real Estate | Reg. 636/2009 (23/07/2009) |
| IFRIC 16 | Hedge of Net Investment in a Foreign Operation | Reg. 460/2009 (05/06/2009), Reg. 243/2010 (24/03/2010) |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | Reg. 1142/2009 (27/11/2009) |
| IFRIC 18 | Transfers of Assets from Customers | Reg. 1164/2009 (01/12/2009) |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | Reg. 662/2010 (24/07/2010) |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | Reg. 1255/2012 (29/12/2012) |
| IFRIC 21 | Levies | Reg. 634/2014 (14/06/2014) (4) |
| SIC 7 | Introduction of the Euro | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 494/2009 (12/06/2009) |
| SIC 10 | Government Assistance – No Specific Relation to Operating Activities | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| SIC 15 | Operating Leases – Incentives | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| SIC 25 | Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| SIC 27 | Evaluating the Substance of Transactions in the Legal Form of a Lease | Reg. 1126/2008 (29/11/2008) |
| SIC 29 | Disclosure – Service Concession Arrangements | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 254/2009 (26/03/2009) |
| SIC 31 | Revenue – Barter Transactions Involving Advertising Services | Reg. 1126/2008 (29/11/2008) |
| SIC 32 | Intangible Assets – Web Site Costs | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |

(1) The reported date refers to the publication of the Regulation in the Official Journal of the European Community.

(2) The framework of the international accounting standards is not an applicable accounting standard and it cannot be used to justify exceptions to the standards adopted. However, it can be used to interpret and apply existing standards. The objectives of the reference framework include support to the IASB and national accounting standard boards for the development of new standards and the implementation of convergence projects for national and international standards.
In case of conflict between the reference framework and some accounting standards, the international accounting standard shall always prevail.

characteristics that determine the usefulness of information in financial statements; c) the definition, recognition and measurement of the elements that form the financial statements; d) concepts of capital and capital maintenance.

(3) In October 2014, the Regulation was amended to correct the Italian translation of the definition of liquidity risk reporting in Appendix A.

(4) In August 2014 ithe Regulation was amended to correct the Italian translation of a sentence contained in the scope of application (para. 2)

# BANCA CARIGE SPA ANNUAL REPORT

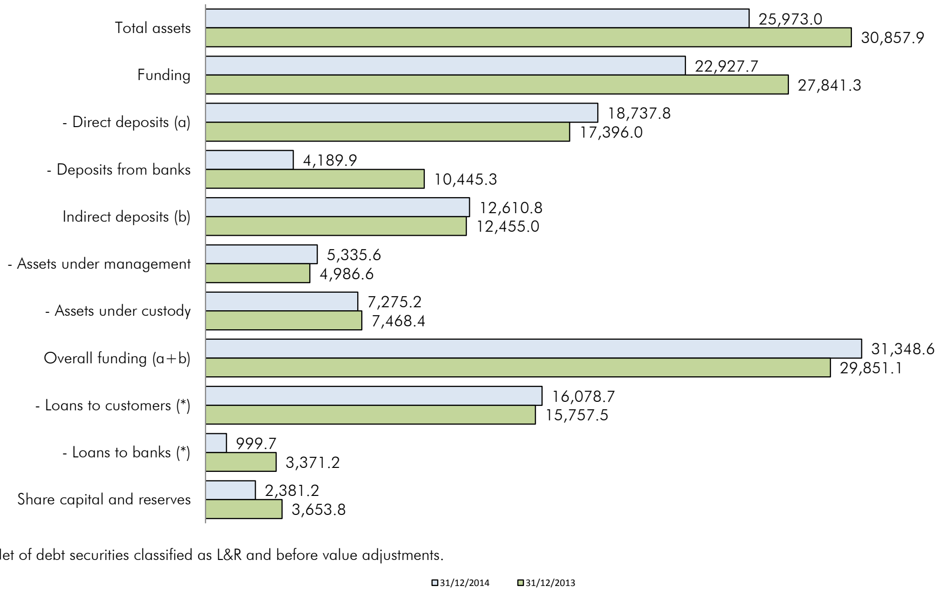
# 2014

BANCA CARIGE
Cassa di Risparmio di Genova e Imperia

**BANCA CARIGE SpA - Cassa di Risparmio di Genova e Imperia**
Sede legale in Genova, Via Cassa di Risparmio, 15

# FINANCIAL HIGHLIGHTS FOR THE BANK

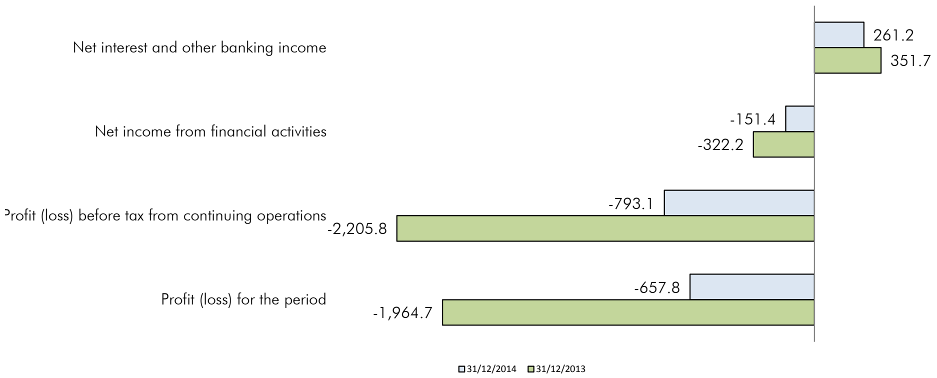
## Balance sheet figures *(EUR mln)*




| | Change absolute | % |
|---|---|---|
| Total assets | -4,885.0 | -15.8 |
| Funding | -4,913.6 | -17.6 |
| - Direct deposits (a) | 1,341.7 | 7.7 |
| - Deposits from banks | -6,255.4 | -59.9 |
| Indirect deposits (b) | 155.8 | 1.3 |
| - Assets under management | 348.9 | 7.0 |
| - Assets under custody | -193.2 | -2.6 |
| Overall funding (a+b) | 1,497.5 | 5.0 |
| - Loans to customers (*) | 321.2 | 2.0 |
| - Loans to banks (*) | -2,371.5 | -70.3 |
| Share capital and reserves | -1,272.6 | -34.8 |

Net of debt securities classified as L&R and before value adjustments.

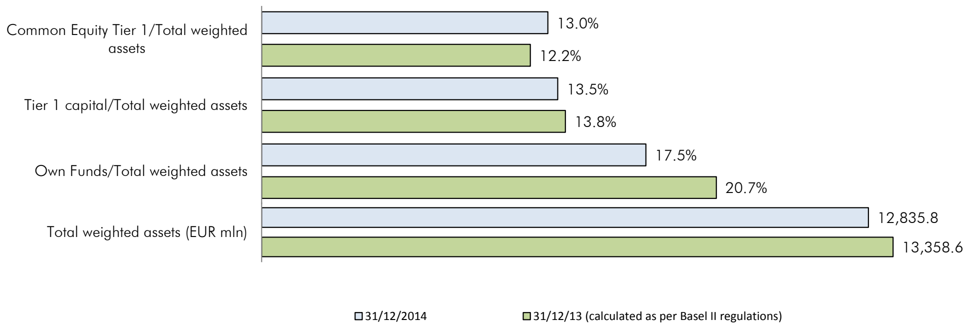
## Income statement figures *(EUR mln)*




| | Change absolute | % |
|---|---|---|
| Net interest and other banking income | -90.5 | -25.7 |
| Net income from financial activities | 170.8 | -53.0 |
| Profit (loss) before tax from continuing operations | 1,412.7 | -64.0 |
| Profit (loss) for the period | 1,306.9 | -66.5 |

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | absolute | % |
| **RESOURCES (end of period)** | | | | |
| Number of branches | 179 | 207 | -28 | -13.5 |
| Headcount | 2,549 | 2,598 | -49 | -1.9 |

**Capital ratios** *(%)*



# REPORT ON OPERATIONS

With reference to the key events in the financial year, reference is made to the specific paragraph of the Report on Operations of the Consolidated Financial Statements.

## FUNDING, LENDING AND SECURITIES PORTFOLIO

In examining data related to the Parent Company's funding, lending and securities portfolio, it should be noted that, due to the effects of Italian Law no. 262/2005as of 2006 Carige decided to be the sole bond issuer for the Group, with subsidiaries being in charge of placement (the power to issue and place own bonds lies with Banca Carige Italia only); for the purpose of suitably managing the transformation of maturities, the Board of Directors subsequently resolved to cover the medium/long-term financial demand of subsidiary banks through Carige's subscription of bonds issued by the subsidiaries. For the Parent Bank, said transactions led to a recomposition of overall funding with a shift towards direct deposits and the securities portfolio.
As at 31 December 2014, overall funding - direct and indirect - amounted to EURO 31,348.6 million, up 5% since December 2013 (+8.2% net of bonds issued by the Bank and placed by its subsidiar-ies for a total of EURO 2,046.7 million).

### OVERALL FUNDING *(thousands of euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | Absolute | % |
| **Total (A+B)** | **31,348,563** | **29,851,055** | **1,497,508** | **5.0** |
| **Direct deposits (A)** | **18,737,769** | **17,396,038** | **1,341,731** | **7.7** |
| *% share of total* | *59.8%* | *58.3%* | | |
| **Indirect deposits (B)** | **12,610,794** | **12,455,017** | **155,777** | **1.3** |
| *% share of total* | *40.2%* | *41.7%* | | |
| - Assets under management | 5,335,570 | 4,986,640 | 348,930 | 7.0 |
| *% share of total* | *17.0%* | *16.7%* | | |
| *% share of Indirect deposits* | *42.3%* | *40.0%* | | |
| - Assets under custody | 7,275,224 | 7,468,378 | (193,153) | (2.6) |
| *% share of total* | *23.2%* | *25.0%* | | |
| *% share of Indirect deposits* | *57.7%* | *60.0%* | | |

Total funding, which includes direct funding and deposits from banks, amounted to EURO 22,927.7 million, down 17.6% Y/Y mainly due to the negative trend in deposits from banks (EURO 4,189.9 million, -59.9%), which were penalised by the full repayment of the LTRO (EURO 7 bn) and only partially offset by the EURO 1,130 million T-LTRO requested in September and December 2014. Conversely, direct funding was up 7.7%. to EURO 18,737.8 million. As part of direct funding, deposits from customers amounted to EURO 9,647.2 million, up 39.6% mainly due to the increase in repurchase agreements, reaching EURO 2,374 million (vs. EURO 341.6 million as at December 2013); term deposits amounted to EURO 848.4 million, up from EURO 557.4 million in December 2013.
Securities issued totalled EURO 8,126.6 million (-14% as compared to December 2013).
Liabilities designated at fair value (EURO 963.9 million) were down by 7.1%.
As far as maturities are concerned, the short-term component (48.4% of total) was EURO 9,073.9 million (EURO 6,569 million as at December 2013), while medium/long-term maturities (51.6% of total) totalled EURO 9,663.9 million (EURO 10,827.1 million in December 2013).

**FUNDING** *(thousands of Euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | Absolute | % |
| **Total (A + B)** | **22,927,694** | **27,841,336** | **(4,913,642)** | **(17.6)** |
| **Direct deposits (A)** | **18,737,769** | **17,396,038** | **1,341,731** | **7.7** |
| Deposits from customers | 9,647,238 | 6,911,399 | 2,735,839 | 39.6 |
| current accounts and demand deposits | 6,213,160 | 5,805,631 | 407,529 | 7.0 |
| repurchase agreements | 2,374,027 | 341,634 | 2,032,393 | ... |
| term deposits | 848,392 | 557,440 | 290,952 | 52.2 |
| loans | 4,932 | 2,581 | 2,351 | 91.1 |
| other deposits | 206,727 | 204,113 | 2,614 | 1.3 |
| Securities issued | 8,126,645 | 9,446,611 | (1,319,966) | (14.0) |
| bonds | 8,099,882 | 9,408,280 | (1,308,398) | (13.9) |
| other securities | 26,763 | 38,331 | (11,568) | (30.2) |
| Liabilities designated at fair value through profit and loss | 963,886 | 1,038,028 | (74,142) | (7.1) |
| bonds | 963,886 | 1,038,028 | (74,142) | (7.1) |
| short-term | 9,073,866 | 6,568,983 | 2,504,883 | 38.1 |
| *% share of total* | *48.4* | *37.8* | | |
| medium-long term | 9,663,903 | 10,827,055 | (1,163,152) | (10.7) |
| *% share of total* | *51.6* | *62.2* | | |
| **Deposits from banks (B)** | **4,189,925** | **10,445,298** | **(6,255,373)** | **(59.9)** |
| Deposits from central banks | 1,130,316 | 7,169,931 | (6,039,615) | (84.2) |
| Current accounts and demand deposits | 2,020,290 | 1,793,667 | 226,623 | 12.6 |
| Term deposits | 114,919 | 132,204 | (17,285) | (13.1) |
| Repurchase agreements | 231,109 | 759,316 | (528,207) | (69.6) |
| Loans | 693,291 | 590,180 | 103,111 | 17.5 |

A breakdown by segment reveals that 63.4% of deposits are held by households (66.5% in December 2013) and 19.4% by non-financial companies and personal businesses (16.9% in December 2013).

**DIRECT DEPOSITS (1) - BREAKDOWN BY BUSINESS SEGMENT** *(thousands of euro)*

| | 31/12/2014 | | 31/12/2013 | |
|---|---|---|---|---|
| | | % | | % |
| Public Administration | 270,486 | 3.7% | 98,751 | 1.5% |
| Financial companies | 492,717 | 6.8% | 569,414 | 8.7% |
| Non-financial businesses and personal businesses | 1,412,973 | 19.4% | 1,111,703 | 16.9% |
| Private social institutions and non-classified entities | 289,394 | 4.0% | 250,264 | 3.8% |
| Households | 4,613,654 | 63.4% | 4,367,378 | 66.5% |
| **Total residents** | **7,079,224** | **97.3%** | **6,397,510** | **97.4%** |
| Rest of the world | 193,987 | 2.7% | 172,255 | 2.6% |
| **Total by business segment** | **7,273,211** | **100.0%** | **6,569,765** | **100.0%** |
| Repurchase agreements | 2,374,027 | | 341,634 | |
| **Total deposits from customers** | **9,647,238** | | **6,911,399** | |
| **Securities issued** | **8,126,645** | | **9,446,611** | |
| **Liabilities at fair value** | **963,886** | | **1,038,028** | |
| **Total direct deposits** | **18,737,769** | | **17,396,038** | |

(1) Items 20, 30 and 50 of Balance Sheet liabilities.

Indirect funding stood at EURO 12,610.8 million, up 1.3% since the beginning of the year.
Assets under management amounted to EURO 5,335.6 million, up 7% as compared to December 2013, mainly attributable to mutual funds, open-end collective investment schemes (SICAV) (+12.6%, EURO 2,865.3 million) and bancassurance products (+2.7%, EURO 2,226.2 million) versus a slowdown in individual managed accounts (-11.2%) totalling EURO 2,44.1 million.
Assets under custody stood at EURO 7,275.2 million (-2.6%) and was characterised by the decrease in Government bonds (-13.7% to EURO 2,205.9 million) and bonds (-17% to EURO 508.5 million), versus a significant growth in item "Other" (+10.8% to EURO 3,995.2 million), which is almost entirely inclusive of the assets under custody of insurance companies.

## INDIRECT DEPOSITS *(thousands of euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | Absolute | % |
| **Total (A+B)** | **12,610,794** | **12,455,017** | **155,777** | **1.3** |
| **Assets under management (A)** | **5,335,570** | **4,986,640** | **348,930** | **7.0** |
| Mutual funds and open-end collective investment schemes | 2,865,298 | 2,544,398 | 320,899 | 12.6 |
| Portfolio management | 244,111 | 275,019 | (30,908) | (11.2) |
| Bancassurance products | 2,226,162 | 2,167,223 | 58,939 | 2.7 |
| **Assets under administration (B)** | **7,275,224** | **7,468,378** | **(193,153)** | **(2.6)** |
| Government securities | 2,205,850 | 2,555,817 | (349,966) | (13.7) |
| Bonds | 508,515 | 612,446 | (103,931) | (17.0) |
| Shares | 565,620 | 694,904 | (129,283) | (18.6) |
| Other | 3,995,239 | 3,605,212 | 390,027 | 10.8 |

As far as bancassurance products are concerned, premiums collected over the year totalled EURO 257.4 million: life insurance premiums amounted to EURO 248.9 million, almost entirely accounted for by traditional policies (EURO 242.3 million), while non-life premiums amounted to EURO 8.5 million.

## BANCASSURANCE *(thousands of Euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | Absolute | % |
| **Total premiums collected** | **257,439** | **282,467** | **(25,028)** | **(8.9)** |
| Life | 248,934 | 273,975 | (25,041) | -9.1 |
| . Unit linked/Index policies | 6,595 | 13,724 | (7,129) | -51.9 |
| . Traditional policies | 242,338 | 260,251 | (17,913) | -6.9 |
| Non-life | 8,505 | 8,492 | 13 | 0.2 |
| . Motor insurance | 5,520 | 5,838 | (318) | -5.4 |
| . P&C | 2,985 | 2,654 | 331 | 12.5 |

62.1% of indirect deposits are held by households (63.2% as at December 2013) and 33.3% by financial companies (31.3% in December 2013); non-financial companies and personal businesses hold a 2.8% share of total (3.1% in December 2013).

### INDIRECT DEPOSITS - BREAKDOWN BY BUSINESS SEGMENT *(thousands of Euro)*

| | 31/12/2014 | % | 31/12/2013 | % |
|---|---|---|---|---|
| Public Administration | 119,471 | 0.9% | 166,515 | 1.3% |
| Financial companies | 4,200,583 | 33.3% | 3,904,525 | 31.3% |
| Non-financial businesses and personal businesses | 348,240 | 2.8% | 392,043 | 3.1% |
| Private social institutions and non-classified entities | 94,838 | 0.8% | 95,283 | 0.8% |
| Households | 7,827,775 | 62.1% | 7,874,072 | 63.2% |
| **Total residents** | **12,590,905** | **99.8%** | **12,432,437** | **99.8%** |
| Rest of the world | 19,889 | 0.2% | 22,581 | 0.2% |
| **Total indirect deposits** | **12,610,794** | **100.0%** | **12,455,017** | **100.0%** |

On-balance-sheet loans to customers, net of value adjustments for an amount of EURO 1,863.5 million, totalled EURO 14,215.2 million, substantially stable as compared to December 2013 (-0.3%); this figure is not inclusive of debt securities classified as L&R. Prior to value adjustments, the aggregate amounted to EURO 16,078.7, a growth by about 2% mainly driven by trends in repurchase agreements (EURO 3,699.3 million, +38.2%). The short-term component, accounting for 34.2% of the total, amounted to EURO 5,491.7 million, up 11%.
The medium/long term component totalled EURO 8,502.6 million (- 4.4%), accounting for52.9%of the total.
Bad loans to customers totalled EURO 2,804.4 million (+8.7%), accounting for 13 % of total loans (12.2% as at December 2013).

**LOANS (1)** *(thousands of euro)*

| | Situation as at | | Change | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | Absolute | % |
| **Loans to customers (A)** | **14,215,188** | **14,256,465** | **(41,277)** | **(0.3)** |
| - Gross exposure (2) | 16,078,729 | 15,757,482 | 321,247 | 2.0 |
| *current accounts* | *1,030,481* | *1,207,270* | *(176,789)* | *(14.6)* |
| *repurchase agreements* | *3,699,294* | *2,676,576* | *1,022,718* | *38.2* |
| *mortgage loans* | *5,140,515* | *5,633,183* | *(492,668)* | *(8.7)* |
| *credit cards, personal loans and fifth of salary-backed loans* | *35,248* | *44,516* | *(9,268)* | *(20.8)* |
| *leasing* | *628,907* | *649,926* | *(21,019)* | *(3.2)* |
| *factoring* | *56,419* | *82,342* | *(25,923)* | *(31.5)* |
| *other loans* | *1,180,876* | *1,674,124* | *(493,248)* | *(29.5)* |
| *non-performing assets* | *4,306,989* | *3,789,545* | *517,444* | *13.7* |
| -short term | 5,491,731 | 4,946,152 | 545,579 | 11.0 |
| *% share of nominal value* | *34.2* | *31.4* | | |
| -medium/long term | 8,502,587 | 8,894,323 | (391,736) | (4.4) |
| *% share of nominal value* | *52.9* | *56.4* | | |
| -Bad loans | 2,084,411 | 1,917,007 | 167,404 | 8.7 |
| *% share of nominal value* | *13.0* | *12.2* | | |
| -Value adjustments (-) | 1,863,541 | 1,501,017 | 362,524 | 24.2 |
| **Loans to banks (B)** | **989,463** | **3,361,166** | **(2,371,703)** | (70.6) |
| - Gross exposure (2) | 999,723 | 3,371,230 | (2,371,507) | (70.3) |
| *compulsory reserves* | *85,147* | *186,038* | (100,891) | (54.2) |
| *current accounts and demand deposits* | *154,213* | *907,011* | (752,798) | (83.0) |
| *term deposits* | *8,136* | *29,282* | (21,146) | (72.2) |
| *repurchase agreements* | *173,306* | *1,827,347* | (1,654,041) | (90.5) |
| *loans (3)* | *560,900* | *403,881* | 157,019 | 38.9 |
| *non-performing assets* | *18,021* | *17,671* | 350 | 2.0 |
| -short term | 458,294 | 2,954,428 | (2,496,134) | (84.5) |
| *% share of nominal value* | *45.8* | *87.6* | | |
| -medium/long term | 523,408 | 399,131 | 124,277 | 31.1 |
| *% share of nominal value* | *52.4* | *11.8* | | |
| -Bad loans | 18,021 | 17,671 | 350 | 2.0 |
| *% share of nominal value* | *1.8* | *0.5* | | |
| -Value adjustments (-) | 10,260 | 10,064 | 196 | 1.9 |

(1) Values net of debt securities classified as L&R, amounting to Euro 3,670,425 thousand classified as loans to banks and Euro 3,227 thousand classified as loans to customers.
(2) Before value adjustments.
(3) The item includes down payments pledged as collateral on OTC derivative contracts for Euro 419,364 thousand as at 31/12/2014, and Euro 307,709 thousand as at 31/12/2013.

As regards the breakdown by sector, non-financial companies and personal businesses confirm their largest share (61.5% of total), followed by households (20.4%), public administrations (7.9%) and financial and insurance businesses (7.9%). The most relevant segments are building and construction (16.5% of the total), real estate (11.4%) and wholesale and retail trade (7.5%).

**LOANS TO CUSTOMERS (1) - BREAKDOWN BY BUSINESS SEGMENT** *(millions of euro)*

| | 31/12/2014 | % | 31/12/2013 | % |
|---|---|---|---|---|
| Public Administration | 983,416 | 7.9% | 976,862 | 7.5% |
| Financial companies | 982,507 | 7.9% | 812,078 | 6.2% |
| Non-financial businesses and personal businesses | 7,611,203 | 61.5% | 8,495,238 | 64.9% |
| *Construction* | *2,036,939* | *16.5%* | *2,007,721* | *15.3%* |
| *Real Estate* | *1,405,376* | *11.4%* | *1,597,262* | *12.2%* |
| *Transportation and storage* | *1,075,151* | *8.7%* | *947,512* | *7.2%* |
| *Wholesale and retail trade; repair of motorvehicles and motorcycles* | *926,928* | *7.5%* | *983,579* | *7.5%* |
| *Manufacturing* | *870,906* | *7.0%* | *919,253* | *7.0%* |
| *Other* | *1,295,903* | *10.5%* | *2,039,910* | *15.6%* |
| Private social institutions and non-classified entities | 75,580 | 0.6% | 70,714 | 0.5% |
| Households | 2,523,337 | 20.4% | 2,490,445 | 19.0% |
| **Total residents** | **12,176,042** | **98.4%** | **12,845,337** | **98.2%** |
| Rest of the world | 203,393 | 1.6% | 235,569 | 1.8% |
| **Total by business segment** | **12,379,435** | **100.0%** | **13,080,906** | **100.0%** |
| Repurchase agreements with financial companies | 3,699,294 | | 2,676,576 | |
| **Total loans to customers** | **16,078,729** | | **15,757,482** | |

*(1) Amounts before value adjustments.*

Non-performing on-balance-sheet and signature loans totalled EURO 4,402.5 million, up 14.3% from December. 99.6% of them are loans to ordinary customers; the corresponding loan loss provisions amounted to EURO 1,764.6 million (+23.1%), accounting for a coverage of 40.1%. On-balance-sheet loans to customers amounted to EURO 4,307 million (+13.7%) while signature loans totalled EURO 77.5 million (+71.9%).

With regard to on-balance-sheet loans to customers, the following is observed as compared to December 2013:

- bad loans totalled Euro 2,084.4 million, up 8.7% as of the beginning of the year; 59.6% of them were written down;
- substandard loans amounted to EURO 2,089.5 million (+31%); 22.9% of them were written down;
- restructured loans amounted to EURO 64.6 million (-39.4%); 17.7% of them were written down;
- past due loans amounted to EURO 68.5 million (-59.9%); 14.1% of them were written down;
- performing loans amounted to EURO 11,771.7 million (EURO 11,967.9 million in December 2013), with 1% written down (0.7% in December 2013).

Loan loss provisions for on-balance-sheet and signature loans to customers reached EURO 1,900 million, of which EURO 1,863.5 million accounted for by on-balance-sheet loans and EURO 36.4 million by signatureloans.

**CREDIT QUALITY (1)** *(thousands of Euro)*

| | 31/12/2014 | | | | 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure (a) | Value adjustments (b) | Net exposure (a-b) | % b/a | Gross exposure (a) | Value adjustments (b) | Net exposure (a-b) | % b/a |
| **On-balance-sheet loans** | | | | | | | | |
| Bad loans | 2,102,432 | 1,252,449 | 849,983 | 59.6 | 1,934,678 | 1,094,730 | 839,948 | 56.6 |
| - banks | 18,021 | 10,260 | 7,761 | 56.9 | 17,671 | 10,064 | 7,607 | 57.0 |
| - customers | 2,084,411 | 1,242,189 | 842,222 | 59.6 | 1,917,007 | 1,084,666 | 832,341 | 56.6 |
| Watchlist loans | 2,089,457 | 477,720 | 1,611,737 | 22.9 | 1,594,887 | 298,065 | 1,296,822 | 18.7 |
| - customers | 2,089,457 | 477,720 | 1,611,737 | 22.9 | 1,594,887 | 298,065 | 1,296,822 | 18.7 |
| Restructured loans | 64,594 | 11,463 | 53,131 | 17.7 | 106,576 | 10,114 | 96,462 | 9.5 |
| - customers | 64,594 | 11,463 | 53,131 | 17.7 | 106,576 | 10,114 | 96,462 | 9.5 |
| Past due loans | 68,527 | 9,690 | 58,837 | 14.1 | 171,075 | 20,498 | 150,577 | 12.0 |
| - customers | 68,527 | 9,690 | 58,837 | 14.1 | 171,075 | 20,498 | 150,577 | 12.0 |
| **Total non-performing loans** | **4,325,010** | **1,751,322** | **2,573,688** | **40.5** | **3,807,216** | **1,423,407** | **2,383,809** | **37.4** |
| - banks | 18,021 | 10,260 | 7,761 | 56.9 | 17,671 | 10,064 | 7,607 | 57.0 |
| - customers | 4,306,989 | 1,741,062 | 2,565,927 | 40.4 | 3,789,545 | 1,413,343 | 2,376,202 | 37.3 |
| Performing loans | 12,753,442 | 122,479 | 12,630,963 | 1.0 | 15,321,496 | 87,674 | 15,233,822 | 0.6 |
| - banks | 981,702 | - | 981,702 | - | 3,353,559 | - | 3,353,559 | - |
| - customers | 11,771,740 | 122,479 | 11,649,261 | 1.0 | 11,967,937 | 87,674 | 11,880,263 | 0.7 |
| **Total on-balance-sheet loans** | **17,078,452** | **1,873,801** | **15,204,651** | **11.0** | **19,128,712** | **1,511,081** | **17,617,631** | **7.9** |
| **- banks** | **999,723** | **10,260** | **989,463** | **1.0** | **3,371,230** | **10,064** | **3,361,166** | **0.3** |
| **- customers** | **16,078,729** | **1,863,541** | **14,215,188** | **11.6** | **15,757,482** | **1,501,017** | **14,256,465** | **9.5** |
| **Signature loans** | | | | | | | | |
| Non-performing | 77,492 | 13,258 | 64,234 | 17.1 | 45,082 | 10,150 | 34,932 | 22.5 |
| - customers | 77,492 | 13,258 | 64,234 | 17.1 | 45,082 | 10,150 | 34,932 | 22.5 |
| Other loans | 507,511 | 23,799 | 483,712 | 4.7 | 610,815 | 12,317 | 598,498 | 2.0 |
| - banks | 45,585 | 626 | 44,959 | 1.4 | 42,035 | 2,508 | 39,527 | 6.0 |
| - customers | 461,926 | 23,173 | 438,753 | 5.0 | 568,780 | 9,809 | 558,971 | 1.7 |
| **Total signature loans** | **585,003** | **37,057** | **547,946** | **6.3** | **655,897** | **22,467** | **633,430** | **3.4** |
| **- banks** | **45,585** | **626** | **44,959** | **1.4** | **42,035** | **2,508** | **39,527** | **6.0** |
| **- customers** | **539,418** | **36,431** | **502,987** | **6.8** | **613,862** | **19,959** | **593,903** | **3.3** |
| **Total** | **17,663,455** | **1,910,858** | **15,752,597** | **10.8** | **19,784,609** | **1,533,548** | **18,251,061** | **7.8** |
| **- banks** | **1,045,308** | **10,886** | **1,034,422** | **1.0** | **3,413,265** | **12,572** | **3,400,693** | **0.4** |
| **- customers** | **16,618,147** | **1,899,972** | **14,718,175** | **11.4** | **16,371,344** | **1,520,976** | **14,850,368** | **9.3** |

(1) Values net of debt securities classified as L&R, amounting to Euro 3,670,425 thousand classified as loans to banks and Euro 3,227 thousand classified as loans to customers.

An analysis of the breakdown by segment reveals a high concentration of bad loans in non-financial companies and personal businesses segments (76.2%; 73.7% as at December 2013); households account for 21.8% (23.2% as at December 2013). With reference to financial companies and personal businesses, the largest shares are accounted for by“Building and construction” (28.3%) and “Wholesale and retail trade; repair of motorvehicles and motorcycles” (11%).

**BAD LOANS (1) - BREAKDOWN BY BUSINESS SEGMENT** *(millions of euro)*

| | 31/12/2014 | % | 31/12/2013 | % |
|---|---|---|---|---|
| Public Administration | - | 0.0% | - | 0.0% |
| Financial companies | 10,600 | 0.5% | 26,490 | 1.4% |
| Non-financial businesses and personal businesses | 1,587,747 | 76.2% | 1,413,260 | 73.7% |
| *Construction* | *589,663* | *28.3%* | *530,816* | *27.7%* |
| *Manufacturing* | *247,446* | *11.9%* | *201,968* | *10.5%* |
| *Real Estate* | *241,913* | *11.6%* | *195,160* | *10.2%* |
| *Wholesale and retail trade; repair of motorvehicles and motorcycles* | *228,559* | *11.0%* | *216,393* | *11.3%* |
| *Accommodation and food services* | *75,398* | *3.6%* | *44,499* | *2.3%* |
| *Other* | *204,768* | *9.8%* | *224,423* | *11.7%* |
| Private social institutions and non-classified entities | 2,467 | 0.1% | 2,155 | 0.1% |
| Households | 454,555 | 21.8% | 445,566 | 23.2% |
| **Total residents** | **2,055,370** | **98.6%** | **1,887,470** | **98.5%** |
| Rest of the world | 29,041 | 1.4% | 29,537 | 1.5% |
| **Total bad loans** | **2,084,411** | **100.0%** | **1,917,007** | **100.0%** |

*(1) Amounts before value adjustments.*

The bad loans/gross loans ratio (13%) was on the increase (12.2% in December 2013). A higher ratio was recorded for non-financial companies and personal businesses (20.9%) and households (18%). In terms of overall credit exposure, the highest-risk main business segments are “Building and Construction” (28.9%), “Wholesale and retail trade; repair of motorvehicles and motorcycles” (24.7%) and “Manufacturing activities” (28.4%).

**BAD LOANS/TOTAL LOANS (1) - BREAKDOWN BY BUSINESS SEGMENT** *(percentage values)*

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Public Administration | - | - |
| Financial companies | 1.1% | 3.3% |
| Non-financial businesses and personal businesses (2) | 20.9% | 16.6% |
| - of which: | | |
| *Construction* | *28.9%* | *26.4%* |
| *Real Estate* | *17.2%* | *12.2%* |
| *Transportation and storage* | *5.4%* | *6.9%* |
| *Wholesale and retail trade; repair of motorvehicles and motorcycles* | *24.7%* | *22.0%* |
| *Manufacturing* | *28.4%* | *22.0%* |
| Private social institutions and non-classified entities | 3.3% | 3.0% |
| Households | 18.0% | 17.9% |
| **Total residents** | **16.9%** | **14.7%** |
| Rest of the world | 14.3% | 12.5% |
| **Total** | **13.0%** | **12.2%** |

*(1) Amounts before value adjustments.*

The banking group's securities portfolio stood at EURO 6,679.4 million, down 26.7% since December primarily on account of trends in AFS securities; the divestment of part of the AFS securities portfolio was pursued in line with the objective of financial risk profile mitigation. Approximately 94.9% of the portfolio is accounted for by debt securities and witnessed a26.9% downsizing since December. Equities amounted to EURO 324.9 million, down by approximately 6.5%. Units in UCITs, totalling EURO 14.5 million, were down 84.3%.

## SECURITIES PORTFOLIO *(thousands of euro)*

| | | Situation as at | | Change | |
|---|---|---|---|---|---|
| | | 31/12/2014 | 31/12/2013 | Absolute | % |
| **Debt securities** | | **6,340,034** | **8,667,974** | **(2,327,940)** | **(26.9)** |
| | *Held for trading* | *298* | *1,877* | *(1,579)* | *(84.1)* |
| | *Available for sale* | *2,666,084* | *4,427,332* | *(1,761,248)* | *(39.8)* |
| | *Loans and Receivables* | *3,673,652* | *4,238,765* | *(565,113)* | *(13.3)* |
| **Equity securities** | | **324,864** | **347,553** | **(22,689)** | **(6.5)** |
| | *Held for trading* | *16* | *17* | *(1)* | *(5.9)* |
| | *Available for sale* | *324,848* | *347,536* | *(22,688)* | *(6.5)* |
| **Units in UCITS** | | **14,507** | **92,172** | **(77,665)** | **(84.3)** |
| | *Held for trading* | *1,587* | *28,207* | *(26,620)* | *(94.4)* |
| | *Available for sale* | *12,920* | *63,965* | *(51,045)* | *(79.8)* |
| **Total** (1) | | **6,679,405** | **9,107,699** | **(2,428,294)** | **(26.7)** |
| *of which:* | | | | | |
| | *Held for trading* | *1,901* | *30,101* | *(28,200)* | *(93.7)* |
| | *Available for sale* | *3,003,852* | *4,838,833* | *(1,834,981)* | *(37.9)* |
| | *Loans and Receivables* | *3,673,652* | *4,238,765* | *(565,113)* | *(13.3)* |

(1) Balance sheet items 20 (net of derivatives), 40, 50, 60 (only for the part relative to L&Rs) and 70 (only for the part relative to L&Rs) are included in the aggregate.

The value of hedging derivatives stood at EURO 205.5 million (assets) and EURO 408.9 million (liabilities) (respectively vs. EURO 129.2 million and EURO 386.8 million in 2013). Derivatives receivable (assets) are mainly attributable to fair value micro-hedges of financial liabilities, while derivatives payable (liabilities) are attributable to: fair value micro-hedges of AFSs and loans (EURO 156.4 million), fair value macro-hedges of portfolios of financial assets and liabilities (EURO 18.3 million) and fair value macro-hedges of portfolio cash flows (EURO 234.2 million).
Deferred tax assets totalled EURO 663.9 million, of which EURO 435.8 million associated with Law no 214/2011. The latter were down 42.3% on December 2013 primarily on account of their conversion into tax credits following approval of the 2013 Financial Statements and related loss for the period.

## P&L RESULTS

Partly on account of a persistently difficult macroeconomic context, 2014 closed with a loss of EURO 657.8 million, including EURO 347.9 million in loan loss provisions on banking and insurance subsidiaries ; in particular, shareholdings in insurance companies were classified and measured under the provisions of IFRS5 - Non-current Assets Held for Sale and Discontinued Operations. The result of the year was affected by: non-recurring costs linked to the union agreement entered into on 30 September 2014, loan loss provisions arising from adjustments to the processes, methodologies and application parameters for the classification and assessment of loans, including in light of the observations made by the European Central Bank after completion of the Asset Quality Review (AQR). The negative result includes EURO 53.2 million arising from divestment of part of the available-for-sale securities portfolio in line with the objective of financial risk profile mitigation.

### INCOME STATEMENT *(in thousands of Euro)*

| | 2014 | 2013 | Change | |
|---|---|---|---|---|
| | | | Absolute | % |
| 10 Interest and similar income | 479,032 | 626,655 | (147,623) | (23.6) |
| 20 Interest expense and similar expense | (410,938) | (512,848) | 101,910 | (19.9) |
| **30 NET INTEREST INCOME** | **68,094** | **113,807** | **(45,713)** | **(40.2)** |
| 40 Fee and commission income | 140,672 | 146,925 | (6,253) | (4.3) |
| 50 Fee and commission expense | (38,556) | (51,019) | 12,463 | (24.4) |
| **60 NET FEE AND COMMISSION INCOME** | **102,116** | **95,906** | **6,210** | **6.5** |
| 70 Dividend and similar income | 29,725 | 49,395 | (19,670) | (39.8) |
| 80 Net profit (loss) from trading | 3,008 | (280,788) | 283,796 | ... |
| 90 Net profit (loss) from hedging | 336 | (9,224) | 9,560 | ... |
| 100 Gains (losses) on disposal or repurchase of: | 57,378 | 342,043 | (284,665) | (83.2) |
| *a) loans* | 2,623 | (1,096) | *3,719* | ... |
| *b) financial assets available for sale* | 53,224 | 318,565 | *(265,341)* | *(83.3)* |
| *c) financial assets held to maturity* | - | 21,261 | *(21,261)* | *(100.0)* |
| *d) financial liabilities* | 1,531 | 3,313 | *(1,782)* | *(53.8)* |
| 110 Net profit (loss) from financial assets and liabilities designated at fair value | 503 | 40,545 | (40,042) | (98.8) |
| **120 NET INTEREST AND OTHER BANKING INCOME** | **261,160** | **351,684** | **(90,524)** | **(25.7)** |
| 130 Net impairment losses/reversals on: | (412,522) | (673,882) | 261,360 | (38.8) |
| *a) loans* | (393,921) | (646,692) | *252,771* | *(39.1)* |
| *b) financial assets available for sale* | (1,452) | (13,480) | *12,028* | *(89.2)* |
| *c) financial assets held to maturity* | - | - | - | ... |
| *d) other financial transactions* | (17,149) | (13,710) | *(3,439)* | *25.1* |
| **140 NET INCOME FROM FINANCIAL ACTIVITIES** | **(151,362)** | **(322,198)** | **170,836** | **(53.0)** |
| 150 Administrative expenses | (362,296) | (334,492) | (27,804) | 8.3 |
| *a) personnel expenses* | (219,579) | (193,010) | *(26,569)* | *13.8* |
| *b) other administrative expenses* | (142,717) | (141,482) | *(1,235)* | *0.9* |
| 160 Net provisions for risks and charges | (5,859) | (3,643) | (2,216) | 60.8 |
| 170 Net adjustments to/recoveries on property and equipment | (12,764) | (12,266) | (498) | 4.1 |
| 180 Net adjustments to/recoveries on intangible assets | (28,505) | (30,036) | 1,531 | (5.1) |
| 190 Other operating expenses (income) | 115,736 | 118,606 | (2,870) | (2.4) |
| **200 OPERATING EXPENSES** | **(293,688)** | **(261,831)** | **(31,857)** | **12.2** |
| 210 Gains (losses) on investments in associates and joint ventures | (347,864) | (1,621,740) | 1,273,876 | (78.5) |
| 240 Gains (losses) from disposal of investments | (148) | 7 | (155) | ... |
| **250 PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **(793,062)** | **(2,205,762)** | **1,412,700** | **(64.0)** |
| 260 Taxes on income from continuing operations | 135,276 | 241,071 | (105,795) | (43.9) |
| **270 PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **(657,786)** | **(1,964,691)** | **1,306,905** | **(66.5)** |
| **290 NET PROFIT (LOSS) FOR THE PERIOD** | **(657,786)** | **(1,964,691)** | **1,306,905** | **(66.5)** |

Net interest income totalled EURO 68.1 million, down 40.2% on 2013.
More specifically, interest income totalled EURO 479 million: interest on loans to customers stood at EURO 347.2 million, while interest on loans to bank amounted to EURO 61.5 million; interest income relating to securities (AFS, HFT, and L&R) totalled EURO 70.1 million.
As far as interest expense is concerned (totalling EURO 410.9 million, -19.9% as compared to 2013), securities issued contributed EURO 284.1 million (-13.1% Y/Y), deposits from customers totalled EURO 60.2 million (+7.5% on 2013) and deposits from banks accounted for EURO 35.8 million (EURO 52.7 million as at December 2013).

## INTEREST AND SIMILAR INCOME *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Financial assets held for trading | 14,442 | 15,506 | (1,064) | (6.9) |
| Financial assets available for sale | 55,689 | 157,730 | (102,041) | (64.7) |
| Financial assets held to maturity | - | 14,209 | (14,209) | (100.0) |
| Loans to banks (1) | 61,540 | 50,261 | 11,279 | 22.4 |
| Loans to customers (1) | 347,199 | 387,936 | (40,737) | (10.5) |
| Hedging derivatives | 162 | - | 162 | ... |
| Other assets | - | 1,013 | (1,013) | (100.0) |
| **Total interest and similar income** | **479,032** | **626,655** | **(147,623)** | **(23.6)** |

(1) This segment includes interest income on securities classified as L&R.

## INTEREST EXPENSE AND SIMILAR EXPENSE *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Deposits from banks | 35,809 | 52,684 | (16,875) | (32.0) |
| Deposits from customers | 60,175 | 55,984 | 4,191 | 7.5 |
| Securities issued | 284,058 | 327,022 | (42,964) | (13.1) |
| Financial liabilities designated at fair value through profit and loss | 28,011 | 24,883 | 3,128 | 12.6 |
| Other liabilities | 2,885 | 516 | 2,369 | ... |
| Hedging derivatives | - | 51,759 | (51,759) | (100.0) |
| **Total interest expense and similar expense** | **410,938** | **512,848** | **(101,910)** | **(19.9)** |

Net fees and commissions totalled EURO 102.1 million, up 6.5% as compared to 2013. Commission income amounted to EURO 140.7 million, down 4.3% Y/Y.
Commission expense (EURO 38.6 million) fell by 24.4%, mainly because of a decrease in commissions from "placement of financial instruments" recognised to the other banks of the Group.
Commission expense due to guarantees received is inclusive of expenses relating to the guarantee received from the Italian Government for liabilities issued by the Bank and repurchased for LTRO transactions with the ECB, for an amount of EURO 18.4 million, whose repayment was completed in 2014.

## FEE AND COMMISSION INCOME *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Guarantees issued | 6,724 | 9,021 | (2,297) | (25.5) |
| Portfolio management, brokerage and advisory services: | 45,957 | 48,056 | (2,099) | (4.4) |
| *1. Trading of financial instruments* | *591* | *1,193* | *(602)* | (50.5) |
| *2. Currency trading* | *1,136* | *1,034* | *102* | 9.9 |
| *3. Portfolio management* | *4,208* | *4,647* | *(439)* | (9.4) |
| *4. Custody and administration of securities* | *998* | *1,034* | *(36)* | (3.5) |
| *6. Placement of securities* | *20,309* | *20,682* | *(373)* | (1.8) |
| *7. Receipt and issue of orders* | *4,208* | *4,331* | *(123)* | (2.8) |
| *9. Distribution of third-party services* | *14,507* | *15,135* | *(628)* | (4.1) |
| *- portfolio management* | *859* | *990* | *(131)* | (13.2) |
| *- insurance products* | *7,452* | *7,522* | *(70)* | (0.9) |
| *- other products* | *6,196* | *6,623* | *(427)* | (6.4) |
| Collection and payment services | 27,980 | 28,521 | (541) | (1.9) |
| Servicing for securitisations | 2,982 | 3,027 | (45) | (1.5) |
| Factoring services | 1,115 | 1,456 | (341) | (23.4) |
| Maintenance and management of current accounts | 47,312 | 48,620 | (1,308) | (2.7) |
| Other services | 8,602 | 8,224 | 378 | 4.6 |
| **Total fee and commission income** | **140,672** | **146,925** | **(6,253)** | **(4.3)** |

## FEE AND COMMISSION EXPENSE *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Guarantees received | 20,731 | 23,307 | (2,576) | (11.1) |
| Portfolio management and brokerage services | 3,559 | 13,173 | (9,614) | (73.0) |
| *1. Trading of financial instruments* | *120* | *17* | *103* | ... |
| *3. Portfolio management* | *1,616* | *1,897* | *(281)* | (14.8) |
| *4. Custody and administration of securities* | *985* | *1,103* | *(118)* | (10.7) |
| *5. Placement of financial instruments* | *783* | *10,068* | *(9,285)* | (92.2) |
| *6. Off-site marketing of financial instruments, products and services* | *55* | *88* | *(33)* | (37.5) |
| Collection and payment services | 9,867 | 10,005 | (138) | (1.4) |
| Other services | 4,399 | 4,534 | (135) | (3.0) |
| **Total fee and commission expense** | **38,556** | **51,019** | **(12,463)** | **(24.4)** |

Dividends and similar income amounted to EURO 29.7 million, down from EURO 49.4 million in 2013. Net profit (loss) from trading totalled EURO 3 million, thanks to the positive contribution from the item "currency differences" and the lower share of the negative component of financial derivatives (EURO 10.4 million).

## NET PROFIT (LOSS) FROM TRADING *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Debt securities | 170 | 1,352 | (1,182) | (87.4) |
| Equities and UCITS | 147 | 1,427 | (1,280) | (89.7) |
| **Total equities, debt securities and UCITS** | **317** | **2,779** | **(2,462)** | (88.6) |
| Financial derivatives | (10,429) | (275,123) | 264,694 | (96.2) |
| Credit derivatives | - | (893) | 893 | (100.0) |
| Currency differences | 12,301 | (8,963) | 21,264 | ... |
| Other financial assets/liabilities from trading | 819 | 1,412 | (593) | (42.0) |
| **Total profit (loss) from trading** | **3,008** | **(280,788)** | **283,796** | **...** |

The profit (loss) on disposal of loans and other financial assets/liabilities amounted to a positive EURO 57.4 million (vs. EURO 342 million in 2013), due to the sale of securities classified as AFS (EURO 53.2 million versus EURO 318.6 million in 2013), as a consequence of the divestment of part of the portfolio in line with the objective of financial risk profile mitigation . The 2013 figure included EURO 21.3 million worth of profit arising from disposal of assets held to maturity (HTM).
Net profit (loss) from financial assets and liabilities designated at fair value amounted to a positive EURO 503,000, versus EURO 40.5 million in 2013 which incorporated the positive effect from changes to the fair value measurement methods for all securities issued by the bank, including those for which the Bank adopted the Fair Value Option.
Net interesta and other banking income totalled EURO 261.2 million, down 25.7% Y/Y.
Net losses on impairment of loans and other financial items totalled -EURO 412.5 million, o.w. EURO 393.9 million in loan loss provisions.
Loan loss provisions for the year were affected by both a still-negative macro-economic environment and adjustments identified following the Asset Quality Review (AQR) by the ECB, whose aggregated results for the Banca Carige Group were disclosed on 26 October 2014. Trends in the cost of credit for the period were affected by both full-scope recognition of the AQR findings and the impact from adjustments to the processes, methods and application parameters for the classification and assessment of loans, including in light of the ECB observations following completion of the AQR exercise.

Net income from banking activities amounted to -EURO 151.4 million (-53%).

**NET LOSSES/REVERSALS ON IMPAIRMENT OF LOANS AND OTHER FINANCIAL ITEMS** *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Loans to banks | (1,362) | 2,920 | (4,282) | ... |
| Loans to customers | 395,283 | 643,772 | (248,489) | (38.6) |
| Signature loans (other financial transactions) | 17,149 | 13,710 | 3,439 | 25.1 |
| Financial assets available for sale | 1,452 | 13,480 | (12,028) | (89.2) |
| **Total net losses/reversals on impairment of loans and other financial items** | **412,522** | **673,882** | **(261,360)** | **(38.8)** |

Operating costs totalled EURO 293.7 million, up 12.2% on 2013, primarily on the back of an increase in personnel expenses (+13.8%) as a consequence of provisions taken for the incentive-based retirement scheme (EURO 19.3 million) and one-off expenses (EURO 13.7 million), both of which were set out in the union agreement of September 2014.
Other administrative expenses amounted to EURO 142.7 million, up 0.9%; in particular overhead expenses totalled EURO 108.4 million (-4.2%), in line with prior year, while indirect taxes amounted to EURO 34.4 million (+3.8%) on account of higher stamp duty expenses, which were only partially recovered under other operating income.
Net provisions for risks and charges, which included EURO 2.6 million of non-recurring effects from provisions taken for the closure of branches (EURO 0.3 million) and charges associated with a pending bankruptcy proceeding (EURO 2.3 million), amounted to EURO 5.9 million vs. EURO 3.6 million in December 2013.
Value adjustments to property, equipment and intangible assets amounted to EURO 41.3 million, down 2.4% on December 2013.

## OPERATING EXPENSES *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Personnel expenses | 219,579 | 193,010 | 26,569 | 13.8 |
| Other administrative expenses | *142,717* | *141,482* | 1,235 | 0.9 |
| *- overhead expenses* | *108,359* | *108,369* | *(10)* | *(0.0)* |
| *- indirect taxes(1)* | *34,358* | *33,113* | *1,245* | *3.8* |
| Net provisions for risks and charges | 5,859 | 3,643 | 2,216 | 60.8 |
| Amortisation on: | 41,269 | 42,302 | (1,033) | (2.4) |
| *- intangible assets* | *28,505* | *30,036* | *(1,531)* | *(5.1)* |
| *- property, plant and equipment* | *12,764* | *12,266* | *498* | *4.1* |
| Other operating expenses (income) | (115,736) | (118,606) | 2,870 | (2.4) |
| **Total operating expenses** | **293,688** | **261,831** | **31,857** | **12.2** |

(1) The item includes indirect taxes charged to the bank. Their recovery from customers is disclosed under item 190 of the Income Statement "Other expenses (income)".

Other net operating income, totalling EURO 115.7 million, were down 2.4% Y/Y; it should be noted that the 2013 figure included EURO 10.6 million in revenues arising from the out-of-court settlement of a legal dispute.

## OTHER OPERATING EXPENSES (INCOME) *(thousands of euro)*

| | 2014 | 2013 | Change Absolute | Change % |
|---|---|---|---|---|
| Lease payments receivable | 4,742 | 4,913 | (171) | (3.5) |
| Third-party charges | 37,706 | 37,053 | 653 | 1.8 |
| *recovery of credit facility fees* | *8,929* | *10,245* | *(1,316)* | *(12.8)* |
| *recovery of taxes (1)* | *28,371* | *26,378* | *1,993* | *7.6* |
| *customer insurance premiums* | *406* | *430* | *(24)* | *(5.6)* |
| Other income (2) | 85,248 | 95,414 | (10,166) | (10.7) |
| **Total other income** | **127,696** | **137,380** | **(9,684)** | **(7.0)** |
| Operating expenses on financial leases | (511) | (889) | 378 | (42.5) |
| Routine maintenance costs on investment property | (565) | (605) | 40 | (6.6) |
| Expenses for improvement of third parties' assets | (237) | (55) | (182) | ... |
| Other expenses (3) | (10,647) | (17,225) | 6,578 | (38.2) |
| **Total other expenses** | **(11,960)** | **(18,774)** | **6,814** | **(36.3)** |
| **Total net operating income and expenses** | **115,736** | **118,606** | **(2,870)** | **(2.4)** |

(1) The item includes recoveries of indirect taxes from customers whose cost is included in item 150 b) "Other administrative expenses - indirect taxes"

(2) The item includes fees for service level agreements for an amount of Euro 70.5 mln, recovery of legal expenses for an amount of Euro 8.1 mln and other income.

(3) The item includes expenses related to the issuing of covered bonds for an amount of Euro 7.4 mln, losses from lawsuits for an amount of Euro 2.0 mln and other expenses.

Profit (loss) from equity investments closed at -EURO 347.9 million, primarily accounted for by: the impairment of the insurance Legal Entities, for an amount of EURO 179.2 million, in light of the recent partnership agreement between Banca Carige S.p.A. and Apollo Management Holding L.P.; the EURO 167.2 million impairment of the equity investments in three banks of the Group; and the write-down of other shareholdings for an amount of approximately EURO 1.5 million.
The gross operating income was thus -EURO 793.1 million ; inclusive of a EURO 135.3 million positive income tax effect (inclusive of the effects from both a higher tax rate on the revaluation of the stakes held in the Bank of Italy and a tax rea-lignment of properties), the profit (loss) for the period is -EURO 657.8 million.
Including revenues booked directly to shareholders' equity, the Bank's comprehensive income is -EURO 735.5 million.
The financial year 2014 closed with a net loss of EURO 657,786,161.92, which Shareholders are proposed to cover as follows:

## COVERAGE OF THE LOSS FOR THE YEAR

| | |
|---|---|
| Profit (loss) for the year | (657,786,161.92) |
| 2013 loss carried forward | (173,499,966.69) |
| **Total** | **(831,286,128.61)** |
| Use of share premium | (173,499,966.69) |
| Loss to be carried forward | (657,786,161.92) |

If it were so resolved, the 'post-coverage' shareholders' equity of Banca Carige would amount to EURO 1,723.4 million.

## FIXED ASSETS, EQUITY INVESTMENTS AND OWN SHARES

Property, plant and equipment totalled EURO 472.4 million, substantially stable over the year (-0.1%). Within the scope of property, plant and equipment used in the business, total increases were recorded in 2014 for an amount of EURO 8.5 million, of which EURO 7.2 million in purchases and EURO 1.3 million in capital expenditures (capex). Decreases due to amortisation for the period amounted to EURO 10.3 million. (see Part B, section 11 of the Explanatory Notes).
Intangible assets amounted to EURO 58.8 million, down compared to EURO 69.6 million as at December 2013.
The value of equity investments amounted to EURO 1,203.6 million, down from the prior-year amount of EURO 1,823.6 million. Section 10 of the "Assets" in the Explanatory Notes provides for more information about equity investments.
The item "Equity Investments" is almost entirely comprised of equity investments in Group companies. Included in the item are the following companies:

- Banca Carige Italia S.p.A., Banca del Monte di Lucca S.p.A., Cassa di Risparmio di Savona S.p.A., Cassa di Risparmio di Carrara S.p.A.., which carry out banking business;
- Centro Fiduciario S.p.A., operating as a trust company;
- Columbus Carige Immobiliare S.p.A., which carries out ancillary activities in the real estate sector;
- Argo Mortgage 2 Srl, Carige Covered Bond Srl, Carige Covered Bond 2 Srl, which are special purpose vehicles for loan securitisation and covered bond transactions.

It is noted that the item does not include Carige Assicurazioni S.p.A., Carige Vita Nuova S.p.A., Creditis Servizi Finanziari S.p.A. and Banca Cesare Ponti S.p.A. which are classified under IFRS 5 as assets held for sale and discontinued operations.

In addition, the following indirect investees belong to the Banca Carige Group but are not included in the carrying amounts of the equity investments:

- Immobiliare Carisa Srl, a company carrying out ancillary activities in the real estate sector, indirectly invested in via the Cassa di Risparmio di Savona;
- Assi90 Srl, a company carrying out ancillary activities for the insurance business, indirectly invested in via Carige Assicurazioni and Carige Vita Nuova;
- Dafne Immobiliare Srl and I.H. Roma Srl, companies carrying out ancillary activities in the real estate sector, indirectly invested in respectively via Carige Assicurazioni (the former) and Carige Vita Nuova (the latter).

The book value of equity investments in non-Group companies amounts to EURO 34.5 million (EURO 35.5 million in 2013), of which EURO 33.2 million relates to the company Autostrada dei Fiori SpA.; the other equity investment in this segment is in Nuova Erzelli Srl.
As at 31 December 2014, the Bank held a total of 28,592,871 treasury shares in its portfolio, plus 44 old ordinary shares with nominal value per share of Lire 10,000, equivalent to 228 current ordinary shares. The latter shares derive from the conversion of share capital into Euros, resolved upon by the Extraordinary Shareholders' Meeting of 6 December 2001 and subsequent stock split: as at today, 6 non-dematerialised ordinary shares have not been presented for conversion yet and, therefore, it has not been possible to fulfil the obligations set out in the aforementioned resolution, which requires a minimum threshold of 50 shares.

# LIQUIDITY,
# SHAREHOLDERS' EQUITY, RISK MANAGEMENT AND FINANCIAL INDICATORS

Banca Carige S.p.A.'s shareholders' equity amounted to EURO 1,723.4 million (including the -EURO 657.8 million loss for the period).
Net liquidity absorbed during the year amounted to EURO 5 million, against EURO 896 million liquidity absorbed in 2013. More specifically, operating and investment activities respectively absorbed liquidity for EURO 653 million and EURO 120.5 million , while overall funding generated liquidity for an amount of EURO 768.5 million.
Risk-taking policies in the Carige Group are set by the RAF (Risk Appetite Framework), approved by the Board of Directors of the Parent Company, which defines the target risk-return profile which the Group intends to adopt in line with the business model and the Business Plan.
The Parent Company performs steering and supervision functions in respect of all risks, primarily via an integrated management of Pillar 1 and Pillar 2 risks under the Bank of Italy's supervisory instructions (Circ. No. 285 of 17 December 2013 as later amended).
Group banks operate within specific limits of independence availing themselves of their own control units. The various risk categories are monitored by the Parent Company's functions in charge: Strategic Planning, Risk Management, Loan Monitoring, the results of which are subject to regular reporting to the Board of Directors, Risk Committee, Risk Control Committee, and the Top Management.
Analysis is supported not only by regulatory models, but also by more advanced methodologies which have made it possible, over time, to expand the range of risks monitored and improve the assessment of capital adequacy, from both a regulatory and operational perspective.
It is therefore possible to oversee all First and Second Pillar risks, i.e. mainly, credit, market, operational, rate and liquidity risk, with a special focus on credit risk, the measurement, management and control process of which is carried out via:
– *Credit Risk Management*, aimed at the strategic governance of the Bank's lending activities, by monitoring loan book quality based on the analysis of risk indicators from rating sources (PD, LGD and EAD) and other events of interest, with an accurate control of compliance with the risk concentration and capital adequacy limits provided for by Supervisory Regulations with respect to the credit risk taken;
– operating activities, designed to ensure the quality of loans disbursed, via diversified activities organised around different criteria according to the customer segment, type of product, etc., which provide for a standardised approach for higher risk-fragmentation sections of the loan book and targeted actions for positions which, by size or classification segment, fall within the core business of the Bank's lending activity.
The Group has long adopted internal rating systems for the selection and classification of borrowers into the main customer segments (Corporate and Retail). These rating systems also play an important operational role in loan granting, risk management and in Group governance.
In particular, the system of delegated powers for the approval of loan applications, which is structured according to customer risk profile, is based on expected loss.

In terms of capital position, as at 31 December 2014, Banca Carige's own funds totalled EURO 2,245.2 million and its 17.5% phased-in Total Capital Ratio, (13.5%) phased-in Tier I Ratio (and 13.0% phased-in Common Equity Tier 1 Ratio (CET1R) were higher than the minimum regulatory levels.

The regulatory amendments introduced in the regulatory framework as of 1/1/2014 do not allow for comparability with data as at 31/12/2013.

Lastly, it should be noted that, based on art. 467, paragraph 2 of the CRR, adopted by the Bank of Italy with Circular Letter no. 285, the Banca Carige Group opted for excluding from its own funds the unrealised gains or losses from exposures to central administrations classified as 'Financial assets available for sale'.

## BREAKDOWN OF OWN FUNDS

*(thousands of Euro)*

| | Situation as at 31/12/2014 Bis III p.i. |
|---|---|
| **Common Equity Tier 1 capital before deductions** | **2,012,135** |
| Share capital | 2,576,216 |
| Profit reserves | -295,883 |
| Share premium reserve | 368,763 |
| Profit (+) / Loss (-) for the period | -657,786 |
| OCI reserves & other | -248,345 |
| Phase in - impact on CET1 | 269,169 |
| **Deductions from common equity Tier 1 capital** | **339,539** |
| Goodwill | - |
| Bis III deductions with 10% threshold | 139,363 |
| Bis III deductions with 17.65% threshold | 132,878 |
| Excess of deduction from AT1 items over AT1 capital | - |
| Other negative elements and prudential filters | 67,297 |
| **Common Equity Tier 1 capital (CET1)** | **1,672,596** |
| **Additional Tier 1 capital (AT1)** | **57,577** |
| AT1 instruments | 740 |
| Innovative capital instruments (Grandfathering) | 128,000 |
| Phase in - impact on AT1 | -71,163 |
| Excess of deduction from AT1 items over AT1 capital | - |
| **Tier 1 (T1) (CET1+AT1)** | **1,730,173** |
| **Tier 2 (T2)** | **515,051** |
| **Own Funds (T1+T2)** | **2,245,224** |

## BREAKDOWN OF REGULATORY CAPITAL *(thousand of Euro)*

| | Situation as at 31/12/2013 Bis II |
|---|---|
| **Positive elements of Tier 1 capital (a)** | **3,997,165** |
| Share capital | 2,177,219 |
| Reserves | 639,056 |
| Share premium reserve | 1,020,990 |
| Profit (loss) for the period | - |
| Innovative capital instruments | 159,900 |
| **Negative elements of Tier 1 capital (b)** | **2,387,671** |
| Goodwill | - |
| Other negative elements | 162,294 |
| Loss (-) for the period (1) | 2,225,377 |
| **Tier I prudential filters (c)** | **27,543** |
| **Elements to be deducted (d) (2)** | **196,277** |
| **Total Tier 1 capital (c = a-b+c-d)** | **1,385,673** |
| **Core Tier 1 Capital** | **1,225,773** |
| **Tier 2 capital (e)** | **688,496** |
| **Deductions (f)** | **-** |
| **Regulatory capital (c+e-f)** | **2,074,169** |
| **Tier 3** | **-** |
| **Portion eligible as Tier 3** | **-** |
| **Regulatory Capital including TIER 3** | **2,074,169** |
| **TIER 3 subordinated loans not included in Tier III capital** | **-** |

*(1) The 2013 profit (loss) for the period differs from profit (loss) in the financial statements due to the neutralisation of the positive net effect connected with the recognition of the new stakes in the Bank of Italy.*
*(2) As of 01/01/2013, in compliace with Basel 2, insurance equity investments made prior to 20/07/2006 are no longer deducted from total Regulatory Capital, but 50% from Tier I and 50% from Tier II.*

## OWN FUNDS AND SOLVENCY RATIOS

*(thousands of Euro)*

| | Situation as at 31/12/2014 Bis III p.i. |
|---|---|
| **Regulatory capital** | |
| Common Equity Tier 1 | 1,672,596 |
| Additional Tier 1 | 57,577 |
| Tier 1 | 1,730,173 |
| Tier 2 | 515,051 |
| **Regulatory capital** | **2,245,224** |
| **Weighted assets** | |
| Credit risk | 10,800,329 |
| Credit risk Bis III (1) | 1,198,151 |
| Market risk | 41,570 |
| Operational risk | 795,766 |
| Total weighted assets | 12,835,815 |
| **Capital requirements** | |
| Credit risk | 864,026 |
| Credit risk Bis III | 95,852 |
| Market risk | 3,326 |
| Operational risk (2) | 63,661 |
| Total requirements | 1,026,865 |
| **Capital surplus** | **1,218,359** |
| **Ratios** | |
| Common Equity Tier 1/Total weighted assets | 13.0% |
| Tier 1 capital/Total weighted assets | 13.5% |
| Own Funds/Total weighted assets | 17.5% |

*(1) Includes risk weights for DTAs and non-deductible material and non-material investments .*

*(2) Under the provisions of article 316, paragraph 1, letter b of EU Regulation 575/2013, the definition of Net interest and other banking income for calculation of the Operational Requirements differs from the definition as at 31 December 2013 .*

## REGULATORY CAPITAL AND SOLVENCY RATIOS

*(thousands of Euro)*

| | Situation as at 31/12/2013 Bis II |
|---|---|
| **Regulatory capital** | |
| Core Tier 1 Capital | 1,225,773 |
| Tier 1 capital | 1,385,673 |
| Tier 2 capital | 688,496 |
| minus: elements to be deducted | - |
| Total capital | 2,074,169 |
| **Tier 3** | **-** |
| **Portion eligible as Tier 3** | **-** |
| **Regulatory capital including TIER 3** | **2,074,169** |
| **Weighted assets (2)** | |
| Credit risk | 12,141,989 |
| Market risk | 104,231 |
| Operational risk | 1,112,413 |
| Other prudential requirements | - |
| Total weighted assets | 13,358,634 |
| **Capital requirements** | |
| Credit risk | 971,359 |
| Market risk | 8,339 |
| Operational risk | 88,993 |
| Other prudential requirements | - |
| 25% capital reduction | 267,173 |
| Total requirements | 801,518 |
| **Capital surplus** | **1,272,651** |
| **Ratios** | |
| Core Tier 1/ 75% Total weighted assets | 12.2% |
| Tier 1/ 75% Total weighted assets | 13.8% |
| Regulatory capital including Tier 3/ 75% Total weighted assets | 20.7% |

(1) Figures as at 31 December 2012 reflect results from the Reorganisation Project of the Carige Group, which led to cancellation (for Carige) of goodwill previously posted and recognition of new goodwill for Carige Italia.
(2) Comparable figures as at 31 December 2012 and as at 30 September 2013 are reflective of regulatory reporting values and therefore differ from those originally posted and arising from estimates.

For an overview of the organisation of the Internal Control System and the typical risks of the Bank's business, please refer to part E of the Explanatory Notes to the separate and consolidated financial statements: "Information on risks and hedging policies".

A number of key performance and stock exchange indicators for 2013 and 2014, are reported below.

## FINANCIAL INDICATORS

| | Situation as at | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 |
| Return On Equity (ROE) % | -27.6 | -53.8 |
| Return On Average Equity (ROAE %) | -21.8 | -60.1 |
| Earnings per share (EpS) (1) | -0.065 | -0.902 |
| Price - Earnings ratio (P/E) (2) | -2.30 | -0.61 |
| Price to Book Value (P/BV) (3) | 0.64 | 0.33 |
| Net profit (loss) (thousands of euro) | -657,786 | -1,964,691 |
| *Annual change (%)* | *-66.5* | ... |
| Own funds (thousands of euro) | 2,381,208 | 3,653,845 |
| Number of shares/1000 | 10,170,107 | 2,177,219 |
| Average share price in the period (4) | 0.149 | 0.553 |

*(1) Earning per share. (2) Price/Earnings. (3) Price/Book value. (4) Indicators referring to ordinary shares.*

## RELATIONS WITH SHAREHOLDERS AND INVESTEES

Pursuant to Consob Recommendation no. 97001574 of 20 February 1997, it is noted that relations with investees and other related parties are part of the Bank’s business and are regulated according to market conditions.
Details about relations with shareholders and investees are provided in the table below.

## RELATIONS WITH SHAREHOLDERS AND INVESTEES *(thousands of euro)*

| | 31/12/14 Assets | Liabilities | Guarantees and commitments | Dividends paid out | Other income | Expenses |
|---|---|---|---|---|---|---|
| **CARIGE SHAREHOLDERS IN A POSITION TO EXERCISE SIGNIFICANT INFLUENCE** | **80,067** | **-** | **-** | **-** | **893** | **-** |
| Fondazione Cassa di Risparmio di Genova e Imperia | 80,067 | - | - | - | 893 | |

| | 31/12/14 Assets | Liabilities | Guarantees and commitments | Dividends collected | Other income | Expenses |
|---|---|---|---|---|---|---|
| **SUBSIDIARIES** | **4,648,466** | **2,752,546** | **29,984** | **8,602** | **149,936** | **46,004** |
| Cassa di Risparmio di Carrara SpA | 190,037 | 261,860 | 68 | - | 9,778 | 6,556 |
| Cassa di Risparmio di Savona SpA | 588,792 | 201,853 | 2,501 | - | 12,575 | 5,205 |
| Banca del Monte di Lucca SpA | 286,707 | 95,818 | 22 | - | 6,612 | 1,025 |
| Banca Cesare Ponti SpA | 188,996 | 400,882 | 478 | - | 2,858 | 5,188 |
| Banca Carige Italia SpA | 2,885,701 | 1,517,584 | 25,171 | - | 94,453 | 16,638 |
| Centro Fiduciario SpA | 459 | 616 | - | 212 | 529 | 353 |
| Argo Mortgage 2 Srl | 10 | 13 | - | - | 10 | - |
| Columbus Carige Immobiliare SpA | 12,989 | 83 | - | - | 521 | - |
| Carige Vita Nuova SpA | 1,618 | 260,652 | - | - | 7,955 | 10,857 |
| Carige Assicurazioni SpA | 1,786 | 4,975 | - | - | 2,238 | 134 |
| Assi 90 Srl | - | 3,087 | - | - | 6 | 34 |
| Dafne Immobiliare Srl | 212 | 248 | - | - | - | - |
| IH Roma Srl | 928 | 2,488 | - | - | - | - |
| Creditis Servizi Finanziari SpA | 490,211 | 2,367 | 1,744 | 8,390 | 12,381 | 14 |
| Carige Covered Bond Srl | 10 | 10 | - | - | 10 | - |
| Carige Covered Bond 2 Srl | 10 | 10 | - | - | 10 | - |
| **ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE** | **-** | **4,826** | **61** | **3,241** | **80** | **13** |
| Autostrada dei Fiori SpA and subsidiaries | - | 4,734 | 61 | 3,241 | 80 | 13 |
| Nuova Erzelli Srl | - | 92 | - | - | - | - |
| **Total** | **4,648,466** | **2,757,372** | **30,045** | **11,843** | **150,016** | **46,017** |

## RELATIONS WITH OTHER RELATED PARTIES *(thousands of euro)*

| | Assets | Liabilities | Guarantees and commitments | Income | Expenses | Purchase of goods and services |
|---|---|---|---|---|---|---|
| Other related parties | 2,242 | 750 | - | 44 | 4 | - |
| **TOTAL** | **2,242** | **750** | **-** | **44** | **4** | **-** |

## MAIN RISKS AND UNCERTAINTIES: BUSINESS OUTLOOK

For information on major events occurring in 2014, as well as on risks, uncertainties, and the business outlook, please see the specific paragraphs in the report on operations of the consolidated financial statements, as the considerations made therein also apply to the Parent Company.

Dear Shareholders,
Business operations in 2014 unfolded against a macroeconomic backdrop of multiple vulnerability factors, as was confirmed by the annual GDP remaining in negative territory (-0.4%), primarily on the back of still-negative investment trends.
The long-lasting difficulties negatively affected the performance of the banking system and the Bank, which recorded a net loss of EURO 657.8 million, almost entirely attributable to loan loss provisions for an amount of EURO 393.9 million, reflective of full-scale recognition of findings from the Asset Quality Review by the ECB (in terms of both overall provisions and adjustments to the processes, methodologies and application parameters for the classification and assessment of loans) and write-downs of the Group's insurance and banking equity investments for an overall amount of EURO 347.9 million.
Economic consolidation is expected for 2015, with the Italian GDP up 0.7%, mainly on the back of foreign demand and, to a lesser degree, improved investments, with a positive impact expected in terms of profit, quality and volumes traded by the banking system.
The Bank confirms its commitment to continuing along the path to growth, facing the ongoing efficiency and profitability challenges with determination, while consolidating its strengths and ability to anticipate and meet the needs of households and businesses. For this reason, the Bank's operations will be carried out in accordance with the development guidelines and key objectives of the new 2015-2019 Business Plan - which is being drafted – by taking account of the new macro-economic conditions and events occurring in 2014. In particular, the new Plan fits within and strengthens the guidelines identified in the turnaround strategy launched in 2014, which can be summarised into capital strengthening, risk mitigation, a stronger liquidity position, cost efficiency and distribution effectiveness.
Against these premises, in light of the Capital Plan (approved by the Board of Directors on 26 October 2014 and submitted to the ECB on 5 November 2014), which identifies the path to ensure coverage of the shortfall arising from the Comprehensive Assessment via a capital increase and asset disposals, and in light of the approval of the new Business Plan by the Board of Directors in this month of March, the going concern assumption is confirmed as the basis of preparation for these 2014 financial statements.

*** - ***

*Resolutions adopted by the Board of Directors in its meeting of 19/3/2015*

With regard to the capital strengthening initiatives presented to the Market with the press release issued on 19 March 2015, notice is hereby given that the Board of Directors, in its meeting on the same date,:

- expressed its considerations regarding the decision of the European Central Bank (ECB) authorising the Bank to implement the *Capital Plan* presented on 5/11/2014 and setting out Group-specific prudential requirements for additional own funds to be met on a consolidated basis, which provide for the attainment of a minimum 11.50% level of Common Equity Tier 1 ratio by the end of July 2015 and a ban on dividend payout. No specific requirement for additional own funds in excess of minimum regulatory levels has been set for the Bank;
- resolved upon the proposal for a EURO 850 million share capital increase with consideration via a rights issue for existing shareholders, to be submitted for approval to the Extraordinary Shareholders' Meeting, convened for 23 April 2015. The capital increase will be backed by a Syndicate of leading financial institutions led by Mediobanca – Banca di Credito Finanziario S.p.A., acting as Global Coordinator;
- resolved upon the proposal for a capital increase with consideration for a maximum amount of EURO 15.8 million exempt from pre-emptive rights of existing shareholders, to be effected via a contribution in kind of non-controlling interests respectively held by 'Fondazione de Mari Cassa di Risparmio di Savona' and 'Fondazione Cassa di Risparmio di Carrara' in the subsidiary banks, Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A;
- approved the 2015 – 2019 Business Plan (the "Business Plan" or "Plan"), set to guide the Group's business for the next five years. The Plan fits within and strengthens the guidelines identified in the turnaround strategy launched in 2014 with a view to bringing the Group back to its tradition of a sound, locally rooted retail and corporate bank for households and businesses, focusing on the

highest-potential regions of Northern and Central Italy, with risk profile mitigated by better credit management and engaged in its role of "efficient distributor".

On this basis, the Board of Directors is of the opinion that The Bank and the Group have the current and forward-looking ability to comply with the ECB's additional obligations,

The Board of Directors

The Chairman

The Manager responsible for preparing the Company's financial reports

The Chief Executive Officer

# FINANCIAL STATEMENTS

# FINANCIAL STATEMENTS

| Balance sheet - Assets | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 10. Cash and cash equivalents | 128,321,517 | 133,353,262 |
| 20. Financial assets held for trading | 165,882,534 | 167,908,665 |
| 40. Financial assets available-for-sale | 3,003,852,403 | 4,838,832,974 |
| 60. Due from banks | 4.659.887.475 | 7.573.279.875 |
| 70. Loans to customers | 14,218,415,116 | 14,283,115,182 |
| 80. Hedging derivatives | 205,532,870 | 129,165,427 |
| 100. Equity investments | 1,203,600,012 | 1,823,588,568 |
| 110. Property and equipment | 472,361,155 | 472,698,806 |
| 120. Intangible assets | 58,786,360 | 69,578,775 |
| 130. Tax assets | 1,259,436,513 | 1,144,844,660 |
| a) current | 595,583,497 | 192,498,046 |
| b) deferred | 663,853,016 | 952,346,614 |
| Pursuant to Law 214/2011 | 435,806,545 | 755,260,226 |
| 140. Non-current assets held for sale and discontinued operations | 374,284,890 | - |
| 150. Other assets | 222,634,457 | 221,579,104 |
| Total Assets | 25,972,995,302 | 30,857,945,298 |

*Thousands of euro*

| Liabilities and Shareholders' equity | 31/12/2014 | 31/12/2013 |
|---|---|---|
| 10. Due to banks | 4,189,925,103 | 10,445,297,927 |
| 20. Due to customers | 9,647,238,116 | 6,911,399,076 |
| 30. Securities issued | 8,126,644,710 | 9,446,610,849 |
| 40. Financial liabilities held for trading | 118,006,481 | 86,180,184 |
| 50. Financial liabilities designated at fair value through profit or loss | 963,886,326 | 1,038,028,053 |
| 60. Hedging derivatives | 408,883,523 | 386,770,841 |
| 80. Tax liabilities | 14,588,268 | 113,182,715 |
| a) current | 9,825,782 | 41,152,357 |
| b) deferred | 4,762,486 | 72,030,358 |
| 100. Other liabilities | 334,840,132 | 388,531,950 |
| 110. Employee termination indemnities | 34,498,000 | 35,145,000 |
| 120. Allowances for risks and charges | 411,063,002 | 317,644,843 |
| a) post employment benefits | 374,409,000 | 300,336,000 |
| b) Other allowances | 36,654,002 | 17,308,843 |
| 130. Technical reserves | (248,345,098) | (162,138,417) |
| 160. Reserves | (295,882,756) | 639,056,050 |
| 170. Share premium reserve | 368,855,791 | 1,020,989,843 |
| 180. Share capital | 2,576,863,268 | 2,177,218,841 |
| 190. Treasury shares (-) | (20,283,402) | (21,281,580) |
| 200. Net Income (Loss) (+/-) | (657,786,162) | (1,964,690,877) |
| Total liabilities and Shareholders' Equity | 25,972,995,302 | 30,857,945,298 |

*Thousands of euro*

## INCOME STATEMENT

| Item | 2014 | 2013 |
|---|---|---|
| 10. INTEREST AND SIMILAR INCOME | 479,032,316 | 626,655,000 |
| 20. INTEREST AND SIMIALR EXPENSE | (410,938,160) | (512,848,195) |
| **30. INTEREST MARGIN** | **68,094,156** | **113,806,805** |
| 40. FEE AND COMMISSION INCOME | 140,671,888 | 146,925,414 |
| 50. FEE AND COMMISSION EXPENSE | (38,556,017) | (51,019,561) |
| **60. NET FEE AND COMMISSION INCOME** | **102,115,871** | **95,905,853** |
| 70. DIVIDENDS AND SIMILAR INCOME | 29,725,115 | 49,394,730 |
| 80. PROFITS (LOSSES) ON TRADING | 3,008,405 | (280,787,523) |
| 90. FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING | 335,472 | (9,223,733) |
| 100. PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF: | 57,378,407 | 342,043,225 |
| a) loans | 2,623,197 | (1,095,694) |
| b) financial assets available-for-sale | 53,224,114 | 318,564,880 |
| c) held-to-maturity investments | - | 21,261,107 |
| d) financial liabilities | 1,531,096 | 3,312,932 |
| 110. PROFITS (LOSSES) ON FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE | 503,155 | 40,545,338 |
| **120. NET INTEREST AND OTHER BANKING INCOME** | **261,160,581** | **351,684,695** |
| 130. NET LOSSES/RECOVERIES ON IMPAIRMENT OF: | (412,522,029) | (673,881,889) |
| a) loans | (393,921,180) | (646,691,583) |
| b) financial assets available-for-sale | (1,452,009) | (13,480,385) |
| d) other financial activities | (17,148,840) | (13,709,921) |
| **140. NET INCOME FROM BANKING ACTIVITIES** | **(151,361,448)** | **(322,197,194)** |
| 150. Administrative expenses: | (362,296,460) | (334,492,051) |
| a) personnel expenses | (219,578,812) | (193,009,557) |
| b) other administrative expenses | (142,717,648) | (141,482,494) |
| 160. Net provision for risks and charges | (5,859,535) | (3,642,517) |
| 170. Net adjustments to/recoveries on property and equipment | (12,763,822) | (12,266,317) |
| 180. Net adjustments to/recoveries on intangible assets | (28,505,093) | (30,036,215) |
| 190. Other operating income (expense) | 115,736,170 | 118,605,944 |
| **200. Operating expenses** | **(293,688,740)** | **(261,831,156)** |
| 210. Profits (losses) on investments in associates and companies subject to joint control | (347,863,956) | (1,621,740,454) |
| 240. Profits (losses) from disposal of investments | (147,626) | 6,945 |
| **250. Income (loss) before tax from continuing operations** | **(793,061,770)** | **(2,205,761,859)** |
| 260. Taxes on income from continuing operations | 135,275,608 | 241,070,982 |
| **270. Income (loss) after tax from continuing operations** | **(657,786,162)** | **(1,964,690,877)** |
| **290. Net Income (Loss)** | **(657,786,162)** | **(1,964,690,877)** |

*Thousands of euro*

| | Items | 2014 | 2013 |
|---|---|---|---|
| **10** | **NET INCOME (LOSS)** | **(657,786,162)** | **(1,964,690,877)** |
| | **Other comprehensive income (net of tax), without reversal to income statement** | | |
| **40** | Actuarial gains (losses) on defined benefit plans | (55,260,824) | 8,221,568 |
| | **Other comprehensive income (net of tax), with reversal to income statement** | | |
| **90** | Cash flow hedges | (43,651,752) | 52,743,817 |
| **100** | Financial assets available for sale | 21,185,877 | 424,757,708 |
| **130** | **Total other comprehensive income (net of tax)** | **(77,726,699)** | **485,723,093** |
| **140** | **TOTAL COMPREHENSIVE INCOME (Items 10 + 130)** | **(735,512,861)** | **(1,478,967,784)** |

Thousands of Euro

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Amounts as at 31/12/2013 | Change in opening balances | Amounts as at 1/1/2014 | Allocation of income (loss) from previous year | | Changes in the year | | | | | | | | Shareholders' equity as at 31.12 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shareholders' equity transactions | | | | | | | |
| | | | | Reserves | Dividends and other payout | Changes in reserves | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of dividends | Changes in equity instruments | Derivatives on treasury shares | Stock options (1) | Total comprehensive income for the period as at 31/12/2014 | |
| Share capital: | 2,177,218,841 | - | 2,177,218,841 | - | - | | 399,644,427 | | | | | | | 2,576,863,268 |
| a) ordinary shares | 2,174,664,623 | - | 2,174,664,623 | - | - | | 401,551,467 | | | | | | | 2,576,216,090 |
| b) other shares | 2,554,218 | - | 2,554,218 | - | - | | (1,907,040) | | | | | | | 647,178 |
| Share premium reserve | 1,020,989,843 | - | 1,020,989,843 | (1,020,989,843) | - | - | 368,855,791 | - | | | | | | 368,855,791 |
| Reserves: | 639,056,050 | - | 639,056,050 | (935,221,052) | - | - | | | | | | 282,246 | | (295,882,756) |
| a) from profits | 608,212,477 | - | 608,212,477 | (901,319,339) | - | | | | | | | | | (293,106,862) |
| b) other | 30,843,573 | - | 30,843,573 | (33,901,713) | - | | | | | | | 282,246 | | (2,775,894) |
| Valuation reserves: | (162,138,417) | | (162,138,417) | (8,479,982) | | | | | | | | | (77,726,699) | (248,345,098) |
| Equity instruments | (0) | - | (0) | - | - | | | | | | | | | (0) |
| Treasury shares | (21,281,580) | - | (21,281,580) | - | - | | 998,178 | - | | | | | | (20,283,402) |
| Net income (loss) | (1,964,690,877) | | (1,964,690,877) | 1,964,690,877 | | | | | | | | | (657,786,162) | (657,786,162) |
| Shareholders' equity | ***1,689,153,860*** | - | ***1,689,153,860*** | - | - | - | 769,498,396 | - | - | - | - | 282,246 | (735,512,861) | ***1,723,421,641*** |

(1) The 'stock options' column shows the effects from the Stock Grant Plan in place with the Manager (see part I of the Explanatory Notes)

*Amounts stated in thousands of Euro*

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Amounts as at 31/12/2012 | Change in opening balances | Amounts as at 01/01/2013 | Allocation of income (loss) from previous year: Reserves | Allocation of income (loss) from previous year: Dividends and other payout | Changes in the year: Changes in reserves | Changes in the year: Shareholders' equity transactions: Issue of new shares | Changes in the year: Shareholders' equity transactions: Purchase of treasury shares | Changes in the year: Shareholders' equity transactions: Extraordinary distribution of dividends | Changes in the year: Shareholders' equity transactions: Changes in equity instruments | Changes in the year: Shareholders' equity transactions: Derivatives on treasury shares | Changes in the year: Shareholders' equity transactions: Stock options (1) | Changes in the year: Total comprehensive income for the period as at 31/12/2013 | Shareholders' equity as at 31/12/2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital: | 2,177,218,613 | - | 2,177,218,613 | - | - | - | 228 | - | - | - | - | - | - | 2,177,218,841 |
| a) ordinary shares | 2,174,664,395 | - | 2,174,664,395 | - | - | - | 228 | - | - | - | - | - | - | 2,174,664,623 |
| b) other shares | 2,554,218 | - | 2,554,218 | - | - | - | - | - | - | - | - | - | - | 2,554,218 |
| Share premium reserve | 1,020,019,673 | - | 1,020,019,673 | - | - | 1,172,848 | (201,641) | (1,037) | - | - | - | - | - | 1,020,989,843 |
| Reserves: | 353,023,988 | - | 353,023,988 | 285,694,110 | - | 201 | - | - | - | - | - | 337,751 | - | 639,056,050 |
| a) from profits | 322,518,166 | - | 322,518,166 | 285,694,110 | - | 201 | - | - | - | - | - | - | - | 608,212,477 |
| b) other (*) | 30,505,822 | - | 30,505,822 | - | - | - | - | - | - | - | - | 337,751 | | 30,843,573 |
| Valuation reserves: | (647,861,482) | | (647,861,482) | | | - | (28) | - | - | - | - | - | 485,723,093 | (162,138,417) |
| Equity instruments | 1,172,956 | - | 1,172,956 | - | - | (1,172,848) | (108) | - | - | - | - | - | - | (0) |
| Treasury shares | (18,258,755) | - | (18,258,755) | - | - | - | - | (3,022,825) | - | - | - | - | | (21,281,580) |
| Net income (loss) | 285,694,110 | | 285,694,110 | (285,694,110) | | | - | - | - | - | - | - | (1,964,690,877) | (1,964,690,877) |
| Shareholders' equity | ***3,171,009,103*** | - | ***3,171,009,103*** | - | - | 201 | (201,549) | (3,023,862) | - | - | - | 337,751 | (1,478,967,784) | ***1,689,153,860*** |

(1) The 'stock options' column shows the effects from the Stock Grant Plan in place with the Manager (see part I of the Explanatory Notes)

*Amounts stated in units of Euro*

# STATEMENT OF CASH FLOWS
*Direct method*

| *A. OPERATING ACTIVITIES* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **1. Cash flow from/used in operations** | **(182,473,173)** | **(253,458,739)** |
| - interest income received (+) | 473,866,451 | 628,590,474 |
| - interest expense paid (-) | (502,435,090) | (491,165,181) |
| - dividend and similar income (+) | 17,882,991 | 4,522,724 |
| - net fees and commissions (+/-) | 102,115,871 | 95,905,853 |
| - personnel costs (-) | (189,955,806) | (169,571,133) |
| - other costs (-) | (159,357,850) | (956,759,139) |
| - other income (+) | 163,389,267 | 709,679,225 |
| - taxes and duties (-) | (87,979,007) | (74,661,562) |
| - costs/revenues from groups of assets held for sale after tax (+/-) | - | - |
| **2. Cash flow from (used in) financial assets** | **4,124,371,749** | **2,241,578,348** |
| - financial assets held for trading | (6,814,237) | 142,965,454 |
| - financial assets designated at *fair value through profit and loss* | - | - |
| - financial assets available for sale | 1,919,859,248 | 744,981,729 |
| - loans to customers | (288,804,325) | 2,817,316,001 |
| - due from banks: repayable on demand | 752,397,854 | (530,890,037) |
| - due from banks: other | 2,157,943,598 | (368,455,572) |
| - other assets | (410,210,389) | (564,339,227) |
| **3. Cash flow from (used in) financial liabilities** | **(4,594,926,856)** | **(2,449,636,389)** |
| - due to banks: repayable on demand | 226,623,190 | 2,369,997,609 |
| - due to banks: other | (6,385,841,492) | (659,301,481) |
| - due to customers | 2,729,370,265 | (2,438,535,351) |
| - securities issued | (1,227,036,778) | (2,047,207,142) |
| - financial liabilities held for trading | 38,881,298 | (128,595,537) |
| - financial liabilities designated at *fair value through profit and loss* | (84,188,196) | 254,721,668 |
| - other liabilities | 107,264,858 | 199,283,845 |
| **Net cash flow from (used) in operating activities** | **(653,028,280)** | **(461,516,780)** |
| *B. INVESTMENT ACTIVITIES* | | |
| **1. Cash flow from** | **14,355,430** | **742,522,439** |
| - sales of equity investments | - | 101,423,307 |
| - dividends collected on equity investments | 11,842,125 | 44,872,006 |
| - sales/reimbursement of financial assets held to maturity | - | 596,219,027 |
| - sales of property and equipment | 2,513,305 | 8,099 |
| - sales of intangible assets | - | - |
| - sales of subsidiaries and business branches | - | - |
| **2. Cash flow used in** | **(134,859,111)** | **(278,878,730)** |
| - purchase of equity investments | (102,059,330) | (236,725,218) |
| - purchase of financial assets held to maturity | - | - |
| - purchase of property and equipment | (15,087,103) | (20,463,671) |
| - purchase of intangible assets | (17,712,678) | (21,689,841) |
| - purchase of subsidiaries and business branches | - | - |
| **Net cash flow from (used in) investment activities** | (120,503,682) | 463,643,709 |
| *C. FUNDING ACTIVITIES* | | |
| - issue/purchase of treasury shares | 768,500,218 | (3,022,597) |
| - issue/purchase of equity instruments | - | - |
| - distribution of dividend and other | - | - |
| **Net cash flow from (used in) funding activities** | **768,500,218** | **(3,022,597)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR** | **(5,031,744)** | **(895,668)** |

- KEY: (+) from; (-) used in
- Figures in EUR/000

# RECONCILIATION

| | *Amount* | *Amount* |
|---|---|---|
| *Items* | 31/12/2014 | 31/12/2013 |
| Cash and cash equivalents at the beginning of the year | 133,353,262 | 134,248,930 |
| Net increase (decrease) in cash and cash equivalents during the year | (5,031,744) | (895,668) |
| Cash and cash equivalents: effect of changes in exchange rates | - | - |
| Cash and cash equivalents at the end of the year | 128,321,517 | 133,353,262 |

Figures in EUR/000

# EXPLANATORY NOTES

# Part A

## ACCOUNTING POLICIES

# A.1. INTRODUCTION

## SECTION 1
## Statement of compliance with international accounting standards

The financial statements of the Banca Carige Group, have been prepared in accordance with the IAS/IFRSs and related interpretations (SIC/IFRIC) as issued by the International Accounting Standards Board (IASB), endorsed by the European Union and effective at the reporting date for these Financial Statements. Please refer to the financial statements section concerning the Annexes for a list of the international accounting principles and related interpretations (SIC/IFRIC) approved and in effect for the financial statements as at 31 December 2014.

## SECTION 2
## General accounting policies

The Banca Carige financial statements were prepared in accordance with the general principles of IAS1 and the guidance contained in Bank of Italy Circular no. 262 of 22 December 2005, 3rd update of 22 December 2014. More specifically:

- Balance Sheet, Income Statement and Explanatory Notes.

With reference to the Balance Sheet and Income Statement, no accounts are recognised if there was no amount for either this or the previous financial reporting year.

As regards the Explanatory Notes, the tables were only compiled with reference to current phenomena.

In the Income Statement (statements and Explanatory Notes) revenues are indicated without a +/- sign, whereas costs are indicated in brackets.

- Statement of comprehensive income

The statement of comprehensive income presents not only profit for the year, but the other profit components, split into those with and without reversal to the income statement. No accounts are recognised in this statement if there was no amount for either this or the previous financial year; negative amounts are indicated in brackets.

- Statement of changes in shareholders' equity.

The statement of changes in shareholders' equity illustrates the breakdown and changes in shareholders' equity for the current and previous years.

- Statement of cash flows.

The statement of cash flows was prepared using the direct method.

- Reporting currency and rounding.

The financial statements have been prepared in Euros.

Captions, sub-captions and "of which" balances are rounded up or down to the nearest Euro. The rounded balances of each caption are obtained by summing the rounded sub-captions. The algebraic

total of the differences due to the rounding of items is recorded under “other assets/liabilities” for the Balance Sheet and under “other operating income/expenses” for the Income Statement.
The explanatory notes are expressed in thousands of euro unless otherwise indicated.
Amounts equal to or lower than Euro 500 are ignored; amounts greater than Euro 500 are rounded up to the nearest thousand. Amounts illustrated in the explanatory notes are rounded so as to be consistent with the amounts presented in the balance sheet and income statement.

- Going concern.

With reference to guidance provided in Document no. 2 of 6 February 2009[1] jointly issued by the Bank of Italy, Consob and ISVAP as subsequently updated, the Group reasonably expects to continue operating as a going concern in the foreseeable future, in light of the Capital Plan (approved by the Board of Directors in its meeting of 26 October 2014 and submitted to the ECB on 5 November 2014) setting the measures to ensure coverage of the shortfall identified during the Comprehensive Assessment by way of a capital increase and asset disposals, in view of the approval of the new 2015-2019 Business Plan by the Board of Directors in the current month of March[2]

- Accrual basis of accounting.

Costs and revenues are recorded, regardless of their monetary settlement date, according to the principles of economic accrual and correlation.

- Consistency of presentation.

Presentation and classification of captions are kept consistent from one year to another to ensure comparability unless changes are required by an IFRS or interpretation or it is clear that another presentation or classification would be more appropriate for the reliable and material presentation of information. When the presentation or classification of captions is changed, the corresponding

[1] Also referenced to in Document no. 4 of 3 March 2010.
[2] Note added following the Board of Director's meeting of 19/03/2015:
With regard to the capital strengthening measures disclosed to the market through the Press Release issued on 19 March 2015, notice is hereby given that the Board of Directors, in its meeting on the same date:
- expressed its considerations regarding the decision of the European Central Bank (ECB) authorising the Bank to implement the Capital Plan presented on 5/11/2014 and setting out Group-specific prudential requirements for additional own funds to be met on a consolidated basis, which provide for the attainment of a minimum 11.50% level of Common Equity Tier 1 ratio by the end of July 2015 and a ban on dividend payout;
- resolved upon the proposal for a EUR 850 mln share capital increase with consideration via a rights issue for existing shareholders, to be submitted for approval to the Extraordinary Shareholders' Meeting, convened for 23 April 2015. The capital increase will be backed by a Syndicate of leading financial institutions led by Mediobanca – Banca di Credito Finanziario S.p.A., acting as Global Coordinator;
- resolved upon the proposal for a capital increase with consideration for a maximum amount of EUR 15.8 mln exempt from the pre-emptive rights of existing shareholders, to be effected via a contribution in kind of the non-controlling interests respectively held by 'Fondazione de Mari Cassa di Risparmio di Savona' and 'Fondazione Cassa di Risparmio di Carrara' in the subsidiary banks, Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A;
- approved the 2015–2019 Business Plan, set to steer the Group's business for the next five years. The Plan fits within and strengthens the guidelines identified in the turnaround strategy launched in 2014 with a view to bringing the Group back to its tradition of a sound, locally rooted retail and corporate bank for households and businesses, focusing on the highest-potential regions of Northern and Central Italy, with risk profile mitigated by better credit management and engaged with the role of being an “efficient distributor”.

On the basis of the above, Directors are of the opinion that the Group has the current and forward-looking ability to comply with such additional obligations.

amounts are restated accordingly, unless this is not feasible, and a description of the nature and reasons for the restatement is given.

- Materiality and aggregation.

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

- Netting.

Assets, liabilities, costs and revenues are netted and the net amount reported only if allowed under IFRS or IFRIC, or if expressly required under the financial statement formats specific to banks.

- Comparative figures.

Comparative information is provided for the previous period for all figures recorded in the financial statements based on the provisions of IAS 1.
Additional information is also provided when considered appropriate. The financial statements also comply with Legislative Decree 87/92, the articles of the Italian Civil Code and corresponding provisions of the Consolidated Law on Finance (TUF) applicable to reporting obligations for listed companies (Article 2428, Italian Civil Code), auditing (Article 2409-bis, Italian Civil Code) and publication of financial statements (Article 2435, Italian Civil Code).

## SECTION 3
## Subsequent events

For this information please see this section of the consolidated financial statements.

## SECTION 4
## Other aspects

### Option for national tax consolidation

Banca Carige S.p.A. and the companies of the Carige Group have adopted the so-called "national tax consolidation", as regulated by articles 117-129 of the Consolidated Law on Income Tax (*Testo Unico delle Imposte sui Redditi* - "TUIR")" that was introduced in fiscal legislation by the Legislative Decree No. 344/2003. It consists of an optional treatment, whereby the total net income or the tax loss of each subsidiary participating in the tax consolidation - together with the withheld amounts, the deductions and tax credits - are transferred to the parent company, for which a single taxable income or a single reportable tax loss is determined (resulting from the algebraic sum of its own income/losses and of those of the participating subsidiaries) and, consequently, a single tax payable/receivable is calculated.

By virtue of this option, the Parent Company Banca Carige, the other banks of the Group, the Insurance Companies and the other companies of the Group, Columbus Carige Immobiliare S.p.A., Immobiliare Carisa S.r.l., Assi 90 S.r.l., I.H. Roma S.r.l., Dafne Immobiliare S.r.l. and Creditis Servizi Finanziari S.p.A., which adhered to the "national tax consolidation", determine their own tax burden and the corresponding taxable income is transferred to the Parent Company.

### Auditing

The financial statements of Banca Carige S.p.A. are audited by Reconta Ernst & Young S.p.A., in accordance with the Shareholders' Meeting Resolution of 29 April 2011, which appointed this company for the years from 2012 through 2020.

## A 2 – PART RELATING TO THE MAIN BALANCE SHEET ITEMS

The accounting standards applied in the preparation of the separate financial statements of Banca Carige S.p.A. as at 31 December 2014 are illustrated below.
In accordance with regulations, the format for each class of assets and liabilities considered indicates the criteria adopted for the classification, recognition (initial and subsequent), measurement, cancellation and recording of income components.

### REGULATORY UPDATES

On 22 December 2014 the Bank of Italy published the third update to circular No. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation".
This update incorporates the novelties related to *disclosure* that were introduced by virtue of the IFRS 12 international accounting principle "Disclosure of Interests in Other Entities"[3] and modifies the information memorandum in Part F of the notes "Information related to equity" and Section 2 "Own funds and regulatory capital ratios" to take into account the changes introduced by (EU) Regulation No. 575/2013 of the European Parliament and Council of the 26 June 2013 ("CRR Regulations") and European Parliament and Council Directive 2013/36/EU dated 26 June 2013 ("CRD IV Directive").
The changes that were introduced apply to the financial statements for financial years ending on, or in progress on 31 December 2014, with due exception for the information memorandum on "renegotiated performing loans". which applies only to company financial statements starting from the financial statements for the financial year ending on, or in progress on 31 December 2015.
With reference to IFRS 12, the main changes that were introduced regard the information memorandum on:
- the "significant judgements and assumptions" adopted to establish the existence of exclusive control, joint control or significant influence on another entity;
- the composition of the group;
- the controlled companies with significant non-controlling third party interest;
- the significant restrictions on the possibility to use the assets, or liquidate liabilities of controlled companies;
- the nature of and the associated risk of consolidated structured entities (e.g. special-purpose vehicles);
- the consequence of changes in interest in controlled companies that can involve the loss of control or otherwise;
- the jointly controlled companies or companies subject to significant influence that are deemed significant by the intermediary preparing the financial statements;
- The nature and extent of interest in non-consolidated structured entities and related risk.

Moreover, details regarding performing loans, granted by bank intermediaries to customers in financial difficulties, that are under renegotiation (hereinafter referred to as "renegotiated performing loans") as well as further information on the liquidity risk and the fair value of financial derivatives must also be provided.
In 2014 the review and integration continued of international accounting standards, interpretations or amendments which, partially apply to the financial statements for the year ended 31 December 2014.
In particular, the main items of information deriving from the change to the international accounting standards (IAS/IFRS) and which are applicable as of these financial statements, although with no significant impact on the accounts, include:

[3] Adopted by (EU) Council Regulation No. 1254/2012 of 11 December 2012 and modified by (EU) Council Regulation No. 313/2013 of 04 April 2013 and (EU) Council Regulation No. 1174/2013 of 20 November 2013.

- IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Consolidated and Separate Financial Statements, IAS 28 – Investments in Associates and Joint Ventures (Reg. (EC regulation no. 1254/2012 of 11/12/2012 and EC Regulation no. 313/2013 of 04/04/2013).

  These documents' main innovations are contained in IFRS 10; the new standard arises from the need to combine into a converged document the consolidation principles and indications to minimise practical inconsistencies identified in the system by the IASB, thus superseding the provisions of IAS 27 – Consolidated and Separate Financial Statements and SIC 12 "Consolidation – Special Purpose Entities". In particular, the concept of control was radically changed: an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Key elements of the new definition are:

  a) the decision-making power exercised over the investee;
  b) exposure to variable returns from its involvement with the investee;
  c) investor's ability to affect returns through its power over the investee.
- Amendments to IAS 32 Financial instruments: Balance sheet reporting — Offsetting financial assets and liabilities[4] (adopted by EU Regulation 1256/2012 dated 13/12/2012);
- Modifications to IFRS 1 – First time adoption of the International Financial Reporting Standard (EU Regulation no. 313/2013 of 04/04/2013). (EU) no. 313/2013 of 04/04/2013)[5];
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities, IAS 27 – Separate Financial Statements (Reg. no. 1174/2013 of 20 November 2013)[6];
- Amendments to IAS 36 – Impairment of Assets: Additional information on the recoverable value of non-financial assets (EU Regulation no. 1374/2013 of 19/12/2013); EC Regulation no. 1374/2013 of 19/12/2013).
- Amendments to IAS 39 Financial instruments: Recognition and Measurement: Novation of derivative instruments and continuation of hedging (EU Regulation no. 1375/2013 of 19/12/2013) EC Regulation no. 1375/2013 of 19/12/2013).
- IFRIC 21 – Levies (EU Regulation no. 634/2014 of 13/06/2014). EC Regulation no. 634/2014 dated 13/06/2014)[7].

It should also be noted that EC Regulation 1361/2014 of 18/12/2014 which adopted the modifications to IFRS 3 - Business combinations, IFRS 13 - Fair value measurement and to IAS 40 - Investment property was published in 2014. Such modifications will enter into force starting from 1 January 2015[8].

Lastly, below is a list of documents published by the International Accounting Standards Board (IASB) and not yet endorsed:

- IFRS 14 - Regulatory Deferral Accounts; the new provisions apply starting on 1 January 2016;
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations; new regulations shall apply as of 1 January 2016;

[4] EC Regulation 1256/2012, allows a possible deferment of application of IAS 32 at the latest to the start of their first financial year commencing on or after 1 January 2014. In actual fact the Group has already applied the principle as of 31/12/2013 together with the modifications to IFRS 7 - Financial instruments: Additional information - Offsetting financial assets and liabilities.

[5] The principle was modified in accordance with the changes made, in the same Regulations, to IFRS 11.

[6] For the part that relates to the entity in which the investment was made.

[7] The regulation was rectified in August 2014 due to a translation error (page 11, Attachment on «International accounting standards», Section on «Scope»).

[8] EC Regulation no. 28 and 29 dated 17 December 2014 were published on 9 January 2015, Regulation no. 28/2015 adopted the modifications to IFRS 2, 3, 8 and IAS 16, 24 and 38 (entry into force planned for 1 January 2015) while Regulation no. 29/2015 adopted the modifications to IAS 19 (entry into force planned for 1 January 2015).

- Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation; the new provisions apply with effect from 1 January 2016;
- Amendments to IAS 16 and IAS 41: Agriculture - Bearer Plants; the new provisions shall apply as of 1 January 2016;
- Amendments to IAS 27: Equity Method in Separate Financial Statements; new regulations shall apply as of 1 January 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; new regulations shall apply as of 1 January 2016;
- Annual Improvements to IFRSs 2012–2014 Cycle; new regulations shall apply as of 1 January 2016;
- Modifications to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception; the new provisions shall apply as of 01/01/2016;
- Modifications to IAS 1 - Disclosure Initiative; the new provisions shall apply starting from 1/01/2016;
- IFRS 15 - Revenue from Contracts with Customers; new regulations shall apply as of 1 January 2017;
- IFRS 9 - Financial Instruments; following a 6 year development period on 24 July 2014 the IASB published the final version of IFRS 9 – Financial Instruments, which includes the following three phases[9]:
  1. The updated model for classification and measurement of financial instruments;
  2. The impairment model based on expected losses;
  3. The general hedge accounting model.

  The date for applying the model for the first time was confirmed as 1 January 2018. To date, the macro hedging model that the IASB will finalize and publish as a separate standard is still not available.

## 1. FINANCIAL ASSETS HELD FOR TRADING

Debt securities, equities and derivative contracts held for trading and with a positive value are classified under this category.

Included among the derivative contracts are those linked to the fair value option or as operating hedges for assets and liabilities classified to the trading portfolio.
Financial assets held for trading are:

- initially recognised at fair value, excluding transaction costs or revenues directly attributable to the instrument.

  Debt securities and equities are recognised at the settlement date: derivative contracts are recognised at the date of signing;
- after initial recognition, measured at fair value and the result recognised to the Income Statement (FVTPL);
- derecognised when the asset in question is sold, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

## 2. 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, due from banks and loans to customers, are classified under this category.

[9] The previous versions were superseded by the July 2014 version; nonetheless, the entities that opted for an early adoption of one of the previous versions before 1 January 2015 may continue to apply such previous version up to 1 January 2018.

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

Financial assets available for sale are:

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

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

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

  Gains or losses from a change in fair value are recognised to a specific reserve item under Shareholders' Equity, net of the tax effect; on discontinuation of the financial asset, accrued gains or losses are recognised to the Income Statement.
  Exceptions are impairment losses and exchange gains or losses. These refer to non-cash entries not included in fair value hedges on exchange risk. They are recognised directly to the Income Statement at the time they arise.
  Accumulated impairment losses are recognised to the Income Statement as "Net losses/recoveries on impairment of financial assets available-for-sale" (see Item 17 - Other information for the impairment testing methods for securities).
  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;

- derecognised when the asset in question is sold, substantially transferring all related risks and rewards, or when the contractual rights to cash flows have terminated.

### 3. FINANCIAL ASSETS HELD TO MATURITY

The Bank does not have financial assets held to maturity as it sold a significant amount of these assets during 2013. For this reason, financial instruments cannot be classified in this category for the 2013 financial year and for the two subsequent years (so-called Tainting Rule" pursuant to paragraph 9 of IAS 39).

### 4. LOANS AND GUARANTEES GRANTED

Loans to customers and to banks, trade receivables, debt securities, repo agreements and loans originating from financial leasing transactions are classified under this category.
These are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and cannot be classified as financial assets available for sale.
These financial assets are recognised when the Bank becomes a contractual counterparty. The instrument must be free from conditions.
Initial recognition is at fair value, corresponding to the amount disbursed or the subscription price, plus directly attributable transaction costs and revenues.

If the amount disbursed and its fair value do not match, the loan is initially recognised at an amount equal to the future cash flows discounted at an appropriate rate, and the difference recognised to the Income Statement.
After initial recognition, the financial assets classified under this category are measured at amortised cost if eligible. The amortised cost criterion does not apply to short-term loans - with a less than 12-month maturity - as the effects of such application would be immaterial.
The amortised cost is the initial recognition value, increased or decreased by capital repayments, adjustments, write-backs and amortisation - calculated using the effective interest rate method - of the difference between the amount disbursed and that repayable on maturity.
The effective interest rate is the rate equalling the current value of future cash flows (for capital and interest) on the amount disbursed, including costs and revenues associated with the full term of the loan.
The effective interest rate recognised initially is used, after initial recognition, to determine interest income and for the discounting of estimated future cash flows.
The estimation of the flows and contract duration take into account the contractual clauses that could affect such amounts and maturities, without considering expected loan loss.
At the end of each accounting period (annual and interim), impairment testing is performed on the entire loans portfolio and the securities portfolio (for the procedures for determining the impairment of securities, see Item 17 - Other Information).
The amount of the impairment - recognised to the Income Statement - is calculated as the difference between the book value of the asset and the current value of future cash flows estimated on the original effective interest rate.
If the reasons for an impairment loss cease to apply due to an event after the impairment is recognised, a write-back is recognised to the Income Statement.

The impairment testing of the entire loans portfolio is performed separately for:

- non-performing loans. This category includes bad loans, substandard loans, rescheduled loans and past due loans, as defined in current supervisory instructions;
- performing loans.

With regard to non-performing loans (excluding past due loans), testing is analytically performed on each individual position for loans exceeding the significance threshold, calculating estimated cash flows and related collection times.
This test takes into account the type, value and enforceability of any guarantees in support of the loan.
For loans below the significance threshold, the test - again analytical - is performed automatically and envisages the quantification of estimated recovery by mechanisms based on cases of proven impairment in the various guarantee combinations, exposures and customer types found in Bank archives.
Performing loans, including past due positions, are tested on a collective basis.
Testing is performed on categories similar in credit risk terms and loss percentages are estimated by taking into account the time series of losses attributable to each group.
The amount of the impairment is recognised to the Income Statement net of past provisions. If a previously written-down loan is recovered, the amount is recognised as a decrease under "Net losses on impairment of loans" in the Income Statement.

The loans are derecognised (so-called "derecognition"), when the asset in question is sold, substantially transferring all the connected risks and benefits (a case that concerns the sale of credits, including the operations of securitisation and aimed at the issuance of covered bonds), when the credit is fully repaid, or when the credit that has not been repaid but is considered fully or partially irrecoverable.
As the 2004 securitisation does not fully reflect the conditions of substantial transfer to third parties of the associated risks and rewards, it was reclassified to the balance sheet as at 1 January 2005. As regards securitisations and factoring aimed at the issue of covered bonds carried out after 1 January

2005, receivables have not been derecognised as they provide the substantial maintenance of risks and benefits.
The provisions for guarantees and commitments are calculated analytically and collectively by applying the same criteria adopted for cash loans. The measurement of risks and charges is performed according to IAS 37 criteria and the related provisions are recognised to the item "Other liabilities" as envisaged in Bank of Italy Instructions.
Accrued commissions, on the other hand, are recognised to the Income Statement item "Fee and commission income", whereas impairment losses and any subsequent recoveries are recorded under the item "Net losses/recoveries on impairment of other financial assets".
Any subsequent write-backs cannot in any event exceed the extent of the previously recognised write-downs.

## 5. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

The Bank has not designated any financial assets as measured at fair value, in other words it has not decided to make use of the fair value option, which involves the allocation of the result of the measurement to the Income Statement.

## 6. HEDGES

*The aim of risk hedging transactions is to neutralise potential losses on a given element or group of elements (hedge item) attributable to a specified risk, through profits achieved on a different element or group of elements (hedging instrument) should the risk-related event actually occur.*

The Bank uses the following types of hedges:

- fair value hedge, with the aim of hedging exposure to changes in fair value of a balance sheet item attributable to a specific risk.

  This type of hedge is used to cover interest rate risk for specific, individually identifiable items, such as customer loans, securities classified under assets available for sale and bonds, and to cover foreign exchange risk;
- Cash flow hedges, with the aim of hedging exposure to changes in future cash flows associated with balance sheet items or planned future transactions, attributable to a specific risk (interest rate risk). This type refers to:
  - ✓ portfolios of liabilities in which individual elements are not identified;
  - ✓ individual elements specifically identified, such as bond loans.

Hedging derivatives are measured at fair value. In particular:

- for fair value hedges, a change in fair value of the hedged item is offset against a corresponding change in the fair value of the hedging instrument.

  This offsetting is performed by recognition of changes in value for the hedged item to the Income Statement. Any difference, i.e. partial ineffectiveness of the hedging derivatives, reflects their net P&L impact;

- *for cash flow hedges, changes in fair value of the derivative are posted to shareholders' equity (for the effective portion of the hedge) and to the Income Statement only when, in reference to the hedged item, there is a cash flow to be offset.*

  *If the hedge proves ineffective, the change in fair value of the hedging agreement must be recognised to the Income Statement.*

Hedges are formally documented and subject to testing to confirm their effectiveness.
Support documentation for a hedge illustrates the elements involved, the risks hedged and the risk hedging strategies adopted.
The hedge is considered effective if the hedging instrument is able to generate a cash flow or change in fair value consistent with that of the hedged item.
Hedge effectiveness is assessed at the outset and continuously throughout its duration. At the end of each accounting period (annual or interim), the Bank performs effectiveness tests as follows:

- prospective test, to demonstrate the expected efficiency of the hedge in future periods;
- retrospective test, to show the degree of hedge effectiveness achieved in the reporting period.

From the moment a hedge becomes ineffective, hedge accounting must be cancelled and the hedge reclassified among trading instruments. The assets/liabilities hedged are measured according to the criterion applying to their respective category. The new recognition value is the fair value as at the date of the last successful test.

## 7. INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL

This category includes investments in subsidiaries jointly controlled or subject to significant influence not held for sale, recognised in the financial statements at cost.
Initial recognition is at the settlement date.
Non-controlling interests are posted to the item "Financial assets available-for-sale" (see paragraph 2).
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 derecognised on disposal of the business activities in question, substantially transferring all related risks and benefits, or when the contractual rights to cash flows have terminated.

## 8. TANGIBLE ASSETS

Land, property used in the business, investment property, technical equipment, furniture, fixtures and fittings, other equipment and artistic heritage not held for sale are classified under this category; assets to be leased as part of financial lease contracts are also included.
Tangible assets held for use in production or for the supply of goods and services are classified as assets for functional use in accordance with IAS 16.
Property owned for investment purposes (for rent income or for the appreciation of the capital invested) is classified as "assets held for investment purposes" in accordance with IAS 40. Property and equipment are:

- initially recognised at their acquisition cost, including any additional expense incurred, directly attributable to the purchase and start-up of the asset.

  The purchase price also includes the cost of extraordinary maintenance for owned property that is capitalized with an increment in the value of the asset resulting in a significant and tangible increase in productivity and/or an increase in the useful life of the asset10 (regarding extraordinary maintenance expenses for third party property refer to the specific Paragraph in Section 18 – Other information)11.

- after an initial recognition, valued at cost of purchase net of accumulated amortization and impairment losses.

  At least at the end of each year, a check is performed to ascertain whether or not the value of each of the properties in the portfolio (excluding assets pending as part of a financial lease or leasing of public property under a financial lease) has suffered and significant and durable loss of value. This valuation is based on internal and external sources of information. Should there be any indication that the value may have suffered an impairment loss (an amount for which the book value of an asset or a cash-generating unit exceeds its recoverable amount ), then an impairment test is carried out to compare the carrying amount of the asset and its recoverable amount. Any adjustments are booked to the income statement.
  Where the reasons for impairment cease to exist, a reversal is made, which shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior periods.

  Property and equipment are systematically depreciated on a straight-line basis throughout their useful life, except for:

  - land, acquired separately or incorporated in the property value, given its indefinite life.

    Separation of the property value from the land and building value, for all properties, is based on reports by experts registered with the professional orders;
  - artistic heritage, as the useful life cannot be estimated and the value is normally expected to increase in the long term.

  Depreciation is applied:

  - for buildings at an annual standard rate of 1.5%;
  - for other property and equipment at rates judged appropriate also from a statutory perspective.

- derecognised on discontinuation of the asset or when their future economic benefits from their use are no longer produced.

[10] On the other hand, the cost of ordinary maintenance for assets owned by the Company must be recorded in the Income Statement as incurred inasmuch as they are of a recurrent nature and have the objective of maintaining the asset in good working order.
11 On first-time adoption of the IASs/IFRSs, properties used in the business and investment properties owned by the Group's credit institutions were recognised at fair value as a replacement for their deemed cost; the separate values of land and buildings were reported, with consequent reversal of the accumulated depreciation of land to the Equity reserve.

## 9. INTANGIBLE ASSETS

Application software is classified in said category.
Intangible assets are recognised if they: are identifiable as such, originate from legal or contractual rights and are capable of generating future economic benefits.
An intangible asset is recognized only if it can be demonstrated that:

- it is probable that the expected future financial benefits that are attributed to such asset materialize;
- the asset cost can be reliably measured.

These intangible assets are measured at their adjusted cost, i.e. the initial acquisition cost including directly attributable expense, net of amortisation and impairment and gross of any revaluation, with breakdown of the amount to be amortised according to the useful life of the intangible asset.
The amortisation of intangible assets occurs on a straight line basis over their useful life and is recognised as a direct decrease in asset value.
At the end of each reporting period, if there is evidence that an asset may be impaired, then the asset's recoverable amount must be estimated. The amount of the loss recognised in profit and loss is equal to the difference between the carrying value and the recoverable amount of the assets.
Intangible assets are derecognised from the balance sheet on discontinuation or when they are no longer capable of producing future economic benefits.

## 10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets destined for sale and groups of assets and their relative associated liabilities in the process of being disposed of are classified in this category.
Assets held for sale must satisfy all of the following three requirements:

1. they must be available for immediate sale in their present condition, subject only to usual the terms and conditions applicable to the sale of such assets;
2. their sale must be highly probable;
3. they must not be destined to be abandoned.

Initial classification in the category of assets held for sale goes through the following phases:

1) immediately before initial classification: measurement of the asset applying the reference accounting standards: recognition of amortization and impairment test[12];
2) at initial classification: designation of non-current assets at the lesser of the book value and the fair value net of cost of sale.

Following initial classification, a non-current asset held for sale is valued at the lesser of its book value and its fair value net of cost of sale.
Subsequent measurement of property held for sale requires that:

- no amortization is recorded;
- any amount of the book value in excess of the fair value less costs to sell is recorded in the Income Statement (“impairment loss”);
- each successive increase in fair value less costs to sell is recorded in the Income Statement up to the cumulative impairment amount previously recorded pursuant to both UAS 36 and IFRS 5.

Such assets are included among "Non-current assets and groups of assets held for sale".

[12] IAS 36 (para. 9) indicates that an event such as a non-current asset disposal plan represents an indicator of impairment that imposes a redetermination of the recoverable value of the goods. In this category, the recoverable value can be calculated by making an estimate of the expected net sale price of the goods.

Only profit and loss (after tax) from groups of assets and liabilities held for sale are posted to the specific income statement item "Profit (loss) after tax from groups of assets held for sale and discontinued operations".
The Bank has identified as individual assets held for sale the insurance subsidiaries, Banca Cesare Ponti S.p.A. and Creditis Servizi Finanziari S.p.A.

## 11. DEFERRED TAX ASSETS AND LIABILITIES

Income tax, calculated in accordance with national tax legislation, is booked as a cost on an accrual basis, in accordance with the method of recognizing costs and revenues that generate it. Tax is recorded in the Income Statement with the exception of taxes related to line items that are directly debited or accredited to shareholders' equity. Current fiscal assets and liabilities represent the net fiscal position of the Bank with respect to Italian and foreign tax authorities. In particular, these amounts represent the net balance of current fiscal liabilities for the year, calculated on the basis of a conservative forecast of the tax charge for the year, determined on the basis of currently applicable tax regulations, and current fiscal assets represented by tax paid in advance and other tax credits for tax withholdings or other tax credits from previous years that the Bank has requested to offset against tax due in subsequent years.
Current fiscal assets also represent tax credit that the Bank has requested the relevant authorities to reimburse.
Taking into account the adoption of "national tax consolidation" by the Group, the fiscal position of the Parent Company and that of the other Group companies are managed individually from an administrative point of view.
Income tax provisions are calculated according to a forecast of the current, prepaid and deferred tax charges. Specifically, prepaid and deferred taxes are calculated according to temporary differences - without time limits - between the value attributed to an asset or liability, based on statutory criteria, and the corresponding value accepted for tax purposes.
Deferred tax assets are recognised to the financial statements to extent their recovery is probable, assessed on the basis of the continued capacity of the company or parent company involved - taking into consideration the effect of exercise of the tax consolidation option - to generate positive taxable income.
Those deferred tax assets which, in accordance with Law 214/2011, under certain conditions, are transformed into tax credits, do not require, unlike the others, any tests to assess their recovery potential and hence they are automatically recognised.
Deferred tax liabilities are recognized in the financial statements with the sole exception of reserves under tax suspension, insofar as such reserves were never distributed, not even in part, and not even the ones from a remote past (Italian Law 576/1975 and Italian Law 72/83). Therefore, it is reasonable to believe that no related taxation initiatives will be adopted.
Deferred tax assets and liabilities are recognised in the Balance sheet without offsetting under tax assets and tax liabilities, respectively.
Deferred tax assets referenced in Law 214/2011 are recognised in a dedicated sub-item of item 130b "Deferred tax assets".
Deferred tax assets and liabilities are systematically assessed to take into account any changes in regulations or tax rates.
The tax liabilities total is adjusted to meet charges that could derive from findings already notified or in any event from disputes pending with tax authorities.

## 12. PROVISIONS FOR RISKS AND CHARGES

Provisions for pensions and similar obligations, as envisaged in specific regulations, are recognised among liabilities for an amount sufficient to ensure that obligations arising from commitments are met as required by the related regulations.

The total Supplementary Pension Fund is calculated by an independent actuary using actuarial methods.
Provisions for pensions and for similar obligations are included among post-employment benefits, i.e. among compensation paid to employees upon termination of employment. According to IAS 19, these benefits can be classified as “defined contribution plans” or “defined benefit plans”, depending on the economic nature and on the main terms and conditions of the plan:

a) defined contribution plans, in which the entity pays fixed contributions to a distinct entity (a fund) without having a legal or constructive obligation to pay additional contributions if the fund’s assets are not sufficient to pay all employee benefits relating to the work performed in the current year and in previous ones; the actuarial risk (benefits are lower than expected) and the investment risk (invested assets are insufficient to fulfil expected benefits) are not borne by the entity but by the employee.
   The contributions to be paid to a defined contribution plan are recognised as follows:
   - as liabilities, after subtracting any contributions already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
   - as an expense, unless another International Accounting Standard requires or permits the inclusion of the contribution in the cost of an asset.

   Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the period in which the employees render the related service, the rate used to discount them shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no market for such bonds, the market yields (at the end of the reporting period) on government bonds shall be used.

   defined benefit plans, in which the entity guarantees determined benefits regardless of contribution, incurring both actuarial risk and investment risk. For defined benefit pension funds the annual variation in the Defined Benefit Obligation is booked to the income statement, as regards cost components (Service cost), and as regards financial components (Net interest on the net defined benefit liability (asset)); while the valuation-related component, comprised of actuarial gains and losses that originate from adjustments to previous actuarial assumptions made, is charged to the shareholders’ equity reserve (item 130 – Valuation reserves).
   The defined benefit plans also include the provision for employee severance pay (for a description of the adopted criteria refer to Paragraph "18 - Other information").

Additional information is provided in Section 12 - Provisions for risks and charges of the Explanatory Notes.

The "Other provisions" include provisions for liabilities of an uncertain amount or with an uncertain expiry date such as those related to presumed losses from legal disputes, including creditors' revocatory actions, or estimated outlays for any customer claims or other legal or constructive obligations that may be in existence at the end of the year.
"Other provisions" also include other long term employee benefits and employee incentives for termination of long term employment.
The provisions related to other long term employee benefits are those paid during employment that are not entirely due by the end of the successive twelve months following the end of the financial year during which the employees had worked and which are determined by the same actuarial criteria as provided by the pension fund, recognizing actuarial profits and losses immediately in the Income Statement.
Incentives for terminating employment are recognized at a time when the company is unable to withdraw from offering benefits; such liability is recognized before this date if restructuring costs that fall within the scope of IAS

37 are recognized and there are provisions for the payment of benefits in exchange for termination of employment.
The following provisions apply for the initial and subsequent recognition of the incentives for terminating employment:

- "benefits following employment", in the event that the benefit due for terminating employment is actually an improvement of the benefits following employment;
- "short term benefits", to be to be recognised on an accrual basis in the period in which the work is carried out, if it is believed that the benefits will be fully paid within the twelve month period following the end of the year in which these benefits are recognized;
- "other long term benefits", if it is believed that the benefits will not be fully paid within the twelve month period following the end of the year in which these benefits are recognized.

The provisions represent the best estimate of the outlay required to meet the obligation; these estimations are made based on past experience and on the opinions of external experts.

The provisions are re-examined at the end of each year and adjusted to reflect the best current estimate; if the passage of time has a significant effect on the value of the obligation, the flow of resources assumed necessary to extinguish the obligation is discounted.

The net provisions for the year is entered under "Net provisions to reserves for risks and charges" in the Income Statement; with the exception of economic items relative to employee benefits that, to better reflect their nature, are recorded under "Administrative expenses – Personnel costs".

If, upon re-examination, the occurrence of the expense appears improbable, the provision will be reversed and recorded in the Income Statement.

## 13. DEBTS AND SECURITIES ISSUED

This category includes the items Due to banks, Due to customers and Securities issued; securities issued include bonds issued, subordinated liabilities and certificates of deposit; they also include liabilities posted by the lessee during financial leasing transactions.

Debts and securities issued are:

- initially recognised at the fair value of liabilities, normally represented by the total collections or issue price, plus transaction costs directly attributable to the issue.

  These financial liabilities are first recognised upon receipt of the sums collected or at the time of issuance of debt securities. The fair value of any financial liabilities, issued at terms below arm's length, is estimated and the difference compared to the market value is recognised directly to the Income Statement;

- subsequently measured at amortised cost using the effective interest method;

  Short-term liabilities for which the time factor is negligible are recognised at the value collected;

- derecognised when the liabilities in question have matured or are settled, or repurchased in the case of previously issued securities. In this last case, the difference between the book value and the purchase cost is recognised through profit or loss.

  The re-placement of repurchased own shares on the market represents a new issue, with recognition at the new placement price and with no effect on the Income Statement.

## 14. FINANCIAL LIABILITIES HELD FOR TRADING

*Included in this category are derivative contracts held for trading and with a negative value, including those linked to the fair value option or as operating hedges for assets and liabilities classified to the trading portfolio.*
Financial liabilities held for trading are:

- initially recognised at fair value, excluding transaction costs or revenues directly attributable to the instrument.

  These are recognised at the date of subscription;

- measured at fair value and the result recognised to the Income Statement;
- derecognised when the related contractual charges substantially no longer apply.

## 15. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities designated at fair value through profit and loss are those measured at fair value according to the option provided for under IAS 39, para. 9 (so-called fair value option) and are:

- initially recognised at fair value, excluding transaction costs or revenues directly attributable to the instrument;
- after initial recognition, measured at fair value and the result recognised to the income statement (FVTPL).

Banca Carige classifies bonds issued with embedded derivatives, with related risks hedged by means of derivative contracts for which a hedging relation as not been activated due to the complexity of meeting the IAS 39 requirements, under this category.

## 16. CURRENCY TRANSACTIONS

On initial recognition, transactions in foreign currency are recorded in the operating currency, applying the current exchange rate as at the transaction date to the amount in foreign currency.
At the end of each period (annual or interim), balance sheet items in foreign currency are valued as follows:
- cash items are translated at the period-end exchange rate;
- non-cash items, measured at their historic cost, are translated at the transaction date exchange rate;
- non-cash items, measured at fair value, are translated at the period-end exchange rate;

Exchange differences from the measurement of non-cash items classified under financial assets available-for-sale are recognised to the Income Statement or shareholders' equity based on whether or not they are involved in fair value hedges for exchange risk.
Other exchange differences from disposal or translation differences on items in foreign currency are recognised to the Income Statement.

## 17. OTHER INFORMATION

### - EMPLOYEE TERMINATION INDEMNITIES

Employee termination indemnities are recognised according to their actuarial value as determined by an independent actuary.
For discounting purposes the projected unit credit method is used, which considers the projection of future outlay based on historic and statistical analysis and demographic curve analysis; the discounting rate is a market interest rate.
Contributions paid each year are considered separately and recognised and measured individually to calculate the final obligation.
In accordance with IAS 19, the employee termination indemnities are a "post-employment benefit".

Specifically, for employee termination indemnities (TFR):

- The portions of employee termination indemnities accruing after 1 January 2007 contribute towards a "defined contribution plan" both in the case of employees choosing the option of a supplementary pension and of allocation to the INPS Treasury fund (national social security authority). The amount is therefore calculated on the basis of contributions due, without application of actuarial calculation methods;
- the employee termination indemnities accrued as at 31 December 2006 are considered a "defined benefit plan" with the consequent need to perform an actuarial assessment without the proportional attribution of the benefit to the period of service provided, as the employment service to be assessed is considered to be fully accrued as a result of the change in the accounting nature of portions accruing from 1 January 2007 (date of entry into force of the supplementary pensions reform, Legislative Decree No. 252 of 5 December 2005).

Additional information is provided in Section 11 - Employee termination indemnities of the Explanatory Notes.

### - TREASURY SHARES

Treasury shares held are deducted from shareholders' equity.
Profits or losses on transactions in treasury shares are recognised to a specific reserve under Shareholders' Equity.

### - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

The Bank's remuneration policies define the structure of the variable component of the various managerial levels of the Group Banks through the use of incentives:
- short-term incentives, with the granting of spot amounts (cash) and deferred incentives in instruments connected to the value of shares of the Bank;
- medium/long-term incentives, with the granting of entirely deferred instruments linked to the value of the Bank shares.

With reference to the cases set out in IFRS 2, the Bank has the following types:

1) equity-settled share-based payments to employees.

All deferred components are supplied in "Units", i.e. "virtual" share units, which will be converted to ordinary Bank shares on given annual expiry dates, when certain conditions occur.

The charge is booked to item "150 a) – Administrative expenses – Personnel expense" in the income statement, as a contra-item to the increase in shareholders' equity, for an amount corresponding to the fair value of the equity instruments assigned at the so-called "grant date" and matured at the financial statement date. "grant date" matured at the financial statement date.
If the equity instruments assigned mature immediately, it must be presumed that the services provided by the counterparties have been received; if the equity instruments only mature at the end of a specific service provision period, it must be presumed that the services provided by the counterparty will be received in the future, in the maturity period.
After having recognised the services received and the corresponding increase in shareholders' equity, in compliance with the above provisions, no adjustments need to be made to total shareholders' equity after the maturity date. However, this provision does not prevent the recognition of a transfer within shareholders' equity; for example a transfer from one component of shareholders' equity to another.
2) share-based payments to employees settled in cash
All deferred components are supplied in "Performance Units", i.e. "virtual" shares, which will be transformed into cash according to the change in value of the underlying between the beginning of the assignment of the "virtual shares" and maturity of the same. The value of the incentive is therefore connected with the change in share values and with the minimum performance levels benchmarked with pre-set economic and effectiveness indicators.
Related charges are entered into items "180 a) – Administrative expenses – Personnel expenses" and "100 – Other liabilities" upon occurrence of expected conditions.
Financial liabilities are measured at fair value by applying a measurement pattern of the option price, thus considering the terms and conditions according to which the revaluation rights have been assigned, as well as to what extent the staff rendered its services until that date.
Until settlement of the liability, the related fair value is re-determined at each closing balance-sheet date and at the payment date.

**ALL CHANGES IN FAIR VALUE ARE DISCLOSED IN THE INCOME STATEMENT**

Revenue is recognised when the vehicle receives or when it is probable that it will receive future economic benefits and these benefits can be determined reliably.
More specifically:

- dividends are recognised to the Income Statement as at the date of the Shareholders' Meeting resolution approving their allocation;
- interest is recognised on the basis of the contractual interest rate, or effective rate if the amortised cost is applied;
- revenues deriving from the sale of non-financial assets are recognised on completion of the sale;
- fee and commission income and income deriving from the provision of services are recognised in the financial statements during the period in which the services are provided.

Costs incurred for the provision of services and costs to be incurred to complete the provision are recognised to the Income Statement in the same accounting period as the related revenues.
If cost-revenue association is not feasible, the costs are immediately recognised to the Income Statement in the year in which they are incurred.

**- EXTRAORDINARY EXPENSES ON THIRD PARTY PREMISES**

This relates to costs incurred for the renovation of third party properties that can be capitalised as the rental agreement establishes a form of control over the asset and the Bank can therefore expect future economic benefits. These expenses are amortised over the residual duration of the lease and are recognised in full to the Income Statement in the event of vacation of the premises prior to expiry of the lease.

These costs are recognised to "Other assets" in accordance with the Bank of Italy instructions on financial statements, which only require such costs to be recognised as "Property and equipment" when expenses for the improvement of third party assets can be identified and separated.
The amortisation provision for the period is allocated to the Income Statement under "Other operating expenses and income".

### - REPURCHASE AGREEMENTS UPON REPURCHASED OWN SECURITIES

Borrowing repurchase agreements with repurchased own securities as underlying are recognised as new placement on the securities market by increasing liabilities of securities issued (Borrowing repurchase agreements), with the recognition, for the purposes of the disclosure on interest rate and liquidity risk as per Part E of the Explanatory Notes, of the obligation to reimburse securities upon maturity of transactions.
Similarly, repurchase agreement transactions with bank and financial parties with securities issued by the same entities as underlying are entered in purchased securities portfolios and the commitment to resell these securities upon maturity of transactions is disclosed.

### - BUSINESS COMBINATIONS

Business combinations are governed by the provisions of IFRS 3 – Business Combinations. The standard was modified by the IASB in January 2008 and adopted by Regulation EC no. 495 published on 3/06/2009, with mandatory effect as of financial years that start on or after 1 July 2009[13].

### - BUSINESS COMBINATIONS AMONG ENTITIES UNDER COMMON CONTROL

Business combinations among entities under common control are not covered by the scope of application of IFRS 3, nor are they addressed by other IFRS; therefore, they are defined in reference to the provisions of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

IAS/IFRS provide specific reference guidelines (paragraphs 10–12, IAS 8) if a transaction is not covered by IAS/IFRS, requiring the Directors to also consider more recent rulings of other regulatory bodies that use conceptually similar structures to define their accounting standards.
For transactions of this kind, the assets and liabilities of the combined entities are recognised at their historical (book) values, instead of their respective fair values. This concept was basically implemented at national level by Assirevi, through OPI document no. 1 on the accounting treatment of "business combinations of entities under common control".

### - FAIR VALUE MEASUREMENT METHOD

IFRS 13 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in a normal transaction between market participants as at the measurement date.
Therefore, it is a sort of "exit price" under current market conditions, regardless of whether that price is directly observable or estimated using valuation techniques.
IFRS 13 indicates that, in calculating the fair value:

- the prices on the principal market must be identified (taken to mean the market with the greatest volume or level of activity) or, in its absence, on the most advantageous market;

- fair value must be measured using the assumptions that the market participants would use to price an asset or liability, assuming that market participants act in their best interest;

[13] Given the Banca Carige Group did not avail itself of the option of early application of the standard, the date of entry into force is 1 January 2010.

- it recognises the distinction between a price quoted on an active market and a price not quoted on an active market.

IFRS 7 requires financial disclosures to indicate the fair value of each class of financial asset and liability, so it can be compared with the associated book value.
Equity instruments for which the fair value cannot be reliably determined are valued at cost.

1. Financial instruments

a) Securities and derivative contracts
The fair value of financial instruments corresponds to the listed price for instruments listed on active markets, and to the value calculated through the use of valuation techniques for other instruments.
A financial instrument is considered listed on an active market when its price is readily and regularly available from stock exchanges, operators, intermediaries or pricing agencies and when this price represents actual arm's length transactions taking place on a regular basis as standard, or potential transactions that could take place on such bases.
This category includes instruments admitted to trading on regulated markets or systematically traded through "alternative trading" system[14], whose prices are considered to be "meaningful", together with those obtainable from leading intermediaries on other markets, when the prices proposed represent potential transactions.
A regulated market does not guarantee the presence of "meaningful" prices when at least one of the following conditions apply:

- trading is highly infrequent and volumes are of little significance;
- there is no information on volumes and trading and the pricing methods are considered unreliable or are no longer published;
- there is insufficient "breadth" and "depth" to the market.

An alternative trading system or a contributor does not guarantee the presence of "meaningful" prices when at least one of the following conditions apply:

- trading is highly infrequent and volumes are of little significance;
- there is no information on volumes and trading;
- there are not at least two contributors of high standing, who continuously publish "aligned" prices over time on Bloomberg or Reuters pages.

For financial instruments listed on active markets, the current "cash" or "bid" price is used for financial assets held and the current "offer" or "ask" price is required for existing financial liabilities.
If the bid and ask prices are not available, the price of the most recent transaction may provide an indication of the current fair value.
For equivalent financial assets and liabilities, with matching positions in terms of market risk, mid-market prices are used instead of the bid or ask price as a basis for measuring fair value.
All the prices considered are those obtained as at year end.
For shares in CIS, including hedge funds, if no price is available on an active market, the value published by the management company is used.
For financial instruments not listed on active markets, if there are no recent market transactions to use as reference, the fair value is calculated using valuation techniques to establish the price of a hypothetical arm's length transaction, as at the measurement date.
Theoretical measurement is performed using specific internal pricing models developed in accordance with financial best practices, namely employing measurement techniques generally used by market operators to establish fair value, e.g.: discounting of future cash flows, determination of discount rates, use of credit spreads, if necessary referring to those of similar financial instruments, option

[14] Secondary markets not officially regulated on which financial instruments already issued are systematically traded on the basis of pre-established transparent rules and conditions known to all participants concerned.

measurement models, interest rate, exchange rate and price volatility, and any other necessary measure to determine a theoretical price for the financial instrument in question.
The measurement methods established for each unlisted financial instrument are adopted consistently in the long term, unless amendments or improvements are considered appropriate.
All parameters of the models used are based on the market conditions prevailing as at year end.
The fair value of derivative contracts includes the valuation of counterparty credit risk, if the fair value is positive (Credit valuation adjustment - CVA), or valuation of own credit risk, if the fair value is negative (Debit valuation adjustment - DVA); derivative contracts subject to margin trading (CSA agreements) are excluded from calculation of the CVA and DVA.
The fair value of bonds issued includes the evaluation of own creditworthiness (Own Credit risk Adjustment - OCA).
b) Other financial instruments
The fair value of the financial instruments other than securities issued or in the portfolio and derivative contracts, to be disclosed in the tables of the explanatory notes, is measured by using a Discounted Cash Flow type analysis method.
A risk neutral approach is applied, using PD and LGD risk parameters to calculate the expected value of future cash flows; cash flows are discounted using a risk-free discount factor.
For payables, own creditworthiness is evaluated using the same criteria adopted for bonds issued.
For the following cases, it is presumed that the book value is a reasonable approximation of fair value:

1. impaired loans;
2. short-term receivables and payables.

2. <u>Non-financial assets</u>

For owned property held for investment purposes, the fair value is only required for disclosure in the explanatory note tables.
Measurement of the fair value of a non-financial asset must consider the capacity of market participants to generate economic benefits by employing the asset in its highest and best use or selling the asset to whichever entity can guarantee said use.
The use of the above makes reference to the use of an asset by market participants which should maximise the value of the asset or group of assets and liabilities in which the asset should be used, considering the uses of the asset which are physically possible, legally granted and financially feasible at the measurement date.

- **RULES FOR RECLASSIFYING FINANCIAL INSTRUMENTS**

Details of the reclassifications, and related economic and equity effects, performed by the Bank are described in Part A - Accounting Policies, Section A.3 "Information on transfers between portfolios of financial assets" of the Explanatory Notes. This is a disclosure required by Circular 262 of the Bank of Italy – Bank Financial Statements: Schemes and rules for preparation which acknowledged the changes introduced by the amendments IAS 39 and IFRS 7 in October 2008. These changes authorise the reclassification of debt instruments designated at fair value from the HFT (held for sale) category in rare circumstances and when the financial asset is no longer held for sale for short-term repurchase[15]. Specifically, financial assets held for trading may be reclassified to AFS, HTM and to Loans & Receivables (if the definition of "Loans & Receivables" is satisfied as at the reclassification date). Under the fair value option, recognition of derivatives and fair value financial instruments to the income statement remains strictly forbidden.
The regulatory action also concerned the option of reclassifying debt instruments from AFS to L&R if the conditions envisaged for their inclusion in such a category are met.

[15] The reclassification is not permitted for hybrid instruments for which the embedded derivative cannot be separated.

For transfers from the HFT category, the reclassified financial asset is recognised to the new category (AFS, HTM or L&R) at its fair value as at the reclassification date. Past gains or losses recognised to the Income Statement (including any capital gains or losses from measurement) must not be written off. The fair value of the financial asset as at the reclassification date represents the new cost or amortised cost and from that moment on the effective rate of return must be calculated for use in recording interest to the income statement.
For reclassification from the AFS category also, the reclassified financial asset is recognised to the new category (HTM or L&R) at its fair value as at the reclassification date; this value represents the amortised cost of the instrument and interest is recognised to the income statement according to the effective rate of return calculated on the reclassification date. Gains or losses previously recognised to the valuation reserve for AFS securities, if referring to an instrument with a predetermined maturity, are amortised on a straight line basis according to the amortised cost method, whilst instruments without a predetermined maturity are suspended in the reserve until their sale or settlement.
For transfers from the HTM category to AFS, the value of the security is adjusted to its fair value as at the date of transfer, and the difference between the book value and fair value as at the date of transfer is posted to the AFS reserve and retained until the asset is cancelled from the financial statements.

### - CALCULATION OF THE FAIR VALUE HIERARCHY

As required by reference regulations (IFRS 13 - Fair Value Measurement) and in compliance with the provisions of Circular no. 262 of 22 December 2005 "Bank financial statements: schemes and rules for preparation" issued by the Bank of Italy, Banca Carige provides, for each class of financial instrument and non-financial instrument, the fair value hierarchy level at which the individual instruments were classified (see Section A.4 for details).
The fair value hierarchy is comprised of the following levels, in decreasing order of priority:

- level 1: the fair value is determined directly on the basis of market prices observed in markets that trade assets or liabilities that are identical to the ones being measured; specific emphasis is placed on determining the main market or, if absent, the most advantageous market as well as the possibility that the firm preparing the financial statements can carry out the transaction at the market price on the date of measurement;
- level 2: fair value is calculated on the basis of inputs other than quoted prices referred to in level 1 which are directly or indirectly observable;
- level 3: fair value is calculated on the basis of non-observable inputs and is based on the assumptions it is presumed market participants would make to calculate the value of the instrument.

The inputs used to calculate the fair value of an instrument could belong to different levels of the fair value hierarchy; in these cases, the instrument is classified in its entirety in the same level of the hierarchy in which the lowest level input is classified.
In the event significant adjustments are made to level 2 inputs with respect to the total fair value of the instrument, the latter is classified in level 3 of the fair value hierarchy if these adjustments use significant non-observable inputs.

### - PROCEDURES FOR DETERMINING IMPAIRMENT OF SECURITIES IN THE PORTFOLIO

Securities classified as Financial assets available-for-sale, financial assets held to maturity and loans and receivables are periodically impairment tested to identify any objective evidence of significant or durable loss of value.
At the end of each annual or interim reporting period, impairment testing is performed and any impairment is recognised to the income statement, at market prices for listed financial instruments and

at the current value of estimated future cash flows (discounted at the effective interest rate) for unlisted instruments. A negative change in fair value is considered for impairment testing purposes only if it is deemed permanent; in this case, the cumulative loss for the year and any shareholders' equity reserves are recognised to the income statement.
The impairment testing process is triggered by one of the following conditions: a decrease in fair value greater than 20% (for unstructured debt securities) or 25% (for equities and structured debt securities) compared to their book value, or a persistent and constant decrease in fair value for more than 12 months (debt securities) or 18 months (for other financial instruments).
With reference solely to financial instruments representing capital (Shares, Mutual Funds, Private Equity, Hedge Funds, etc.), if the quantitative parameters indicated below are exceeded, this determines, in any case, the so-called "automatic impairment":
- Severity greater than 30% or
- Durability greater than 24 months.

With regard to debt securities, following the quantitative stage described above, before recognition of impairment, a qualitative assessment is performed for each financial instrument, including an analysis of issuer fundamentals.
The securities selected in the quantitative phase and not subject to the recognition of so-called "automatic" impairment are subject, upon preparation of half-yearly and annual reports, to an additional qualitative assessment phase targeted at a prior verification of the actual existence of the requirements of loss durability and severity, also in relative terms, in particular with respect to the performance of their respective markets/sectors, except for exceptional and justified cases, over a time period of 12 (debt instruments) or 18 months (equity instruments) prior to the date of the impairment test, in order to support any decisions on whether to impair the securities or not. The longest observation period for the latter is related to their higher volatility.
When there is objective evidence of impairment, the following action is taken:
- L&R or HTM investments recognised at amortised cost: impairment is measured as the difference between the book value of the asset and the current value of estimated future cash flows (excluding unrealised future losses), discounted at the original effective interest rate of the financial asset (e.g. the effective interest rate calculated on initial recognition);
- AFS financial assets: as required by paragraph 67, IAS 39, "The cumulative loss recognised directly to shareholders' equity is reversed and recognised to the Income Statement even if the financial asset has not been derecognised". In practice, the difference between the current amortised cost and the fair value is recognised to the Income Statement as at the corresponding reference date of:

    - reversal from the AFS reserve retained from the previous year and

    - the decrease in securities by an amount equal to the difference between the book value and the related fair value as at the reference date.

- **USE OF ESTIMATES AND ASSUMPTIONS IN PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS**

Preparation of the annual financial statements requires the use of estimates and assumptions for the calculation of certain cost and revenue components and for the valuation of assets and liabilities.
Estimates and assumptions are more likely to be used for the fair value measurement of goodwill and amounts recognised in relation to financial assets available for sale and loans to customers and the quantification of staff provisions and of provisions for risks and charges.
Even if the current macroeconomic situation and high volatility of financial markets make measurement of credit risk, valuation of financial instruments, assessment of impairment losses on available-for-sale (AFS) securities more complicated and require an analysis of the effects that these assessments might have, no indicators have emerged in the Group's capital and financial structure or

in its operating performance which may raise uncertainties over its going concern assumptions. In light of the contents of the Consolidated Report on Operations – Main Risks and uncertainties and business outlook, the going concern assumption is confirmed as the basis for preparation of this interim financial report..

Loans were classified according to strict guidelines which are reflective of the consequences of the negative developments in the economic environment; loan-related valuations were estimated on the basis of evidence emerging from the monitoring of existing relations with borrowers and their economic-financial situation.

It should be noted that an extension or worsening of the current economic-financial crisis may cause a further deterioration of the debtors and issuers' financial conditions, which may translate into higher losses on loans granted or on financial assets purchased than those currently estimated and accordingly considered during preparation of this financial report.

For the purpose of the identification of non-performing past-due/overdraft loans, the Group has adopted the provisions of Art. 178 of EU Regulation no. 575/2013 (CRR), effective since 1 January 2014, and the amendments introduced by the Bank of Italy with its letter of 12 March 2014, which modified the definition of credit quality previously set out in Bank of Italy's Circular 272/2008 with regard to non-performing past due/overdraft loans. In relation to the above, it is noted that the Banca Carige Group has adopted, for all customer segments, the definition of "debtor default" as referring to the debtor's total obligations.

During preparation of the financial report, tests were performed to determine any impairment losses on the AFS securities through an analysis aimed at assessing whether there is any indication of their impairment and determining their depreciation, if any. In the first nine months, some AFS securities were impaired with non-material economic effects.

## ACCOUNTING TREATMENT OF THE EQUITY INVESTMENT HELD IN THE BANK OF ITALY

Banca Carige Group's stake in the Bank of Italy as at 31 December 2014 was 11,869 shares, accounting for 3.956% of the capital of the Bank of Italy classified as 'Financial assets available for sale (AFS)'.

Pursuant to Legislative Decree No. 133 of 30 November 2013 ( "D.L. 133/2013"), converted into Law no. 5 of 29 January 2014, the Bank of Italy raised its own capital from EUR 156,000 to EUR 7,500,000,000 using its Statutory Reserve; the old shares were derecognised and replaced as of 31/12/2013 with 300,000 new shares with a unit value of EUR 25,000 assigned to investors proportionally to their shareholding.

The Bank was assigned 11,869 new shares for an aggregate nominal value of EUR 296.72 mln.

In consideration of the difference in their equity, administrative and ownership rights, the Group deemed it appropriate to consider the securities reflecting the stakes in the Bank of Italy, which were issued as part of its share capital increase and related amendments to its Articles of Association, as financial instruments other than those held prior to Law Decree 133/2013.

In the financial statements as at 31 December 2013 it was considered correct to derecognise the pre-existing shares from the financial statements, with the resulting reversal to the Income Statement of the AFS reserve; this treatment has also been supported by the opinions issued by authoritative professionals who highlighted the diversity of the financial characteristics and the economic rights of the new shares issued with respect to the previous ones. The treatment used for the financial statements involved the recognition of a gross gain on sale (recognised among profits realised from the sale of financial assets available for sale) equal to EUR 296.23 mln. Considering the substitute tax of 12% determined by Italian Law 147/2013 ("stability law"), the net capital gain as at 31 December 2013 was equal to EUR 260.7 million.

On 11 March 2014, Bank of Italy, Consob and IVASS issued a joint press statement which pointed out the need to establish adequate information concerning the accounting methods followed for this operation, based on the complex aspects of uniqueness and atypicality that are not specifically

regulated by international accounting principles, while carrying out all the examinations required in the national and international bodies.
In this respect, it should be noted that the accounting treatment in the case under examination has been examined by the IFRS Interpretation Committee during the month of July 2014, and which on 11 November 2014, after a phase of public consultation, decided to not issue a technical deliberation, as this concerns a unique case for which different interpretations were not found in accounting treatments used for the financial statements of the companies involved in the operation. As of today, there is no current knowledge of different accounting interpretations with respect to what was used by the Group.
On 23 June 2014, Italian Law no. 89 was applied, which converted Italian Legislative Decree of 24 April 2014 no. 66 ("spending review") which involved a 26% increase (from the previous 12%) in the substitute tax rate on the revaluation of the investment in Bank of Italy, to be applied on the nominal value of the shares, net of the value recognised for taxation purposes. As a result of the new legal rate, the substitute tax to be paid was redetermined based on the IAS 12 principle, equal to EUR 77 million. This resulted in a larger tax burden of EUR 41.5 million with respect to what was set aside during 2013, which was charged to the Income Statement in the second quarter of 2014, in compliance with the accounting treatment determined in 2013.
It should also be noted that if, during the previous financial year, the revaluation of the shares held in the Bank of Italy had been recorded in a net equity reserve without cancelling the pre-existing shares from the books, the financial statements as at 31 December 2013 would have disclosed the following effects, assuming no-changes to the 2013 tax burden: the operating result for 2013 would have recorded lower profits realised from the sale of financial assets available for sale for EUR 296.23 million (260.7 million net of the substitute tax of 12%), but the shareholder's equity, inclusive of the year result, would have not changed as the non-disclosure of the net capital gain would have been compensated by the credit of the revaluation in the revaluation reserve, net of relative taxation.
This alternative accounting principle would have instead not had different effects on the financial statements as at 31 December 2014 other than the redetermination of the previously described applicable taxation.

## <u>ECB'S comprehensive assessment findings</u>

On 7 November 2014, Consob requested the Parent Company (being a listed bank subject to the ECB's Comprehensive Assessment, hereinafter also "CA" ) to include information regarding the CA exercise in its interim financial report as at 30 September 2014, pursuant to art. 114, para. 5 of Legislative Decree no. 58/98, having particular regard to the AQR results reported in the disclosure template published on 26 October 2014.

On 30 January 2015, Consob requested the Parent Company to include information on the accounting effects arising from the quantitative findings of the AQR in a Press Release to be disclosed upon approval of the preliminary results as at 31 December 2014.

The Bank provided, in its press release dated 11 February 2015 - released upon the approval of the preliminary consolidated results as at 31 December 2014 - all the requested information of which it is aware.

### <u>*Credit file Review*</u>

The Credit File Review conducted as part of the AQR has identified the need for higher provisions (net of write-backs) for a total amount of EUR 216 mln.

The Bank has conducted a detailed review of the individual positions identified, with a view to making the appropriate adjustments, in light of a more updated base of information than the one available at the time of preparation of the financial statements for 2013, including with reference to the borrowers' situation and value of collateral. As a result of the assessment conducted, the Bank has recognised significant impairment losses and write-offs with a consequent increase in total provisions for an aggregate amount of EUR 222 mln, with respect to the request for EUR 216 mln at Group level (the increase in total provisions for Banca Carige was EUR 147.4 mln), for positions identified during the AQR as non-performing exposures (relating to the entire portfolio subject to the Credit File Review).

Moreover, the natural development of positions over the year has led to the transition to non-performing status of additional positions which had been identified as performing exposures during the AQR, with the consequent increase in provisioning for an amount of EUR 82 mln.

*Projection of Findings*

The statistical Projection of Findings from the Credit File Review has identified adjustments for a total of EUR 94 mln. Despite noting that these projections derive from statistical methods used within the framework of a prudential exercise and are not expected to be automatically reflected in the financial statements, the Bank has taken account of the adjustments identified by the ECB, introducing certain alignments to its policies, procedures and parameters in use for loan assessment.

In particular, the specific guidelines for an objective identification of loss events have been reviewed and the same approaches to second-level control processes have been adopted as were used in the AQR exercise.

In line with guidance provided by the ECB during the AQR, a specific LGD-related adjustment has been introduced for the assessment of lower-amount non-performing loans subject to collective provisioning, according to the criteria illustrated under item c. "Collective Provisioning" below, with an effect of EUR 27 mln on the Financial Statements as at 31 December 2014.

Finally, additional initiatives have been introduced and are expected to be completed by the end of financial year 2015, for the purpose of further adjusting the methods for updating the time to recovery and interest rate used to determine the present value of the recovery amount with a view to considering the effects of the current economic cycle.

As a result of the alignments carried out, the Bank has had an assessment conducted on the adequacy of provisions calculated for the unsampled portfolio.

The assessment has revealed that, in the course of 2014, the increase in provisioning on the aforementioned portfolio (only for positions which, as at 31 December 2014, were classified as bad loans and substandard loans) was EUR 126 mln (of which EUR 49.5 mln for Banca Carige) following the ongoing alignment of exposure valuation, as compared to the EUR 94 mln total arising from the AQR statistical projection of findings.

*Collective provisioning*

The Collective Provisions Analysis conducted as part of the AQR exercise has identified higher provisions for performing loans for an aggregate amount of EUR 106 mln. In line with guidance provided by the ECB for risk parameters and for the purpose of an earlier factoring-in of the effects from the rating model review which will take place in 2015, an adjustment for collective provisions was introduced in the 2014 Financial Statements so as to reflect the effects from a re-calibration of PD and LGD over shorter time horizons and inclusive of Downturn factors for the corporate segment. An approach more in line with the point in time perspective specified by the ECB was therefore adopted, while at the same time preserving the overall consistency of the methodological approach underlying the Group's loan assessment model.

The alignment of parameters used for the calculation of collective provisioning has increased the provisions for the whole portfolio of performing loans by a total amount of EUR 90 mln (of which EUR

52.4 mln for Banca Carige), of which EUR 83 mln for its corporate component, which registered a fall in exposures by over EUR 1.5 bn in 2014.

In terms of coverage ratios, the application of this adjustment to (performing) positions subject to collective assessment generated a 60 bps increase in the coverage ratio as compared to the end of 2013; in particular, the performing corporate portfolio registered a coverage ratio increase by approximately 140 bps from 1.6% at the end of 2013 to 3.0% as at 31/12/2014. Therefore, by applying this coverage ratio to the exposure as at 31/12/2013, the amount of provisions would have totalled EUR 102 mln.

*Level 3 Fair Value*

Level 3 fair value exposures were not part of the AQR scope for the Carige Group.

In conclusion, with reference to Consob's request to disclose information about the i) Common Equity Tier 1 ratio as at 31/12/2014 as part of reporting to the Supervisory Authority and ii) additional own funds required by the ECB, if any, notice is hereby given that:

(i) The Common Equity Tier 1 ratio as at 31/12/2014 is 13%, namely higher, like all other regulatory ratios, than minimum regulatory levels;

(ii) The Bank shall disclose information about the additional own funds required by the ECB, if any, and its directors' relevant considerations as soon as it receives the final decision by the ECB. Based on information received (both the draft SREP letter sent to the Bank after the ECB's yearly assessment and other correspondence between the Bank and the Joint Supervisory team of the ECB, it is believed that no additional prudential capital requirement exceeding the minimum regulatory levels will be requested to the Bank[16].

**Alignments of accounting policies, procedures and practices, i.e parameters of models used for the assessment of on-balance-sheet assets as a result of the Asset Quality Review – AQR.**

In the course of 2014, particularly in the last quarter, the Group took account of the quantitative adjustments and qualitative guidance provided by the ECB during the Asset Quality Review and introduced some alignments to the policies, procedures ad parameters used for the assessment of credit assets. In particular, the specific guidelines for an objective identification of loss events have been reviewed and the same approaches to second-level control processes have been adopted as were used in the AQR exercise.

In line with guidance provided by the ECB during the AQR, a specific LGD-related adjustment was introduced for the assessment of lower-amount non-performing loans subject to collective provisioning, according to the criteria used for "Collective Provisioning".

Finally, additional initiatives have been introduced and are expected to be completed by the end of financial year 2015, for the purpose of further adjusting the methods for updating the time to recovery and interest rate used to determine the present value of the recovery amount with a view to considering the effects of the current economic cycle.

In line with guidance provided by the ECB for risk parameters and for the purpose of an earlier factoring-in of the effects from the rating model review which will take place in 2015, an adjustment for collective provisions was introduced in the 2014 Financial Statements so as to reflect the effects from a re-calibration of PD and LGD over shorter time horizons and inclusive of Downturn factors for the corporate segment. An approach more in line with the point in time perspective specified by the ECB was therefore adopted, while at the same time preserving the overall consistency of the methodological approach underlying the Group's loan assessment model.

[16] For additional information, see the Consolidated Report on Operations and Explanatory Notes

The adjustment of parameters used for the calculation of collective provisioning has increased the provisions for the whole portfolio of performing loans.

The adjustments made by the Group were adopted - through the formal update of the applicable models of the Group's Accounting Manual - both in relation to the continuous process of updating the policies and processes, as well as in order to implement the observations of a qualitative nature indicated by the ECB as a result of the Comprehensive Assessment, as desired by the Supervisory Authority itself.

The adjustments and updates that were made fully comply with the provisions of the accounting principle of reference IAS 39, which defines the general objectives and characteristics of the impairment model specified by IAS39, which defines the main principles, leaving an area of discretion regarding the evaluation approaches considered to best represent the so-called "incurred" loss of value. Added to this is the negative evolution of the macro-economic situation during 2014, and in particular in the manufacturing and real-estate sectors.

In consideration of the significance of the impacts on the 2014 financial statements, particular attention has been placed on establishing the correct interpretation of the cited alignment operations in the three cases set forth by accounting principle IAS 8: "changes in accounting principles", "estimate changes" and "error corrections". This distinction is important as it involves a different accounting representation: redetermination of the initial balances for changes in accounting principles or for the corrections of errors and recognition in the Income Statement for the financial year for changes in estimates. The analyses carried out indicate that changes in estimation policy, procedures and parameters used for evaluating the credit exposures as at 31 December 2014 can be fully traced back to the case of "changes in estimates".

- **CONSOB PROCEEDINGS UNDER ARTICLES 157, PARA. 2 (IMPUGNATION OF 2013 FINANCIAL STATEMENTS) AND 154-TER OF THE CONSOLIDATED LAW ON FINANCE**

The Italian Securities and Exchange Commission, Consob, served a writ of summons on the Bank pursuant to art. 157, para. 2, of the Consolidated Law on Finance on 9 January 2015 (which was disclosed by the Bank via a press release on the same day), to notify that a civil case was initiated in the Court of Genoa requesting: (i) issuance of a declaration of nullity or annulment of the Shareholders' Meeting resolution of 30 April 2014 for approval of Banca Carige's separate Financial Statements as at 31 December 2013 on grounds of alleged non-compliance of said Financial Statements with financial reporting standards, namely IAS 1, 8 and 36, as well as (ii) ascertainment of non-compliance of the Consolidated Financial Statements with the afore-mentioned accounting standards.
With regard to the above, see information provided in the Consolidated Report on Operations (key events during the period) and Consolidated Explanatory Notes (Part A.2 of the Accounting Policies).

## A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

| Type of financial instrument | Portfolio prior to transfer | Portfolio after transfer | Book value as at 31/12/14 | Fair Value as at 31/12/14 | Income components in the absence of transfers (before tax) | | Income components recognised during the period (before tax) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | From measurement | Other | From measurement | Other |
| Debt securities | HFT | AFS | - | - | - | 4,608 | 59 | (212) |
| Equity instruments | HFT | AFS | - | - | - | (2) | - | 1 |
| Units in UCITS | HFT | AFS | 1,710 | 1,710 | (229) | (208) | (53) | (121) |
| Debt securities | HFT | L&R | 10,330 | 10,000 | 253 | 437 | | (823) |
| Debt securities | AFS | L&R | 2,474 | 2,535 | 160 | 510 | | 915 |
| Total | | | 14,514 | 14,245 | 184 | 5,345 | 6 | (240) |

If the Bank had not taken the option of reclassifying the financial assets listed above, positive income components recorded for the year would have amounted to EUR 184 thousand instead of EUR 6 thousand.
No adjustments to financial assets were made in 2014.

A.3.3 Transfer of financial assets held for trading.
The financial crisis in progress since 2007 was considered to be a rare event by the IASB and the European Commission. As at 30 September 2008, the Bank reclassified securities from the HFT and AFS categories, as the heightening of the current financial crisis led the Group to change the initial intention of short-term trading or to consider that the relative fair values were not representative of the intrinsic values of said securities.
The worsening of the financial crisis in the third quarter 2011, in particular the sovereign debt, led the Bank to restate securities as at 30 September 2011 by a nominal amount of EUR 47.4 mln from HFT to AFS. As at 31/12/2014 these securities are no longer held in the portfolio.

A.3.4 Effective interest rate and cash flows expected from the reclassified assets
The debt securities portfolio reclassified to L&R (Loans & Receivables) for a nominal value of EUR 12.8 mln has an average effective interest rate of 1.9% with expected cash flows estimated at EUR13.8 mln.

# A.4 – DISCLOSURES ON FAIR VALUE

## Qualitative information

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used
When the market does not have a sufficient and continuous number of transactions, bid-ask spread and insufficiently contained volatility, which characterise level 1 of the fair value hierarchy, special valuation methods are used, including therein theoretical models which, largely making use of observable market parameters, can determine an appropriate fair value for financial instruments.
In the event no valuations of financial instruments from reliable sources are available (even if said prices are not characterised as effective market quotes), the fair value can be calculated by using valuation techniques which aim to ultimately establish the price the instrument would have had, at the valuation date, in a free exchange motivated by normal commercial considerations. These techniques include:

- reference to market values indirectly related to the instrument to be valued and taken from similar instruments in terms of their risk characteristics (comparable approach);
- valuations made by using, even only partially, inputs not taken from parameters observable on the market, for which use is made of estimates and assumptions made by the analyst (Mark to Model).

Choosing from the aforementioned methods is not optional, given these must be applied in hierarchical order: if, in particular, a price expressed by an active market is available, one of the other valuation approaches cannot be used.
More specifically, the guidelines used to attribute fair value levels 2 or 3 to the financial instruments are:

1. Valuation Techniques (Comparable Approach) – Fair value level 2. The valuation is not based on significant prices of the financial instrument to be valued, but on indicative valuations available from reliable info-providers or on prices determined by using an appropriate calculation method (pricing model) and observable market parameters, including therein credit spreads taken from the official prices of substantially similar instruments in terms of risk factors. If calculation methods are used (pricing models) in the comparable approach, these allow the reproduction of the prices of financial instruments listed on active markets (calibration of the model) without including discretional parameters – i.e. parameters whose value cannot be deduced from prices of financial instruments on active markets or cannot be fixed on levels as such to replicate prices on active markets – in such a way as to influence the final valuation in a determining manner.
2. Valuation Techniques (Mark to Model Approach) – Fair value level 3. Valuations are made by using different inputs, not all directly taken from observable market parameters and therefore entail estimates and assumptions by the analyst. In particular, this approach requires the valuation of the financial instrument to be conducted by using a calculation method (pricing model) which is based, among other things, on specific hypotheses or assumptions that, on the basis of the instrument to be valued, may concern:

- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of behavioural hypotheses;
- the level of specific input parameters not listed on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred; where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by rating agencies or primary market players);
- the reference to all possible relevant information available, even accounting information, including therein, for example, the value of shareholders' equity in the case of interests or shareholdings in unlisted companies.

A.4.2 Processes and sensitivity of valuations

The financial instruments included in level 3 of the fair value hierarchy are comprised of debt securities and equity instruments in default or otherwise unlisted. No valuation is carried out for these instruments given that there are no input data on the market suitable for providing a value for them. The level 3 financial instruments amount to EUR 329.4 million, of which EUR 296.7 relative to shares in Bank of Italy. The fair value of this investment was identified using the unitary value of the new shares issued pursuant to Italian Legislative Decree no.133/2013. This valuation is consistent with the estimates in the report drafted – at the request of the Ministry of Economy and Finance – by the Bank of Italy with the support of a committee of experts.

The other equity instruments include non-controlling investments evaluated at cost for EUR 24.2 million, this represents a reasonable approximation of their fair value.

A.4.3 Fair Value Hierarchy

With reference to the financial assets evaluated at fair value on a recurring basis, a quarterly analysis is performed for determining the characteristics of the individual securities in order to determine the correct allocation on a level of fair value.

If the stock exchanges that presented bid/ask quotations with a small bid/ask spread and with acceptable exchange volumes are reduced to less than three and the value can be estimated using internal models whose input are objectively observable on the market, a transfer is made from level 1 to level 2.

If instead the financial assets lose the characteristics necessary for belonging to level 1 or level 2 and if their price can be estimated with an internal model in which at least one input necessary for evaluation cannot be objectively observable on the market, it is assigned to fair value level 3.

## Quantitative information

### A.4.5 Fair Value Hierarchy

#### A.4.5.1 Assets and liabilities measure at fair value on a recurring basis: breakdown by fair value levels

| Assets/liabilities measured at fair value | 31/12/2014 | | | 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets held for trading | 1,899 | 163,979 | 5 | 30,013 | 137,896 | |
| 2. Financial assets at fair value through P&L | | | | | | |
| 3. Available for sale financial assets | 2,643,719 | 30,698 | 329,435 | 4,421,426 | 64,917 | 352,490 |
| 4. Hedging derivative assets | | 205,533 | | | 129,165 | |
| 5. Property, plant and equipment | | | | | | |
| 6. Intangible assets | | | | | | |
| Total | 2,645,618 | 400,210 | 329,440 | 4,451,439 | 331,978 | 352,490 |
| 1. Financial liabilities held for trading | | 118,006 | - | | 86,180 | |
| 2. Financial liabilities at fair value through P&L | 948,801 | 15,085 | | 1,022,642 | 15,386 | |
| 3. Hedging derivative liabilities | | 408,884 | - | | 386,771 | |
| Total | 948,801 | 541,975 | - | 1,022,642 | 488,337 | - |

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

## A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

| | Financial assets held for trading | Financial assets at fair value trought P&L | Financial assets available for sale | Hedging derivatives | Tangible assets | Intangible assets |
|---|---|---|---|---|---|---|
| A. Opening balance | - | - | 352,490 | - | - | - |
| 2. Increases | 11 | - | 23,750 | - | - | - |
| 2.1. Purchasing | - | - | 3,293 | - | - | - |
| 2.2. Profits recognized in | | | | | | |
| 2.2.1. P&L | - | - | 11,632 | - | - | - |
| Unreal. Gains | - | - | 11,632 | - | - | - |
| 2.2.2. Equity | X | X | 16 | - | - | - |
| 2.3. Transfer from/to other levels (+) | 7 | - | 1,853 | - | - | - |
| 2.4. Other increases | 4 | - | 6,956 | - | - | - |
| 3. Decreases | 6 | - | 46,805 | - | - | - |
| 3.1. Selling | - | - | 29,512 | - | - | - |
| 3.2. Refunds | - | - | 14,802 | - | - | - |
| 3.3. Losses recognized in: | | | | | | |
| 3.3.1. P&L | - | - | 1,533 | - | - | - |
| Unreal. Loss. | - | - | 1,533 | - | - | - |
| 3.3.2 Equity | X | X | 209 | - | - | - |
| 3.4. Transfer from/to other levels (-) | - | - | - | - | - | - |
| 3.5. Other decreases | 6 | - | 749 | - | - | - |
| 4. Closing balances | 5 | - | 329,435 | - | - | - |

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by levels of fair value

| Financial assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis | 31/12/2014 | | | | 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1.Held-to-maturity investments | | | | | | | | |
| 2. Due from banks | 4,659,887 | 74,061 | 4,543,577 | 21,353 | 7,573,280 | 3,897 | 7,509,758 | 39,534 |
| 3. Loans to customers | 14,218,415 | | 12,381,479 | 2,608,636 | 14,283,115 | | 12,535,150 | 2,428,802 |
| 4. Available for sale financial assets | 115,879 | | 133,313 | | 108,000 | | 128,489 | |
| 5. Non-current assets classified as held for sale | 374,285 | | | 306,791 | | | | |
| Total | 19,368,466 | 74,061 | 17,058,369 | 2,936,780 | 21,964,395 | 3,897 | 20,173,397 | 2,468,336 |
| 1. Due to banks | 4,189,925 | | 4,073,301 | | 10,445,298 | | 10,312,429 | |
| 2. Due to customers | 9,647,238 | | 9,629,709 | | 6,911,399 | | 6,894,356 | |
| 3. Debt certificates including bonds | 8,126,645 | 7,287,055 | 827,430 | | 9,446,611 | 8,445,736 | 857,262 | - |
| 4. Liabilities included in disposal group classified as hfs | | | | | | | | |
| Total | 21,963,808 | 7,287,055 | 14,530,440 | - | 26,803,308 | 8,445,736 | 18,064,047 | - |

Key:
VB = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

## A.5 – DISCLOSURE ON *"DAY ONE PROFIT/LOSS"*

Paragraph 28 of IFRS 7 regulates the specific case of purchase/sale of an unlisted financial instrument on an active market, where the price of the transaction, which generally represents the best estimate of initial recognition fair value, differs from the fair value determined according to measurement techniques adopted by the entity on recognition of the instrument itself.

In this case, a gain/loss is achieved on purchase for which adequate disclosures must be made by financial instrument class as regards the accounting method adopted for that difference, with an indication of any overall difference still to be recognised to the income statement at the beginning and end of the year and the related reconciliation of balance changes.

Note that there are no such cases in these financial statements.

# Part B

# INFORMATION ON BALANCE SHEET

# ASSETS

## SECTION 1

## CASH AND CASH EQUIVALENTS - ITEM 10

### 1.1 Cash and cash equivalents

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| a) Cash | 128,322 | 133,353 |
| b) Demand deposits with Central banks | - | - |
| Total | 128,322 | 133,353 |

SECTION 2

# FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

## 2.1 Financial assets held for trading: product breakdown

| Items/Values | Total 31/12/2014 | | | Total 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| A. Balance-sheet assets | | | | | | |
| 1. Debt securities | 293 | - | 5 | 1,768 | 109 | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other | 293 | - | 5 | 1,768 | 109 | - |
| 2. Equity instruments | 16 | - | - | 17 | - | - |
| 3. Units in investment funds | 1,587 | - | - | 28,207 | - | - |
| 4. Loans | - | - | - | - | - | - |
| 4.1 Repos | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total (A)** | **1,896** | **-** | **5** | **29,992** | **109** | **-** |
| B. Derivative instruments | | | | | | |
| 1. Financial derivatives: | 3 | 163,979 | - | 21 | 137,787 | - |
| 1.1 Trading | 3 | 115,496 | - | 21 | 96,259 | - |
| 1.2 Related to fair value option assets / liabilities | - | 48,483 | - | - | 41,528 | - |
| 1.3 Other | - | - | - | - | - | - |
| 2. Credit derivatives: | - | - | - | - | - | - |
| 2.1 Trading | - | - | - | - | - | - |
| 2.2 Related to fair value option assets / liabilities | - | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - | - |
| **Total (B)** | **3** | **163,979** | **-** | **21** | **137,787** | **-** |
| **Total (A+B)** | **1,899** | **163,979** | **5** | **30,013** | **137,896** | **-** |

2.2 Financial instruments held for trading: breakdown by debtors/issuers

| Items/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| A. BALANCE-SHEET ASSETS | | |
| 1. Debt securities | 298 | 1,877 |
| a) Governments and central banks | 141 | 1,034 |
| b) Other public-sector entities | - | 54 |
| c) Banks | 152 | 780 |
| d) Other issuers | 5 | 9 |
| 2. Equity instruments | 16 | 17 |
| a) Banks | - | - |
| b) Other issuers: | 16 | 17 |
| - Insurance companies | - | - |
| - Financial companies | - | - |
| - Non-financial companies | 16 | 17 |
| - Other | - | - |
| 3. Units investment funds | 1,587 | 28,207 |
| 4. Loans | - | - |
| a) Governments and Central Banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| **Total A** | **1,901** | **30,101** |
| B. DERIVATIVE INSTRUMENTS | | |
| a) Banks | 159,041 | 129,354 |
| b) Customers | 4,941 | 8,454 |
| **Total B** | **163,982** | **137,808** |
| **Total (A+B)** | **165,883** | **167,909** |

2.3 Financial assets held for trading: annual changes

| | Debt securities | Equity instruments | Units in investments funds | Loans | Total |
|---|---|---|---|---|---|
| A. Gross opening balance | 1,877 | 17 | 28,207 | - | 30,101 |
| B. Increases | 501,770 | 4,924 | 23,381 | - | 530,074 |
| B.1 Purchases | 501,097 | 4,861 | 23,201 | - | 529,159 |
| B.2 Positive changes in fair value | 26 | - | - | - | 26 |
| B.3 Other changes | 647 | 63 | 180 | - | 889 |
| C. Decreases | 503,349 | 4,925 | 50,001 | - | 558,275 |
| C.1 Sales | 502,935 | 4,841 | 49,984 | - | 557,760 |
| C.2 Redemptions | 175 | - | - | - | 175 |
| C.3 Negative changes in fair value | 2 | 1 | 2 | - | 5 |
| C.4 Transfers to other portfolios | - | - | - | - | - |
| C.5 Other changes | 237 | 83 | 15 | - | 335 |
| D. Closing balances | 298 | 16 | 1,587 | - | 1,901 |

SECTION 4

# FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Available-for-sale financial instruments: product breakdown

| Items/Values | Total 31/12/2014 | | | Total 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 2,637,214 | 28,870 | - | 4,378,824 | 42,133 | 6,375 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other | 2,637,214 | 28,870 | - | 4,378,824 | 42,133 | 6,375 |
| 2. Equity instruments | 167 | - | 324,681 | 2,828 | - | 344,708 |
| 2.1 Designated at fair value | 167 | - | 300,514 | 2,828 | - | 303,745 |
| 2.2 Recognised at cost | - | - | 24,167 | - | - | 40,963 |
| 3. Units investment funds | 6,338 | 1,828 | 4,754 | 39,774 | 22,784 | 1,407 |
| 4. Loans | - | - | - | - | - | - |
| **Total** | **2,643,719** | **30,698** | **329,435** | **4,421,426** | **64,917** | **352,490** |

Equity instruments for which the fair value cannot be reliably determined are designated at cost.

## 4.2 Available-for-sale financial assets: breakdown by issuer / borrower

| Items/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Debt securities | 2,666,084 | 4,427,332 |
| a) Governments and central banks | 2,630,289 | 4,330,968 |
| b) Other public-sector entities | - | - |
| c) Banks | 35,795 | 88,918 |
| d) Other issuers | - | 7,446 |
| 2. Equity instruments | 324,848 | 347,536 |
| a) Banks | 315,284 | 315,347 |
| b) Other issuers: | 9,564 | 32,189 |
| - insurance companies | - | - |
| - financial companies | 5,243 | 5,664 |
| - non-financial companies | 4,315 | 26,524 |
| - other | 6 | 1 |
| 3. Units in investment funds (including Private Equity funds) | 12,920 | 63,965 |
| 4. Loans | - | - |
| a) Governments and Central Banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other entities | - | - |
| Total | 3,003,852 | 4,838,833 |

## 4.3 Available-for-sale financial instruments: assets subject to micro hedging

| Items/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Financial instruments subject to fair value micro hedging | 182,253 | 345,839 |
| a) Interest rate risk | 182,253 | 345,839 |
| b) currency risk | - | - |
| c) credit risk | - | - |
| d) multiple risks | - | - |
| 2. Financial instruments subject to cash flow micro hedging | - | - |
| a) interest rate risk | - | - |
| b) currency risk | - | - |
| c) other | - | - |
| Total | 182,253 | 345,839 |

4.4 Available-for-sale financial assets: annual changes

| | Debt securities | Equity instruments | Units in investment funds | Loans | Total |
|---|---|---|---|---|---|
| **A. Opening balance** | **4,427,332** | **347,536** | **63,965** | **-** | **4,838,833** |
| **B. Increases** | **4,746,265** | **20,504** | **4,248** | **-** | **4,771,017** |
| B.1 Purchases | 4,572,921 | 3,075 | 2,611 | - | 4,578,607 |
| B.2 Positive changes in fair value | 22,164 | 73 | 281 | - | 22,518 |
| B.3 Write-backs | - | - | - | - | - |
| - related to P&L | - | X | - | - | - |
| - related to Equity | - | - | - | - | - |
| B.4 Transfers from other portfolios | - | - | - | - | - |
| B.5 Other changes | 151,180 | 17,356 | 1,356 | - | 169,892 |
| **C. Decreases** | **6,507,513** | **43,192** | **55,293** | **-** | **6,605,998** |
| C.1 Sales | 4,261,214 | 36,075 | 54,081 | - | 4,351,370 |
| C.2 Redemptions | 2,119,815 | 4,302 | - | - | 2,124,117 |
| C.3 Negative changes in fair value | 3,076 | 51 | 89 | - | 3,216 |
| C.4 Impairment write-downs | 87 | 1,276 | 88 | - | 1,451 |
| - through profit or loss | 87 | 1,276 | 88 | - | 1,451 |
| - in equity | - | - | - | - | - |
| C.5 Transfers to other portfolios | - | - | - | - | - |
| C.6 Other changes | 123,321 | 1,488 | 1,035 | - | 125,844 |
| **D. Closing balances** | **2,666,084** | **324,848** | **12,920** | **-** | **3,003,852** |

SECTION 6

# DUE FROM BANKS – ITEM 60

## 6.1 Due from banks: product breakdown

| Type of transaction / Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | FV | | | BV | FV | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| A. Loans to Central Banks | 85,147 | - | 85,147 | - | 186,038 | - | 186,038 | - |
| 1. Time deposits | - | X | X | X | - | X | X | X |
| 2. Compulsory reserves | 85,147 | X | X | X | 186,038 | X | X | X |
| 3. Repos | - | X | X | X | - | X | X | X |
| 4. Other | - | X | X | X | - | X | X | X |
| B. Loans to banks | 4,574,740 | 74,061 | 4,458,430 | 21,353 | 7,387,242 | 3,897 | 7,323,720 | 39,534 |
| 1. Loans | 904,315 | - | 900,469 | 7,761 | 3,175,128 | - | 3,170,134 | 7,607 |
| 1.1 Current accounts and demand deposits | 154,213 | X | X | X | 907,011 | X | X | X |
| 1.2 Time deposits | 8,136 | X | X | X | 29,282 | X | X | X |
| 1.3 Other loans: | 741,966 | X | X | X | 2,238,835 | X | X | X |
| - Repos | 173,306 | X | X | X | 1,827,347 | X | X | X |
| - Finance leases | - | X | X | X | - | X | X | X |
| - Other | 568,660 | X | X | X | 411,488 | X | X | X |
| 2. Debts securities | 3,670,425 | 74,061 | 3,557,961 | 13,592 | 4,212,114 | 3,897 | 4,153,586 | 31,927 |
| 2.1 Structured | - | X | X | X | - | X | X | X |
| 2.2 Other | 3,670,425 | X | X | X | 4,212,114 | X | X | X |
| Total | 4,659,887 | 74,061 | 4,543,577 | 21,353 | 7,573,280 | 3,897 | 7,509,758 | 39,534 |

Key
FV = *fair value*
VB = book value

## 6.2 Due from banks subject to micro-hedging

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Loans and receivables subject to micro-hedging of fair value | - | 48,223 |
| a) interest rate risk | - | 48,223 |
| b) currency risk | - | - |
| c) credit risk | - | - |
| d) multiple risks | - | - |
| 2. Loans and receivable subject to micro-hedging of cash-flow | - | - |
| a) interest rate risk | - | - |
| b) currency risk | - | - |
| c) other | - | - |
| **Total** | **-** | **48,223** |

SECTION 7

# LOANS TO CUSTOMERS – ITEM 70

7.1 Loans to customers: product breakdown

| Type of transaction / Values | Total 31/12/2014 | | | | | | Total 31/12/2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book Value | | | Fair Value | | | Book Value | | | Fair Value | | |
| | Performing | Impaired | | L1 | L2 | L3 | Performing | Impaired | | L1 | L2 | L3 |
| | | Purchased | Other | | | | | Purchased | Other | | | |
| Loans | 11,649,260 | 7,767 | 2,558,160 | - | 12,377,741 | 2,608,636 | 11,880,263 | 12,527 | 2,363,675 | - | 12,510,519 | 2,428,802 |
| 1. Current accounts | 1,012,770 | 1,628 | 247,857 | X | X | X | 1,194,355 | 2,195 | 219,782 | X | X | X |
| 2. Repos | 3,699,294 | - | - | X | X | X | 2,676,576 | - | - | X | X | X |
| 3. Mortgages | 5,069,447 | 5,892 | 1,875,714 | X | X | X | 5,588,677 | 9,969 | 1,605,855 | X | X | X |
| 4. Credit cards and personal loans, incl. wage assignment loans | 35,139 | - | 925 | X | X | X | 44,318 | - | 1,068 | X | X | X |
| 5. Financial leasing | 616,515 | - | 125,910 | X | X | X | 643,074 | - | 157,580 | X | X | X |
| 6. Factoring | 53,549 | 151 | 47,140 | X | X | X | 80,123 | 143 | 52,863 | X | X | X |
| 7. Other loans | 1,162,546 | 96 | 260,614 | X | X | X | 1,653,140 | 220 | 326,527 | X | X | X |
| Debts securities | 3,228 | - | - | - | 3,738 | - | 26,650 | - | - | - | 24,631 | - |
| 8 Structured | - | - | - | X | X | X | - | - | - | X | X | X |
| 9 Other | 3,228 | - | - | X | X | X | 26,650 | - | - | X | X | X |
| Total | 11,652,488 | 7,767 | 2,558,160 | - | 12,381,479 | 2,608,636 | 11,906,913 | 12,527 | 2,363,675 | - | 12,535,150 | 2,428,802 |

## 7.2 Loans to customers: breakdown by issuer / borrower

| Type of transaction / Values | Total 31/12/2014 | | | Total 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | Bonis | Impaired | | Bonis | Impaired | |
| | | Purchased | Other | | Purchased | Other |
| 1. Debt securities issued by | 3,228 | - | - | 26,650 | - | - |
| a) Governments | - | - | - | 7,292 | - | - |
| b) Other public-sector entities | 753 | - | - | 877 | - | - |
| c) Other issuers | 2,474 | - | - | 18,481 | - | - |
| - non-financial companies | - | - | - | - | - | - |
| - financial companies | 2,474 | - | - | 18,481 | - | - |
| - insurance companies | - | - | - | - | - | - |
| - other | - | - | - | - | - | - |
| 2. Loans to: | 11,649,260 | 7,767 | 2,558,160 | 11,880,263 | 12,527 | 2,363,675 |
| a) Governments | 117,646 | - | - | 155,655 | - | - |
| b) Other public-sector entities | 506,464 | - | 103 | 549,776 | - | 6,416 |
| c) Other entities | 11,025,150 | 7,767 | 2,558,057 | 11,174,832 | 12,527 | 2,357,259 |
| - non-financial companies | 3,842,500 | 3,658 | 2,043,063 | 5,286,761 | 7,680 | 2,018,397 |
| - financial companies | 5,026,777 | - | 83,074 | 3,840,839 | - | 12,927 |
| - insurance companies | - | - | - | - | - | - |
| - other | 2,155,873 | 4,109 | 431,920 | 2,047,232 | 4,847 | 325,935 |
| **Total** | **11,652,488** | **7,767** | **2,558,160** | **11,906,913** | **12,527** | **2,363,675** |

## 7.3 Loans to customers subject to micro-hedging

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Loans and receivables subject to micro-hedging of fair value: | 322,216 | 309,714 |
| a) Interest rate risk | 322,216 | 309,714 |
| b) Currency risk | - | - |
| c) Credit risk | - | - |
| d) Multiple risks | - | - |
| 2. Loans and receivables subject to micro-hedging of cash flows | - | - |
| a) Interest rate risk | - | - |
| b) Currency risk | - | - |
| c) other | - | - |
| **Total** | **322,216** | **309,714** |

### 7.4 Financial leasing

Loans related to financial leasing operations, net of write-downs, are indicated in table 7.1 of loans to customers for a total of EUR 771,387 thousand (of which EUR 742,425 thousand set forth in item 5 and EUR 28,962 thousand relative to loans for leasing of public property, included in item 7).
New non-performing loans for financial leasing operations amount to a total of EUR 137,332 thousand, of which 125,910 set forth in item 5 and 11,422 in item 7 of table 7.1 of loans to customers.
The total gross investment in leasing amounts to EUR 1,322,344 thousand, whereas total implicit loans, gross of write-downs, totalled EUR 784,503 thousand, broken down into the following categories:

| | Initial gross investment | Gross implicit receivables |
|---|---|---|
| motor vehicles | 30,732 | 9,670 |
| equipment, plant and machinery | 207,049 | 102,207 |
| residential properties | 470,457 | 285,618 |
| industrial properties | 587,106 | 378,561 |
| boats | 23,530 | 7,988 |
| intangible assets (trademarks) | 3,470 | 459 |
| Total | 1,322,344 | 784,503 |

The breakdown by remaining contract life is:

| Breakdown by remaining lease term | due | up to 1 year | between 1 and 5 years | over 5 years | indefinite | Total |
|---|---|---|---|---|---|---|
| total gross leasing investment | 537,841 | 68,014 | 228,709 | 416,274 | 71,506 | 1,322,344 |
| gross outstanding implicit receivables | | 68,014 | 228,709 | 416,274 | 71,506 | 784,503 |

Financial statement write-downs on loans deriving from leasing transactions totalled EUR 80,164 thousand.
During the course of the year, potential leasing income was identified (concerning the periodic adjustment of the interest for contacts with an indexed rate) recorded as a year expense for a total of EUR 13,188 thousand.

SECTION 8

# HEDGING DERIVATIVES – ITEM 80

## 8.1 Hedging derivatives: breakdown by hedging type and fair value hierarchy

| | FV 31/12/2014 | | | NV 31/12/2014 | FV 31/12/2013 | | | NV 31/12/2013 |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| A) Financial derivatives | | | | | | | | |
| 1) *Fair value* | - | 205,533 | - | 2,934,545 | - | 129,165 | - | 2,100,942 |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| B) Credit derivatives | | | | | | | | |
| 1) *Fair value* | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **205,533** | **-** | **2,934,545** | **-** | **129,165** | **-** | **2,100,942** |

***Key:***
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

## 8.2 Hedging derivatives: breakdown by hedged assets and risk

| Transaction / Type of hedging | *Fair value hedges* | | | | | | Cash-flow hedges | | Net Investments on foreign subsidiaries |
|---|---|---|---|---|---|---|---|---|---|
| | Micro | | | | | Macro | Micro | Macro | |
| | Interest rate risk | Currency risk | Credit risk | Price risk | Multiple risk | | | | |
| 1. Available-for-sale financial instruments | - | - | - | - | - | x | - | x | x |
| 2. Loans and receivables | - | - | - | x | - | x | - | x | x |
| 3. Held-to-maturity investments | x | - | - | x | - | x | - | x | x |
| 4. Portfolio | x | x | x | x | x | - | x | - | x |
| 5. Other | - | - | - | - | - | x | - | x | - |
| Total assets | - | - | - | - | - | - | - | - | - |
| 1. Financial liabilities | 205,034 | - | - | x | - | x | - | x | x |
| 2. Portfolio | x | x | x | x | x | - | x | - | x |
| Total liabilities | 205,034 | - | - | - | - | - | - | - | - |
| 1. Highly probable transactions | x | x | x | x | x | x | - | x | x |
| 2. Financial assets and liabilities portfolio | x | x | x | x | x | 499 | x | - | - |

SECTION 10
# EQUITY INVESTMENTS – ITEM 100

10.1 Equity investments: information on investment relationships

| Company Name | Registered Office | Operating office | % held | Availability of votes % (1) (2) |
|---|---|---|---|---|
| A. Exclusive subsidiaries | | | | |
| 1. Banca Carige Italia SpA | Genoa | Genoa | 100.00 | |
| 2. Cassa di Risparmio di Savona SpA | Savona | Savona | 95.90 | |
| 3. Cassa di Risparmio di Carrara SpA | Carrara | Carrara | 90.00 | |
| 4. Banca del Monte Lucca SpA | Lucca | Lucca | 60.00 | |
| 5. Banca Cesare Ponti SpA (3) | Milan | Milan | 100.00 | |
| 6. Carige Assicurazioni SpA (3) | Milan | Milan | 99.999 | |
| 7. Carige Vita Nuova SpA (3) | Genoa | Genoa | 100.00 | |
| 8. Centro Fiduciario SpA | Genoa | Genoa | 76.95 | |
| 9. Creditis Servizi Finanziari SpA (3) | Genoa | Genoa | 100.00 | |
| 10. Argo Mortgage 2 Srl | Genoa | Genoa | 60.00 | |
| 11. Columbus Carige Immobiliare SpA | Genoa | Genoa | 100.00 | |
| 12. Carige Covered Bond Srl | Genoa | Genoa | 60.00 | |
| 13. Carige Covered Bond 2 S.r.l. | Genoa | Genoa | 60.00 | |
| B. Subsidiaries subject to joint control | | | | |
| C. Companies subject to significant influence | | | | |
| 1. Autostrada dei Fiori SpA | Savona | Savona | 16.62 | |
| 2. Nuova Erzelli Srl | Genoa | Genoa | 40.00 | |

(1)Availability of voting rights at ordinary shareholders' meetings, distinguishing between actual and potential
(2) Figure entered only if other than the equity investment
(3) Companies reclassified as IFRS5

*Impairment test of subsidiary banks*

The value of the equity investments in subsidiary banks, booked in the financial statements as at 31/12/2014, amounted to EUR 1,334.2 million prior to the impairment test; with reference to these companies, an impairment test was carried out as at 31 December 2014.
The impairment testing method is based on the Excess Capital version of the Dividend Discount Model (DDM). In said model, the recoverable value is equal to the current value of cash flows distributable by each company, i.e. the maximum amount of dividends that can theoretically be distributed, in observance of given capital requirements (common equity ratio).
The Business plan underlying the 2014 Impairment test fits within the assumptions and guidance set forth by the 2014-2018 Business plan for the Carige Group, which was approved by the Bank's Board of Directors on 27 March 2014 and updated so as to take account, on the one hand, of the changing macro-economic environment and the latest preliminary results and 2019 estimates, and, on the other hand, of the preliminary forecasts of the 2015-2019 Business plan, which will be undergoing approval by the Board of Directors in March

However, the estimate of future financial flows did not include those connected with:

- improvements, optimisations or commercial developments still not implemented or which require investments which are still to be resolved or completed;

- any synergies from extraordinary corporate transactions and any future restructuring the Bank has still not committed to.

The discount rate (cost of equity) is 9% and it was determined as follows:

$$Ke = \text{Risk free interest rate} + \text{Equity risk premium} * \beta \text{ coefficient}$$

where:

- The risk free interest rate is equal to the average rate of return of the last two-year period of investments in Italian ten-year Government bonds (3.56%);
- the Equity risk premium is equal to the median of risk premiums assumed by equity analysts (5%);
- the β coefficient which represents the system risk sensitivity index (volatility of the security), relating to the Banca Carige share, is 1.08 (Source: Bloomberg).

The 1.33% terminal value cash flow (growth rate g), was determined on the basis of the 2017 GDP forecasts from a leading economic research institute.
The Common equity ratio is the ratio between common equity and the value of risk-weighted assets; this value has been fixed at 10.5% for the entire 2014 – 2017 period, and subsequently, starting from 2018, it was lowered to 9%.

In formulating the projections used to estimate the value in use, the Bank applied both the standardised approach and its AIRB model (from 2016) to forecast the amount of Risk Weighted Assets (RWA) and the ensuing capital absorption. Despite the fact that the AIRB does not constitute an improvement that modifies the actual cash flows of the Bank, but rather the application of an estimate method which makes it possible to evaluate the actual level of risk of the loan portfolio, the Bank has prudentially adopted the standardised approach in light of the results from the recent Comprehensive Assessment and of the developments introduced by the Single Supervisory Mechanism (SSM).

As at 31 December 2014, as a result of these valuations, the investments in subsidiary banks were written down for a further EUR 167.2 mn with reference to Cassa di Risparmio di Carrara (EUR 31.6 mln), Banca del Monte di Lucca (EUR 9.4 mln) and Banca Cesare Ponti (EUR 126.2 mln).
After this valuation exercise, the value of the investments in the bank subsidiaries amounted EUR 1,167 million (net of Banca Cesare Ponti which was recorded among "non-current assets and disposal groups held for sale" posted to item 140).

*The impairments carried out on other investments*
During the year, the investment in the subsidiary Columbus Carige Immobiliare S.p.a. was written down by the amount of EUR 0.4 million. The property was evaluated based on its net equity as of end of the reporting period for the year.
As a result of the large losses registered in the associate company Nuova Erzelli s.r.l., the value of the investment was adjusted to its net equity, with the recognition of an impairment of 1.1 million.

***-***

The investments in the two insurance companies were posted to item 140 "non-current assets and disposal groups held for sale", pursuant to IFRS5, for EUR 306.7 million, following signing of an agreement on 28/10/2014 for them to be sold to a fund connected to the Apollo Global Management L.P. Group. The sale, expected to take place during the first half of 2015, subject to the authorisation of the relevant authorities, has been defined for a total price of EUR 310 million. The evaluation of the two investments, therefore, was carried out using the lower between the accounting value and its fair value less costs to sell. The recognised impairment losses amount to EUR 179.2 million. The investments in Banca Cesare Ponti SpA and Creditis Servizi Finanziari SpA are also posted to item 140, under *IFRS 5*.

10.5 Equity investments: changes in the year

| | 31/12/14 | 31/12/13 |
|---|---|---|
| A. Opening balance | 1,823,589 | 3,310,027 |
| B. Increases | 102,060 | 332,533 |
| B.1 Acquisitions | 102,000 | 236,895 |
| B.2 Write-backs | - | - |
| B.3 Revaluations | - | - |
| B.4 Other changes | 60 | 95,638 |
| C. Decreases | 722,049 | 1,818,971 |
| C.1 Sales | - | 101,567 |
| C.2 Value adjustments | 347,864 | 1,717,377 |
| C.3 Other changes | 374,185 | 27 |
| D. Closing balance | 1,203,600 | 1,823,589 |
| E. Total revaluations | | |
| F. Tatal adjustments | 1,611,089 | 1,142,432 |

Sub-item C2 includes impairment losses for EUR 179,207 thousand relating to value adjustments to Non-current Assets Held for Sale (EUR 274,925 thousand as at 31 December 2013).

Details of the changes are as follows:

*INCREASES*

*PURCHASES*

| | |
|---|---|
| *CARIGE ASSICURAZIONI SPA* | |
| 2 new unexercised shares with a nominal value of EUR 750 each were subscribed for during the Company's share capital increase | 1 |
| 13,333 new shares with a nominal value of EUR 750 each were subscribed for during the Company's share capital increase | 10,000 |
| 287,494 shares with a nominal value of Euro 320 each were subscribed for during the Company's share capital increase | 91,998 |
| 3 new unexercised shares with a nominal value of EUR 320 each were subscribed for during the Company's share capital increase | 1 |
| *Total purchases* | *102,000* |

*OTHER INCREASES*

| | |
|---|---|
| *NUOVA ERZELLI SRL* | 60 |
| Non-interest bearing loan for capital increase | |
| *Total other increases* | *60* |

*thousands of Euro*

## *VALUE ADJUSTMENTS*

| | |
|---|---|
| Impairment effected on equity investments at 30/06/2014 | |
| *NUOVA ERZELLI SRL* | 1,052 |
| | |
| Impairment effected on equity investments at 31/12/2014 | |
| *COLUMBUS CARIGE IMM.RE SPA* | 410 |
| *BANCA DEL MONTE DI LUCCA* | 9,402 |
| *CASSA DI RISPARMIO DI CARRARA* | 31,547 |
| *BANCA CARIGE ITALIA* | 126,246 |
| | |
| Impairment effected on equity investments held for sale | |
| *CARIGE ASSICURAZIONI SPA* | 70,977 |
| *CARIGE VITA NUOVA SPA* | 108,230 |
| | |
| *Total value adjustments* | *347,864* |

## *OTHER CHANGES*

| | |
|---|---|
| *CARIGE ASSICURAZIONI SPA* | |
| Reclassification of the equity investment among assets held for sale | 134,321 |
| | |
| *CARIGE VITA NUOVA SPA* | |
| Reclassification of the equity investment among assets held for sale | 172,370 |
| | |
| *BANCA CESARE PONTI SPA* | |
| Reclassification of the equity investment among assets held for sale | 27,494 |
| | |
| *CREDITIS SPA* | |
| Reclassification of the equity investment among assets held for sale | 40,000 |
| | |
| *Total other increases* | *374,185* |

*thousands of Euro*

SECTION 11

# PROPERTY AND EQUIPMENT – ITEM 110

## 11.1 Property and equipment used in the business: breakdown of assets carried at cost

| Activities/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1.1 Owned assets | 354,451 | 361,857 |
| a) land | 122,233 | 124,390 |
| b) buildings | 190,414 | 196,777 |
| c) office furniture and fittings | 1,125 | 1,104 |
| d) electronic systems | 13,428 | 12,377 |
| e) other | 27,251 | 27,209 |
| 1.2 Leased assets | 2,031 | 2,842 |
| a) land | - | - |
| b) buildings | - | - |
| c) office furniture and fittings | - | - |
| d) electronic systems | 2,031 | 2,842 |
| e) other | - | - |
| Total | 356,482 | 364,699 |

## 11.2 Property and equipment: breakdown of assets carried at cost

| Activities/Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| 1. Owned assets | 115,879 | - | 133,313 | - | 108,000 | - | 128,489 | - |
| a) land | 53,595 | - | 53,595 | - | 50,644 | - | 54,515 | - |
| b) buildings | 62,284 | - | 79,718 | - | 57,356 | - | 73,974 | - |
| 2. Leased assets | - | - | - | - | - | - | - | - |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - | - | - |
| Total | 115,879 | - | 133,313 | - | 108,000 | - | 128,489 | - |

11.5 Tangible assets used in the business: annual changes

| Activities/Values | Land | Buildings | Furniture | Electronic systems | Other | Total |
|---|---|---|---|---|---|---|
| A. Gross opening balance | 124,390 | 232,055 | 11,737 | 41,785 | 46,878 | 456,844 |
| A.1 Total net reduction value | - | (35,278) | (10,633) | (26,566) | (19,669) | (92,145) |
| A.2 Net opening balance | 124,390 | 196,777 | 1,104 | 15,219 | 27,209 | 364,699 |
| B. Increase | - | 1,348 | 357 | 5,711 | 1,087 | 8,503 |
| B.1 Purchase | - | - | 357 | 5,711 | 1,087 | 7,155 |
| B.2 Capitalised expenditure on improvements | - | 1,348 | - | - | - | 1,348 |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Posit. changes in fair value allocated to: | - | - | - | - | - | - |
| - a) net equity | - | - | - | - | - | - |
| - b) profit & loss | - | - | - | - | - | - |
| B.5 Exchange difference (+) | - | - | - | - | - | - |
| B.6 Transfer from investment properties | - | - | - | - | - | - |
| B.7 Other adjustment | - | - | - | - | - | - |
| C. Decreases | 2,157 | 7,711 | 336 | 5,471 | 1,045 | 16,720 |
| C.1 Sales | - | - | 1 | 2 | - | 3 |
| C.2 Amortization | - | 3,493 | 335 | 5,469 | 1,045 | 10,342 |
| C.3 Impairment losses allocated to: | 389 | 892 | - | - | - | 1,281 |
| - a) net equity | - | - | - | - | - | - |
| - b) profit & loss | 389 | 892 | - | - | - | 1,281 |
| C.4 Negat. changes in fair value allocated to: | - | - | - | - | - | - |
| - a) net equity | - | - | - | - | - | - |
| - b) profit & loss | - | - | - | - | - | - |
| C.5 Exchange difference (-) | - | - | - | - | - | - |
| C.6 Trasfers to: | 1,768 | 3,326 | - | - | - | 5,094 |
| - a) held-for-sales investments | 1,766 | 3,228 | - | - | - | 4,994 |
| - b) assets classified as held-for-sales | 2 | 98 | - | - | - | 100 |
| C.7 Other adjustment | - | - | - | - | - | - |
| D. Net closing balance | 122,233 | 190,414 | 1,125 | 15,459 | 27,251 | 356,482 |
| D.1 Total net write-down | - | (38,289) | (10,946) | (30,933) | (20,456) | (100,624) |
| D.2 Final gross balance | 122,233 | 228,703 | 12,071 | 46,392 | 47,707 | 457,106 |
| E. Carried at cost | - | - | - | - | - | - |

Sub-account E, "Carried at cost", was left blank in accordance with instructions from the Bank of Italy, as it only needs to be completed for assets recognised at fair value.

11.6 Tangible assets held for investments: annual changes

| | Total | |
|---|---|---|
| | Land | Building |
| A. Opening balance | 50,644 | 57,356 |
| B. Increases | 3,468 | 8,062 |
| B.1 Purchases | 1,702 | 4,834 |
| B.2 Capitalised expenditure on improvements | - | - |
| B.3 Increases in fair value | - | - |
| B.4 Write backs | - | - |
| B.5 Positive exchange differences | - | - |
| B.6 Transfer from properties used in the business | 1,766 | 3,228 |
| B.7 Other changes | - | - |
| C. Reductions | 517 | 3,134 |
| C.1 Disposals | 517 | 1,993 |
| C.2 Depreciation | - | 1,141 |
| C.3 Negative changes in fair value | - | - |
| C.4 Impairment losses | - | - |
| C.5 Negative exchange difference | - | - |
| C.6 Transfers to | - | - |
| a) properties used in the business | - | - |
| b) non-current assets classified ad held for sale | - | - |
| C.7 Other changes | - | - |
| D. Closing balance | 53,595 | 62,284 |
| E. Measured at fair value | 53,595 | 79,718 |

Tangible assets held for investment are valued at cost.

Closing inventories of property and equipment include the following revaluations pertaining only to "property":

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Monetary revaluations as per Italian Laws 576/75, 72/83 and | 32,188 | 32,188 |
| Revaluations as per Italian Law 218/90 | 144,087 | 144,087 |
| **Total** | 176,275 | 176,275 |

SECTION 12

# INTANGIBLE ASSETS – ITEM 120

## 12.1 Intangible assets: breakdown

| Activities/Values | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life |
| A.1 Goodwill | X | - | X | - |
| A.2 Other intangible assets | 58,786 | - | 69,579 | - |
| A.2.1 Assets valued at cost: | 58,786 | - | 69,579 | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | 58,786 | - | 69,579 | - |
| A.2.2 Assets valued at fair value: | - | - | - | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | **58,786** | **-** | **69,579** | **-** |

## 12.2 Intangible assets: annual changes

| | Goodwill | Other intangible assets: generated internally | | Other intangible assets: | | Total |
|---|---|---|---|---|---|---|
| | | Finite | indefinite | Finite | indefinite | |
| A. Gross opening balance | - | - | - | 217,384 | - | 217,384 |
| A.1 Total net reduction in value | - | - | - | (147,805) | - | (147,805) |
| A.2 Net opening balance | - | - | - | 69,579 | - | 69,579 |
| B. Increases | - | - | - | 17,712 | - | 17,712 |
| B.1 Purchases | - | - | - | 17,709 | - | 17,709 |
| B.2 Increases in intangible assets generated internally | X | - | - | - | - | - |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Increases in fair value: | - | - | - | - | - | - |
| - net equity | X | - | - | - | - | - |
| - profit & loss | X | - | - | - | - | - |
| B.5 Positive exchange differences | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | 3 | - | 3 |
| C. Reductions | - | - | - | 28,505 | - | 28,505 |
| C.1 Disposals | - | - | - | - | - | - |
| C.2 Write-downs | - | - | - | 28,505 | - | 28,505 |
| - Amortization | X | - | - | 28,505 | - | 28,505 |
| - Write-downs | - | - | - | - | - | - |
| + in equity | X | - | - | - | - | - |
| + profit & loss | - | - | - | - | - | - |
| C.3 Reduction in fair value | - | - | - | - | - | - |
| - in equity | X | - | - | - | - | - |
| - through profit or loss | X | - | - | - | - | - |
| C.4 Transfers to non-current assets held for sale | - | - | - | - | - | - |
| C.5 Negative exchange differences | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | - | - | - |
| D. Net closing balance | - | - | - | 58,786 | - | 58,786 |
| D.1 Total net reduction in value | - | - | - | (176,307) | - | (176,307) |
| E. Closing balance | - | - | - | 235,093 | - | 235,093 |
| F. Carried at cost | - | - | - | - | - | - |

Key:
DEF: definite duration
INDEF: indefinite duration

SECTION 13

# TAX ASSETS AND TAX LIABILITIES – ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

13.1 Deferred tax assets: breakdown

| | 31/12/2014 | | 31/12/2013 | |
|---|---|---|---|---|
| Counter-item in the income statement | IRES (27.5%) | IRAP (5.57%) | IRES (27.5%) | IRAP (5.57%) |
| Deferred tax assets as per Law 214/2011 | | | | |
| Adjustments of loans up to 2012 deductible in future years | 75,088 | | 121,685 | |
| Adjustments to loans pursuant to Law 147/2013 deductible in future | 86,741 | 17,614 | 142,972 | 28,686 |
| Goodwill - former branches transferred to Carige Italia | 151,152 | 33,499 | 278,797 | 56,469 |
| Goodwill - tax-aligned consolidated financial statements | 55,718 | 11,933 | 63,317 | 12,825 |
| Goodwill - tax-aligned BCP merger | 3,247 | 814 | 10,155 | 2,057 |
| 2013 tax loss - portion convertible into tax credit | - | - | 33,289 | 5,008 |
| Total deferred tax assets as per Law 214/2011 | **371,946** | **63,860** | **650,215** | **105,045** |
| Other deferred tax assets: | | | | |
| Provisions to the supplementary pension fund | 26,658 | - | 24,981 | - |
| Provision for risks and charges related to legal disputes and clawbac | 4,921 | 406 | 3,663 | - |
| Provisions to the write-down reserve for signature loans | 10,019 | 2,029 | 5,489 | 1,112 |
| Other personnel provisions | 5,526 | - | 1,912 | - |
| Provisions to employee termination indemnities | 123 | - | 57 | - |
| Allocation to the Interbank Deposit Protection Fund | 172 | - | 690 | - |
| Tax value of properties higher than book value | 1,875 | 381 | 1,431 | 290 |
| Intangible fixed assets not eligible for IASs | 4 | - | 10 | - |
| Write-down of available-for-sale securities in income statement | - | 1,132 | 36 | 1,316 |
| Write-down of L&R securities in income statement | - | - | - | 158 |
| ACE (aid for economic growth) benefit carried forward | - | - | 2,640 | - |
| 2013 tax loss | 51,952 | - | 67,007 | - |
| Adjustments to loans to banks | - | - | 25 | - |
| Other | - | - | - | - |
| Total other deferred tax assets | **101,250** | **3,948** | **107,941** | **2,876** |
| TOTAL | 473,196 | 67,808 | 758,156 | 107,921 |
| Counter-item in Shareholders' equity | IRES (27.5%) | IRAP (5.57%) | IRES (27.5%) | IRAP (5.57%) |
| Valuation of securities recognised in the AFS portfolio | 2,757 | 561 | 15,450 | 3,161 |
| Cash flow hedging derivatives | 61,957 | 12,549 | 44,021 | 8,916 |
| Provisions to the supplementary pension fund | 34,905 | - | 14,194 | - |
| Provisions to employee termination indemnities | 493 | - | 244 | - |
| Ancillary expenses for share capital increases | 9,627 | - | 284 | - |
| TOTAL | 109,739 | 13,110 | 74,193 | 12,077 |
| Total deferred tax assets | **582,935** | **80,918** | **832,349** | **119,998** |

Current tax assets: breakdown

Recorded current tax assets amounted to EUR 595,583 thousand and refer mainly to:

a) tax credits on indirect tax prepayments for 2014 of around EUR 30,490 thousand;
b) tax credits from prior years awaiting refund, for about EUR 25,477 thousand;
c) direct tax credits (IRAP) for 2014 of approximately Euro 32,883 thousand;
d) direct tax credits (IRES) for 2014 of approximately Euro 82,925 thousand. Concerning IRES, this figure includes the liquidation results for all companies adopting the tax consolidation procedure (see article 117 et seq., Consolidated Income Tax Law [TUIR]), renewed by Banca Carige in 2013;
e) tax credit pursuant to Italian Law 214/2011, originating from the transformation of assets related to tax paid in advance that took place following a loss and/or a fiscal loss in 2013 equal to approx. EUR 423,808.

13.2 Deferred tax liabilities: breakdown

| | 31/12/2014 | | 31/12/2013 | |
|---|---|---|---|---|
| Counter-item in the income statement | IRES (27.5%) | IRAP (5.57%) | IRES (27.5%) | IRAP (5.57%) |
| Revaluation of properties at deemed cost on FTA | - | - | 51,142 | 10,359 |
| Revaluation of Italian mutual funds | - | - | 255 | - |
| Receivables for default interest not collected | 1,420 | - | 985 | - |
| Capital gains in instalments | - | - | 1,017 | - |
| Other | 1 | - | 1 | - |
| TOTAL | 1,421 | - | 53,400 | 10,359 |
| Counter-item in Shareholders' equity | IRES (27.5%) | IRAP (5.57%) | IRES (27.5%) | IRAP (5.57%) |
| Valuation at fair value of securities recognised in the AFS portfc | 2,772 | 569 | 6,870 | 1,401 |
| Other | - | - | - | - |
| TOTAL | 2,772 | 569 | 6,870 | 1,401 |
| Total deferred tax liabilities | 4,193 | 569 | 60,270 | 11,760 |

## Current tax liabilities: breakdown

Current tax liabilities recorded amounted to EUR 9,826 thousand and refer mainly to:

a) tax liabilities for doubtful outcomes on tax credits awaiting refund amounting to EUR 2,765 thousand;
b) other indirect tax payables (VAT, stamp duty, substitute tax on medium/long-term loans, etc.) for EUR 6,604 thousand.

### 13.3 Deferred tax assets: annual changes (balancing P&L)

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Opening balance | 866,077 | 630,637 |
| 2. Increases | 123,272 | 291,760 |
| 2.1 Deferred tax assets of the year | 123,272 | 291,760 |
| a) relating to previous years | 1,331 | - |
| b) due to change in accounting policies | - | - |
| c) write-backs | - | - |
| d) other (creation of temporary differences, use of TLCF) | 121,941 | 291,760 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 448,345 | 56,320 |
| 3.1 Deferred tax assets derecognised in the year | 24,537 | 56,320 |
| a) reversals of temporary differences | 24,537 | 56,320 |
| b) write-downs of non-recoverable items | - | - |
| c) change in accounting policies | - | - |
| d) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 423,808 | - |
| a) Conversion into tax credit under L. 214/2011 | 423,808 | - |
| b) Other | - | - |
| - of which: business combinations | - | - |
| **4. Final amount (1)** | **541,004** | **866,077** |

(1) The final amount as at 31/12/2014 includes EUR 51,952 thousand relating to deferred tax assets arising from EUR 67,007 thousand lower tax losses than recorded as at 31/21/2013, which can be carried forward to future years.

### 13.3.1 Deferred tax assets out of which for purposes of L. 214/2011: annual changes (balancing P&L)

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Opening balance | 755,260 | 583,602 |
| 2. Increases | 104,354 | 209,956 |
| 3. Decreases | 423,808 | 38,298 |
| 3.1 Reversals of temporary differences | - | 38,298 |
| 3.2 | 423,808 | - |
| a) from year losses | 385,511 | - |
| b) from tax losses | 38,297 | - |
| 3.3 Other decreases | - | - |
| - of which: business combinations | - | - |
| **4. Final amount** | **435,806** | **755,260** |

13.4 Deferred tax liabilities: annual changes (balancing P&L)

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Opening balance | 63,759 | 65,459 |
| 2. Increases | 1,512 | 1,301 |
| 2.1 Deferred tax liabilities of the year | 1,512 | 1,301 |
| a) relating to previous years | 19 | 10 |
| b) due to change in accounting policies | - | - |
| c) other | 1,493 | 1,291 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 63,850 | 3,001 |
| 3.1 Deferred tax liabilities derecognised in the year | 63,850 | 3,001 |
| a) reversals of temporary differences | 63,850 | 3,001 |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| - of which: business combinations | - | - |
| 4. Final amount | 1,421 | 63,759 |

13.5 Deferred tax assets: annual changes ( balancing Net Equity)

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Opening balance | 86,270 | 318,124 |
| 2. Increases | 54,744 | 113 |
| 2.1 Deferred tax assets of the year | 54,744 | 113 |
| a) relating to previous years | - | - |
| b) due to change in accounting principles | - | - |
| c) other (creation of temporary differences) | 54,744 | 113 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 18,165 | 231,967 |
| 3.1 Deferred tax assets derecognised in the year | 18,165 | 231,967 |
| a) reversals of temporary differences | 18,165 | 231,967 |
| b) write-downs of non-recoverable items | - | - |
| c) due to change in accounting principles | - | - |
| d) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Final amount** | **122,849** | **86,270** |

13.6 Deferred tax liabilities: annual changes ( balancing Net Equity)

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Opening balance | 8,271 | 1,085 |
| 2. Increases | 1 | 7,440 |
| 2.1 Deferred tax liabilities of the year | 1 | 7,440 |
| a) relating to previous years | - | - |
| b) due to change in accounting principles | - | - |
| c) other | 1 | 7,440 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 4,931 | 254 |
| 3.1 Deferred tax liabilities derecognised in the year | 4,931 | 254 |
| a) reversal of temporary differences | 4,931 | 254 |
| b) due to change in accounting principles | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Final amount** | **3,341** | **8,271** |

## 13.7 Other information

## - Tax legislation

From 1 January 2008 the 2008 Budget Law (Law no. 244 of 24 December 2007) reduced the IRES rate from 33% to 27.5% and the basic IRAP rate from 4.25% to 3.90%.
The Law Decree no. 98, published in the Official Gazette, General Series no. 155 of 6 July 2011, converted into Law no. 111 of 15 July 2011, in Art. 23, para. 5 and 6 has changed the IRAP base rate to 4.65% for the banking sector.
A coefficient of 0.9176 was established to reset the rates imposed by the regions for IRAP additional tax. Therefore for almost all regions in which the company operates (for which the standard rate increased by 1%), the applicable tax rate essentially became 5.57% (4.65% new basic rate + 0.92% surcharge).
As a consequence, the rates applied in calculating current and deferred taxes for 2014 are as follows:
IRES 27.5%
IRAP 5.57%
Law 244/2007 also reinforced the principle of deriving company income from financial statements prepared in accordance with international accounting standards (IAS/IFRS). To this end, tax regulations were changed to envisage:

A) that for IAS subjects, the valuation criteria, matching principle and IAS financial statements classification prevail over the provisions of the Consolidated Income Tax Law (Article 83, TUIR);
B) a series of changes to other parts of the TUIR, to harmonise tax regulations to accounting rules with regard to valuation. An example of the latter type of changes would be the requirement for fiscal significance in valuing HFT shares, financial assets other than shares imputed to the income statement and financial liabilities (see Art. 110, para. 1-bis and 1-ter TUIR).

To this effect, Ministerial Decree no. 48 of 1 April 2009, (the “IAS Decree”) clarified that “even the parties adopting IAS must apply the provisions of Chapter II, Section I of the Consolidated Act providing for quantitative limits on the deduction of negative components, or their exclusion or allocation to more than one tax period, or those that partially or fully exempt or exclude any positive components from the taxable income calculation, or permit allocation to more than one tax period, and those that establish the significance of positive or negative components for the year based, respectively, on their collection or payment”.

The 2008 Budget Law (Law 244 of 24 December 2007) also introduced changes in the calculation method for the IRAP tax base, establishing direct balance sheet item significance as classified according to the correct accounting standards.
Therefore, the IRAP tax base is substantially determined by subtracting from the intermediation margin 50% of dividends received and 90% of amortisation/depreciation of tangible and intangible assets and administrative costs, net of personnel expenses.
More recently, Law no. 147 of 27.12.2013, published in the Official Journal on 27 December 2013, no. 302, Ordinary Section no. 87 (so-called “Stability Law 2014"), established that, for IRES purposes, effective from the current year ended as at 31 December 2013, credit and financial institutions can fully deduct losses realised during the year on loans to customers through factoring (art.106, paragraph 3, Consolidated Income Tax Law) and, in the year and four subsequent years, the write-downs on losses on loans to customers (art. 106, paragraph 3, Consolidated Income Tax Law).
This provision also modified IRAP regulations, providing the possibility of always deducting the value adjustments accounted for on loans to customers in fifths.
Write-downs and losses on loans to entities other than customers will, by contrast, continue to be deductible according to ordinary rules for IRES purposes (art. 101, paragraph 5 of the Consolidated Income Tax Law) and not deducted for IRAP purposes.

- Possibility of transforming advance taxes into tax credits.

Art. 2, paragraph 55 of Law Decree 225/2010 (the “Decreto Milleproroghe” converted to Law 10/2011) envisaged that, pending entry into force of the new Basel Accord, deferred tax assets recognised to the financial statements for loan write-downs (art. 106, paragraph 3, TUIR), goodwill and other intangible assets, the components of which are deductible over several tax years for income tax purposes, are transformed into tax credits if the separate financial statements of a company record a loss for the year. This transformation enters into force from approval of the financial statements closed with a loss, by an amount equal to the product of loss for the year and the ratio between deferred tax assets and total share capital-reserves.
Art. 8 of the Law Decree 201/2011 (the “Salva Italia” or “Save Italy” decree, converted to Law 214/2011), further expanded the possibility of converting deferred tax assets into cash, as already provided by the “Decreto Milleproroghe” (“One thousand extensions decree”) which made it possible to transform them into tax receivables, also in the event of tax loss, for the portion referred to said items, and to use the receivables to offset other tax liabilities or transfer such receivables to other Group companies or to request reimbursement of the amount.
The above-mentioned amendment therefore renders the possible recovery of prepaid taxes practically certain.
More recently, Law no. 147 of 27.12.2013 (so-called “2014 Stability Law”) allowed, in the presence of a negative net value of production, for the conversion into tax credits of DTAs allocated for IRAP purposes in relation to write-downs and loan losses, and to the value of goodwill and other intangible assets.
This provision also definitively clears up the possibility of transforming IRAP DTAs on goodwill (and now also losses on impairment of loans) in the event a loss for the year is realised.

In 2014, following the approval of the 2013 financial statements showing a loss and with an income tax return with a tax loss, the above mentioned hypotheses were carried out to transform respectively amounts equal to the loss of EUR 385.5 million and the fiscal loss of EUR 38.3 million.
The tax paid in advance assets recorded in the balance sheet and singled out by the decree include goodwill for EUR 256.4 mln and provisions for loan loss for EUR 179.4 mln for a total of EUR 435.8 mln (see table 13.3.1).

- IAS 12 and "probability test" for the recognition of prepaid taxes.

IAS 12 requires deferred tax assets and liabilities to be recognised in accordance with the following criteria:

- temporary taxable differences: a deferred tax liability must be recorded for all temporary taxable differences;
- temporary deductible differences: a deferred tax asset must be recorded for all temporary deductible differences if taxable income is likely to be realised in respect of which the temporary deductible difference can be used.

The amount of prepaid taxes recorded in the financial statements must, therefore, be subject to testing every year, to verify whether it is reasonably likely that sufficient future taxable income will be realised with respect to the timing of its reversal.

In consideration of the significant amount of deferred tax assets recorded, also with regard to the 2014 financial statements, an analysis was conducted to verify whether the forecasts of future profitability are as such to ensure their re-absorption and therefore justify their recognition and maintenance in the financial statements (so-called "probability test").

In carrying out the probability test on prepaid taxes recorded in the Bank's financial statements as at 31 December 2014, those assets deriving from temporary deductible differences relating to write-downs of loans and goodwill were considered separately. It should be pointed out that, in this regard, article 2, paragraphs 55 to 57 of Law Decree no. 225/2010, converted to Law 214/2011, established the conversion to tax credits of said prepaid taxes recorded in the financial statements in the event of tax and/or statutory losses are realised.

This convertibility introduced an additional recovery method, which is suited to ensuring the recovery of qualified prepaid taxes in any situation, regardless of the company's future profitability. The convertibility of prepaid taxes which are determined from qualified temporary differences therefore constitutes an adequate basis for their recognition in the financial statements, in fact rendering the associated probability test fully superseded (see joint document from the Bank of Italy, Consob and ISVAP no. 5 of 15 May 2012, and subsequent IAS-ABI document no. 112 of 31 May 2012).

Based on these considerations, the probability test was focused on the amount of prepaid taxes not potentially convertible to receivables and highlighted a tax base sufficient enough to absorb the deferred taxes recorded in the financial statements as at 31 December 2014, also taking account of the compliance of the company with the Group IRES tax consolidation.

Out of total prepaid taxes recognised in the financial statements of EUR 663,853 thousand, those relating to Law 214/2011 came to EUR 435,806 thousand.

- Deferred taxes on untaxed reserves.

No allocations were made for deferred tax liabilities on untaxed reserves amounting to EUR 180.7 mln (of which EUR 103.7 mln included in share capital), taking into account the fact that a partial distribution of untaxed reserves has never occurred, even from the oldest ones.
Therefore, it is reasonable to believe that no related taxation initiatives will be adopted.

13.8 Disputes

Five liquidation notices were served in 2013 concerning the subjecting to tax of 14 medium/long-term pooled loans which were signed abroad.
On said loans, stipulated between 2009 and 2011 for a total amount of around EUR 447 mln, the Italian Inland Revenue is challenging the non-payment of tax of EUR 1.1 mln, plus interest and penalties of EUR 2.3 mln.
The Italian Inland Revenue’s stance follows Resolution 20/E of 28/3/2013 in which it challenged the position taken by the company whereby it considered the loan agreements stipulated abroad not to be subject to substitute tax, based on the assumption that the parties in the contract had already reached an agreement and therefore concluded the contract prior to the formal signing and that, subsequently, said contract was "formed" in Italy.
This Resolution, however, seems to conflict with previous resolution no. 45 of 10 April 2000, which unequivocally ruled that the loan transactions entered into outside Italy, given they did not meet the tax jurisdiction requirement, were not subject to substitute tax on loans.
Appeals against the above liquidation notices were filed at the time.
Following further examination the Revenue Agency, having been expedited by protection requests, cancelled 4 of the 5 liquidation notices for which a "no contest" judgement was passed (with the additional tax claimed for an amount of EUR 0.8 mln in addition to fines and interest were cancelled).
Regarding the fifth notice (for EUR 0.3 mln of additional tax), favourable judgement was in any case passed in the first instance pending appeal.
Following the protection measures, a request was made for the repayment of the amounts paid while litigation was pending which, if already refunded in the meantime by financing parties, will be re-recognised at the moment of collection.
On 28/02/2014 the Genoa Provincial office of the Revenue Agency served a liquidation and correction notice to the Banca Carige levying a higher amount of registration tax (in addition to fines and interest) with reference to the deed of purchase of a company business unit bought from Banca del Monte dei Paschi di Siena in 2010.
This notice was based on the redetermination of the value of goodwill that was higher than what was previously indicated by the parties in the aforesaid deed, in particular the Office redetermined the value of goodwill from EUR 102,461,722 to EUR 140,167,758, resulting in levying a higher amount of registration tax, equal to EUR 455,116 in addition to fines of the same amount and interest. The Company submitted an appeal to the Provincial Tax Commission of Genoa.
With regard to the possible tax risk profiles correlated with Consob impugnation of the Bank's 2013 consolidated financial statements, this does not in itself involve any change in the Bank's tax position, assuming the continued validity of the afore-mentioned financial statements until the date of a final judgement declaring their invalidity. It is therefore possible that the Revenue Agency, on the basis of this impugnation, will charge the Bank of violating the applicable tax regulations, carrying out an

incidental evaluation based on the validity of the contested financial statements. However, it has been deemed improbable that there will be any tax liability related to the aforementioned impugnation.

*** - ***

Finally, on 28 January 2015 a verification exercise regarding income tax for 2012 in accordance with and pursuant to the provisions of Article 2 of the Italian Legislative Decree 68/2001, 32 and 33 of the Italian Presidential Decree no. 600 dated 29 September 1973, as well as art. 35 of Italian Law no. 4/1929 by was started by the *Guardia di Finanza* (the Italian Financial Guard Corps - "GdF") – Genoa Tax Police Unit.

SECTION 14

## NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES – ITEM 140 (ASSETS) AND ITEM 90 (LIABILITIES)

14.1 Non-current assets held for sale and discontinued operations: breakdown by assets

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Individual assets | | |
| A.1 Financial assets | - | - |
| A.2 Equity investments | 374,185 | - |
| A.3 Tangible assets | 100 | - |
| **Total A** | **374,285** | **-** |
| carried at cost | 67,494 | - |
| carried at *fair value* - level 3 | 306,791 | - |

The investments item consists of the following investments in Group companies held for sale:

Carige Assicurazioni S.p.A.

Carige Vita Nuova S.p.A.

Creditis Servizi Finanziari S.p.A.

Banca Cesare Ponti S.p.A.:

The investments in the subsidiaries Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.a. were recorded under this item as a sales agreement has been stipulated for them with a fund connected to the Apollo Global Management LLC Group. The sale, expected to take place during the first quarter of 2015, subject to the authorisation of the competent authorities, will take place for the total price of EUR 310 million. The two investments are entered at their fair value, net of sales expenses at EUR 306.7 million. The capital losses due to their evaluation have been entered under item 210 of the Income Statement “Profit (losses) on investment” and amount to EUR 179.2 million.

The investments in the other two companies have been entered among assets held for sale as their sale has been approved and on-going negotiations are in progress for their sale. They have been entered at cost as the sale price will be higher than the book value.

Assets held for sale also include a property for which a preliminary sale contract was entered into on 31/12/2014. The transaction will be concluded during the first quarter of 2015. The asset has been entered at the lower of their carrying amount and fair value, with the resulting recognition of an impairment of EUR 123 thousand recorded under Item 170 of the Income Statement “Adjustments to/Recoveries on property, plant and equipment”.

SECTION 15

# OTHER ASSETS - ITEM 150

15.1 Other assets: breakdown

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| Accrued revenues to be collected | 107,396 | 71,198 |
| Items undergoing processing | 77,367 | 88,901 |
| Bills and other items for collection | 10,085 | 13,869 |
| Revenue items in transit | 7,625 | 4,054 |
| Current account cheques drawn on third parties | 6,596 | 7,319 |
| Advances paid to tax authorities on behalf of thir | 5,798 | 13,435 |
| Current account cheques drawn on banks | 2,820 | 2,813 |
| Tax consolidation | 1,328 | 13,298 |
| Expenses for improvement of third parties' assets | 338 | 576 |
| Security deposits in own name | 3 | 3 |
| Other | 3,278 | 6,113 |
| Total | 222,634 | 221,579 |

LIABILITIES

SECTION 1

## DUE TO BANKS – ITEM 10

1.1 Due to banks: product breakdown

| Type of transaction/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Deposits from central banks | 1,130,316 | 7,169,931 |
| 2. Deposits from banks | 3,059,609 | 3,275,367 |
| 2.1 Other current accounts and demand deposits | 2,020,290 | 1,793,667 |
| 2.2 Time deposits | 114,919 | 132,204 |
| 2.3 Loans | 733,531 | 1,253,912 |
| 2.3.1 Repos | 231,109 | 759,316 |
| 2.3.2 Other | 502,422 | 494,596 |
| 2.4 Liabilities in respect of commitments to repurchase treasury shares | - | - |
| 2.5 Other debt | 190,869 | 95,584 |
| Total | 4,189,925 | 10,445,298 |
| *Fair value - level 1* | - | - |
| *Fair value - level 2* | 4,073,301 | 10,312,429 |
| *Fair value - level 3* | - | - |
| Total Fair value | 4,073,301 | 10,312,429 |

The "Deposits from central banks" item includes EUR 1.13 bn related to refinancing operations at the European Central Bank (L.T.R.O.), and includes interest accrued on the loan received up to 31 December 2014.

SECTION 2

# DUE TO CUSTOMERS– ITEM 20

2.1 Due to customers. product breakdown

| Type of transaction/Values | | Total: 31/12/2014 | Total: 31/12/2013 |
|---|---|---|---|
| 1. Current accounts and demand deposits | | 6,213,160 | 5,805,631 |
| 2. Time deposits including saving deposits with maturity | | 848,392 | 557,440 |
| 3. Loans | | 2,378,959 | 344,215 |
| 3.1 Repos | | 2,374,027 | 341,634 |
| 3.2 Other | | 4,932 | 2,581 |
| 4. Liabilities in respect of commitments to repurchase treasury shares | | - | - |
| 5. Other | | 206,727 | 204,113 |
| Total | | 9,647,238 | 6,911,399 |
| | *Fair value - level 1* | - | - |
| | *Fair value - level 2* | 9,629,709 | 6,894,356 |
| | *Fair value - level 3* | - | - |
| *Fair value* | | 9,629,709 | 6,894,356 |

2.5 Financial lease payables

As at 31 December 2014, the company had two financial leases, pertaining to hardware, recorded in Assets, Item 110 for EUR 2,031 thousand. As at 31 December 2014, lease payables to the counterparties amounted to EUR 1,238 thousand. Lease interest expense recognised in profit and loss during the year amounted to Euro 110 thousand, and amortisation/depreciation of the assets amounted to EUR 812 thousand.

The reconciliation between the total future minimum payments at the date of the financial statements and their current value is provided below.

| Lease payables | Minimum payments | Present value of minimum payments |
|---|---|---|
| up to 12 months | 1,238 | 1,194 |
| from 1 to 5 years | - | - |
| over 5 years | - | - |
| Total | 1,238 | 1,194 |
| Time effect | (44) | x |
| Present value of minimum payments | 1,194 | x |

SECTION 3

# SECURITIES ISSUED – ITEM 30

3.1 Debt securities in issue: product breakdown

| Type of securities/Values | Total 31/12/2014 | | | | Total 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance Sheet Value | *Fair Value* | | | Balance Sheet Value | *Fair Value* | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| A. Debts certificates including bonds | | | | | | | | |
| 1. Bonds | 8,099,882 | 7,287,055 | 800,667 | - | 9,408,280 | 8,445,736 | 818,931 | - |
| 1.1 structured | - | - | - | - | - | - | - | - |
| 1.2 other | 8,099,882 | 7,287,055 | 800,667 | - | 9,408,280 | 8,445,736 | 818,931 | - |
| 2. Other structured securities | 26,763 | - | 26,763 | - | 38,331 | - | 38,331 | - |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | 26,763 | - | 26,763 | - | 38,331 | - | 38,331 | - |
| **Total** | **8,126,645** | **7,287,055** | **827,430** | **-** | **9,446,611** | **8,445,736** | **857,262** | **-** |

## 3.2 Details of Item 30 "Securities issued": subordinated securities

| Security code | Nominal value | Book value | Currency | Interest rate | Maturity date |
|---|---|---|---|---|---|
| XS0256396697 | 323,036 | 321,816 | Euro | 3-month Euribor + annual 42 bps spread plus 60 bps from 6th year on | 07/06/2016 |
| XS0372143296 | 100,000 | 99,516 | Euro | Fixed rate of 7.672% until 19/06/2013 - afterwards 3-month Euribor + 310 bps spread | 19/06/2018 |
| XS0524141057 | 20,000 | 21,840 | Euro | Fixed rate of 5.70% p.a. | 30/06/2017 |
| XS0400411681 | 160,000 | 159,444 | Euro | Fixed rate of 8.338% p.a. until 04/12/2018 - afterwards 3-month Euribor + 550 bps spread | 31/12/2050 perpetual |
| IT0004429137 | 135,000 | 135,051 | Euro | 3-month Euribor + annual 200 bps spread | 29/12/2018 |
| XS0437305179 | 100,000 | 106,605 | Euro | Fixed rate of 6.14% p.a. | 29/06/2016 |
| XS0542283097 | 50,000 | 56,746 | Euro | Fixed rate of 5.70% p.a. | 17/09/2020 |
| XS0570270370 | 200,000 | 199,541 | Euro | Fixed rate of 7.321% p.a. | 20/12/2020 |
| *Total* | *1,088,036* | *1,100,559* | | | |

## 3.3 Breakdown of item 30 "Debt securities in issue subject to micro-hedging

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Securities subject to micro-hedging of fair value | 3,180,066 | 3,329,444 |
| a) Interest rate risk | 3,180,066 | 3,329,444 |
| b) Currency risk | - | - |
| c) Multiple risks | - | - |
| 2. Securities subject to micro-hedging of cash flows | - | - |
| a) Interest rate risk | - | - |
| b) Currency risk | - | - |
| c) Other | - | - |

SECTION 4

# FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: product breakdown

| Type of transaction/Values | Total 31/12/2014 | | | | | Total 31/12/2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | VN | FV | | | FV* | VN | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. Financial liabilities** | | | | | | | | | | |
| 1. Deposits from banks | - | - | - | - | - | - | - | - | - | - |
| 2. Deposits from customers | - | - | - | - | - | - | - | - | - | - |
| 3. Debt securities | - | - | - | - | - | - | - | - | - | - |
| 3.2 Bonds | - | - | - | - | - | - | - | - | - | - |
| 3.1.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 3.1.2 Other bond | - | - | - | - | x | - | - | - | - | x |
| 3.2 Other securities | - | - | - | - | - | - | - | - | - | - |
| 3.2.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 3.2.2 Other | - | - | - | - | x | - | - | - | - | x |
| Total A | - | - | - | - | - | - | - | - | - | - |
| **B. Derivative instruments** | | | | | | | | | | |
| 1. Financial derivatives | x | - | 118,006 | - | x | x | - | 86,180 | - | x |
| 1.1 Trading | x | - | 118,006 | - | x | x | - | 84,850 | - | x |
| 1.2 Related with fair value option | x | - | - | - | x | x | - | 1,330 | - | x |
| 1.3 Other | x | - | - | - | x | x | - | - | - | x |
| 2. Credits derivatives | x | - | - | - | x | x | - | - | - | x |
| 2.1 Trading | x | - | - | - | x | x | - | - | - | x |
| 2.2 Related with fair value option | x | - | - | - | x | x | - | - | - | x |
| 2.3 Other | x | - | - | - | x | x | - | - | - | x |
| Total B | x | - | 118,006 | - | x | x | - | 86,180 | - | x |
| Total (A+B) | x | - | 118,006 | - | x | x | - | 86,180 | - | x |

Key:

FV = fair value
FV* = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

SECTION 5

## FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – ITEM 50

5.1 Financial liabilities at fair value through profit or loss: product breakdown

| Type of transaction/Values | Total 31/12/2014 | | | | | Total 31/12/2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | VN | FV | | | FV* | VN | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| 1. Deposits from banks | - | - | - | - | - | - | - | - | - | - |
| 1.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 1.2 Other | - | - | - | - | x | - | - | - | - | x |
| 2. Deposits from customers | - | - | - | - | - | - | - | - | - | - |
| 2.1 Structured | - | - | - | - | x | - | - | - | - | x |
| 2.2 Other | - | - | - | - | x | - | - | - | - | x |
| 3. Debt securities | 948,613 | 948,801 | 15,085 | - | 995,122 | 1,033,874 | 1,022,642 | 15,386 | - | 1,071,554 |
| 3.1 Structured | - | - | - | - | - | - | - | - | - | x |
| 3.2 Other | 948,613 | 948,801 | 15,085 | - | - | 1,033,874 | 1,022,642 | 15,386 | - | x |
| Total | 948,613 | 948,801 | 15,085 | - | 995,122 | 1,033,874 | 1,022,642 | 15,386 | - | 1,071,554 |

Key

FV = fair value
FV* = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.
NV = Nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The Bank has attributed a fair value for bonds issued for derivative contracts connected to the interest rate risk, in order to avoid an accounting asymmetry with respect to the treatment reserved for the connected operating hedge derivatives. The latter are recorded until the specific items in tables "2.1 - Financial assets held for trading" and "4.1 - Financial liabilities held for trading" in part B of the Explanatory Notes.

## 5.3 Capital Stock - number of shares: annual changes

| | Deposits from banks | Deposits from customers | Debt securities in issue | Total |
|---|---|---|---|---|
| **A. Opening balance** | **-** | **-** | **1,038,028** | **1,038,028** |
| **B. Increases** | **-** | **-** | **38,869** | **38,869** |
| B1. Issues | - | - | 568 | 568 |
| B2. Sales | - | - | - | - |
| B3. Increases in fair value | - | - | 9,699 | 9,699 |
| B4. Other changes | - | - | 28,602 | 28,602 |
| **C. Decreases** | **-** | **-** | **113,011** | **113,011** |
| C1. Purchases | - | - | 86,441 | 86,441 |
| C.2 Redemptions | - | - | - | - |
| C.3 Negative changes in fair value | - | - | 334 | 334 |
| C4. Other changes | - | - | 26,236 | 26,236 |
| **D. Closing balance** | **-** | **-** | **963,886** | **963,886** |

SECTION 6

# HEDGING DERIVATIVES - ITEM 60

## 6.1 Hedging derivatives: breakdown by hedging type and fair value hierarchy

| | *Fair Value* 31/12/2014 | | | NV 12/31/2014 | *Fair Value* 31/12/2013 | | | NV 12/31/2013 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| A. Financial derivatives | - | 408,883 | - | 1,787,019 | - | 386,771 | - | 3,094,633 |
| 1) *Fair value* | - | 174,726 | - | 866,663 | - | 218,545 | - | 2,085,671 |
| 2) Cash flows | - | 234,158 | - | 920,356 | - | 168,226 | - | 1,008,962 |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| B. Credit derivatives | - | - | - | - | - | - | - | - |
| 1) *Fair value* | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **408,884** | **-** | **1,787,019** | **-** | **386,771** | **-** | **3,094,633** |

**Key**
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

## 6.2 Hedging derivatives: breakdown by hedged items and risk type

| Transactions/Type of hedge | *Fair Value* | | | | | | Cash flow | | Net investments on foreign subsidiaries |
|---|---|---|---|---|---|---|---|---|---|
| | Micro-hedge | | | | | Macro-hedge | Micro-hedge | Macro-hedge | |
| | Interest rate risk | Currency risk | Credit risk | Price risk | Multiple risks | | | | |
| 1. Available for sale financial assets | 49,548 | - | - | - | - | x | - | x | x |
| 2. Loans and receivables | 106,813 | - | - | x | - | x | - | x | x |
| 3. Held to maturity investments | x | - | - | x | - | x | - | x | x |
| 4. Portfolio | x | x | x | x | x | - | x | - | x |
| 5. Other | - | - | - | - | - | x | - | x | - |
| Total assets | 156,361 | - | - | - | - | - | - | - | - |
| 1. Financial liabilities | 40 | - | - | x | - | x | - | x | x |
| 2. Portfolio | x | x | x | x | x | - | x | 234,158 | x |
| Total liabilities | 40 | - | - | - | - | - | - | 234,158 | - |
| 1. Highly probable transactions | x | x | x | x | x | x | - | x | x |
| 2. Financial assets and liabilities portfolio | x | x | x | x | x | 18,325 | x | - | - |

SECTION 8

## TAX LIABILITIES – ITEM 80

Please refer to Section 13 - Assets for information relating to this section.

SECTION 10

## OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: breakdown

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| Items undergoing processing | 98,841 | 149,205 |
| Accounts payable | 48,461 | 52,069 |
| Adjustments diff. relating to bills held in portfolic | 44,915 | 52,814 |
| Payables for guarantees and commitments | 37,057 | 22,467 |
| Payables for personnel expenses | 28,726 | 11,366 |
| Amounts payable to tax authorities on behalf of t | 27,642 | 25,544 |
| Accrued costs to be recognised | 10,038 | 12,591 |
| Tax consolidation | 9,821 | 40,594 |
| Expense items in transit | 769 | 1,437 |
| Security deposits received from third parties | 20 | 10 |
| Other | 28,550 | 20,435 |
| Total | 334,840 | 388,532 |

SECTION 11

## EMPLOYEE TERMINATION INDEMNITIES – ITEM 110

11.1 Employee termination indemnities: annual changes

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| A. Opening balance | 35,145 | 36,194 |
| B. Increases | 1,587 | 980 |
| B.1 Provision of the year | 680 | 793 |
| B.2 Other increases | 907 | 187 |
| C. Reductions | 2,234 | 2,029 |
| C.1 Severance payments | 2,234 | 2,029 |
| C.2 Other decreases | - | - |
| D. Closing balance | 34,498 | 35,145 |

11.2 Other information

The employee termination indemnities provision covers rights accrued as at 31/12/2014 by employees in accordance with current laws and national and supplementary company pay agreements.

The amount calculated pursuant to Article 2120 of the Italian Civil Code amounts to EUR 32,258 thousand (EUR 34,052 thousand as at 31/12/2013).

Application of the IAS 19 - Employee Benefits.

EC Regulation no. 475 of 5 June 2012 endorsed the new version of IAS 19 prescribing accounting and disclosure for employee benefits, which must be applied starting from the financial statements for the years that start on or after 1 January 2013.

The Banca Carige Group, which includes Banca Carige S.p.A., applied the revised IAS 19 starting from 1 January 2012, according to the faculty of advanced application envisaged by the above-mentioned Regulation.

Description of the employee termination indemnities as a defined benefit plan.

The Consolidated Law on supplementary pensions (Legislative Decree No. 252/2005) makes it possible, on a voluntary basis, to allocate the employee termination indemnities, maturing as at 1/1/2007, to supplementary pension funds.

Companies with at least 50 employees shall pay the portions of employee termination indemnities not intended for supplementary pensions to the “Provision for disbursement to private sector employees pursuant to Article 2120 of the Italian Civil Code”, managed by INPS [National Social Security Institute] and instituted by Law 296/2006 (2007 Budget Law).

Except for a residual part accruing in the first half of 2007, all accrued TFR amounts from 1 January 2007 must be paid into supplementary pension plans and/or to INPS.

These amounts constitute a "defined contribution plan": the expense for the Company is limited to the contributions set out as prescribed in the Italian Civil Code and it does not entail additional actuarial obligations for the Company, connected to the employee's future service.

However, the employee termination indemnities accrued as at 31 December 2006 still qualify, for accounting purposes, as a "defined benefit" plan providing post-employment benefits.

Application of IAS 19.

As regards defined benefit plans, for accounting purposes the disaggregation of changes is envisaged for the three components: operational (service costs), financial (finance costs) and evaluation (re-measurement). The first two should be recognised in Income Statement, while the third should be recognised in Shareholders' Equity "Other Comprehensive Income" (OCI).
The operational component consists of the change in the obligation relating to:

- the service rendered by the employee in the current year (Current Service Cost, or CSC);
- the service rendered in previous years deriving from a change to the plan or from a reduction thereof;
- actuarial gains or losses at the time of the extinction of the plan.

The financial component consists of the change in the obligation, during the year, deriving from the passage of time (Interest Cost or IC).
The evaluation component is represented by actuarial gains/losses.

Determination of the present value of obligations for defined benefits.

The valuation of future expense for employee termination indemnities was performed by an independent actuary in accordance with IAS 19 criteria for defined benefits plans. In particular, the approach called for a DBO calculation (Defined Benefit Obligation), i.e. of the average current value of defined benefit obligations accrued as at 31/12/2014 by staff employed on the calculation date for current and previous years.

It should be remembered that under current regulations, TFR-related service is considered accrued in full, and therefore the Current Service Cost (CSC) for this benefit is zero from 1 July 2007.

In addition, the TFR Interest Cost for 2014 was calculated by discounting the DBO as at 01/01/2014 by an annual rate of return equal to the service discount rate provided at the beginning of the year (2.00%), taking into account the changes in the liability as a result of the payment of contributions and benefits.

To arrive at a total DBO, future services due to each employee were estimated in cases of accrued entitlement to services on retirement on account of age or seniority, disability, death, resignation or an advance request.
Evaluations took account of Art. 24 of Law 214/2011 as regards access requisites to INPS pension schemes.

Demographic assumptions.

The following statistical sources with breakdown by age and gender were used:

- for the probability of death: ISTAT table for 2013 (ISTAT source – *Annuario statistico italiano 2014* the Italian statistical yearbook) appropriately reduced on the basis of Group historical data;
- for the probability of retirement due to invalidity: figures were inferred from a survey on the credit sector and the experience regarding employees in the Carige Group;
- for the probability of resignation and/or dismissal: figures were compiled on the basis of Carige Group employee statistic.

Other estimates included:

- the maximum number of requests for advances that could be submitted;
- the frequency of requests for first advances and subsequent requests;
- the amount of TFR advance for each request.

Economic-financial assumptions.

Assumptions included a 2% annual inflation rate for the entire valuation period, a 2% annual remuneration growth rate for all employees' categories and for the entire valuation period and a 1% annual nominal discount rate, in light of the average term to maturity of the Group's total liabilities for staff severance pay and Seniority Bonuses, and with reference to the interest rate curve of AA-rated securities issued by corporate issuers in the Euro area as at 31 December 2014.

Provisions for the year

Provisions for the year, amounting to EUR 1,587 thousand, comprise:
Interest Cost (IC), recognised in profit or loss, amounting to EUR 680 thousand;
Actuarial losses, allocated to Valuation Reserves (OCI), amounting to EUR 907 thousand.

Sensitivity analysis of the main actuarial assumptions.

In this financial year, the impact of changes in the discount rate (used rate: 1%) would have been as follows:

thousands of Euro

| Discount rate | Financial charges | Actuarial (gains)/losses | Total provisions |
|---|---|---|---|
| 0.5% | 680 | 1,738 | 2,418 |
| 1.5% | 680 | 122 | 802 |

Cash flows

Application of the new IAS 19 requires that changes in the obligations due to the passage of time (IC) and to the service rendered by the employee in the current year (CSC) are recognised in profit and loss.
By effect of the aforementioned law, CSC is nil.

Changes recognised in profit or loss are therefore those deriving from the IC (calculated applying to the DBO at the beginning of the year, taking into account changes in liabilities for pay-outs and benefits).
These changes, for 2015 and in the short term, can be indicatively estimated on an annual basis at approximately EUR 325 thousand.

Details of net provisions

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Welfare cost for current services | | |
| Financial charges | 680 | 793 |
| Actuarial gains/losses | 907 | 132 |
| Total | 1,587 | 925 |

SECTION 12

# ALLOWANCES FOR RISKS AND CHARGES – ITEM 120

## 12.1 Allowances for risk and charges: breakdown

| Items / Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Provision to retirement payments and similar | 374,409 | 300,336 |
| 2. Other provisions | 36,654 | 17,309 |
| 2.1 Legal disputes | 15,597 | 13,275 |
| 2.2 Staff expenses | 18,725 | 3,959 |
| 2.3 other | 2,332 | 75 |
| **Total** | **411,063** | **317,645** |

## 12.2 Allowances for risks and charges: annual changes

| | Pensions and post retirement benefit obligations | Other provisions | Total |
|---|---|---|---|
| **A. Opening balance** | **300,336** | **17,309** | **317,645** |
| **B. Increases** | **88,462** | **24,742** | **113,204** |
| B.1 Provision for the year | 2,659 | 24,742 | 27,401 |
| B.2 Changes due to the passage of time | 10,264 | - | 10,264 |
| B.3 Difference due to discount-rate changes | 73,313 | - | 73,313 |
| of which: business combinations | - | - | - |
| B.4 Other increases | 2,226 | - | 2,226 |
| **C. Decreases** | **14,389** | **5,397** | **19,786** |
| C.1 Use during the year | 14,389 | 2,342 | 16,731 |
| C.2 Difference due to discount-rate changes | - | - | - |
| C.3 Other decreases | - | 3,055 | 3,055 |
| **D. Closing balance** | **374,409** | **36,654** | **411,063** |

## 12.3 Defined benefit company pension fund

This Fund is a supplementary pension fund which already existed on entry into force of Law no. 421 of 23 October 1992, and as such it has been registered since 14 October 1999 with the Registry of Pension Funds under special section III. no. 9004 and it is subject to the supervision of the COVIP (Pension Fund Supervisory Commission).

The Fund, lacking autonomous legal personality, is an item within the Balance Sheet as a guarantee of the Bank's obligation to maintain the resources necessary from time to time to meet any outlay required from the Fund. It is therefore a provision by the Bank to guarantee payment of a future commitment.

The Fund is not structured in individual accounts.

The Fund has been closed to new entries from 1 December 1991.

The number of employees participating in the Fund is 1,426; there are 1,802 pensioners, of whom 1,400 former employees, 92 survivors of deceased former employees and 310 survivors of retired employees. There are also 103 former employees whose entitlement to payment of the pension is deferred to the time of payment of the INPS pension.

Application of the new version of IAS 19 - Employee Benefits.

EC Regulation no. 475 of 5 June 2012 endorsed the new version of IAS 19 prescribing accounting and disclosure for employee benefits, which must be applied starting from the financial statements for the years that start on or after 1 January 2013.

The Banca Carige Group, which includes Banca Carige S.p.A., applied the revised IAS 19 starting from 1 January 2012, according to the faculty of advanced application envisaged by the above-mentioned Regulation.

Classification of the Supplementary Pension Fund in accordance with IAS 19.

IAS 19 defines the accounting procedures for employee benefits, classifying such benefits according to the payment timing and to the degree of uncertainty in determining the Entity's obligation.

Pension benefits are classified as post-employment benefits and they are divided into defined contribution plans and defined benefit plans.

Defined benefit plans are characterised by the fact that actuarial and investment risks are not transferred to an outside party or to the employee, but fall on the Entity.

Accounting for defined benefit plans is complex because, to determine the value of the obligation and the cost, actuarial assumptions are necessary and there is a possibility that actuarial gains and losses may occur. Moreover, obligations are subject to discounting because they may be extinguished many years after the employees render the related service.

For IAS 19 purposes, the Company Pension Fund is a post-employment defined benefit plan.

Determination of the present value of the obligation (Defined benefit Obligation).

The Entity's obligation consists of the payment of:

- direct pensions to retired employees;
- indirect pensions to survivors of employees who died while they were employed;
- dependants' pensions, to the survivors of former employees who died after retirement.

The right to receive a pension is obtained when reaching the requirements specified by the Regulation, but payment is subordinate to the liquidation of the INPS pension (pursuant to Italian Legislative Decree 124/1993 art. 18, paragraph 8-quinquies, introduced by Italian Law 335/1995 art. 15, which limited the supplementary pension benefits to only the supplementary part).

To determine the present value of the obligation, it is necessary:

- to determine the cost of current services (Current Service Cost) and, if the conditions are met, the cost of past services (Past Service Cost);

- to use the actuarial method of the unit projection of credit (also known as method of benefits accrued in proportion to the services rendered or with method of benefits/years of work);
- to estimate, with actuarial assumptions, the demographic and financial variables that will influence the cost of the benefits;
- to discount the benefits in order to determine the present value of the obligation;
- to subtract the fair value of the plan assets from the present value of the obligations.

The main demographic variables to be considered relate to the future characteristics of active employees and of pensioners (and of their dependants) that are entitled to the benefits. The demographic assumptions include aspects such as:

- mortality;
- staff turnover, invalidity and early retirement;
- percentage of participants in the plan with dependants who will be entitled to the benefits.

The main financial assumptions to be considered pertain to elements such as:

- the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and terms of the corporate bonds or government bonds shall be consistent with the currency and terms of the obligation;
- the level of the benefits provided by the plan;
- future estimated compensation raises that will influence the benefits to be paid.

The current value of the obligation was determined by an independent actuary using technical demographic, economic and financial bases in accordance with the aforesaid IAS 19 criteria.

The technical demographic bases used are the following:

- probability of death of the retired employees and their family members: inferred from the 2013 figures for the mortality rates in the Italian population (source: ISTAT – Annuario statistico italiano 2014) taking into account the progressive rise in life expectancy, inferred from the last projected tables published by ISTAT and referred to 2011-2065;
- probability of death of active employees: figures were calculated on the basis of the 2013 mortality table relating to the Italian population (source: ISTAT – Annuario statistico italiano 2014), taking account of both the increased life expectancy reported in recent years and the experience regarding employees in the Carige Group;
- probability of retirement due to invalidity: figures were inferred from a survey on the credit sector and the experience regarding employees in the Carige Group;
- probability of termination of employment for various reasons (resignation, firing): figures were inferred from the experience regarding employees in the Carige Group.

The definition of economic and financial assumptions led to the adoption of the following framework:

- annual inflation rate: 2% for the entire valuation period;
- nominal annual rate of increase in GDP: 2% from 2015 to 2017 and 3% from 2018 onward;
- annual rate of remuneration increase: 1.4% for 2015, 1.5% for 2016, 0.8% for 2017 and 2% from 2018 onwards for all categories;
- annual adjustment of the supplementary indemnity and INPS pension fund, according to provisions set out by regulations in force;
- annual nominal discount rate of 2% (3.50% as at 31/12/2013 and 2.8% as at 30/06/2014), taking account of an average term to maturity of liabilities related to the Carige Group's

pension funds of approx. 16 years, and with reference to the interest rate curve of AA-rated securities issued by corporate issuers in the Euro area as at 31 December 2014.

The retirement payout and the measure of the public pension were calculated according to current regulations.

Level of the benefits provided by the plan and estimated future compensation raises.

In every year of evaluation:

- for every active employee who has not attained requirements for retirement or who has not left the company for other causes of termination, the compensation raises, for contractual renewals, for seniority and for promotions were considered;
- for each retired participant, the amount of the pension to be paid was calculated;
- for each pensioner, the pension was revaluated, taking into account also the additional collected pensions, according to current law provisions regulating adjustments to pensions.

The definition of "plan assets" in accordance with IAS 19 prescribes that such assets:

→ are held by a fund that is legally separate from the reporting Entity and exists solely to pay or fund employee benefits

→ are available to be used only to pay or fund employee benefits, are not available to the reporting Entity's own creditors (even in bankruptcy), and cannot be returned to the reporting Entity, with strictly defined exceptions.

Since the Fund is an accounting entry within the total capital of the Bank, lacking autonomous legal personality, there are no assets supporting the defined benefit plan.

Application of IAS 19

As regards defined benefit plans, for accounting purposes the disaggregation of changes is envisaged for the three components: operational (service costs), financial (finance costs) and evaluation (re-measurement). The first two should be recognised in Income Statement, while the third should be recognised in Shareholders' Equity "Other Comprehensive Income" (OCI).

The operational component consists of the change in the obligation relating to:

- the service rendered by the employee in the current year (Current Service Cost, or CSC);
- the service rendered in previous years deriving from a change to the plan (Past Service Cost) or from a reduction thereof;
- actuarial gains or losses at the time of the extinction of the plan.

The financial component consists of the change in the obligation, during the year, deriving from the passage of time (Interest Cost or IC).

The evaluation component is represented by actuarial gains/losses.

Details of allocations and uses during the year.

Provisions for the year, net of contributions paid by employees (EUR 224 thousand) and amounting to EUR 88,238 thousand, comprise:

Interest Cost (IC), recognised in profit or loss, amounting to EUR 10,264 thousand;

Current Service Cost (CSC), recognised in profit or loss, amounting to EUR 2,659 thousand;

Actuarial losses, allocated to Valuation Reserves (OCI), amounting to EUR 75,315 thousand.

Pensions paid out amounted to EUR 14,389 thousand.

Sensitivity analysis of the main actuarial assumptions.

In this financial year, the impact of changes in the discount rate (used rate: 2%) would have been as follows:

thousands of Euro

| Discount rate | Interest Cost + Current Service Cost | Actuarial (gains)/losses | Total provisions |
|---|---|---|---|
| 1.5% | 12,923 | 107,866 | 120,789 |
| 2.5% | 12,923 | 46,572 | 59,495 |

Cash flows.
Application of the new IAS 19 accounting standard requires that changes in the obligations due to the passage of time (IC) and to the service rendered by the employee in the current year (CSC) are recognised in profit and loss.
Changes recognised in profit or loss are therefore those deriving from the IC (calculated applying to the DBO at the beginning of the year the discount rate of the beginning of the year, taking into account changes for pension pay-outs) and from the Current Service Cost (CSC).
IC for 2015 will amount approximately to EUR 7,350 thousand.
CSC for 2015 will amount approximately to EUR 2,990 thousand.

Changes recognised in profit or loss, for 2015 and in the short term, can be indicatively estimated on an annual basis at approximately EUR 10,340 thousand, without changing all other actuarial assumptions used to determine the obligation at 31/12/2014.

12.4 Allowances for risks and charges - other allowances

1. Staff charges

Other long-term employee benefits.
Funds related to access to the "Solidarity fund in support of Credit Company personnel income" the so-called Redundancy Fund, transferred from the respective assignors in the context of the acquisition of Business Units from IntesaSanPaolo and Unicredit (EUR 34 thousand).

Fund for charges related to incentives for employment termination.
The provisions set aside are those related to the definitive financial benefits - essentially without the possibility of withdrawal from the offer - in favour of employees as an incentive for termination of employment. These incentives are recognised after a twelve month period following the end of the financial year. Considering the time-frame for the provision of these benefits (2016- 2018) no actuarial assessments were made: the amounts were discounted using the AA-rated corporate bonds curve as at 31/12/2014 for eurozone corporate issuers. The amount set aside is equal to EUR 8,022 thousand.

Fund for restructuring charges related to incentives for employment termination.
The provisions set aside are those corresponding to the estimate of the benefits - for incentives for employment termination - from which it is still possible for the Company to withdraw. The provision was determined by applying the provisions of IAS37.

The amount set aside is equal to EUR 4,275 thousand.

<u>Fund for the one-off amount pursuant to agreement 30/9/2014.</u>
The provisions set aside are those corresponding to the sum to be paid in June 2016 as part of the one-off amount as provided in the Agreement dated 30/09/2014, which is split into three instalments to be paid in November 2014, June 2015 and June 2016 respectively. Considering the forecasts related to the benefits, no actuarial assessments were made (the realisation of the debt was not carried out due to the irrelevance of the amount).
The amount set aside is equal to EUR 4,527 thousand.

<u>Seniority bonus.</u>
The seniority bonus is an amount equal to 1/12 of annual contractual compensation, paid to the employee upon reaching the 25th year of actual service.

The Union Agreement of 30/09/2014 modified both the identification criteria of the recipients of the Seniority Bonus and its determination. In particular, starting from 01/01/2015, the Seniority Bonus will only be paid to employees who as at 01/01/2015 have matured no less than 6 years of service. In this case, the bonus will be paid to individuals entitled - who have been employed continuously and upon reaching the level of seniority as required by the company - prorated to the actual period of employment as at 30/09/2014, taking as a reference the annual contractual remuneration as at 30/09/2014 of each individual in question.

Based on the sub-division of the benefit plans as provided by the IAS 19 standard, the seniority bonus is included in "other long-term employee benefits".
Evaluation of the seniority bonus does not feature the same degree of uncertainty as the evaluation of post-employment benefits, such as the employee termination indemnities and supplementary pension funds: therefore, IAS 19 requires a simplified method of accounting for said benefits which does not recognise the actuarial gains and losses to be credited or debited to OCI. Changes in the obligation are fully debited in the income statement.
As required by IAS 19, an actuarial assessment of the obligation was carried out.
Taking into account the indications of IAS19, the discount rate used was 1% (valued at 2.4% in 31/12/2013), considering the average residual term of the Carige Group's overall liabilities with respect to the employee termination indemnities and the Seniority Bonus and with reference to the AA-rated corporate bonds curve as at 31/12/2014 for eurozone corporate issuers.

The amount set aside is equal to EUR 1,867 thousand.
The decrease for the current year is equal to EUR 957 thousand, of which EUR 457 thousand was used.

2. Legal Disputes

The provision was established to meet any potential losses from legal proceedings in progress, for which a reliable estimate of liabilities could be made in accordance with IAS 37. These refer to pending disputes and recovery actions for which both the future liability and the duration of the dispute were estimated. As at the end of 2014 the provision totalled EUR 15.6 mln. Commitments reaching maturity proved immaterial and therefore were not discounted.

3. Other provisions

The item consists of a provision for a credit of a commercial nature towards a service supplier, entered among the assets under item 160 "other assets" of doubtful recovery for EUR 2,287 thousand, provisions for obligations towards financial advisors and insurance agents who are not Bank employees for 35 thousand and provisions for appeals to the Banking and Financial Arbitrator for 11 thousand.

As at 31/12/2014, there were no potential liabilities for which, at present, the Bank considers future expense to be a possibility.

SECTION 14

## COMPANY SHAREHOLDERS' EQUITY – ITEMS 130, 150, 160, 170, 180, 190 AND 200

14.1 Share capital and treasury shares – breakdown

| Number of shares issued | Ordinary | Savings | Total |
|---|---|---|---|
| Number of shares at the end of the period | 10,167,553,157 | 2,554,218 | 10,170,107,375 |
| – fully paid-up | 10,167,553,157 | 2,554,218 | 10,170,107,375 |
| – not fully paid-up | | | |

The share capital, totalling Euro 2,576,863,267.70, comprises 10,170,107,375 shares without par value.

During the year, 7,992,888,534 new shares were issued following the increase in share capital that was completed in July 2014. 1,407,129 own shares were also sold to the Chief Executive Officer as part of his share-based payment agreement, as described in Part I of the Explanatory Notes. The portfolio also includes 44 old shares with nominal value per share of Italian Lira 10,000, equivalent to 228 current ordinary shares. Their book value is EUR 426. The number of treasury shares in the portfolio as at 31 December 2014 was 28,593,099 shares.

14.2 Share capital – Number of shares: changes in the year

| Item/Type | Ordinary | Savings |
|---|---|---|
| A. Shares outstanding at the beginning of the year | 2,174,664,623 | 2,554,218 |
| – fully paid-up | 2,174,664,623 | 2,554,218 |
| – not fully paid-up | | |
| A.1 Treasury shares (-) | (30,000,228) | - |
| A.2 Shares in issue: opening balance | 2,144,664,395 | 2,554,218 |
| B. Increases | 7,994,295,663 | - |
| B.1 New issues | 7,992,888,534 | - |
| – with consideration: | | |
| – business combinations | | |
| – conversion of bonds | | |
| – exercise of warrants | | |
| – other | 7,992,888,534 | |
| – without consideration | | |
| – in favour of employees | | |
| – in favour of directors | | |
| – other | | |
| B.2 Sale of treasury shares | 1,407,129 | |
| B.3 Other changes | - | |
| C. Decreases | - | - |
| C.1 Cancellation | | |
| C.2 Purchase of treasury shares | - | |
| C.3 Sale of companies | | |
| C.4 Other changes | | |
| D. Shares in issue: closing balance | 10,138,960,058 | 2,554,218 |
| D.1 Treasury shares (+) | 28,593,099 | |
| D.2 Shares outstanding at year-end | 10,167,553,157 | 2,554,218 |
| – fully paid-up | 10,167,553,157 | 2,554,218 |
| – not fully paid-up | - | |

14.4 Reserves: other information

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Legal reserve | - | 235,778 |
| Taxed extraordinary reserve | - | 447,957 |
| Reserve for treasury shares | 20,283 | 21,282 |
| Reserve for the purchase of treasury shares: quota available | 56,717 | 55,718 |
| Reserve for dividends on treasury shares | - | - |
| Reserve pursuant to Leg. Decree 17/5/99 No. 153 | - | 11,718 |
| Reserve pursuant to Leg. Decree 21/04/1993 No. 124 | - | 122 |
| Reserve fund as per art. No. 55 of Italian Pres. Decree 917/86 | - | 131 |
| Reserve for profit adjustment according to IAS for 2004 | (17,571) | (17,571) |
| Reserve for F.T.A. IAS - art. 7 para. 3 of Italian Leg. 38/2005 | - | 6,779 |
| Reserve for F.T.A. IAS - art. 7 para. 4 of Italian Leg. 38/2005 | - | 12,418 |
| Reserve for F.T.A. IAS - art. 7 para. 5 of Italian Leg. 38/2005 | - | 12,916 |
| Reserve for F.T.A. IAS - art. 7 para. 7 of Italian Leg. 38/2005 | (179,035) | (179,035) |
| Losses carried forward | (173,501) | - |
| Total profit reserves | (293,107) | 608,213 |
| Merger reserve | - | 12,341 |
| Concentration reserve | - | 16,589 |
| Merger Reserve Immobiliare Ettore Vernazza S.p.A. | (3,396) | (3,396) |
| Merger Reserve Immobiliare CARIGE S.r.l. | - | 4,290 |
| Merger Reserve Galeazzo S.r.l. - Monetary Reval. Reserve Law 72/83 | - | 187 |
| Reserve for share-based payments | 620 | 338 |
| Merger Reserve Galeazzo S.r.l. - Merger surplus | - | 310 |
| Merger Reserve Banca Cesare Ponti | - | 186 |
| Total other reserves | (2,776) | 30,844 |
| Total | (295,883) | 639,057 |

The legal reserve was formed pursuant to Article 2430 of the Italian Civil Code.

The extraordinary reserve was formed and is managed according Shareholders' Meeting resolutions in line with the Bank's Articles of Association.

The reserve for the purchase of treasury shares was formed pursuant to Article 2357 et seq. of the Italian Civil Code.

The reserve Treasury share dividends is formed and changed based on resolutions taken by the Shareholders' Meeting called to approve the financial statements and decide upon the allocation of the profit for the year. This reserve comprises dividends related to treasury shares in portfolio at the date of the dividend coupon distribution.

The reserve, pursuant to Italian Leg. Decree No. 153 of 17 May 1999, was formed in 2000 to take advantage of tax relief on business concentrations offered by the decree.

The reserve, pursuant to Italian Leg. Decree No. 124 of 21 April 1993, was formed in 2003 with regard to annual provisions for supplementary pension benefits in the employee termination indemnities provision.

The merger reserve was formed from part of the merger surplus following the 1994 merger.
The Immobiliare Ettore Vernazza S.p.A., Galeazzo S.r.l. and Immobiliare CARIGE S.r.l. merger reserves were formed in 2009 following the extraordinary transactions involving these subsidiaries.

The Banca Ponti merger reserve was formed in 2010 following the merger of this subsidiary.

The concentration reserve was formed in 1994 pursuant to art. 7, paragraph 3, Italian Law 218/90, as amended (art. 1, Italian Law 489/93).

The Reserve Fund pursuant to Italian Presidential Decree No. 971/86 was formed in accordance with art. 55 of the decree.

## 14.6 Additional information related to equity pursuant to art. 2427 no. 7 bis of the Italian Civil Code

| Name | | | Amount | Availability for use | Use in the three previous years | Type of use |
|---|---|---|---|---|---|---|
| ITEM 130 VALUATION RESERVES | | | | | | |
| A) FIN. ASSETS AVAILABLE FOR SALE: | 118,331 | | | | | |
| 1) IAS Valuation reserve - AFS equity investments (positive balance) | | (1) | 127,905 | F | | |
| 2) IAS Valuation reserve - AFS securities (negative balance) | | (1) | (16,868) | | | |
| 3) IAS Valuation reserve - AFS securities as L&R (positive balance) | | (1) | 7,294 | F | | |
| B) CASH FLOW HEDGES: | (150,791,437) | | | | | |
| 1) IAS Valuation reserve - CFH Cash flow hedge (negative balance) | | (1) | (150,791,437) | | | |
| C) SPECIAL REVALUATION LAWS: | - | | | | | |
| 1) Revaluation Reserve pursuant to Law 72/1983 | | (2) | - | A,B,C2,D | 1,930,145 | B |
| 2) Revaluation Reserve pursuant to Law 413/1991 | | (2) | - | A,B,C2 | 6,025,913 | B |
| 3) FTA IAS Reserve, Art. 7.6, Leg. 38/2005 [deemed cost] | | (3) | - | A,B,C2 | 523,988 | A-B |
| D) OTHER RESERVES | (97,671,992) | | | | | |
| 1) Valuation reserves - defined benefit plans (negative balance) | | | (97,671,992) | | | |
| TOTAL ITEM 130 | | | (248,345,098) | | 8,480,046 | |

*Figures in Euro*

| Name | | Amount | Availability for use | Use in the three previous years | Type of use |
|---|---|---|---|---|---|
| ITEM 160 - RESERVES | | | | | |
| 1) Fund pursuant to art. 55, para. 3 b), Presidential Decree no. 917/86 | (5) | - | A,B,C1,D,E | 130,806 | B |
| 2) Legal reserve | (6) | - | B | 235,778,467 | B |
| 3) Taxed extraordinary reserve | | - | A,B,C1 | 447,957,152 | B |
| 4) Reserve for share-based payment agreements | | 619,997 | A | | |
| 5) Merger reserve | | - | A,B,C1 | 12,340,622 | B |
| 6) Merger Reserve former Vernazza (negative balance) | | (3,395,890) | | | |
| 7) Merger Reserve former Immobiliare Carige | | - | A,B,C1 | 4,289,785 | B |
| 8) Merger reserve former Galeazzo - Monetary revaluation reserve L. 72/83 | (2) | - | A,B,C2,D | 186,655 | B |
| 9) Merger reserve former Galeazzo | | - | A,B,C1 | 310,030 | B |
| 10) Merger Reserve former Banca Cesare Ponti | | - | A,B,C1 | 185,878 | B |
| 11) Concentration Reserve (l. 218/1990) | (2) | - | A,B,C2,D | 16,588,743 | B |
| 12) Reserve for treasury shares - unavailable quota, restricted pursuant to art. 1, para. 147 L 147/2013 | (7-14) | 20,283,402 | F | | |
| 13) Reserve for treasury shares - available quota, restricted pursuant to art. 1, para. 147 L 147/2013 | (7-14) | 56,716,598 | A,B,C2,D | | |
| 14) Reserve for dividends on treasury shares | (8) | - | A,B,C1 | | B |
| 15) Reserve pursuant to Art. 22 Leg. Decree 153/1999 | | - | A,B,C1 | 11,718,489 | B |
| 16) Reserve pursuant to Leg. Decree 124/1993 - Art. 70 Presidential Decree 917/1986 | (9) | - | A,B,C1,D | 121,642 | B |
| 17) FTA IAS Reserve, Art. 7.3, Leg. D. 38/2005 - (fin. instruments exchange trading hedging) | (10) | - | A,B,C1 | 6,778,534 | B |
| 18) FTA IAS Reserve, Art. 7.4, Leg. D. 38/2005 - (reversal of previous amortisation and depreciation) | (11) | - | A,B,C1 | 12,417,764 | B |
| 19) FTA IAS Reserve, Art. 7.5, Leg. D. 38/2005 - (reversal of advances and write-downs) | (12) | - | A,B,C1 | 12,916,519 | B |
| 20) FTA IAS Negative Reserve, Art. 7.7, Leg. D. 38/2005 - (other changes - negative balance) | (4) | (179,035,433) | | | |
| 21) IAS reserve adjustment on 2004 profit (negative balance) | | (17,571,463) | | | |
| 22) Losses carried forward | | (173,499,967) | | | |
| TOTAL ITEM 160 | | (295,882,756) | | 761,721,086 | |

| Name | | Amount | Availability for use | Use in the three previous years | Type of use |
|---|---|---|---|---|---|
| ITEM 170 - SHARE PREMIUM RESERVE | | | | | |
| 1) Reserve for trading in treasury shares (IAS) | | 330,787 | A,B,C1 | 781,975 | B |
| 2) Share premium reserve not distributable (Share capital x 20% - Legal Reserve) | (13) | 368,525,004 | A,B | 1,020,207,868 | B |
| 3) Share premium reserve (distributable) (Share premium reserve - share premium not distrib.) | (13) | - | A,B,C1 | | |
| TOTAL ITEM 170 | | 368,855,791 | | 1,020,989,843 | |

*Figures in Euro*

| | | | |
|---|---|---|---|
| ITEM 180 - SHARE CAPITAL | | | |
| 1) Share capital | (15) 2,495,051,834 | | |
| 2) Share capital, restricted under art. 1, para. 147 L 147/2013 | 81,811,434 | D | |
| TOTAL ITEM 180 | 2,576,863,268 | | |
| ITEM 190 - TREASURY SHARES | | | |
| 1) Treasury shares | (20,283,402) | | |
| TOTAL ITEM 190 | (20,283,402) | | |
| TOTAL CAPITAL AND RESERVES | 2,381,207,803 | | 1,791,190,975 |

Figures in Euro

KEY:
A = USABLE FOR CAPITAL INCREASE
B = USABLE TO COVER LOSSES
C1 = USABLE FOR DISTRIBUTION TO SHAREHOLDERS THROUGH RESOLUTION BY THE ORDINARY SHAREHOLDERS' MEETING
C2 = USABLE FOR DISTRIBUTION TO SHAREHOLDERS ONLY THROUGH PROCEDURE PURSUANT TO ART. 2445, CIV. CODE PARAGRAPHS 2 AND 3
D = TAXED IN CASE OF DISTRIBUTION ATTRIBUTABLE TO THE COMPANY
E = TAXED IN CASE OF TRANSITION TO CAPITAL
F = NOT USABLE

NOTES:
(1) See art. 6, para. 1, lett. b) and par. 4 Leg. Decree no. 38/2005 , forbidding general distributability and usability.
Such reserves become available when assets are realised or as and when they are amortised
Legislative Decree 38/2005 does not specify if they are usable to cover losses for the year.
(2) In case of use to cover losses, the reserve has to be recreated provided that it is not reduced
by formal resolution of the extraordinary Shareholders' meeting.
(3) See art. 7, para. 6 of Leg. Decree no. 38/2005
(4) See art. 7, para. 7, Leg. Decree no. 38/2005
(5) Art. 55, para. 3, lett. b), Presidential Decree 917/1986, in previous version art. 21 para. 4, lett. b) Law 27/12/1997 no. 449
(entry into effect for these purposes on 1/1/1998). Reserve taxed in case of use different from loss coverage.
(6) See art. 2430 Civil Code. Use to cover losses is only possible after use of the other reserves
available for the event.
(7) Articles 2357 para. 2 and 2357 ter, para. 3, Civil Code For the available quota (not used to purchase treasury shares),
the reserve is distributable subject to a prior Ordinary Shareholders' Meeting resolution revoking the restriction of art. 2357 para. 2, C.C.
(8) Art. 2357 ter, para. 2, Civil Code
(9) In the version in force before changes introduced by Leg. Decree 344/2003
(10) See art. 7, para. 3 of Leg. Decree no. 38/2005
(11) See art. 7, para. 4 of Leg. Decree no. 38/2005
(12) See art. 7, para. 5 of Leg. Decree no. 38/2005
(13) See art. 2431 Civil Code. Only distributable when the legal reserve has reached one-fifth of share capital.
OIC Accounting Standard no. 28 specifies that the reserve becomes available for distribution for the part that
exceeds the relevant complement when 20% of share capital is reached by the legal reserve
(14) Reserve reducible only pursuant to art. 2445, para. 2) and 3) of the Civil Code.
In case of use to cover losses, profits shall not be distributed until the reserve has is reinstated
or accordingly reduced through a resolution by the Extraordinary Shareholders' Meeting.
(15) The amount includes EUR 21.9 mln in reserves under tax suspension pursuant to Law 72/83 and 576/75

## OTHER INFORMATION

1. Guarantees given and commitments

| Operations | Amounts 31/12/2014 | Amounts 31/12/2013 |
|---|---|---|
| 1) Financial guarantees given to | 53,364 | 41,517 |
| a) Banks | 16,419 | 15,043 |
| b) Customers | 36,945 | 26,474 |
| 2) Commercial guarantees given to | 494,114 | 591,746 |
| a) Banks | 28,539 | 24,485 |
| b) Customers | 465,575 | 567,261 |
| 3) Irrevocable commitments to disburse funds | 1,195,544 | 1,487,342 |
| a) Banks | 19,128 | 353,301 |
| i) usage certain | 19,128 | 353,301 |
| ii) usage uncertain | - | - |
| b) Customers | 1,176,416 | 1,134,041 |
| i) usage certain | 572,254 | 63,360 |
| ii) usage uncertain | 604,162 | 1,070,681 |
| 4) Commitments underlying credit derivatives: protection sales | - | - |
| 6) Assets formed as collateral for third-party obligations | 467 | 169 |
| 6) Other commitments | - | 11,966 |
| Total | 1,743,489 | 2,132,740 |

2. Assets used to guarantee own liabilities and commitments

| Portfolios | Amounts 31/12/2014 | Amounts 31/12/2013 |
|---|---|---|
| 1. Financial instruments held for trading | - | - |
| 2. Financial instruments designated at fair value | - | - |
| 3. Financial instruments available for sale | 2,019,579 | 3,989,137 |
| 4. Financial instruments held to maturity | - | - |
| 5. Loans and receivables with banks | 437,235 | 211,148 |
| 6. Loans and receivables with customers | 2,297,809 | 2,590,940 |
| 7. Property, plant and equipment | - | - |

Assets pledged as collateral for the company's own liabilities and for commitments amounted to EUR 4.75 bn and are made up of securities underlying repo transactions, mortgages and securities pledged as collateral and as a deposit for refinancing operations with the European Central Bank, securities guaranteeing the issue of bank cheques that are guaranteed and issued by Banca Carige (Covered bonds), securitised mortgages transferred to the special purpose vehicle company, Argo Mortgage 2 Srl that are not subject to cancellation, deposits and securities pledged as collateral on OTC derivative contracts, mortgages guaranteeing financing operations with the E.I.B., security deposits with Cassa Compensazione e Garanzia S.p.A., deposits pledged as collateral to guarantee foreign operations and gold loans.

4. Asset management and trading on behalf of others

| Type of service | Total 31/12/2014 |
|---|---|
| 1. Orders execution on behalf of customers | |
| a) purchases | |
| 1. settled | 1,230,341 |
| 2. unsettled | - |
| b) sales | |
| 1. settled | 820,169 |
| 2. unsettled | - |
| 2. Portfolio management | |
| 1. Individual | 363,606 |
| 2. Collective | - |
| 3. Custody and administration of securities | |
| a) Third party securities on deposits: relating to depositary bank activities (excluding segregated accounts) | |
| 1. securities issued by the Bank preparing the financial statements | - |
| 2. other securities | - |
| b) Third party securities held in deposits (excluding segregated accounts): other | |
| 1. securities issued by the Bank preparing the financial statements | 2,436,423 |
| 2. other securities | 12,517,956 |
| c) securities of third deposited to third | 11,265,681 |
| d) property securities deposited to third | 6,256,450 |
| 4. Other operations | - |
| - receipt and issued of orders and brokerage: | 7,221,000 |
| a) countervalue of intermediate purchase transactions during the year | 3,841,419 |
| b) countervalue of intermediate sales transactions during the year | 3,379,581 |
| - bills, commercial paper or and similar financial instruments received for others | 834,378 |
| - transactions profit-sharing with other banks in pool financing | 119,235 |
| - total invoices for factoring transactions (with recourse) | 185,330 |
| - investments transactions carried out for public bodies | 2,042 |

5. Assets subject to accounting offsetting or under master netting agreements and similar ones

| Instrument type | | Gross amounts of financial assets (a) | Financial liabilities offset in Balance Sheet (b) | Net Balance Sheet values of fiinancial asset (c=a-b) | Related amounts not recognised in Balance Sheet | | Net amounts 31/12/2014 (f=c-d-e) | Net amounts 31/12/2013 |
|---|---|---|---|---|---|---|---|---|
| | | | | | Financial instruments (d) | Cash collateral received (e) | | |
| 1) Derivatives | | 363,505 | - | 363,505 | - | 201,798 | 161,707 | 73,397 |
| 2) Repos | | - | - | - | - | - | - | - |
| 3) Securities lending | | - | - | - | - | - | - | - |
| 4) Other | | - | - | - | - | - | - | - |
| Total | 31/12/2014 | 363,505 | - | 363,505 | - | 201,798 | 161,707 | x |
| Total | 31/12/2013 | 173,297 | - | 173,297 | - | 99,900 | x | 73,397 |

The amount indicated in column (a) relates to derivatives disclosed under item 20 "Financial assets held for trading", equal to EUR 158,472 thousand, and item 80 "Hedging derivatives", in the amount of EUR 205,033 thousand. The related cash deposits pledged to guarantee, shown in column (e) are recognised under item 10 "Deposits from banks", amounting to EUR 190,869 thousand, and for the residual amount, under item 20 "Loans to customers".

6. Liabilities subject to accounting offsetting, master netting agreements and similar ones

| Instrument type | | Gross amounts of financial liabilities (a) | Financial assets offset in Balance Sheet (b) | Net Balance Sheet values of fiinancial liabilities (c=a-b) | Related amounts not recognised in Balance Sheet | | Net amounts 31/12/2014 (f=c-d-e) | Net amounts 31/12/2013 |
|---|---|---|---|---|---|---|---|---|
| | | | | | Financial instruments (d) | Cash collateral pledged (e) | | |
| 1) Derivatives | | 462,017 | - | 462,017 | 74,840 | 272,818 | 114,359 | 64,540 |
| 2) Repos | | - | - | - | - | - | - | - |
| 3) Securities lending | | - | - | - | - | - | - | - |
| 4) Other | | - | - | - | - | - | - | - |
| Total | 31/12/2014 | 462,017 | - | 462,017 | 74,840 | 272,818 | 114,359 | x |
| Total | 31/12/2013 | 439,100 | - | 439,100 | 189,315 | 185,245 | x | 64,540 |

The amount indicated in column (a) relates to derivatives disclosed under item 40 "Financial liabilities held for trading", equal to EUR 114,286 thousand, and item 60 "Hedging derivatives", in the amount of Euro 347,731 thousand. Related financial instruments pledged to guarantee, shown in column (d) are securities disclosed under item 40 "Financial assets available-for-sale". Cash deposits pledged to guarantee, shown in column (e) are recognised under item 60 " Deposits from banks", in the amount of EUR 271,718 thousand, and for the remaining amount under item 70 "Loans to customers".

The Bank periodically analyses all types of mater netting agreements, or similar agreements, which might be eligible for offsetting.

For example, the netting agreements on derivatives (CSA), repurchase agreement transactions in compliance with TBMA/ISDA - *Global Master Repurchase Agreements* (GMRA) - international standards, security lending transactions in compliance with TBMA/ISDA - *Global Master Securities Lending Agreements* (GMSLA) - international standards, and all rights related to financial collaterals. Arrangements that can be qualified as "collateral agreements" are excluded.

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.

# Part C

# INFORMATION ON THE INCOME STATEMENT

SECTION 1

# INTEREST – ITEMS 10 AND 20

## 1.1 Interest and similar income: breakdown

| Voices/Technical forms | Debt securities | Loans | Other transactions | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading - Cash Instruments | 37 | - | 14,405 | 14,442 | 15,506 |
| 2. Available-for-sale financial assets | 55,689 | - | - | 55,689 | 157,730 |
| 3. Held-to-maturity investments | - | - | - | - | 14,209 |
| 4. Loans and receivables with banks | 56,241 | 4,771 | 528 | 61,540 | 50,261 |
| 5. Loans and receivables with customers | 128 | 347,065 | 6 | 347,199 | 387,936 |
| 6. Hedging derivatives | - | - | - | - | - |
| 7. Hedging derivatives | x | x | 162 | 162 | - |
| 8. Other assets | x | x | - | - | 1,013 |
| Total | 112,095 | 351,836 | 15,101 | 479,032 | 626,655 |

## 1.2 Interest and similar income: hedging differentials

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Positive differentials related to hedging operations | 59,690 | - |
| B. Negative differentials related to hedging operations | (59,528) | - |
| C. Net differentials (A-B) | 162 | - |

## 1.3 Interest and similar income: other information

### 1.3.1 Interest income from financial assets denominated in currency

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| | 13,922 | 14,989 |

### 1.3.2 Interest income from finance leases

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Interest income from leasing | 19,002 | 20,851 |

### 1.4 Interest and similar expense: breakdown

| Items/Technical forms | Debts | Securities | Other transactions | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|
| 1. Deposits from central banks | (9,122) | x | - | (9,122) | (39,278) |
| 2. Deposits from banks | (26,521) | x | (166) | (26,687) | (13,406) |
| 3. Deposits from customers | (60,163) | x | (12) | (60,175) | (55,984) |
| 4. Debt securities in issue | x | (284,058) | - | (284,058) | (327,022) |
| 5. Financial liabilities held for trading | - | - | - | - | - |
| 6. Financial liabilities at fair value through profit or loss | - | (28,011) | - | (28,011) | (24,883) |
| 7. Other liabilities and found | x | x | (2,885) | (2,885) | (516) |
| 8. Hedging derivatives | x | x | - | - | (51,759) |
| **Total** | **(95,806)** | **(312,069)** | **(3,063)** | **(410,938)** | **(512,848)** |

### 1.5 Interest and similar expense: differentials on hedging transactions

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| A. Positive differentials related to hedging operations | - | 75,757 |
| B. Negative differentials related to hedging operations | - | (127,516) |
| **C. Net differentials (A-B)** | **-** | **(51,759)** |

## 1.6 Interest and similar expense: other informations

### 1.6.1 Interest expense on liabilities denominated in currency

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Interest expense on liabilities held in foreign currency | (2,907) | (4,390) |

### 1.6.2 Interest expense on finance leases

| Items | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Interest expense on finance lease transactions | (110) | (163) |

SECTION 2

# FEES AND COMMISSIONS – ITEMS 40 AND 50

## 2.1 Fee and commission income: breakdown

| Type of service/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| a) guarantees given | 6,724 | 9,021 |
| b) credit derivatives | - | - |
| c) management, brokerage and consultancy services: | 45,957 | 48,056 |
| 1. securities trading | 591 | 1,193 |
| 2. currency trading | 1,136 | 1,034 |
| 3. portfolio management | 4,208 | 4,647 |
| 3.1. individual | 4,208 | 4,647 |
| 3.2. collective | - | - |
| 4. custody and administration of securities | 998 | 1,034 |
| 5. custodian bank | - | - |
| 6. placement of securities | 20,309 | 20,682 |
| 7. reception and transmission of orders | 4,208 | 4,331 |
| 8. advisory services | - | - |
| 8.1 related to investments | - | - |
| 8.2 related to financial structure | - | - |
| 9. distribution of third party services | 14,507 | 15,135 |
| 9.1 portfolio management | 859 | 990 |
| 9.1.1. individual | - | - |
| 9.1.2. collective | 859 | 990 |
| 9.2 insurance products | 7,452 | 7,522 |
| 9.3 other products | 6,196 | 6,623 |
| d) collection and payment services | 27,980 | 28,521 |
| e) securitization servicing | 2,982 | 3,027 |
| f) factoring services | 1,115 | 1,456 |
| g) tax collection services | - | - |
| h) management of multilateral trading facilities | - | - |
| i) management of current accounts | 47,312 | 48,620 |
| j) other services | 8,602 | 8,224 |
| Total | 140,672 | 146,925 |

Item j) is broken down as follows:

| Service type/Value | 31/12/2014 | 31/12/2013 |
|---|---|---|
| a) overdrawn deposits and current a( | 12 | 16 |
| b) loans | 4,659 | 4,346 |
| c) rental of safety deposit boxes | 1,178 | 1,206 |
| d) other | 2,753 | 2,656 |
| ***Total*** | ***8,602*** | ***8,224*** |

2.2 Fee and commission income by distribution channel

| Canals/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| a) through Group bank branches | 39,014 | 40,454 |
| 1. portfolio management | 4,208 | 4,647 |
| 2. placement of securities | 20,305 | 20,678 |
| 3. third-party products and services | 14,501 | 15,129 |
| b) off-site | 10 | 10 |
| 1. portfolio management | - | - |
| 2. placement of securities | 4 | 4 |
| 3. third party products and services | 6 | 6 |
| c) other distribution channels | - | - |
| 1. portfolio management | - | - |
| 2. placement of securities | - | - |
| 3. third party products and services | - | - |

2.3 Fee and commission expenses: breakdown

| Services/Amounts | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| a) guarantees received | (20,731) | (23,307) |
| b) credit derivatives | - | - |
| c) management, brokerage and consultancy services: | (3,559) | (13,173) |
| 1.trading in financial instruments | (120) | (17) |
| 2. currency trading | - | - |
| 3. portfolio management: | (1,616) | (1,897) |
| 3.1 own portfolio | (1,616) | - |
| 3.2 third party portfolio | - | (1,897) |
| 4. custody and administration securities | (985) | (1,103) |
| 5. financial instruments placement | (783) | (10,068) |
| 6. off-site distribution of financial instruments. products and services | (55) | (88) |
| d) collection and payment services | (9,867) | (10,005) |
| e) other services | (4,399) | (4,534) |
| Total | (38,556) | (51,019) |

Item e) "Other services" is broken down as follows:

| Service type/Value | 31/12/2014 | 31/12/2013 |
|---|---|---|
| a) transactions with banks | (331) | (353) |
| b) loans | (618) | (852) |
| c) trading | (132) | (43) |
| d) other | (3,318) | (3,286) |
| ***Total*** | ***(4,399)*** | ***(4,534)*** |

The item “d) other” includes commissions payable for the distribution of third party credit cards for 2.7 million Euro.

SECTION 3

## DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

| Items/Income | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Dividends | Income from units in investment funds | Dividends | Income from units in investment funds |
| A. Financial assets held for trading | 23 | - | - | 420 |
| B. Available for sale financial assets | 16,530 | 1,330 | 3,570 | 533 |
| C. Financial assets at fair value thought profit or loss- other | - | - | - | - |
| D. Investments | 11,842 | x | 44,872 | x |
| **Total** | **28,395** | **1,330** | **48,442** | **953** |

Sub-item D includes dividends from equity investments for an amount of EUR 8,390 thousand relating to non-current assets held for sale (EUR 8,561 thousand as at 31.12.2013)

SECTION 4

# PROFITS (LOSSES) ON TRADING – ITEM 80

4.1 Profits and losses on financial assets and liabilities held for trading: breakdown

| Transactions / Income | Unrealized profits (A) | Realized profits (B) | Unrealized losses (C) | Realized losses (D) | Net Profit (A+B)-(C+D) 31/12/2014 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 31 | 2,916 | (1,515) | (296) | 1,136 |
| 1.1 Debt securities | 31 | 607 | (270) | (198) | 170 |
| 1.2 Equity | - | 63 | (1) | (83) | (21) |
| 1.3 Units in investment funds | - | 185 | (2) | (15) | 168 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | 2,061 | (1,242) | - | 819 |
| 2. Financial liabilities held for trading | - | - | - | - | - |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Deposits | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - |
| 3. Financial assets and liabilities in foreign currency: exchange differences | - | x | x | x | 12,301 |
| 4. Derivatives | 33,066 | 14,006 | (38,662) | (13,898) | (10,429) |
| 4.1 Financial derivatives: | 33,066 | 14,006 | (38,662) | (13,898) | (10,429) |
| - on debt securities and interest rates | 33,066 | 13,932 | (38,662) | (13,780) | (5,444) |
| - on equity securities and shares indexes | - | 74 | - | (118) | (44) |
| - On currencies and gold | x | x | x | x | (4,941) |
| - Other | - | - | - | - | - |
| 4.2 Credit derivatives | - | - | - | - | - |
| Total | 33.097 | 16,922 | (40,177) | (14,194) | 3,008 |

SECTION 5

# FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING – ITEM 90

## 5.1 Fair value adjustments in hedge accounting

| Income/Values | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| A. Incomes from: | | |
| A.1 Fair value hedging instruments | 127,426 | 253,613 |
| A.2 Hedged asset items (in fair value hedge relationships) | 48,871 | 1,466 |
| A.3 Hedged liability items (in fair value hedge relationship) | 18,943 | 102,507 |
| A.4 Cash-flow hedging derivatives (including ineffectiveness of net investment hedge) | - | - |
| A.5 Assets and liabilities denominated in currency (not derivative hedging instruments) | - | - |
| Total gains on hedging activities (A) | 195,240 | 357,586 |
| B. Losses on: | | |
| B.1 Fair value hedging instruments | (68,163) | (137,254) |
| B.2 Hedged asset items (in fair value hedge relationship) | (7,384) | (224,409) |
| B.3 Hedged liabilities items (in fair value hedge relationships) | (119,357) | (5,147) |
| B.4 Cash-flow hedging derivatives (including ineffectiveness of net investment hedge) | - | - |
| B.5 Assets and liabilities denominated in currency (not derivative hedging instruments) | - | - |
| Total losses on hedging activities (B) | (194,904) | (366,810) |
| **C. Net profit from hedging activities (A – B)** | **336** | **(9,224)** |

SECTION 6

# PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE – ITEM 100

6.1 Profits and losses on disposals/repurchases: breakdown

| Items / Income | Total 31/12/2014 | | | Total 31/12/2013 | | |
|---|---|---|---|---|---|---|
| | Gain | Losses | Net profit | Gain | Losses | Net profit |
| Financial assets | | | | | | |
| 1. Loans and receivables with banks | 5,202 | (905) | 4,297 | - | - | - |
| 2. Loans and receivables with customers | 1,429 | (3,103) | (1,674) | 449 | (1,545) | (1,096) |
| 3. Financial assets available for sale | 86,889 | (33,665) | 53,224 | 358,591 | (40,026) | 318,565 |
| 3.1 Debt securities | 70,583 | (31,037) | 39,547 | 55,915 | (20,581) | 35,334 |
| 3.2 Equity Instruments | 11,884 | (1,562) | 10,322 | 302,269 | (755) | 301,514 |
| 3.3 Units in investment funds | 4,422 | (1,066) | 3,356 | 407 | (18,690) | (18,283) |
| 3.4 Loans | - | - | - | - | - | - |
| 4. Financial assets held to the deadline | - | - | - | 21,261 | - | 21,261 |
| **Total assets** | **93,520** | **(37,673)** | **55,847** | **380,301** | **(41,571)** | **338,730** |
| Financial liabilities | | | | | | |
| 1. Deposits with banks | - | - | - | - | - | - |
| 2. Deposits with customers | - | - | - | - | - | - |
| 3. Debt Securities in issue | 4,168 | (2,637) | 1,531 | 4,963 | (1,650) | 3,313 |
| **Total financial liabilities** | **4,168** | **(2,637)** | **1,531** | **4,963** | **(1,650)** | **3,313** |

SECTION 7

# PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE – ITEM 110

7.1 Profits and losses on financial assets and liabilities designed at FV through profit or loss

| Transactions/Income | Unrealized profit (A) | Realized profits (B) | Unrealized losses (C) | Realized losses (D) | Net profit [(A+B) – (C+D)] 31/12/2014 |
|---|---|---|---|---|---|
| 1. Financial assets | - | - | - | - | - |
| 1.1 Debt securities | - | - | - | - | - |
| 1.2 Equity securities | - | - | - | - | - |
| 1.3 Units in investment funds | - | - | - | - | - |
| 1.4 Loans | - | - | - | - | - |
| 2. Financial liabilities | 320 | 10 | (9,699) | (574) | (9,943) |
| 2.1 Debt Securities | 320 | 10 | (9,699) | (574) | (9,943) |
| 2.2 Deposits from banks | - | - | - | - | - |
| 2.3 Deposits from customers | - | - | - | - | - |
| 3. Financial assets and liabilities in foreign currency: exchange differences | x | x | x | x | - |
| 4. Credit and financial derivatives | 18,012 | 3,392 | (10,958) | - | 10,446 |
| Total | 18,332 | 3,402 | (20,657) | (574) | 503 |

SECTION 8

# NET LOSSES/RECOVERIES ON IMPAIRMENT– ITEM 130

## 8.1 Net losses/recoveries on impairment of loans: breakdown

| Transactions/Income | Write - downs (1) | | | Write - backs (2) | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | 31/12/2014 | 31/12/2013 |
| | Write - offs | Other | | A | B | A | B | | |
| A. Loans and receivables with banks | - | (165) | - | - | 1,527 | - | - | 1,362 | (2,920) |
| - Loans | - | - | - | - | 152 | - | - | 152 | (91) |
| - Debt securities | - | (165) | - | - | 1,375 | - | - | 1,210 | (2,829) |
| B. Loans and receivables with customers | (19,761) | (421,691) | (36,516) | 18,537 | 63,932 | - | 216 | (395,283) | (643,772) |
| Deteriorated purchased loans | - | - | x | - | - | x | x | - | - |
| - Loans | - | - | x | - | - | x | x | - | - |
| - Debt securities | - | - | x | - | - | x | x | - | - |
| Other receivables | (19,761) | (421,691) | (36,516) | 18,537 | 63,932 | - | 216 | (395,283) | (643,772) |
| - Loans | (19,761) | (421,691) | (36,516) | 18,537 | 63,932 | - | 216 | (395,283) | (643,772) |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| C. Total | (19,761) | (421,856) | (36,516) | 18,537 | 65,459 | - | 216 | (393,921) | (646,692) |

***Key***
A = From interest
B = Other reversals

## 8.2 Net losses/recoveries on impairment of financial assets available for sale: breakdown

| Transactions/Income | Adjustments (1) | | Reversals of impairment losses (2) | | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|---|
| | Specific | | Specific | | | |
| | Write-off | Other | A | B | | |
| Debt securities | - | (87) | - | - | (87) | (3,724) |
| B. Equity instruments | (138) | (1,139) | - | - | (1,277) | (6,912) |
| C. Units in investments funds | - | (88) | x | x | (88) | (2,844) |
| D. Loans to banks | - | - | x | - | - | - |
| E. Loans to customers | - | - | - | - | - | - |
| **F. Total** | **(138)** | **(1,314)** | **-** | **-** | **(1,452)** | **(13,480)** |

***Key***
A = From interest
B = Other reversals

## 8.4 Net losses/recoveries on impairment of other financial activities: breakdown

| Transactions/Income | Adjustments (1) | | | Reversals of impairment losses (2) | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | 31/12/2014 | 31/12/2013 |
| | Write - offs | Other | | A | B | A | B | | |
| A. Guarantees given | (50) | (7,928) | (13,364) | - | 4,193 | - | - | (17,149) | (13,710) |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to disburse funds | - | - | - | - | - | - | - | - | - |
| D. Other transactions | - | - | - | - | - | - | - | - | - |
| E. Total | (50) | (7,928) | (13,364) | - | 4,193 | - | - | (17,149) | (13,710) |

***Key***
A = From interest
B = Other reversals

SECTION 9

# ADMINISTRATIVE EXPENSES – ITEM 150

## 9.1 Personnel expenses: breakdown

| Type of expense/Amounts | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1) Employees | (215,389) | (193,932) |
| a) wages and salaries | (110,989) | (120,296) |
| b) social security contributions | (38,056) | (40,854) |
| c) Severance pay (only for Italian legal entities) | (3,587) | (3,743) |
| d) Social security costs | - | - |
| e) allocation to employee severance pay provision | (734) | (865) |
| f) provision for retirements and similar provisions: | (12,923) | (12,636) |
| - defined contribution | - | - |
| - defined benefit | (12,923) | (12,636) |
| g) payments to external pension funds: | (5,476) | (5,214) |
| - defined contribution_old | (5,476) | (5,214) |
| - defined benefit | - | - |
| h) Expenses resulting from share based payments | 3 | 342 |
| i) other employee benefits | (43,627) | (10,666) |
| 2) Other staff | (817) | (835) |
| 3) Directors and Statutory Auditors | (5,062) | (3,110) |
| 4) Early retirement costs | - | - |
| 5) Recovery of expenses for employees seconded to other companies | 5,864 | 9,503 |
| 6) Reimbursement of cost of third-party employees seconded to the Bank | (4,175) | (4,636) |
| **Total** | **(219,579)** | **(193,010)** |

## 9.2 Average number of employees by category

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 2) Employees | 2,463 | 2,464 |
| a) Senior managers | 52 | 51 |
| b) Managers | 570 | 561 |
| c) Remaining employees staff | 1,841 | 1,852 |
| 2) Other staff | 48 | 57 |
| **Total** | **2,511** | **2,521** |

The average number of employees of other Group companies seconded in the company is 67.

9.3 Defined benefit company pension funds: total costs

In 2014, the costs allocated to income statement for the staff pension fund amounted to EUR 12,923 thousand of which EUR 2,659 thousand referred to Current Service Cost and EUR 10,264 thousand referred to Interest Cost. For more information see section 12 under Liabilities.

9.4 Other benefits in favour of employees

This item includes the expenses connected to the economic incentives indicated by the "Framework Agreement" dated 30/09/2014 in favour of employees, amounting to a total of EUR 36.8 million (incentives for the termination of service for employees in 2014, 2015, 2016); the expenses connected with the health policies for EUR 3.4 million, other expenses related to training for 2.3 million, meal vouchers for employees for 2.1 million, net of proceeds for the use of the seniority bonus fund of 0.8 million.

## 9.5 Other administrative expenses: breakdown

| Type of service/Amounts | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| Indirect duties and taxes | (34,357) | (33,113) |
| - stamp duties and taxes on stock exchange | (28,268) | (25,079) |
| - substitute tax (Pres. Decree 601/73) | (1,157) | (2,709) |
| - local property taxes | (3,528) | (3,470) |
| - other indirect duties and taxes | (1,404) | (1,855) |
| Leases and rent payable | (14,205) | (14,425) |
| - property | (3,223) | (3,512) |
| - electronic equipment and software | (10,500) | (10,471) |
| - other | (482) | (442) |
| Expenses for software acquisition | - | - |
| Maintenance and operating expenses | (18,368) | (16,973) |
| - property owned and used by the bank | (3,296) | (3,520) |
| - rented property | (286) | (218) |
| - operating assets | (5,473) | (5,418) |
| - software | (9,313) | (7,817) |
| Cleaning services | (1,456) | (1,539) |
| Electricity, heating and water | (4,597) | (5,114) |
| Printed materials and stationery | (1,024) | (1,500) |
| Post and telephone | (5,185) | (5,936) |
| Security | (1,495) | (1,371) |
| Transport | (2,715) | (2,777) |
| Insurance premiums | (2,210) | (2,467) |
| Advertising, publicity and media initiatives | (3,932) | (4,270) |
| Expenses for corporate hospitality | (964) | (933) |
| Association fees | (926) | (930) |
| Contributions to bodies and associations | (170) | (116) |
| Subscriptions to newspapers, magazines and publication | (523) | (505) |
| Professional services fees | (33,219) | (32,436) |
| - consultancy | (20,199) | (17,194) |
| - legal expenses | (12,361) | (14,544) |
| - commercial information and investigation | (387) | (348) |
| - other | (272) | (350) |
| Expenses for IT services and outsourcing | (14,314) | (12,986) |
| Other expenses | (3,057) | (4,091) |
| Total | (142.717) | (141,482) |

SECTION 10

# NET PROVISIONS FOR RISKS AND CHARGES - ITEM 160

10.1Provisions: breakdown

| | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| Provisions for risks and charge related to legal disputes under revocation lawsuits | (5,619) | (5,763) |
| Interest expenses from discounting of the provisions for legal disputes and revocation lawsuits | - | - |
| Re-allocations to Income Statement related to provision for risks and charges to legal disputes and revocations lawsuits | 2,053 | 2,159 |
| Re-allocations to Income Statement related to other provisions | 5 | 10 |
| Other provisions | (2,298) | (49) |
| Total | (5,859) | (3,643) |

SECTION 11

# NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - ITEM 170

11.1 Net adjustment to/recoveries on property and equipment: breakdown

| Asset/Income | Depreciation (a) | Impairment losses (b) | Write-backs (c) | Net result (a + b + c) 31/12/2014 |
|---|---|---|---|---|
| A. Property, equipment and investment property | | | | |
| A.1 Owned | (10,671) | (1,281) | - | (11,952) |
| - For operational use | (9,530) | (1,281) | - | (10,811) |
| - For investment | (1,141) | - | - | (1,141) |
| A.2 Acquired through finance lease | (812) | - | - | (812) |
| - For operational use | (812) | - | - | (812) |
| - For investment | - | - | - | - |
| Total | (11,483) | (1,281) | - | (12,764) |

SECTION 12

## NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS – ITEM 180

12.1 Net adjustment to/recoveries on intangible assets: breakdown

| Asset/Income | Depreciation (a) | Impairment losses (b) | Write-backs (c) | Net result (a + b + c) 31/12/2014 |
|---|---|---|---|---|
| A. Intangible assets | | | | |
| A.1 Owned | (28,505) | - | - | (28,505) |
| - Generated internally by the company | - | - | - | - |
| - Other | (28,505) | - | - | (28,505) |
| A.2 Held by Finance leases | - | - | - | - |
| **Total** | **(28,505)** | **-** | **-** | **(28,505)** |

SECTION 13

# OTHER OPERATING EXPENSES AND INCOME - ITEM 190

## 13.1. Other operating expenses: breakdown

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Expenses for tax disputes | (26) | (3,035) |
| Expenses for covered bond transactions and securitisations | (7,492) | (7,555) |
| Litigation losses | (1,961) | (2,547) |
| Operating expenses on financial leases | (511) | (889) |
| Intervention in favour of the interbank deposit protection fu | - | - |
| Expenses for improvement of third parties' assets | (237) | (55) |
| Routine maintenance costs on investment property | (565) | (605) |
| Other | (1,168) | (4,088) |
| *Total* | *(11,960)* | *(18,774)* |

## 13.2. Other operating income: breakdown

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Third-party charges | 28,777 | 26,808 |
| - tax recovery | 28,371 | 26,378 |
| - customer insurance premiums | 406 | 430 |
| Fast-track facility fee | 8,929 | 10,245 |
| Fees for service agreements | 70,542 | 66,152 |
| Legal expenses charged to customers | 8,095 | 10,502 |
| Lease payments receivable | 4,742 | 4,913 |
| Lease revenues and indemnities | 1,430 | 2,493 |
| Other income | 5,181 | 16,267 |
| *Total* | *127,696* | *137,380* |

SECTION 14

## PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – ITEM 210

14.1 Profit (Loss) on investments in associates and companies subject to joint control: breakdown

| Income/Value | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| A. Income | - | 95,638 |
| 1. Revaluations | - | - |
| 2. Gains on disposal | - | 95,638 |
| 3. Write-backs | - | - |
| 4. Other gains | - | - |
| B. Expenses | (347,864) | (1,717,378) |
| 1. Decreases | - | - |
| 2. Impairment losses | (347,864) | (1,717,377) |
| 3. Losses on disposal | - | (1) |
| 4. Other expenses | - | - |
| Net profit | (347,864) | (1,621,740) |

The details of impairments carried out on equity investments in Group companies and related rationale are described in Part B of the Explanatory Notes, Section 10, Assets, under item " Investments in associates and companies subject to joint control ". Sub-item B2 includes impairment loss provisions for an amount of EUR 179,207 thousand in relation to non-current assets held for sale (EUR 274,925 thousand as at 31/12/2013).

SECTION 17

## PROFITS (LOSSES) FROM DISPOSAL OF INVESTMENTS – ITEM 240

17.1 Profits and losses from disposal of investments

| Income/Value | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| A. Assets | (160) | - |
| - Gains on disposal | 67 | - |
| - Losses on disposal | (227) | - |
| B. Other assets | 12 | 7 |
| - Gains from disposals | 16 | 7 |
| - Losses from disposals | (4) | - |
| Net result | (148) | 7 |

SECTION 18

# TAXES ON INCOME FROM CONTINUING OPERATIONS – ITEM 260

18.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

| Income/Value | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|
| 1. Current tax expense (-) | (25,253) | 3,105 |
| 2. Changes of current tax expense of previous years (+/-) | (544) | 826 |
| 3. Reduction in current tax expense for the period (+) | - | - |
| 3. bis Reductions in current tax expense for the period due tax credit related to L. 214/2011 (+) | 423,808 | - |
| 4. Changes to deferred tax assets (+/-) | (325,073) | 235,440 |
| 5. Changes to deferred tax liabilities (+/-) | 62,338 | 1,700 |
| 6. Tax expense for the year (-) ( -1+/-2+3+3bis+/-4+/-5) | 135,276 | 241,071 |

18.2 Reconciliation of theoretical and effective tax charges in the financial statements.

The overall tax impact on pre-tax profit – tax rate – calculated with reference to items in the Income Statement as at 31 December 2014 (Item 260/ Item 250) is close to 17%.

This impact is positive by reason of the fact that the loss for the year generates a tax credit to be carried forward over following financial years, and which will result in future savings (e.g. prepaid taxes and tax loss carryovers), or will be transformed in tax credit, pursuant to Law 214/2011.

IRES and IRAP substitute tax on the higher value recognised, is included in the current tax burden, in a total amount of EUR 41.5 mln, due to the new rates applied following the amendment of the Bank of Italy made in compliance with Law Decree 133/2013. The amount of tax is equal to the differential between the 12% of the indicated greater value (equal to EUR 296.2 million) that was initially determined and the 26% set forth by Italian Law Decree 66/2014 published in the Italian Official Journal on 24 April 2014. Therefore, when calculating the tax rate for the purposes of IRES and IRAP, this does not account for the increase in the substitute tax, which has an impact on income that is already recorded in the financial statements the previous financial year.

Concerning the accrued IRES receivable (totalling EUR 154 mln), the tax rate is around 19.4%. In particular, the reference rate of 27.5% on the loss from continuing operations should generate a receivable in the same proportion, but the taxable income is significantly increased by the presence of impairments on controlling equity investments under non-deductible participation exemptions, only partly offset by permanent decreases (e.g. exempt portion of collected dividends or capital gains on equity investments under participation exemptions).

Concerning IRAP credit for the year (totalling EUR 22.8 mln), note that in relation to its specific nature and the different definition of the taxable amount with respect to Item 250, after the changes under Law No. 244/2007, IRAP excludes from the computation, inter alia, the expenses related to staff, other operating revenues and expenses, gains and losses from investment disposals, tax credit by reason that the negative taxable basis cannot be carried forward as tax credit in following years like for IRES tax.This leads to a tax burden of 2.9% of the gross profit, compared to a reference tax burden of 5.57%.

Due to provisions set out by Law no. 147/2013 ("2014 Stability Law"), value adjustments on receivables from customers are now deductible from IRAP tax over a five year period.

Please note that during the year, the option to realign the lower value of property for tax purposes to the higher value posted in the balance sheet following the accounting revaluation made the first time that the IAS/Ifrs accounting standards were applied in the 2005 financial statements. This option, set forth in art. 1, paragraph 147 of Italian Law 147/2013, led to a net benefit to the Income Statement equal to approx. EUR 34.3 million, equal to the differential between the substitute tax included among the current taxes, the 16% rate for fiscally amortisable assets and 12% for non-amortisable assets (EUR 27.2 million), and the deferred taxes entered with the ordinary rate (27.5% IRES and 5.57% IRAP – EUR 61.5 million). In compliance with what is required by the indicated regulation, steps were taken to fiscally tie-up the reserve for the purchase of own shares (EUR 77 million) and part of share capital (EUR 81.8 million).

# Part D

# COMPREHENSIVE INCOME

## *ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME*

| | Items | 31/12/2014 | | After tax effects |
|---|---|---|---|---|
| | | Gross Amount | Tax Effects | |
| 10. | **Net Income (Loss)** | X | X | **(657,786)** |
| | **Other comprehensive income (net of tax), without reversal to income statement** | | | |
| 20. | Property and equipment | - | - | - |
| 30. | Intangible assets | - | - | - |
| 40. | Defined benefit plans | (76,222) | 20,961 | (55,261) |
| 50. | Non-current assets classified as held for sale | - | - | - |
| 60. | Share of valuation reserves of equity investments valued at equity | - | - | - |
| | **Other comprehensive income (net of tax), with reversal to income statement** | | | |
| 70. | Hedge of foreign investments: | - | - | - |
| | a) changes in fair value | - | - | - |
| | b) reversal to profit and loss | - | - | - |
| | c) other changes | - | - | - |
| 80. | Exchange differences: | - | - | - |
| | a) changes in fair value | - | - | - |
| | b) reversal to profit and loss | - | - | - |
| | c) other changes | - | - | - |
| 90. | Cash flow hedges: | (65,220) | 21,568 | (43,652) |
| | a) changes in fair value | (65,220) | 21,568 | (43,652) |
| | b) reversal to profit and loss | - | - | - |
| | c) other changes | - | - | - |
| 100. | Financial assets available-for-sale: | 31,735 | (10,549) | 21,186 |
| | a) changes in fair value | 19,134 | (6,350) | 12,784 |
| | b) reversal to profit and loss | 12,602 | (4,199) | 8,403 |
| | - impairment provisions | - | - | - |
| | - income/losses disposal | 12,602 | (4,199) | 8,403 |
| | c) other changes | (1) | - | (1) |
| 110. | Non-current assets classified as held for sale: | - | - | - |
| | a) changes in fair value | - | - | - |
| | b) reversal to profit and loss | - | - | - |
| | c) other changes | - | - | - |
| 120. | Share of valuation reserves of equity investments valued at equity: | - | - | - |
| | a) changes in fair value | - | - | - |
| | b) reversal to profit and loss | - | - | - |
| | - impairment provisions | - | - | - |
| | - income/losses disposal | - | - | - |
| | c) other changes | - | - | - |
| 130. | **Total other comprehensive income (net of tax)** | **(109,707)** | **31,980** | **(77,727)** |
| 140. | **Total comprehensive income (Items 10+130)** | | | **(735,513)** |

# Part E

## INFORMATION ON RISKS AND RISK HEDGING POLICIES

In this part of the Explanatory Notes, quantitative information on risks refers to the Parent Company Banca Carige. Unless otherwise specified, for qualitative information on risk management and monitoring procedures please see the corresponding Part E of the consolidated Explanatory Notes.

## *SECTION 1 – CREDIT RISK*

### Qualitative Information

The Parent Company's credit offer is mainly focused on the private, small businesses, small and medium-sized companies and public authority segments.
The Parent Company pursues the policy of consolidating its current market leadership position through actions to increase the level of penetration on current customers, mainly via cross-selling, in any event without neglecting new business initiatives. Development activities target the private and small business segments, as well as the corporate segment.
The economic and financial crisis of the last few years, which resulted in a significant increase of impaired loans, stressed the strategic importance of monitoring credit relations and managing critical positions.

The main credit policy guidelines require:

- the containment of the credit risk to pursue through the selective growth of loans, guided by the rating class of the counter-parties and by their business sector, together with a renewed impetus to security agreements;
- the restructuring of the credit portfolio in accordance with the prospects for growth expressed by the markets;
- the containment of risk of concentration of loans for individual customers or groups of customers;
- reinforcing recovery activities for the recovery of non-performing loans in terms of effectiveness and efficiency.

In accordance with its mission, the Group has adopted Agreements signed by the ABI within the scope of the arrangement known as “New measures for credit to SMEs” and household support measures identified mainly within the so-called “Household Plan”, while promptly offering support to people hit by natural disasters.

1. Credit risk management policies

1.1 Organisational aspects

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

## 1.2 Management, measurement and control systems

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

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

- Credit Risk Management, aimed at the strategic governance of the Group's lending activities, through portfolio quality monitoring based on the performance analysis of risk indicators from rating sources (PD, LGD and EAD) and other phenomena of interest, with accurate control of compliance with the limits envisaged in supervisory regulations on risk concentration and capital adequacy with respect to the assumed credit risk;
- activities of an operational nature, to monitor the quality of loans disbursed. Specifically, a tool for the operational monitoring of credit is operational and allows for the combination of the various fields of control activities with risk indicators developed according to IRB approach, to improve the monitoring efficiency and achieve management increasingly consistent with customer risk profiles. From this point of view, in 2014 the monitoring process was strengthened by defining maximum resolution times for loan positions characterised with very abnormal performance, after which, if the situation was not normalised, they will then be reclassified among non-performing loans.

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

Internal rating models were developed by the Parent Company based on historic data for the Retail (Private, Small operators and Small Business) and Corporate (SME and LARGE) segments.

Banca Carige also implemented models for determining, at the consolidated level, probability of default (PD), loss in the event of insolvency (Loss given default – LGD), exposure in the event of insolvency (Exposure at default –EAD). The information sources used to estimate the probability of default (PD) pertain to three main areas of investigation that are used in varying degrees in the branch assessment of the segment: financial (financial statement data) and performance disclosures (in-house data and Central Credit Register data) and company records. With regard to the SME and Large Corporate segments, the override procedure of statistical rating offers enhancement of any significant data for the purpose of correct customer classification.

2009 saw the introduction of Expected Loss (the product of PD, LGD and EAD) as the parameter used to determine the decision-making path on lending practices in relation to counterparties in the retail (Private; Small operators and Small Business), Corporate (SME and Large Corporate) segments.

The risk parameters (PD, and LGD) are recalibrated in order to incorporate the most recent evolutions of the risk rate of the portfolio used by the Group.

## 1.3 Credit risk mitigation techniques

The Group's credit policy is founded on maximum care in the selection of credit, financed initiatives and borrowers and account monitoring. Credit rating appraisal is based on statistical indicators and qualitative information used to assess the borrower's capacity to generate financial resources in line with repayment of the debt.

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

Given that, in this context, personal guarantees and collaterals are obtained – as deemed appropriate for credit risk mitigation, given the impact of mortgage loans on the aggregate portfolio and in compliance with regulatory provisions – a value monitoring process for the assets lodged as security was designed.
More specifically, for a proper assessment of the extent of loan hedging for the capital requirements calculation, the value of mortgaged property is subject to periodic revaluation based on statistical data obtained from a leading specialist in real economy studies.
Moreover, a new appraisal shall be carried out if there is a significant impairment in the market value of the asset, with the aim of implementing the most suitable management measures to safeguard disbursed loans.

### 1.4 Impaired financial assets

The classification of impaired assets is based on an ongoing process which involves monitoring activities focused on the prompt identification of any anomalies in account management, on changes in rating scores and on the emergence of events indicating a potential deterioration of the account.

Moreover, on behalf of all subsidiary banks, the Parent Company has prepared operating procedures, which determine automated flagging of positions with irregular loan repayment (in particular, Past due loans), and IT monitoring instruments that support management that is consistent with the risk profiles identified.
Measures triggered by the aforementioned monitoring activities are differentiated according to the degree of anomaly detected and comply with regulations approved by the Boards of Directors of all Carige Group banks.
Reclassification to performing status of receivables that were classified - not automatically - among impaired assets takes place following the positive assessment of the financial capacity of customers who, having overcome the difficulties that led to the qualification, believes they are fully able to fulfil their commitments to the Bank.

Quantitative Information

## A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING LOANS: BALANCE, VALUE ADJUSTMENTS, PERFORMANCE, ECONOMIC AND GEOGRAPHIC DISTRIBUTION.

The credit assessments carried out during 2014 are affected by both the worsening of the overall macro-economic situation (in Italy, in particular), as well as by the adjustments made to the policy, procedures and parameters used for the assessment of credit risks in order to be aligned with the criteria the ECB used as a basis for the AQR. For further information, refer to the paragraph entitled "The results of the Comprehensive Assessment carried out by the ECB" contained in the Director's Report as well as in "Part A-Accounting policies".

A.1.1 Breakdown of credit exposure by portfolio and credit quality (carrying value)

| Portfolios/quantity | | Non-performing loans | Doubtful assets | Restructured exposures | Impaired past due exposures | Not impaired past due exposures | Other assets | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Financial assets held for trading | | 5 | 1,111 | - | - | - | 163,163 | 164,279 |
| 2. Available-for-sale financial assets | | - | - | - | - | - | 2,666,084 | 2,666,084 |
| 3. Held-to-maturity financial instruments | | - | - | - | - | - | - | - |
| 4. Loans and receivables with banks | | 7,761 | - | - | - | 4,777 | 4,647,349 | 4,659,887 |
| 5. Loans and receivables with customers | | 842,222 | 1,611,737 | 53,131 | 58,837 | 331,441 | 11,321,047 | 14,218,415 |
| 6. Financial assets at fair value through profit or loss | | - | - | - | - | - | - | - |
| 7. Financial instruments classified as held for sale | | - | - | - | - | - | - | - |
| 8. Hedging instruments | | - | - | - | - | - | 205,533 | 205,533 |
| Total | 31/12/2014 | 849,988 | 1,612,848 | 53,131 | 58,837 | 336,218 | 19,003,176 | 21,914,198 |
| Total | 31/12/2013 | 840,036 | 1,301,383 | 96,462 | 150,576 | 209,566 | 23,954,554 | 26,552,577 |

This table does not include equities and units in UCITS.

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

| Portfolio / Quality (Figures must be filled in absolute values) | | Impaired assets | | | Performing | | | Total (net exposure) |
|---|---|---|---|---|---|---|---|---|
| | | Gross exposures | Specific write-downs | Net exposure | Gross exposures | Portfolio adjustments | Net exposure | |
| 1. Financial assets held for trading | | 1,662 | 546 | 1,116 | x | x | 163,163 | 164,279 |
| 2. Available-for-sale financial assets | | 986 | 986 | - | 2,666,084 | - | 2,666,084 | 2,666,084 |
| 3. Held-to-maturity financial instruments | | - | - | - | - | - | - | - |
| 4. Loans and receivables with banks | | 18,021 | 10,260 | 7,761 | 4,652,126 | - | 4,652,126 | 4,659,887 |
| 5. Loans and receivables with customers | | 4,306,989 | 1,741,062 | 2,565,927 | 11,774,967 | 122,479 | 11,652,488 | 14,218,415 |
| 6. Financial assets at fair value through profit or loss | | - | - | - | x | x | - | - |
| 7. Financial instruments classified as held for sale | | - | - | - | - | - | - | - |
| 8. Hedging instruments | | - | - | - | x | x | 205,533 | 205,533 |
| Total | 31/12/2014 | 4,327,658 | 1,752,854 | 2,574,804 | 19,093,177 | 122,479 | 19,339,394 | 21,914,198 |
| Total | 31/12/2013 | 3,816,342 | 1,427,885 | 2,388,457 | 23,984,942 | 87,674 | 24,164,120 | 26,552,577 |

As regards the Loans to customers portfolio, it should be noted that, at the reporting date, the total amount of partial eliminations on impaired loans is equal to EUR 199.6 mln. The amount does not include EUR 13.4 mln, recognised by the special-purpose entity Argo Finance One S.r.l. before transferring its portfolio to the Bank.

A.1.2.1 Breakdown of performing exposures by portfolio

| Portfolios / Time past due | *Forborne* exposures under renegotiation as part of Collective Agreements | | | | | Other*Forborne* exposures not under renegotiation as part of Collective Agreements | | | | | **Total *Forborne* (net exposure)** | **Total *Forborne* (provisions)** | Other exposures | | | | | **Total (net exposure)** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Past due for up to 3 months | Past due for 3 to 6 months | Past due for 6 months to 1 year | Past due for over 1 year | Not past due | Past due for up to 3 months | Past due for 3 to 6 months | Past due for 6 months to 1 year | Past due for over 1 year | Not past due | | | Past due for up to 3 months | Past due for 3 to 6 months | Past due for 6 months to 1 year | Past due for over 1 year | Not past due | |
| 1. Financial assets held for trading | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 163,163 | **163,163** |
| 2. Financial assets available for sale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,666,084 | **2,666,084** |
| 3. Financial assets held to maturity | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Loans to banks | - | - | - | - | - | - | - | - | - | - | - | - | 4,777 | - | - | - | 4,647,349 | **4,652,126** |
| 5. Loans to customers | 734 | 183 | - | - | 24,655 | 31,550 | 12,750 | 31,552 | 59 | 318,852 | 420,335 | 17,493 | 141,984 | 35,201 | 69,737 | 7,691 | 10,977,540 | **11,652,488** |
| 6. Financial assets designated at*fair value* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7. Financial assets held for sale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 205,533 | **205,533** |
| Total 31/12/2014 | 734 | 183 | - | - | 24,655 | 31,550 | 12,750 | 31,552 | 59 | 318,852 | 420,335 | 17,493 | 146,761 | 35,201 | 69,737 | 7,691 | 18,659,669 | 19,339,394 |

## A.1.3 On- and off - Balance Sheet credit exposure to banks: gross and net values

| Type of exposure/Amounts | Gross exposure | Specific write-downs | Portfolio adjustments | Net exposure |
|---|---|---|---|---|
| A. BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | 19,007 | 11,246 | x | 7,761 |
| b) Doubtful loans | - | - | x | - |
| c) Restructured Exposures | - | - | x | - |
| d) Impaired past due exposures | - | - | x | - |
| e) Other assets | 4,688,074 | x | - | 4,688,074 |
| TOTAL A | 4,707,081 | 11,246 | - | 4,695,835 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Impaired | - | - | x | - |
| b) Other | 265,331 | x | 626 | 264,705 |
| TOTAL B | 265,331 | - | 626 | 264,705 |
| TOTAL A+B | 4,972,412 | 11,246 | 626 | 4,960,540 |

## A.1.4 On-Balance Sheet credit exposures with banks: gross change in impaired exposures

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Past due exposures |
|---|---|---|---|---|
| A. Opening balance (gross amount) | 18,658 | 5,392 | - | - |
| - Sold but not derecognised | - | - | - | - |
| B. Increases | 349 | 1,375 | - | - |
| B.1 transfers from performing loans | - | - | - | - |
| B.2 transfers from other impaired exposures | - | - | - | - |
| B.3 other increases | 349 | 1,375 | - | - |
| C. Decreases | - | 6,767 | - | - |
| C.1 transfers to performing loans | - | - | - | - |
| C.2 write-offs | - | 2,995 | - | - |
| C.3 recoveries | - | - | - | - |
| C.4 sales proceeds | - | 3,617 | - | - |
| C.4 bis losses on disposals | - | - | - | - |
| C.5 transfers to other impaired exposures | - | - | - | - |
| C.6 other decreases | - | 155 | - | - |
| D. Closing balance (gross amounts) | 19,007 | - | - | - |
| - Sold but not derecognised | - | - | - | - |

## A.1.5 Balance Sheet credit exposures to banks: change in overall impairments

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Impaired Past due exposures |
|---|---|---|---|---|
| A. Opening balance overall amount of write-downs | 10,963 | 2,829 | - | - |
| - Sold but not derecognised | - | - | - | - |
| B. Increases | 435 | 1,541 | - | - |
| B.1 write-downs | 87 | 166 | - | - |
| B.1 bis losses on disposal | - | - | - | - |
| B.2 transfer from other impaired exposure | - | - | - | - |
| B.3 other increases | 348 | 1,375 | - | - |
| C. Reductions | 152 | 4,370 | - | - |
| C.1 write-backs from assessments | 152 | 1,375 | - | - |
| C.2 write-backs from recoveries | - | - | - | - |
| C.2 bis gains on disposal | - | - | - | - |
| C.3 write-offs | - | 2,995 | - | - |
| C.4 transfers to other impaired exposures | - | - | - | - |
| C.5 other decreases | - | - | - | - |
| D. Closing overall amount of write-downs | 11,246 | - | - | - |
| - Sold but not derecognised | - | - | - | - |

## A.1.6 On and off - Balance sheet credit exposure to customers: gross and net values

| Type of exposure /values | Gross exposure | Specific write-downs | Portfolio adjustments | Net exposure |
|---|---|---|---|---|
| A. BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | 2,084,416 | 1,242,189 | x | 842,227 |
| b) Doubtful loans | 2,089,457 | 477,720 | x | 1,611,737 |
| c) Restructured Exposures | 64,594 | 11,462 | x | 53,132 |
| d) Impaired past due exposures | 68,527 | 9,691 | x | 58,836 |
| e) Other assets | 14,405,398 | x | 122,479 | 14,282,919 |
| TOTAL A | 18,712,392 | 1,741,062 | 122,479 | 16,848,851 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Impaired | 213,498 | 13,804 | x | 199,694 |
| b) Other | 1,536,178 | x | 23,173 | 1,513,005 |
| TOTAL B | 1,749,676 | 13,804 | 23,173 | 1,712,699 |
| TOTAL A+B | 20,462,068 | 1,754,866 | 145,652 | 18,561,550 |

A.1.7 Balance Sheet credit exposure to customers: gross change in impaired exposures

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Past due exposures |
|---|---|---|---|---|
| A. Opening balance (gross amount) | 1,917,007 | 1,594,887 | 106,576 | 171,075 |
| - Sold but not derecognised | 20,179 | 645 | 19 | 842 |
| B. Increases | 334,570 | 796,068 | 18,229 | 78,857 |
| B.1 transfers from performing loans exposures | 30,834 | 672,455 | 504 | 55,530 |
| B.2 transfers from other impaired exposures | 219,817 | 62,849 | 17,184 | 1,501 |
| B.3 other increases | 83,919 | 60,764 | 541 | 21,826 |
| C. Decreases | 167,161 | 301,498 | 60,212 | 181,405 |
| C.1 transfers to performing loans exposures | - | 39,334 | 380 | 92,463 |
| C.2 write-offs | 89,263 | 874 | 1,229 | 15 |
| C.3 recoveries | 77,785 | 42,041 | 58,309 | 7,210 |
| C.4 sales proceeds | - | - | - | - |
| C.4 bis losses on disposals | - | - | - | - |
| C.5 transfers to other impaired exposures | 113 | 219,233 | 294 | 81,711 |
| C.6 other decreases | - | 16 | - | 6 |
| D. Closing balance (gross amounts) | 2,084,416 | 2,089,457 | 64,593 | 68,527 |
| - Sold but not derecognised | 18,610 | 781 | 10 | 330 |

A.1.8 Banking group - Balance Sheet credit exposures to customers: changes in overall impairment

| Description/Category | Non-performing loans | Doubtful loans | Restructured exposures | Past due exposures |
|---|---|---|---|---|
| A. Opening balance total write-downs | 1,084,666 | 298,064 | 10,114 | 20,499 |
| - Sold but not derecognised | 6,637 | 129 | 4 | 29 |
| B. Increase variations | 295,097 | 255,015 | 7,062 | - |
| B1. write-downs | 182,679 | 254,885 | 3,677 | - |
| B.1 bis losses on disposal | - | - | - | - |
| B.2 transfers from other impaired exposure | 52,101 | 130 | 3,385 | - |
| B.3 other increase variations | 60,315 | - | - | - |
| C. Decrease variations | 137,574 | 75,359 | 5,714 | 10,808 |
| C.1 write-backs from assessments | 34,142 | 16,750 | 1,986 | - |
| C.2 write-backs from recoveries | 14,039 | 2,249 | 2,499 | - |
| C.2 bis gains on disposal | - | - | - | - |
| C.3 write-offs | 89,263 | 874 | 1,229 | 15 |
| C.4 transfers to other impaired exposures | 130 | 55,486 | - | - |
| C.5 other reductions | - | - | - | 10,793 |
| D. Closing balance – write-downs | 1,242,189 | 477,720 | 11,462 | 9,691 |
| - Sold but not derecognised | 7,354 | 530 | 1 | 24 |

## A.2 LOAN CLASSIFICATION BASED ON INTERNAL AND EXTERNAL RATINGS

The Bank's loans are concentrated in the areas of retail (small business, small operators and mass market); and as a result, only a partial share of the overall exposures are evaluated by rating agencies. Furthermore, considering that the Bank also has exposure towards supervised intermediaries and the public administration, the risk profile has been represented correctly by attributing it with a rating corresponding to that for a sovereign state, decreased by one notch.

The internal rating models created by the Bank permit on the other hand to evaluate the credit worthiness extended to the majority of exposures towards customers.

The two tables show the breakdown of cash and off-balance sheet exposures by internal and external rating class. Exposures classified as bad loans, substandard, rescheduled and past due loans, were included amongst default exposures.

A.2.1 Breakdown of on- and off-balance-sheet exposures by external rating classes

| Exposures | External rating class | | | | | | No Rating | **Total** |
|---|---|---|---|---|---|---|---|---|
| | Class I | Class II | Class III | Class VI | Class V | Class VI | | |
| A. BALANCE-SHEET EXPOSURE | 8,022 | 530,804 | 2,996,771 | 4,783,842 | 469 | 848,601 | 12,390,684 | **21,559,193** |
| B. DERIVATIVES | 330 | 83,634 | 15,674 | 10,562 | 10,737 | 109,312 | 3,667 | **233,915** |
| B.1 FINANCIAL DERIVATIVE | 330 | 83,634 | 15,674 | 10,562 | 10,737 | 109,312 | 3,667 | **233,915** |
| B.2 CREDIT DERIVATIVES | - | - | - | - | - | - | - | **-** |
| C. GUARANTEES ISSUED | - | 300 | 50 | 22,610 | 7,019 | 29,984 | 487,983 | **547,946** |
| D. COMMITMENTS | - | 44,805 | 19,120 | 666,916 | - | 8 | 464,695 | **1,195,544** |
| E. OTHER | - | - | - | - | - | - | - | **-** |
| **Total** | **8,352** | **659,543** | **3,031,615** | **5,483,930** | **18,224** | **987,904** | **13,347,029** | **23,536,597** |

Rating class - Moody's External rating:

Class I: Aaa/Aa3; Class II: A1/A3; Class III: Baa1/Baa3; Class IV: Ba1/Ba3; Class V: B1/B3; Class VI: lower than B3.

In addition to units in UCITS, on- and off-balance-sheet exposures of tables A.1.3 and A.1.6 are included.

Intra-group exposures are classified in Class VI.

A.2.2 Breakdown of on- and off-balance-sheet exposures by internal rating classes

| Exposures | Internal rating class | | | | | | No Rating | **Total** |
|---|---|---|---|---|---|---|---|---|
| | Class I | Class II | Class III | Class VI | Class V | Class VI | | |
| A. BALANCE-SHEET EXPOSURE | 953,958 | 1,774,714 | 9,769,095 | 756,834 | 727,823 | 902,435 | 6,674,335 | **21,559,193** |
| B. DERIVATIVES | 94,514 | 954 | 26,826 | 178 | 417 | 109,312 | 1,714 | **233,915** |
| B.1 FINANCIAL DERIVATIVE | 94,514 | 954 | 26,826 | 178 | 417 | 109,312 | 1,714 | **233,915** |
| B.2 CREDIT DERIVATIVES | - | - | - | - | - | - | - | **-** |
| C. GUARANTEES ISSUED | 15,006 | 70,640 | 156,521 | 89,663 | 93,460 | 35,035 | 87,621 | **547,946** |
| D. COMMITMENTS | 3,288 | 131,770 | 762,880 | 60,083 | 42,225 | 1,324 | 193,974 | **1,195,544** |
| E. OTHER | - | - | - | - | - | - | - | **-** |
| **Total** | **1,066,766** | **1,978,078** | **10,715,321** | **906,758** | **863,925** | **1,048,105** | **6,957,644** | **23,536,597** |

Internal rating classes are shown in decreasing order of creditworthiness.

Internal ratings are not used for calculation of prudential capital requirements.

Intra-group exposures are classified in Class VI.

On- and off-balance-sheet exposures of tables A.1.3 and A.1.6 are included

Borrowers of segments 'INTVI', 'public administrations' and 'government-controlled companies' were rated as per the class of the sovereign State they belong to.

## A.3 BREAKDOWN OF SECURED POSITIONS BY TYPE OF GUARANTEE

### A.3.1 Secured credit exposures with banks

| | | Collaterals (1) | | | | Guarantees | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Credit derivatives | | | | | Signature loans | | | | |
| | | | | | | | Other derivatives | | | | | | | | |
| | Net exposures | Property, Mortgages | Financial leasing property | Securities | Other assets | CLN | Governments and Central Banks | Other public entities | Banks | Other entities | Governments and Central Banks | Other public entities | Banks | Other entities | Total (1)+(2) |
| 1. Secured balance sheet credit exposures | 173,306 | - | - | 198,577 | - | - | - | - | - | - | - | - | - | - | 198,577 |
| 1.1 totally secured | 173,306 | - | - | 198,577 | - | - | - | - | - | - | - | - | - | - | 198,577 |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 partially secured | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Secured off-balance sheet credit exposures | 212,868 | - | - | - | 190,725 | - | - | - | - | - | - | - | - | - | 190,725 |
| 2.1 totally secured | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 partially secured | 212,868 | - | - | - | 190,725 | - | - | - | - | - | - | - | - | - | 190,725 |
| - of which | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

A.3.2 Secured credit exposures with customers

| | Net exposures | Collaterals (1) - Property Mortgages | Collaterals (1) - Financial leasing property | Collaterals (1) - Securities | Collaterals (1) - Other assets | Guarantees - Credit derivatives - CLN | Guarantees - Credit derivatives - Other derivatives - Governments and Central Banks | Guarantees - Credit derivatives - Other derivatives - Other public entities | Guarantees - Credit derivatives - Other derivatives - Banks | Guarantees - Credit derivatives - Other derivatives - Other entities | Guarantees - Signature loans - Governments and Central Banks | Guarantees - Signature loans - Other public entities | Guarantees - Signature loans - Banks | Guarantees - Signature loans - Other entities | Total (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Secured Balance Sheet credit exposures: | 11,551,292 | 13,986,055 | 937,346 | 3,798,692 | 783,673 | - | - | - | - | - | - | 6,049 | 819 | 645,885 | 20,158,519 |
| 1.1 totally secured | 10,967,204 | 13,658,017 | 937,346 | 3,747,774 | 741,758 | - | - | - | - | - | - | 4,810 | 173 | 558,483 | 19,648,361 |
| - of which | 1,795,747 | 3,996,100 | 107,222 | 21,115 | 166,141 | - | - | - | - | - | - | 403 | - | 114,618 | 4,405,599 |
| 1.2 partially secured | 584,088 | 328,038 | - | 50,918 | 41,915 | - | - | - | - | - | - | 1,239 | 646 | 87,402 | 510,158 |
| - of which | 401,892 | 278,000 | - | 47,433 | 40,324 | - | - | - | - | - | - | - | - | 47,092 | 412,849 |
| 2. Secured off- Balance Sheet credit exposures: | 1,107,134 | 519,507 | - | 580,170 | 20,040 | - | - | - | - | - | - | 73 | - | 229,117 | 1,348,907 |
| 2.1 totally secured | 1,090,745 | 517,423 | - | 579,552 | 18,669 | - | - | - | - | - | - | 73 | - | 220,110 | 1,335,827 |
| - of which | 130,893 | 224,391 | - | 456 | 2,600 | - | - | - | - | - | - | - | - | 14,950 | 242,397 |
| 2.2 partially secured | 16,389 | 2,084 | - | 618 | 1,371 | - | - | - | - | - | - | - | - | 9,007 | 13,080 |
| - of which | 6,016 | 709 | - | - | 1,022 | - | - | - | - | - | - | - | - | 4,254 | 5,985 |

## B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Breakdown of balance sheet and off-balance sheet credit exposures to customers by segment (book value)

p.1

| Exposures/Counterparts | Governments | | | Other public entities | | | Financial companies | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Specific write-downs | Portfolio adjustments | Net exposure | Specific write-downs | Portfolio adjustments | Net exposure | Specific write-downs | Portfolio adjustments |
| A. Balance sheet exposures | | | | | | | | | |
| A.1 Non-performing loans | - | - | x | - | - | x | 7,997 | 28,118 | x |
| A.2 Doubtful loans | - | - | x | 103 | 32 | x | 74,439 | 39,624 | x |
| A.3 Restructured exposures | - | - | x | - | - | x | 587 | 138 | x |
| A.4 Impaired past due | - | - | x | - | - | x | 51 | 20 | x |
| A.5 Other exposures | 2,748,077 | x | 116 | 507,217 | x | 506 | 5,029,252 | x | 9,936 |
| TOTAL A | 2,748,077 | - | 116 | 507,320 | 32 | 506 | 5,112,326 | 67,900 | 9,936 |
| B. Off-balance sheet exposures | | | | | | | | | |
| B.1 Non-performing loans | - | - | x | - | - | x | - | - | x |
| B.2 Doubtful loans | - | - | x | - | - | x | 105 | 28 | x |
| B.3 Other impaired assets | - | - | x | - | - | x | - | - | - |
| B.4 Other exposures | 19,413 | x | - | 13,856 | x | 4 | 647,044 | x | 50 |
| TOTAL B | 19,413 | - | - | 13,856 | - | 4 | 647,149 | 28 | 50 |
| Total (A+B) 31/12/2014 | 2,767,490 | - | 116 | 521,176 | 32 | 510 | 5,759,475 | 67,928 | 9,986 |
| Total (A+B) 31/12/2013 | 4,680,196 | - | 163 | 596,036 | 66 | 598 | 3,904,456 | 24,510 | 6,052 |

B.1 Breakdown of balance sheet and off-balance sheet credit exposures to customers by segment (book value)

p.2

| Exposures/Counterparts | 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 |
| **A. Balance sheet exposures** | | | | | | | | | |
| A.1 Non-performing loans | - | - | x | 598,598 | 1,004,363 | x | 235,632 | 209,708 | x |
| A.2 Doubtful loans | - | - | x | 1,371,806 | 348,783 | x | 165,388 | 89,282 | x |
| A.3 Restructured exposures | - | - | x | 34,387 | 8,113 | x | 18,157 | 3,211 | x |
| A.4 Impaired past due | - | - | x | 41,930 | 7,308 | x | 16,856 | 2,362 | x |
| A.5 Other exposures | - | x | - | 3,842,500 | - | 106,607 | 2,155,873 | - | 5,314 |
| TOTAL A | - | - | - | 5,889,222 | 1,368,567 | 106,607 | 2,591,906 | 304,563 | 5,314 |
| **B. Off-balance sheet exposures** | | | | | | | | | |
| B.1 Non-performing loans | - | - | x | 7,680 | 5,046 | - | 161 | 54 | x |
| B.2 Doubtful loans | - | - | x | 183,203 | 7,706 | - | 426 | 197 | x |
| B.3 Other impaired assets | - | - | x | 8,117 | 773 | - | 2 | - | x |
| B.4 Other exposures | - | x | - | 646,561 | - | 22,804 | 186,131 | x | 313 |
| TOTAL B | - | - | - | 845,561 | 13,525 | 22,804 | 186,720 | 251 | 313 |
| Total (A+B) 31/12/2014 | - | - | - | 6,734,783 | 1,382,092 | 129,411 | 2,778,626 | 304,814 | 5,629 |
| Total (A+B) 31/12/2013 | 5,295 | - | - | 8,790,443 | 1,199,959 | 88,477 | 2,508,155 | 199,707 | 2,193 |

B.2 Breakdown of balance sheet and off-balance sheet credit exposures to customers by geographic area (book value)

| Exposures / Geography | | Italy | | Other European countries | | America | | Asia | | Rest of the world | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs |
| A. Balance sheet exposures | | | | | | | | | | | |
| A.1 Non-performing loans | | 823,022 | 1,216,915 | 18,680 | 23,072 | 509 | 2,186 | - | - | 16 | 16 |
| A.2 Doubtful loans | | 1,535,433 | 467,501 | 73,903 | 9,714 | 2,402 | 505 | - | - | - | - |
| A.3 Restructured exposures | | 53,131 | 11,463 | - | - | - | - | - | - | - | - |
| A.4 Impaired past due exposures | | 58,427 | 9,616 | 409 | 74 | - | - | - | - | - | - |
| A.5 Other exposures | | 14,199,175 | 105,267 | 53,219 | 10,046 | 2,327 | 13 | 20,145 | 613 | 8,053 | 6,540 |
| TOTAL A | | 16.669.188 | 1,810,762 | 146,211 | 42,906 | 5,238 | 2,704 | 20,145 | 613 | 8,069 | 6,556 |
| B. Off-balance sheet exposures | | | | | | | | | | | |
| B.1 Non-performing loans | | 7,840 | 5,100 | - | - | - | - | - | - | - | - |
| B.2 Doubtful loans | | 183,734 | 7,930 | 1 | 1 | - | - | - | - | - | - |
| B.3 Other impaired assets | | 8,119 | 773 | - | - | - | - | - | - | - | - |
| B.4 Other exposures | | 1,502,012 | 23,160 | 10,993 | 13 | - | - | - | - | - | - |
| TOTAL B | | 1.701.705 | 36,963 | 10,994 | 14 | - | - | - | - | - | - |
| Total A+B | 31/12/2014 | 18,370,893 | 1,847,725 | 157,205 | 42,920 | 5,238 | 2,704 | 20,145 | 613 | 8,069 | 6,556 |
| Total A+B | 31/12/2013 | 19,954,750 | 1,480,146 | 475,773 | 36,182 | 22,917 | 2,735 | 21,105 | 342 | 10,035 | 2,320 |

B.2 Breakdown of balance sheet and off-balance sheet credit exposures to customers by geographic area (book value) - Italy

| Exposures / Geography | | North West Italy | | North East Italy | | Italian Centre | | South Italy and Islands | |
|---|---|---|---|---|---|---|---|---|---|
| | | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs |
| A. Balance sheet exposures | | | | | | | | | |
| A.1 Non-performing loans | | 620,570 | 845,616 | 83,484 | 137,508 | 69,618 | 148,924 | 49,350 | 84,866 |
| A.2 Doubtful loans | | 1,324,832 | 406,915 | 171,913 | 50,465 | 26,156 | 7,050 | 12,532 | 3,072 |
| A.3 Restructured exposures | | 50,192 | 11,191 | 2,939 | 271 | - | - | - | - |
| A.4 Impaired past due | | 55,628 | 9,091 | 143 | 16 | 1,596 | 373 | 1,061 | 137 |
| A.5 Other exposures | | 6,649,202 | 94,322 | 271,349 | 4,135 | 7,181,880 | 5,691 | 96,743 | 1,119 |
| TOTAL A | | 8,700,424 | 1,367,135 | 529,828 | 192,395 | 7,279,250 | 162,038 | 159,686 | 89,194 |
| B. Off-balance sheet | | | | | | | | | |
| B.1 Non-performing loans | | 6,216 | 3,882 | 892 | 655 | 720 | 548 | 12 | 15 |
| B.2 Doubtful loans | | 182,904 | 7,652 | 761 | 237 | 68 | 41 | - | - |
| B.3 Other impaired assets | | 2,710 | 172 | 5,409 | 601 | - | - | - | - |
| B.4 Other exposures | | 722,610 | 16,184 | 53,236 | 19 | 714,824 | 5,541 | 11,343 | 1,416 |
| TOTAL B | | 914,440 | 27,890 | 60,298 | 1,512 | 715,612 | 6,130 | 11,355 | 1,431 |
| Total (A+B) | 31/12/2014 | 9,614,864 | 1,395,025 | 590,126 | 193,907 | 7,994,862 | 168,168 | 171,041 | 90,625 |
| Total (A+B) | 31/12/2013 | 10,796,348 | 1,094,767 | 630,670 | 148,683 | 8,327,768 | 145,622 | 199,964 | 91,074 |

B.3 Breakdown of balance sheet and off-balance sheet credit exposures to banks by geographic area (book value)

| Exposures / Geography | | Italy | | Other European | | America | | Asia | | Rest of the world | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs |
| A. Balance sheet exposures | | | | | | | | | | | |
| A.1 Non-performing loans | | - | - | - | 986 | 7,761 | 10,260 | - | - | - | - |
| A.2 Doubtful loans | | - | - | - | - | - | - | - | - | - | - |
| A.3 Restructured exposures | | - | - | - | - | - | - | - | - | - | - |
| A.4 Impaired past due exposures | | - | - | - | - | - | - | - | - | - | - |
| A.5 Other exposures | | 4,133,750 | - | 516,770 | - | 35,389 | - | 1,408 | - | 757 | - |
| TOTAL A | | 4,133,750 | - | 516,770 | 986 | 43,150 | 10,260 | 1,408 | - | 757 | - |
| B. Off-balance sheet exposures | | - | - | - | - | - | - | - | - | - | - |
| B.1 Non-performing loans | | - | - | - | - | - | - | - | - | - | - |
| B.2 Doubtful loans | | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | | - | - | - | - | - | - | - | - | - | - |
| B.4 Other exposures | | 172,460 | 626 | 92,245 | - | - | - | - | - | - | - |
| TOTAL B | | 172,460 | 626 | 92,245 | - | - | - | - | - | - | - |
| Total A+B | 31/12/2014 | 4,306,210 | 626 | 609,015 | 986 | 43,150 | 10,260 | 1,408 | - | 757 | - |
| Total A+B | 31/12/2013 | 7,287,547 | 5,337 | 804,344 | 899 | 20,035 | 10,064 | 1,462 | - | 775 | - |

B.3 Breakdown of balance sheet and off-balance sheet credit exposures to banks by geographic area (book value) - Italy

| Exposures / Geography | | North West Italy | | North East Italy | | Italian Centre | | South Italy and Islands | |
|---|---|---|---|---|---|---|---|---|---|
| | | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs | Net exposure | Total write-downs |
| A. Balance sheet exposures | | | | | | | | | |
| A.1 Non-performing loans | | - | - | - | - | - | - | - | - |
| A.2 Doubtful loans | | - | - | - | - | - | - | - | - |
| A.3 Restructured exposures | | - | - | - | - | - | - | - | - |
| A.4 Impaired past due exposures | | - | - | - | - | - | - | - | - |
| A.5 Other exposures | | 3,587,019 | - | 9,576 | - | 537,154 | - | - | - |
| Total A | | 3.587.019 | - | 9,576 | - | 537,154 | - | - | - |
| B. Off-balance sheet exposures " | | | | | | | | | |
| B.1 Non-performing loans | | - | - | - | - | - | - | - | - |
| B.2 Doubtful loans | | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | | - | - | - | - | - | - | - | - |
| B.4 Other exposures | | 126,034 | - | - | - | 46,426 | 626 | - | - |
| Total B | | 126.034 | - | - | - | 46,426 | 626 | - | - |
| Total (A+B) | 31/12/2014 | 3,713,053 | - | 9,576 | - | 583,580 | 626 | - | - |
| Total (A+B) | 31/12/2013 | 5,971,741 | - | 50,743 | - | 1,265,063 | 5,337 | - | - |

B.4 Large exposures:

| | |
|---|---|
| a) Amount (book value) | 19,233,008 |
| b) Amount (weighted value) | 1,918,455 |
| c) Number | 8 |

## C. SECURITISATIONS AND ASSET DISPOSALS

Qualitative Information

The Carige Group has carried out a securitisation operation for performing loans, which was implemented in the first half of 2004 by the Parent Company, together with two "Covered Bond" operations, which are further described in section E.4. For this securitisation operation, Banca Carige carries out the role of a 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 across the board by multiple divisions and departments 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 Special 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 as at 30 June 2004 of EUR 864.5 mln at a price of EUR 925.6 mln.(This figure includes EUR 61.1 mln as the deferred price calculated by means of a profit extraction mechanism which specifically took into account the excess spread net of transaction costs as at each payment date, the level of risk of the loans transferred and early repayment options).

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

The securities issued as at 31 December 2014 have the following ratings:

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

*(*) on credit watch for probable upgrade.*

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

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

The residual credit for the deferred price to be paid to Banca Carige and Banca Carige Italia as at 31 December 2013 was EUR 47.7 mln.

Collections in 2014, related to pertaining receivable accounts, amounted to EUR 12.9 mln and servicing commissions totalled EUR 0.1 mln.

As the Argo Mortgage 2 S.r.l. securitisation transaction does not fully reflect the conditions of substantial transfer to third parties of the associated risks and benefits, it was reclassified in the Balance Sheet as from 1 January 2005.

## Quantitative Information

C.1 Exposure resulting from securitisation transactions broken down by quality of underlying assets

| Quality of underlying assets/Exposures | On Balance-sheet | | | | | | Guarantees given | | | | | | Credit facilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure |
| A. With own underlying assets | 9,441 | 9,441 | 3,792 | 3,792 | 47,481 | 42,283 | - | - | - | - | - | - | - | - | - | - | - | - |
| a) Impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | 9,441 | 9,441 | 3,792 | 3,792 | 47,481 | 42,283 | - | - | - | - | - | - | - | - | - | - | - | - |
| B. With third-party underlying | 2,474 | 2,474 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| a) Impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | 2,474 | 2,474 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

The data disclosed in the table show the risk borne by the Bank with respect to the securitisation performed in 2004, through the SPE Argo Mortgage 2 S.r.l., and relate to the receivables for deferred price accrued, net of its write-down (EUR 42.2 mln, write-down amounting to EUR 5.2 mln), as well as to SPE securities repurchased by Carige (EUR 9.4 mln of the Senior Class and EUR 3.8 mln of the Mezzanine Class).

C.2 Exposures arising from major 'own' securitisation transactions broken down by type of securitised asset and exposure

| Type of securitised asset/exposure | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Lines of credit | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs |
| A. Totally derecognised | - | | - | | - | | | | | | | | | | | | | |
| B. Partially derecognised | | | | | | | | | | | | | | | | | | |
| C. Not derecognised | 9,441 | | 3,792 | | 42,283 | 5,199 | | | | | | | | | | | | |
| C.1 Argo Mortgage 2 Srl | | | | | | | | | | | | | | | | | | |
| - non-performing loans | | | | | - | - | | | | | | | | | | | | |
| - performing loans | 9,441 | | 3,792 | | 42,283 | 5,199 | | | | | | | | | | | | |

C.3 Exposures arising from main “third-party” securitisations broken down by type of securitised asset and exposure

| Type of underlying asset/exposure | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Lines of credit | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Carrying amount | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs | Net exposure | Value adjustments/write-backs |
| A.1 FIP Funding Srl | | | | | | | | | | | | | | | | | | |
| - performing loans | 2,474 | - | | | | | | | | | | | | | | | | |

C.4 Exposure resulting from securitisation transactions broken down by portfolio and type

| Exposure / portfolio | Trading | Carried at fair value | Available-for-sale | Held-to-maturity | Loans | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|---|---|---|
| 1. Balance sheet | - | - | - | - | 2,474 | 2,474 | 2,510 |
| - Senior | - | - | - | - | 2,474 | 2,474 | 2,510 |
| - Mezzanine | - | - | - | - | - | - | - |
| - Junior | - | - | - | - | - | - | - |
| 2. Off-balance sheet | - | - | - | - | - | - | - |
| - Senior | - | - | - | - | - | - | - |
| - Mezzanine | - | - | - | - | - | - | - |
| - Junior | - | - | - | - | - | - | - |

C.5 Securitised assets underlying junior securities or other forms of credit support

| Assets/Values | Traditional securitisations | "Sinthetic" securitisation |
|---|---|---|
| A. Own underlying assets | 67,450 | x |
| A.1 Totally derecognised | - | x |
| 1. Non-performing loans | - | x |
| 2. Doubtful loans | - | x |
| 3. Restructured exposures | - | x |
| 4. Past-due exposures | - | x |
| 5. Other assets | - | x |
| A.2 Partially derecognised | - | x |
| 1. Non-performing loans | - | x |
| 2. Doubtful loans | - | x |
| 3. Restructured exposures | - | x |
| 4. Past-due exposures | - | x |
| 5. Other assets | - | x |
| A.3 Non-derecognised | 67,450 | - |
| 1. Non-performing loans | 18,610 | - |
| 2. Doubtful loans | 781 | - |
| 3. Restructured exposures | 10 | - |
| 4. Past-due exposures | 330 | - |
| 5. Other assets | 47,719 | - |
| B. Third party underlying assets | 73,057 | - |
| B.1 Non-performing loans | 2,927 | - |
| B.2 Doubtful loans | 2,064 | - |
| B.3 Restructured exposures | - | - |
| B.4 Past-due exposures | 1,342 | - |
| B.5 Other assets | 66,724 | - |

The values were inferred from accounting positions of the SPE Argo Mortgage 2 s.r.l.'s securitised assets.

C.6 securitisation vehicles

| Name of securitisation/Name of securitisation vehicle | Registered Office | Consolidation | ASSETS | | | LIABILITIES | | |
|---|---|---|---|---|---|---|---|---|
| | | | Loans and receivables | Debt securities | Other | Senior | Mezzanine | Junior |
| Argo Mortgage 2 S.r.l. | Genoa | YES | 136,586 | - | 32,014 | 64,100 | 56,150 | 48,350 |

The Bank holds 60% of the investment in the vehicle

C.8 Servicer - securitised credit collections and repayment of SPV-issued securities

| Special purpose vehicle | Securitised assets (year-end data) | | Credit collections during the year | | % share of securities repaid (year-end data) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Senior | | Mezzanine | | Junior | |
| | Non-performing | Performing | Non-performing | Performing | Non-performing assets | Performing assets | Non-performing assets | Performing assets | Non-performing assets | Performing assets |
| Argo Mortgage 2 Srl (1) | 26,063 | 114,443 | 1,049 | 24,064 | | 92% | | | | |

1) Banca Carige S.p.A. performs the role of Master servicer in the securitisation, while Banca Carige Italia fulfils the role of servicer of the loans transferred to the SPV. This table shows total loans and total collections.

E. DISPOSALS

A. Financial assets sold and not fully derecognised

Qualitative Information

Assets sold and not fully derecognised from the Bank financial statements are as follows:

1) Receivables transferred within the securitisation performed through the SPE Argo Mortgage 2 s.r.l., as described in paragraph C1 of Section E in the Explanatory Notes. The non-derecognition follows the recognition of a receivable from the SPE, for an accrued deferred price, which entails a risk for the Bank of first losses as well as extra-spread benefits of securitisation. The non-derecognition follows the recognition of a receivable from the SPE, for an accrued deferred price which, for the Bank, entails both the first loss risks and the rewards from the 'extra-spread' of the securitisation. The amount owed to the special-purpose entity is likely to decrease due to the amounts collected by the originators, in its role of servicer, and transferred to the same SPE.

2) The securities underlying reverse repurchase agreements liabilities, concluded with banks. The non-derecognition of securities subject to a repurchase transaction, is due to the fact that the Bank substantially retains all risks and rewards connected with the security as it is committed to repurchase the security at a contractually agreed price. These securities are therefore disclosed in the pertaining accounting portfolios. The amount of the transfer is recognised among payables according to the type of counterparty.

## Quantitative Information

E.1 Banking Group – Financial assets sold and not derecognised: value and full value

| Type / Portfolio | | Financial assets held for trading | | | Financial assets carried at fair value | | | Available-for-sale financial assets | | | Held-to-maturity investments | | | Loans and receivables with banks | | | Loans and receivables with customers | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | 31/12/2014 | 31/12/2013 |
| A. Balance-sheet assets | | - | - | - | - | - | - | 1,481,807 | - | - | - | - | - | - | - | - | 59,510 | - | - | 1,481,807 | 95.725 |
| 1. Debt securities | | - | - | - | - | - | - | 1,481,807 | - | - | - | - | - | - | - | - | - | - | - | 1,481,807 | 22.764 |
| 2. Equity securities | | - | - | - | - | - | - | - | - | - | x | x | x | x | x | x | - | x | x | - | - |
| 3. UCIS | | - | - | - | - | - | - | - | - | - | x | x | x | x | x | x | x | x | x | - | - |
| 4. Loans | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 59,510 | - | - | | 72.961 |
| B. Derivatives | | - | - | - | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | - | - |
| Total | 31/12/2014 | - | - | - | - | - | - | 1,481,807 | - | - | - | - | - | - | - | - | 59,510 | - | - | 1,481,807 | x |
| of which impaired | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,822 | - | - | | x |
| Total | 31/12/2013 | 39 | - | - | - | - | - | 22,275 | - | - | - | - | - | - | - | - | 72,961 | - | - | x | 95.725 |
| of which impaired | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,921 | - | - | x | 14,921 |

*Key:*
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
C = Financial assets sold and partially recognised (full value)

E.2 Financial liabilities relating to financial assets sold and not recognised: book value

| Liabilities/portfolio assets | | Financial assets held for trading | Financial assets carried at fair value | Available-for-sale financial assets | Held-to-maturity investments | Loans and receivables with banks | Loans and receivables with customers | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Deposits from customers | | - | - | 1,428,355 | - | - | 50,418 | 1,478,773 |
| a) related to fully recognised assets | | - | - | 1,428,355 | - | - | 50,418 | 1,478,773 |
| b) relating to partially recognised assets | | - | - | - | - | - | - | - |
| 2. Deposits from banks | | - | - | 50,210 | - | - | - | 50,210 |
| a) related to fully recognised assets | | - | - | 50,210 | - | - | - | 50,210 |
| b) relating to partially recognised assets | | - | - | - | - | - | - | - |
| Total | 31/12/2014 | - | - | 1,478,565 | - | - | 50,418 | 1,528,983 |
| Total | 31/12/2013 | 39 | - | 22,749 | - | - | 77,860 | 100,648 |

## E.3 Sales transactions relating to Financial liabilities with repayment exclusively based on assets sold and not recognised: Fair value

| Type / Portfolio | Financial assets held for trading | | Financial assets carried at fair value through profit or loss | | Available-for-sale financial assets | | Held-to-maturity investments (fair value) | | Loans and receivables with banks (fair value) | | Loans and receivables with customers (fair value) | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B | A | B | 31/12/2014 | 31/12/2013 |
| A. Balance-sheet assets | - | - | - | - | - | - | - | - | - | - | 63,404 | - | 63,404 | 77,860 |
| 1. Debt securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Equity securities | - | - | - | - | - | - | x | x | x | x | - | x | - | - |
| 3. UCIS | - | - | - | - | - | - | x | x | x | x | - | x | - | - |
| 4. Loans | - | - | - | - | - | - | - | - | - | - | 63,404 | - | 63,404 | 77,860 |
| B. Derivative instruments | - | - | x | x | x | x | x | x | x | x | x | x | - | - |
| Assets Total | - | - | - | - | - | - | - | - | - | - | 63,404 | - | 63,404 | 77,860 |
| C. Liabilities associated | - | - | - | - | - | - | - | - | - | - | 50,418 | - | - | x |
| 1. Due with customers | - | - | - | - | - | - | - | - | - | - | 50,418 | - | - | x |
| 2. Due with banks | - | - | - | - | - | - | - | - | - | - | - | - | - | x |
| Liabilities Total | - | - | - | - | - | - | - | - | - | - | 50,418 | - | 50,418 | 59,386 |
| Net value 31/12/2014 | - | - | - | - | - | - | - | - | - | - | 12,986 | - | 12,986 | x |
| Net value 31/12/2013 | - | - | - | - | - | - | - | - | - | - | 18,474 | - | x | 18,474 |

*Key:*

A = financial assets sold and recognised in full.

B = financial assets sold and partially recognised.

B. Financial assets sold and fully derecognised with recognition of the continuous involvement.

There are no financial assets sold and derecognised with recognition of the continuous involvement.

## E.4 COVERED BOND TRANSACTIONS

Banca Carige S.p.A. implemented two medium/long-term deposits programme, via the issue of covered bonds, with collateral primarily consisting in residential and commercial mortgages.

As part of the programmes, Banca CARIGE adopted the internal control procedures (also at Group level) suitable for the working plan prescribed for the covered bonds, given the high level of operational and legal innovation and complexity of such transactions and pursuant to applicable regulatory provisions and, in particular, to the supervisory instructions issued by the Bank of Italy with Circular no. 263 of 27 December 2006, as amended (hereinafter referred to as the "Supervisory Instructions").
At the meeting held on 29 August 2008, the Board of Directors acknowledged the organisational model prepared by the Organisation Division for the implementation and management of the Programme. This organisation model was subsequently updated.
As part of these programmes, Banca Carige plays the role of issuer, assignor of suited assets and Master Servicer.
Banca Carige Italia, Cassa di Risparmio di Savona, Cassa di Risparmio di Carrara and Banca del Monte di Lucca take part in the two programmes as additional assignors and servicers.
Banca Carige appointed the audit firm Mazars & Guerard Spa to serve as Asset Monitor, i.e. to oversee transaction compliance and the integrity of the guarantee in favour of investors. The controls and assessments made on transaction performance are subject to an annual report that is also addressed to the Board of Statutory Auditors of Banca CARIGE.
The Internal Auditing Department of Banca CARIGE carries out a complete control of the audits made, at least on an annual basis, also making use of the information received and the opinions expressed by the Asset Monitor. The results of these controls are reported to the Banca Carige Board of Directors.
On a regular basis, and for each transaction, the risk monitoring department of Banca Carige controls:

- The quality and integrity of the assets transferred, in particular the estimated property value – both residential and non-residential – mortgaged in relation to the land and property loans transferred;
- Maximum ratio compliance between the covered bonds issued and the assets transferred as security;
- Compliance with transfer limits and integration methods;
- The real and adequate risk hedging offered by any derivative contracts signed in relation to the transaction.

In order for the originator to comply with security commitments, Banca Carige uses suitable asset & liability management techniques to ensure a substantial balance between the maturities of cash flows generated by the transferred assets and the maturities of payments due from the issuing bank on the covered bonds issued and other transaction costs.

The programmes were structured in compliance with applicable legal and regulatory provisions allowing the issue of covered bonds with certain capital requirements for Group.
The Bank periodically carries out assessments required by the Supervisory Provisions concerning the capital requirements for originators or issuing banks as part of covered bond issue transactions, all necessary controls for compliance with transfer limits, together with thorough assessments of the objectives pursued and the risks associated with implementation of the Programme.

With respect to the first assets transferred, each single seller, for the pertaining portion, supplied a loan subordinated to the special purpose vehicle, in order to grant financial availabilities necessary to the purchase of credits. As for subsequent transfers, the SPE used both new subordinated financing and its own cash.

Under the accounting point of view, the assignors will continue to record these mortgage loans in their financial statements under item 70 in Assets "Loans to customers", by virtue of the fact that risks and benefits connected with mortgages transferred have not been transferred to the SPEs.

The subordinated financing is not recognised in the accounts and therefore it is not measured for the purposes of the credit risk due to the fact that this risk is entirely reflected in the measurement of transferred mortgage loans, which are still recorded in the financial statements of the sellers.

The selling Banks receive a commission from Banca Carige for the guarantee given and disclose the assets transferred in part B of the Explanatory Notes, Other information section, in table 1. Guarantees and commitments reported under item no. 5) “Assets lodged to guarantee minority interest”.

The receivables transferred are described by the issuer Banca Carige S.p.A. in part B of the Explanatory Notes, Other information section, Table 2. Assets held to guarantee own liabilities and commitments under item no. 6) “Loans to customers”.

a) Medium/long-term deposit programme over the 2008-2013 period, through the issue of Covered Bonds.

The first Covered Bond issue programme, related to the 2008-2013 period, was implemented through the SPE Carige Covered Bond S.r.l. in 2008 and was renewed by the Board of Directors on 16 September 2013.

As at 31 December 2014, residential and commercial mortgages amounting to EUR 4,514 mln were segregated in the special purpose entity, of which EUR 1,589 mln were transferred from Banca Carige, EUR 2,298 mln were from Banca Carige Italia and EUR 627 mln from the other Group Banks (Cassa di Risparmio di Savona EUR 294 mln, Cassa di Risparmio di Carrara EUR 175 mln and Banca del Monte di Lucca EUR 158 mln.

The issues by the Parent Company until 31 December 2014 and not yet matured are listed below and amount to EUR 2,930.5 million, of which EUR 17.5 million are held by other companies in the Carige Group:

| Amount issued | Date of Issuance | Maturity date | Amount held by Group companies |
|---|---|---|---|
| 1,000,000,000 | 05.11.2009 | 25.11.2016 | |
| 75,000,000 | 20.09.2010 | 29.12.2030 | |
| 20,000,000 | 04.10.2010 | 25.10.2022 | |
| 20,000,000 | 25.10.2010 | 25.10.2040 | |
| 20,000,000 | 25.10.2010 | 25.10.2040 | |
| 180,000,000 | 28.10.2010 | 25.11.2016 | 17,500,000 |
| 18,500,000 | 15.11.2010 | 25.11.2030 | |
| 20,000,000 | 25.11.2010 | 25.11.2030 | |
| 40,000,000 | 27.12.2010 | 27.12.2030 | |
| 500,000,000 | 10.03.2011 | 25.03.2015 | |
| 30,000,000 | 23.04.2012 | 23.04.2032 | |
| 150,000,000 | 31.10.2012 | 25.10.2022 | |
| 17,000,000 | 02.11.2012 | 02.11.2032 | |
| 50,000,000 | 05.11.2012 | 05.11.2032 | |
| 10,000,000 | 06.11.2012 | 26.10.2032 | |
| 5,000,000 | 16.01.2013 | 25.01.2023 | |
| 5,000,000 | 25.01.2013 | 25.01.2023 | |
| 10,000,000 | 29.08.2013 | 29.08.2033 | |
| 750,000,000 | 24.10.2013 | 24.10.2018 | |
| 10,000,000 | 05.06.2014 | 25.05.2029 | |
| 2,930,500,000 | | | 17,500,000 |

At the reporting date, securities issued were rated as follows: Fitch BBB+ with negative outlook; Moody's Ba1 on Credit Watch for possible downgrade.

b) Medium/long-term deposit programme over the 2012-2017 period, through the issue of Covered Bonds.

The second Covered Bond issue programme was implemented in 2012, through the SPE Carige Covered Bond 2 S.r.l., and commercial mortgages originated from the Parent Company and other Group Banks were primarily used as collaterals.

As at 31 December 2012, residential and commercial mortgages amounting to EUR 939 mln were segregated in the special purpose entity, of which EUR 300 mln were transferred from Banca Carige, EUR 395 mln were from Banca Carige Italia and EUR 244 mln from the other Group Banks.

A single bond issuance amounting to EUR 500 mln (used by Banca Carige for medium/long-term refinancing operations with the European Central Bank) is outstanding at the reporting date.
The bond issued has the following rating assigned by Moody's: Baa3, with a rating that is under observation for downgrade.

## *F. CREDIT RISK MEASUREMENT MODELS*

The policies for provisions to the Group loans portfolio are based on a specific Credit Assessment Model which envisages differentiated value adjustment estimation methods, according to asset quality. In particular, with regard to the performing loans portfolio, adjustment provisions are determined as a product of the application on each individual loan exposure of the related probability of default and loss given default. As regards the retail component only (households, small operators and businesses), the Loss Confirmation Period is applied on performing loans. This is the correction factor which allows for the inclusion of expected loss, calculated on a prudence basis, in the incurred but not reported loss, as set out by the international accounting standards, through measurement of average timing required for a default to occur, starting from an event which might lead to an impairment.

With regard to non-performing loans, the evaluation takes place using statistical mechanisms (by means of LGD) for entries of irrelevant dimensions and using an individual analytical evaluation for positions of a significant amount. With specific reference to the aggregate being analysed, which forms a predominant share of non-performing loans, the loss forecasts determined on the base of rigorous policies, which involve the application of prudent haircuts when assessing the real estate collateral for non-performing loans.

The PD and LGD parameters, which are used for the collective write-downs of performing credits and those of a statistical nature for the part of the non-performing portfolio have been recalibrated in order to incorporate the most recent evolutions of the risk rate of the portfolio used by the Group.

## *SECTION 2 – MARKET RISKS*

### 2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

### Qualitative Information

Organizational structure

The Board of Directors 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 the market risk and the observance of the limits on a Group and single Bank level, whereas the Finance Committee and the ALM monitor the actions for managing the market risk, operationally implemented by the Finance Structure.

The Risk Management Function regularly guarantees the measurement and control of the exposure of the Group and the single Banks to market risk by monitoring the Value at Risk (VaR) on a daily basis, also with stress assumptions.

#### A. General aspects

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

The main sources of price risk are represented by the activities carried out on equity-related financial assets, equity funds and equity derivatives.

The risk profile of the regulatory trading portfolio is prudential, mainly due to the small size of the portfolio itself. The modified duration of the portfolio – net of the intra-group component – is approx. 0.01 as at 31/12/2014.

B. Management processes and measurement methods for interest rate and price risk

The daily monitoring of the interest rate risk and price risk related to the regulatory trading portfolio is performed for management purposes by the Risk Management Function; this risk profile is calculated using a methodology based on the Montecarlo approach, with a confidence interval of 99% and a "holding period" of ten days. Stress test analyses are also carried out that highlight the impact both in terms of VaR and in terms of present value resulting from the prefixed shocks that refer to specific past events.

The Balance Sheet impact is analysed hereunder, in terms of interest margin, net interest and other banking income, profit and shareholders' equity margins of parallel movements of the curve (+100 bps up, and -100 bps down). The following table notes the overall impact and details of the regulatory trading portfolio (figures in millions of euro):

| | +100 bp | -100 bp |
|---|---|---|
| **Net Interest Income** | **18.70** | **-10.83** |
| - of which Trading book | 0.08 | -0.02 |
| **Net interest and other bankin** | **18.98** | **-10.82** |
| - of which Trading book | 0.36 | -0.01 |
| **Profit** | **12.70** | **-7.24** |
| - of which Trading book | 0.24 | -0.01 |
| **Shareholders' equity** | **-13.17** | **-1.05** |
| - of which Trading book | 0.24 | -0.01 |

## Quantitative Information

1. Portfolio: breakdown by maturity (repricing date) of financial assets and liabilities

Currency: EURO

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | - | - | 5 | 84 | 45 | 12 | 150 | - |
| 1.1 Debt securities | - | - | 5 | 84 | 45 | 12 | 150 | - |
| - with early repayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | 5 | 84 | 45 | 12 | 150 | - |
| 1.2 Other | - | - | - | - | - | - | - | - |
| 2. Balance-sheet liabilities | - | - | - | - | - | - | - | - |
| 2.1 With prepayment option | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 9,882 | 17,194 | - | 1,331 | 417 | - | - |
| + Short positions | - | 19,120 | 8,218 | - | 1,332 | 417 | - | - |
| 3.2 Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 3,239 | 7,854 | 2,175 | 2,772 | 600 | 2,624 | - |
| + Short positions | - | 2,124 | 5,996 | 2,172 | 2,577 | 688 | 5,708 | - |
| - Other derivatives | | | | | | | | |
| + Long positions | 13 | 295,652 | 240,516 | 110,865 | 93,930 | 117,659 | 26,627 | - |
| + Short positions | - | 288,658 | 231,699 | 109,481 | 91,544 | 117,042 | 27,715 | - |

1. Portfolio: breakdown by maturity (repricing date) of financial assets and liabilities

Currency: US DOLLAR

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | - | - | - | - | - | - | - | - |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - with early repayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Other | - | - | - | - | - | - | - | - |
| 2. Balance-sheet liabilities | - | - | - | - | - | - | - | - |
| 2.1 With prepayment option | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2 Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 427 | 2,162 | 2,236 | 376 | - | - | - |
| + Short positions | - | 427 | 2,162 | 2,236 | 376 | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 15,384 | 30,197 | 4,777 | - | - | - | - |
| + Short positions | 14 | 23,900 | 40,390 | 6,079 | 2,471 | - | - | - |

1. Portfolio: breakdown by maturity (repricing date) of financial assets and liabilities

Currency: OTHER CURRENCIES

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | - | - | - | - | - | - | - | - |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - with early repayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Other | - | - | - | - | - | - | - | - |
| 2. Balance-sheet liabilities | - | - | - | - | - | - | - | - |
| 2.1 With prepayment option | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2 Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 222 | - | 103 | 102 | - | - | - |
| + Short positions | - | 222 | - | 103 | 102 | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 2,600 | 794 | 630 | 208 | - | - | - |
| + Short positions | - | 1,536 | 339 | 796 | - | - | - | - |

2. Regulatory trading portfolio: Equity exposures (Cash & Index) by listing country

| Type of transaction/Stock exchange market | Listed | | | | | | Unlisted |
|---|---|---|---|---|---|---|---|
| | ITALY | U.S.A. | JAPAN | UNITED KINGDOM | GERMANY | OTHER COUNTRIES | |
| A. Equity instruments | | | | | | | |
| - long positions | 17 | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| B. Unsettled equity instrument trades | | | | | | | |
| - long positions | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| C. Other equity instruments derivatives | | | | | | | |
| - long positions | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| D. Share index derivatives | | | | | | | |
| - long positions | 2 | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |

## 2.2 INTEREST RATE AND PRICE RISK – BANKING PORTFOLIO

### Qualitative Information

A. **General aspects, management processes and measurement methods for interest rate risk and price risk**

The monitoring of interest rate risk on the bank portfolio is performed by the Risk Management Function, both from an equity point of view as well as from an income point of view.

The Board of Directors defines the strategic policies and guidelines related to the assumption of interest rate risk on the bank portfolio 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 the interest rate risk on the bank portfolio and the observance of the limits, whereas the Finance Committee and the ALM monitor the actions for managing the interest rate risk on the bank portfolio, operationally implemented by the Finance Structure.

From an equity point of view, the objective of monitoring the interest rate risk for the bank portfolio consists in measuring the impact of variations in interest rates on the fair value of the equity in order to maintain its stability. The variability in the economic value of the equity followed by a market interest rate shock is measured according to two distinct approaches:

- the standard supervision model (duration analysis): the variation in the economic value of the equity is approximated using the duration metric applied to aggregates of operations classified in a time bucket of reference based on the date of maturity or repricing, as at 31/12/2014 the indicator on a Group level is lower than the attention threshold fixed at 20% of own funds.
- internal method (sensitivity analysis): the variation in the economic value of equity is measured, for each individual transaction, as the fair level difference before and after the indicated shock.

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

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

The Balance Sheet impact is analysed hereunder, in terms of interest margin, net interest and other banking income, profit and shareholders' equity margins of parallel movements of the curve (+100 bps up, and -100 bps down). The following table notes the overall impact and details of the banking portfolio (figures in millions of euro):

| | +100 bp | -100 bp |
|---|---|---|
| **Net Interest Income** | **18.70** | **-10.83** |
| - of which Banking book | 18.62 | -10.81 |
| **Net interest and other bankin** | **18.98** | **-10.82** |
| - of which Banking book | 18.62 | -10.81 |
| **Profit** | **12.70** | **-7.24** |
| - of which Banking book | 12.46 | -7.24 |
| **Shareholders' equity** | **-13.17** | **-1.05** |
| - of which Banking book | -13.41 | -1.05 |

Please see paragraph 2.1 B for the price risk component of the banking book.

## B. Fair value hedges

The types of financial instruments with fair value hedges are interest-bearing postal bonds, Balance Sheet assets, loans and bonds issued. Overall, assets for a nominal amount of EUR 300.8 mln and liabilities for a nominal amount of EUR 3,014 mln have been hedged.

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

## C. Cash-flow hedges

The aim of cash flow hedges is to immunise changes in cash flow against changes in the interest rate curve. Bonds issued (liabilities of EUR 1,012.3 mln hedged as at 31/12/2014) are hedged with cash flow hedges.

## Quantitative Information

1. Banking portfolio: breakdown by maturity (repricing date) of financial assets and liabilities

Currency: EURO

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | 2,527,897 | 8,827,064 | 4,435,115 | 973,924 | 2,653,122 | 856,185 | 540,155 | - |
| 1.1 Debt securities | 36,064 | 1,322,165 | 3,423,927 | 717,497 | 659,061 | 181,023 | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 36,064 | 1,322,165 | 3,423,927 | 717,497 | 659,061 | 181,023 | - | - |
| 1.2 Loans to banks | 574,639 | 268,531 | 69,137 | - | 15,143 | 10,376 | 2,242 | - |
| 1.3 Loans to customers | 1,917,194 | 7,236,368 | 942,051 | 256,427 | 1,978,918 | 664,786 | 537,913 | - |
| - current accounts | 945,483 | - | - | - | 312,570 | 785 | - | - |
| - Other loans | 971,711 | 7,236,368 | 942,051 | 256,427 | 1,666,348 | 664,001 | 537,913 | - |
| - With prepayment option | 207,401 | 3,810,072 | 327,228 | 107,089 | 712,341 | 292,541 | 341,683 | - |
| - Other | 764,310 | 3,426,296 | 614,823 | 149,338 | 954,007 | 371,460 | 196,230 | - |
| 2. Balance-sheet liabilities | 8,656,908 | 3,901,352 | 2,085,251 | 1,963,890 | 4,797,420 | 639,404 | 373,839 | - |
| 2.1 Due to customers | 6,227,820 | 833,694 | 1,044,351 | 968,868 | 367,827 | 1,050 | 50,905 | - |
| - Current accounts | 5,906,824 | 98,659 | 120,596 | 252,874 | 364,463 | - | - | - |
| - Other loans | 320,996 | 735,035 | 923,755 | 715,994 | 3,364 | 1,050 | 50,905 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 320,996 | 735,035 | 923,755 | 715,994 | 3,364 | 1,050 | 50,905 | - |
| 2.2 Due to banks | 2,291,805 | 1,397,151 | 233,619 | 921 | 82,826 | 14,580 | 3,951 | - |
| - Current accounts | 214,449 | - | - | - | - | - | - | - |
| - Other loans | 2,077,356 | 1,397,151 | 233,619 | 921 | 82,826 | 14,580 | 3,951 | - |
| 2.3 Debt securities | 136,810 | 1,670,507 | 807,281 | 994,101 | 4,346,767 | 623,774 | 318,983 | - |
| - With prepayment option | 746 | 321,589 | 99,410 | 159,579 | - | - | 58,347 | - |
| - Other | 136,064 | 1,348,918 | 707,871 | 834,522 | 4,346,767 | 623,774 | 260,636 | - |
| 2.4 Other liabilities | 473 | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 473 | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 1,497,772 | 1,025,221 | 191,771 | 2,375,074 | 327,107 | 248,500 | - |
| + Short positions | - | 2,099,149 | 803,654 | 982,016 | 501,598 | 535,279 | 312,906 | - |
| 4. Other off-balance sheet | | | | | | | | |
| + Long positions | 230,994 | 911,187 | 80,326 | 6,893 | 45,478 | 1,054 | 287 | - |
| + Short positions | 1,176,404 | 99,816 | - | - | - | - | - | - |

1. Banking portfolio: breakdown by maturity (repricing date) of financial assets and liabilities

Currency: US DOLLAR

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | 124,938 | 35,523 | 297,750 | 5,330 | 45,603 | 62,061 | 55,514 | - |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Loans to banks | 32,592 | 1,799 | - | - | - | - | - | - |
| 1.3 Loans to customers | 92,346 | 33,724 | 297,750 | 5,330 | 45,603 | 62,061 | 55,514 | - |
| - current accounts | 2,184 | - | - | - | - | - | - | - |
| - Other loans | 90,162 | 33,724 | 297,750 | 5,330 | 45,603 | 62,061 | 55,514 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 90,162 | 33,724 | 297,750 | 5,330 | 45,603 | 62,061 | 55,514 | - |
| 2. Balance-sheet liabilities | 61,686 | 34,420 | 6,047 | - | - | - | 126,508 | - |
| 2.1 Due to customers | 58,752 | 1,802 | 364 | - | - | - | - | - |
| - Current accounts | 58,752 | 1,802 | 364 | - | - | - | - | - |
| - Other loans | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 2.2 Due to banks | 2,906 | 25,386 | 5,683 | - | - | - | 126,508 | - |
| - Current accounts | 1,995 | - | - | - | - | - | - | - |
| - Other loans | 911 | 25,386 | 5,683 | - | - | - | 126,508 | - |
| 2.3 Debt securities | 28 | 7,232 | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 28 | 7,232 | - | - | - | - | - | - |
| 2.4 Other liabilities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 3,624 | 824 | 700 | - | - | - | - |
| + Short positions | - | 256,898 | 182,028 | 700 | - | - | - | - |
| 4. Other off-balance sheet | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |

1. Banking portfolio: breakdown by maturity (repricing date) of financial assets and liabilities

Currency: OTHER CURRENCIES

| Type / Residual maturity | On demand | Up to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|
| Balance-sheet assets | 10,425 | 8,212 | 1,041 | - | - | - | - | - |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 1.2 Loans to banks | 8,670 | 6,335 | - | - | - | - | - | - |
| 1.3 Loans to customers | 1,755 | 1,877 | 1,041 | - | - | - | - | - |
| - current accounts | 1,232 | - | - | - | - | - | - | - |
| - Other loans | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 523 | 1,877 | 1,041 | - | - | - | - | - |
| 2. Balance-sheet liabilities | 7,386 | 953 | 27 | - | - | - | - | - |
| 2.1 Due to customers | 3,748 | - | 27 | - | - | - | - | - |
| - Current accounts | 3,748 | - | 27 | - | - | - | - | - |
| - Other loans | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 2.2 Due to banks | 3,638 | 953 | - | - | - | - | - | - |
| - Current accounts | 3,636 | - | - | - | - | - | - | - |
| - Other loans | 2 | 953 | - | - | - | - | - | - |
| 2.3 Debt securities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 2.4 Other liabilities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| 3.1 Physically settled Fin. derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| 3.2Cash settled Fin. derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 286 | - | 103 | - | - | - | - |
| + Short positions | - | 15,871 | - | 103 | - | - | - | - |
| 4. Other off-balance sheet | | | | | | | | |
| + Long positions | - | 20 | - | - | - | - | - | - |
| + Short positions | 20 | - | - | - | - | - | - | - |

## 2.3 FOREIGN EXCHANGE RATE RISK

### Qualitative Information

A. Exchange rate risk: general information, operational processes and measurement methods

The Bank's has strategically elected not to take risks as regards exchange rate risk and provided for a substantial balance on positions designated in foreign currency.

B. Hedging of exchange rate risk

The exchange risk related to Banca Carige is being constantly monitored, at Group level, by the Treasury in order to ensure the systematic hedging of the risk.

## Quantitative Information

1. Breakdown by currency of assets and liabilities and derivatives

| Items | Currency | | | | | |
|---|---|---|---|---|---|---|
| | US Dollar | UK Sterling | Yen | Canadian Dollar | Swiss franc | Other currencies |
| A. Financial assets | 628,340 | 3,428 | 2,239 | 1,147 | 8,219 | 4,645 |
| A.1 Debt securities | | | | | | |
| A.2 Equity securities | 1,620 | | | | | |
| A.3 Loans to banks | 34,392 | 2,114 | 1,880 | 1,147 | 5,219 | 4,645 |
| A.4 Loans to customers | 592,328 | 1,314 | 359 | | 3,000 | |
| A.5 Other financial assets | | | | | | |
| B. Other assets | 1,956 | 376 | 192 | 38 | 509 | 194 |
| C. Financial liabilities | 228,662 | 1,546 | 515 | 1,616 | 2,215 | 2,476 |
| C.1 Deposits from banks | 160,483 | 661 | 360 | 439 | 1,351 | 1,782 |
| C.2 Deposits from customers | 60,918 | 885 | 155 | 1,177 | 864 | 694 |
| C.3 Debt securities in issue | 7,261 | | | | | |
| C.4 Other financial liabilities | | | | | | |
| D. Other liabilities | 2,928 | 79 | 211 | 5 | 32 | 784 |
| E. Financial derivatives | | | | | | |
| - Options | | | | | | |
| + Long positions | 5,201 | | 427 | | | |
| + Short positions | 5,201 | | 427 | | | |
| - Other derivatives | | | | | | |
| + Long positions | 55,505 | 28 | 1,253 | 803 | 1,425 | 1,113 |
| + Short positions | 512,479 | 2,185 | 2,950 | 321 | 10,734 | 2,456 |
| Total Assets | 691,003 | 3,832 | 4,111 | 1,988 | 10,153 | 5,952 |
| Total liabilities | 749,270 | 3,810 | 4,103 | 1,942 | 12,981 | 5,716 |
| Difference (+/-) | 58,267 | (22) | (8) | (46) | 2,828 | (236) |

## 2.4 DERIVATIVES

### A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: end of period notional amounts

| Underlying assets / Type of derivatives | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Over the counter | Clearing House | Over the counter | Clearing House |
| 1. Debt securities and interest rate indexes | 895,001 | - | 1,654,435 | - |
| a) Options | 81,488 | - | 716,463 | - |
| b) Swap | 813,513 | - | 937,972 | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 2. Equity instruments and stock indexes | 2 | - | 36 | 1,211 |
| a) Options | 2 | - | 36 | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | 1,211 |
| e) Other | - | - | - | - |
| 3. Gold and currencies | 148,276 | - | 356,470 | - |
| a) Options | 30,459 | - | 28,955 | - |
| b) Swap | - | - | - | - |
| c) Forward | 117,817 | - | 327,515 | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 4. Commodities | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 1,043,280 | - | 2,010,941 | 1,211 |
| Average amounts | 1,536,124 | 340 | 2,120,137 | 1,211 |

## A.2 Banking portfolio: end-of-period and average notional values

### A.2.1 Notional amounts

| Underlying assets / Type of derivatives | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Over the counter | Clearing House | Over the counter | Clearing House |
| 1. Debt securities and interest rate indexes | 4,260,427 | - | 5,114,776 | - |
| a) Options | - | - | - | - |
| b) Swap | 4,260,427 | - | 5,114,776 | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 2. Equity instruments and stock indexes | - | - | - | - |
| a) Options | - | - | - | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 3. Gold and currencies | 461,137 | - | 80,801 | - |
| a) Options | - | - | - | - |
| b) Swap | - | - | - | - |
| c) Forward | 461,137 | - | 80,801 | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 4. Commodities | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 4,721,564 | - | 5,195,577 | - |
| Average amounts | 5,016,758 | - | 8,070,510 | - |

A.2.2 Other derivatives

| Underlying assets / Type of derivatives | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Over the counter | Clearing House | Over the counter | Clearing House |
| 1. Debt securities and interest rate indexes | 969,042 | - | 1,045,402 | - |
| a) Options | - | - | - | - |
| b) Swap | 969,042 | - | 1,045,402 | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 2. Equity instruments and stock indexes | - | - | 11,966 | - |
| a) Options | - | - | 11,966 | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 3. Gold and currencies | - | - | - | - |
| a) Options | - | - | - | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| 4. Commodities | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 969,042 | - | 1,057,368 | - |
| Average amounts | 1,035,748 | - | 1,060,866 | - |

A.3 Financial derivatives: gross positive fair value - breakdown by product

| Portfolios / Types of derivatives | Positive fair value | | | |
|---|---|---|---|---|
| | Total 31/12/2014 | | Total 31/12/2013 | |
| | Over the counter | Clearing House | Over the counter | Clearing House |
| A. Regulatory trading portfolio | 115,499 | - | 96,279 | - |
| a) Options | 763 | - | 7,121 | - |
| b) Interest rate swaps | 113,136 | - | 81,003 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity Swap | - | - | - | - |
| e) Forward | 1,600 | - | 8,155 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| B. Banking book - Hedging derivatives | 205,533 | - | 129,165 | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | 205,033 | - | 128,480 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity Swap | - | - | - | - |
| e) Forward | 500 | - | 685 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| C. Banking book - Other derivatives | 48,482 | - | 41,528 | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | 48,482 | - | 41,528 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity Swap | - | - | - | - |
| e) Forward | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| Total | 369,514 | - | 266,973 | - |

A.4 Financial derivatives: gross negative fair value - breakdown by product

| Portfolios / Types of derivatives | *Negative fair value* | | | |
|---|---|---|---|---|
| | Total 31/12/2014 | | Total 31/12/2013 | |
| | Over the counter | Clearing House | Over the counter | Clearing House |
| A. Regulatory trading portfolio | 118,007 | - | 84,850 | - |
| a) Options | 679 | - | 767 | - |
| b) Interest rate swaps | 114,017 | - | 82,662 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity Swap | - | - | - | - |
| e) Forward | 3,311 | - | 1,421 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| B. Banking book - Hedging derivatives | 408,883 | - | 386,771 | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | 390,558 | - | 386,679 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity Swap | - | - | - | - |
| e) Forward | 18,325 | - | 92 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| C. Banking book - Other derivatives | - | - | 1,330 | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | 1,330 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity Swap | - | - | - | - |
| e) Forward | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| Total | 526,890 | - | 472,951 | - |

A.5 OTC Financial derivatives: regulatory trading portfolio - notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement

| Contracts not included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 15,886 | 20,445 | - | 116,426 | 30,041 |
| - positive fair value | - | - | 54 | 604 | - | 2,703 | 232 |
| - negative fair value | - | - | 268 | - | - | 1 | 12 |
| - future exposure | - | - | 169 | 102 | - | 157 | 44 |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | 2 | - | - | - | - |
| - positive fair value | - | - | 3 | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | 79,171 | - | - | 43,386 | - |
| - positive fair value | - | - | 1,478 | - | - | 128 | - |
| - negative fair value | - | - | 606 | - | - | 2,833 | - |
| - future exposure | - | - | 791 | - | - | 551 | - |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |

A.6 OTC Financial Derivatives: Regualatory trading portfolio - notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreement

| Contracts included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 712,205 | - | - | - | - |
| - positive fair value (before netting) | - | - | 109,737 | - | - | - | - |
| - negative fair value (before netting) | - | - | 113,850 | - | - | - | - |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value (before netting) | - | - | - | - | - | - | - |
| - negative fair value (before netting) | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | 25,719 | - | - | - | - |
| - positive fair value (before netting) | - | - | 561 | - | - | - | - |
| - negative fair value (before netting) | - | - | 436 | - | - | - | - |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value (before netting) | - | - | - | - | - | - | - |
| - negative fair value (before netting) | - | - | - | - | - | - | - |

A.7 OTC Financial derivatives: banking portfolio - notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement

| Contracts not included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 179,195 | - | - | - | - |
| - positive fair value | - | - | 309 | - | - | - | - |
| - negative fair value | - | - | 42,828 | - | - | - | - |
| - future exposure | - | - | 1,809 | - | - | - | - |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | 461,137 | - | - | - | - |
| - positive fair value | - | - | 500 | - | - | - | - |
| - negative fair value | - | - | 18,325 | - | - | - | - |
| - future exposure | - | - | 4,611 | - | - | - | - |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |

A.8 OTC Financial derivatives: banking portfolio - notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreements

| Contracts included in netting agreement | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1. Debt securities and interest rate indexes | | | | | | | |
| - notional amount | - | - | 4,837,596 | 212,678 | - | - | - |
| - positive fair value | - | - | 242,681 | 10,526 | - | - | - |
| - negative fair value | - | - | 346,604 | 1,127 | - | - | - |
| 2. Equity instruments and stock indexes | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| 3. Gold and currencies | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| 4. Other instruments | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

A.9 OTC financial derivatives - residual life: notional amounts

| Underlying / residual | | Up to 1 year | Over 1 year up to 5 year | Over 5 year | Total |
|---|---|---|---|---|---|
| A. Regulatory trading book | | 495,264 | 208,325 | 339,690 | 1,043,279 |
| A.1 Financial derivative contracts on debt securities and interest rates | | 352,110 | 203,201 | 339,690 | 895,001 |
| A.2 Financial derivative contracts on equity securities and stock indexes | | 2 | - | - | 2 |
| A.3 Financial derivative contracts on exchange rates and gold | | 143,152 | 5,124 | - | 148,276 |
| A.4 Financial derivative contracts on other values | | - | - | - | - |
| B. Banking book | | 1,390,142 | 2,876,672 | 1,423,792 | 5,690,606 |
| B.1 Financial derivative contracts on debt securities and interest rates | | 929,005 | 2,876,672 | 1,423,792 | 5,229,469 |
| B.2 Financial derivative contracts on equity securities and stock indexes | | - | - | - | - |
| B.3 Financial derivative contracts on exchange rates and gold | | 461,137 | - | - | 461,137 |
| B.4 Financial derivative contracts on other values | | - | - | - | - |
| Total | 31/12/2014 | 1,885,406 | 3,084,997 | 1,763,482 | 6,733,885 |
| Total | 31/12/2013 | 1,329,222 | 3,929,188 | 3,005,474 | 8,263,884 |

## B. CREDIT DERIVATIVES

There are no credit derivative contracts as at 31/12/2014 or as at 31/12/2013.

## C. FINANCIAL AND CREDIT DERIVATIVES

### C.1 OTC Financial and credit derivatives: net fair value and future exposure by counterparty

| | Governments and central banks | Other public-sector entities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| 1) Netting agreements related to Financial Derivatives | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |
| 2) Netting agreements related to Credit Derivatives | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |
| 3) Cross product netting agreements | - | - | 608,514 | 13,936 | - | - | - |
| - positive fair value | - | - | 217,396 | 10,510 | - | - | - |
| - negative fair value | - | - | 325,307 | 1,110 | - | - | - |
| - future exposure | - | - | 22,367 | 1,368 | - | - | - |
| - net counterparty risk | - | - | 43,444 | 948 | - | - | - |

## *SECTION 3 – LIQUIDITY RISK*

With regard to organisational and methodological aspects inherent to managing liquidity risk, refer to what is set forth in part E of the Group's consolidated explanatory notes.

### Qualitative Information

A. Liquidity risk: general information, operational processes and measurement methods

The liquidity risk, in its main meaning as funding liquidity risk, is the risk that the Bank is not able to face, according to economic criteria, with its cash outflows (both expected and unexpected) and the need for collateral without jeopardising its ordinary activities or the financial situation of the Bank itself. A liquidity risk can be generated by events that are closely connected with the Bank and its ordinary activities (idiosyncratic) and/or with external events (systemic).

The Board of Directors defines the strategic policies and guidelines related to the assumption of liquidity risk. The Risk Control Committee monitors the dynamics of the liquidity risk and the observance of the limits, whereas the Finance Committee and the ALM monitor the actions for managing the liquidity risk, operationally implemented by the Finance Structure.

The analysis relative to the liquidity risk are carried out by the Risk Management Function. The Risk Management Function regularly guarantees the measurement and control of the exposure of the Group to the liquidity risk, both operative (short-term) as well as structural.
The objective of controlling operational liquidity (short-term) is to guarantee that the Group will be able to face its foreseen and unforeseen payment commitments over a reference period of 12 months, without jeopardising normal on-going operations.
The objective of controlling structural liquidity is to guarantee the maintenance of a suitable ratio between assets and liabilities, establishing constraints regarding the possibility to finance medium term assets with short term liabilities and therefore limiting pressure on short-term funding.
The Risk Management Function constantly monitors the observance of the operating limits that apply to the balances of liquidity flows itself as well as to the total balances of the liquidity flows and reserves. The Group also carries out a stress test with reference to the operational maturity ladder in order to analyse the effect of the occurrence of exceptional but realistic crises on the Group's liquidity and evaluate the adequacy of the liquidity reserves that are held.
The Group’s treasury position as at 31/12/2014 confirmed that liquidity reserves are adequate to meet future commitments.

1.Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: EURO

| Item/Timescales | On sight | Over 1 day less than 7 days | Over 7 days less than 15 days | Over 15 days less than 1 month | Over 1 month less than 3 month | Over 3 month less than 6 month | Over 6 month less than 1 year | Over 1 year less than 5 year | Over 5 years | Indeterminate duration |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash assets | 2,340,016 | 2,215,483 | 445,787 | 510,523 | 835,256 | 3,815,232 | 1,764,540 | 4,858,672 | 4,213,366 | 85,152 |
| A.1 Government securities | 376 | - | 455 | - | 424,104 | 164,837 | 879,644 | 974,146 | 140,103 | - |
| A.2 Other debt securities | 2,613 | - | 329 | 300 | - | 2,821,596 | 338,952 | 553,484 | 12,510 | 5 |
| A.3 Share in CIS | 12,892 | - | - | - | - | - | - | - | - | - |
| A.4 Financing | 2,324,135 | 2,215,483 | 445,003 | 510,223 | 411,152 | 828,799 | 545,944 | 3,331,042 | 4,060,753 | 85,147 |
| - Banks | 554,528 | - | 482 | 169,187 | 20,379 | 4,475 | 5,321 | 53,017 | 48,610 | 85,147 |
| - Customers | 1,769,607 | 2,215,483 | 444,521 | 341,036 | 390,773 | 824,324 | 540,623 | 3,278,025 | 4,012,143 | - |
| Cash liabilities | 8,653,900 | 334,430 | 18,795 | 248,709 | 1,639,967 | 1,502,558 | 1,829,032 | 7,024,665 | 1,249,501 | 160,000 |
| B.1 Deposits and current accounts | 8,254,931 | 10,526 | 16,878 | 19,311 | 52,388 | 120,676 | 253,920 | 365,763 | - | - |
| - Banks | 2,097,534 | - | - | - | - | - | - | - | - | - |
| - Customers | 6,157,397 | 10,526 | 16,878 | 19,311 | 52,388 | 120,676 | 253,920 | 365,763 | - | - |
| B.2 Debt securities | 46,771 | 11,364 | 662 | 48,793 | 1,115,777 | 440,402 | 839,360 | 5,356,449 | 1,032,223 | 160,000 |
| B.3 Other liabilities | 352,198 | 312,540 | 1,255 | 180,605 | 471,802 | 941,480 | 735,752 | 1,302,453 | 217,278 | - |
| "Off-balance sheet" transactions" | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| - Long positions | 13 | 29,199 | 59,389 | 65,291 | 137,927 | 235,943 | 9,330 | 4,040 | 630 | - |
| - Short positions | - | 25,855 | 1,528 | 4,253 | 8,349 | 41,164 | 8,018 | 1,984 | 630 | - |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| - Long positions | 113,331 | 97 | - | 3,257 | 10,632 | 21,707 | 59,576 | - | - | - |
| - Short positions | 114,132 | 90 | - | 1,759 | 13,481 | 13,483 | 23,733 | - | - | - |
| C.3 Deposits and financing receivable | | | | | | | | | | |
| - Long positions | - | 99,816 | - | - | - | - | - | - | - | - |
| - Short positions | - | 99,816 | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to grant finance | | | | | | | | | | |
| - Long positions | 46,378 | 572,555 | - | 727 | 2,659 | 5,682 | 20,326 | 219,174 | 308,901 | - |
| - Short positions | 1,176,404 | - | - | - | - | - | - | - | - | - |
| C.5 Financial guarantees issued | 7,604 | - | - | - | - | 489 | 1,453 | 414 | 1,530 | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

1.Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: US DOLLAR

| Item/Timescales | On sight | Over 1 day less than 7 days | Over 7 days less than 15 days | Over 15 days less than 1 month | Over 1 month less than 3 month | Over 3 month less than 6 month | Over 6 month less than 1 year | Over 1 year less than 5 year | Over 5 years | Indeterminate duration |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash assets | 79,514 | 3,051 | 3,381 | 9,966 | 9,392 | 38,858 | 20,375 | 117,894 | 383,486 | - |
| A.1 Government securities | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt securities | - | - | - | - | - | - | - | - | - | - |
| A.3 Share in CIS | 1,615 | - | - | - | - | - | - | - | - | - |
| A.4 Financing | 77,899 | 3,051 | 3,381 | 9,966 | 9,392 | 38,858 | 20,375 | 117,894 | 383,486 | - |
| - Banks | 32,592 | - | 1,647 | - | 152 | - | - | - | - | - |
| - Customers | 45,307 | 3,051 | 1,734 | 9,966 | 9,240 | 38,858 | 20,375 | 117,894 | 383,486 | - |
| Cash liabilities | 61,656 | 24,381 | 47 | 93 | 9,901 | 6,047 | - | - | 126,508 | - |
| B.1 Deposits and current accounts | 60,742 | 24,381 | 47 | 93 | 2,668 | 6,047 | - | - | - | - |
| - Banks | 1,995 | 23,104 | 47 | 93 | 2,142 | 5,683 | - | - | - | - |
| - Customers | 58,747 | 1,277 | - | - | 526 | 364 | - | - | - | - |
| B.2 Debt securities | 24 | - | - | - | 7,233 | - | - | - | - | - |
| B.3 Other liabilities | 890 | - | - | - | - | - | - | - | 126,508 | - |
| "Off-balance sheet" transactions" | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| - Long positions | - | 5,835 | 1,489 | 4,294 | 7,817 | 33,182 | 7,713 | 376 | - | - |
| - Short positions | 14 | 16,505 | 52,553 | 67,844 | 144,322 | 224,580 | 9,015 | 2,847 | - | - |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.3 Deposits and financing receivable | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to grant finance | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

1.Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: OTHER CURRENCIES

| Item/Timescales | On sight | Over 1 day less than 7 days | Over 7 days less than 15 days | Over 15 days less than 1 month | Over 1 month less than 3 month | Over 3 month less than 6 month | Over 6 month less than 1 year | Over 1 year less than 5 year | Over 5 years | Indeterminate duration |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash assets | 10,417 | 1,040 | 3,911 | 1,315 | 606 | 1,062 | 38 | 236 | 1,093 | - |
| A.1 Government securities | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt securities | - | - | - | - | - | - | - | - | - | - |
| A.3 Share in CIS | - | - | - | - | - | - | - | - | - | - |
| A.4 Financing | 10,417 | 1,040 | 3,911 | 1,315 | 606 | 1,062 | 38 | 236 | 1,093 | - |
| - Banks | 8,670 | 997 | 3,887 | 1,266 | 183 | - | - | - | - | - |
| - Customers | 1,747 | 43 | 24 | 49 | 423 | 1,062 | 38 | 236 | 1,093 | - |
| Cash liabilities | 7,387 | 125 | 168 | 337 | 323 | 27 | - | - | - | - |
| B.1 Deposits and current accounts | 7,387 | 125 | 168 | 337 | 323 | 27 | - | - | - | - |
| - Banks | 3,638 | 125 | 168 | 337 | 323 | - | - | - | - | - |
| - Customers | 3,749 | - | - | - | - | 27 | - | - | - | - |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - |
| "Off-balance sheet" transactions" | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| - Long positions | - | 1,471 | 197 | 283 | 1,159 | 794 | 836 | 310 | - | - |
| - Short positions | - | 3,422 | 10,286 | 3,109 | 812 | 339 | 1,002 | 102 | - | - |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.3 Deposits and financing receivable | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to grant finance | | | | | | | | | | |
| - Long positions | - | 20 | - | - | - | - | - | - | - | - |
| - Short positions | 20 | - | - | - | - | - | - | - | - | - |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of capital | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

## 2. Disclosures on pledge assets entered in the financial statements

| Instrument type | Encumbered assets | | Unencumbered assets | | Total | Total |
|---|---|---|---|---|---|---|
| | BV | FV | BV | FV | 31/12/2014 | 31/12/2013 |
| 1. Cash and cash balances | - | x | 128,322 | x | 128,322 | 133,353 |
| 2. Debt securities | 2,019,978 | 2,020,011 | 4,320,057 | 4,295,992 | 6,340,035 | 8,667,975 |
| 3. Equity instruments | - | - | 324,865 | 325,235 | 324,865 | 347,553 |
| 4. Loans | 2,734,645 | x | 12,470,006 | X | 15,204,651 | 17,617,630 |
| 5. Other financial assets | - | x | 1,961,811 | X | 1,961,811 | 359,238 |
| 6. Non-financial assets | - | x | 2,013,313 | X | 2,013,313 | 3,732,196 |
| Total 31/12/2014 | 4,754,623 | 2,020,011 | 21,218,374 | 4,621,227 | 25,972,997 | - |
| Total 31/12/2013 | 7,145,457 | 4,025,494 | 23,712,488 | 4,949,482 | x | 30,857,945 |

*Key:*
VB = Book value
FV = fair value

## 3. Disclosures on pledge assets not entered in the financial statements

| Instrument type | Encumbered assets | Unencumbered assets | Total 31/12/2014 | Total 31/12/2013 |
|---|---|---|---|---|
| 1. Financial assets | 2,138,928 | 8,697,733 | 10,836,661 | 8,562,182 |
| - Securities | 2,138,928 | 8,697,733 | 10,836,661 | 8,562,182 |
| - Other | - | - | - | - |
| 2. Non financial assets | - | - | - | - |
| Total 31/12/2014 | 2,138,928 | 8,697,733 | 10,836,661 | - |
| Total 31/12/2013 | 5,633,333 | 2,928,849 | x | 8,562,182 |

It should be noted that, at the closing date of the financial statements, there were re-financing transactions with the European Central Bank (T.L.T.R.Os. see Liabilities Table 1.1), totalling EUR 1.13 bn, in addition to interest accrued.
The collateral provided for this operation included securities classified as financial assets available for sale, loans to customers, and assets not entered in the financial statement consisting of own debt securities that are irrevocably and unconditionally guaranteed by the State pursuant to art. 8 of Italian Law Decree 201/2011, securities underlying repurchasing agreements, repurchased covered bonds, traditionally purchased securities deriving from own securitisation.
Furthermore, loans of other Group banks were also used as a guarantee for the operation.

*SECTION 4 – OPERATIONAL RISKS*

## Qualitative Information

A. Operational risk: general information, operational processes and measurement methods

The Group is subject to the operational risk inherent to the typical activities carried out by the Group; this risk also consists in the risk of suffering losses deriving from internal or external fraud, from the inadequacy or incorrect functioning of company procedures, from 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 from exogenous events. The operating risk also includes the 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 services, investment and insurance services, and penalties deriving from regulatory violations as well as non-compliance with procedures relative to the identification, monitoring and management of the risks themselves), but not the strategic or reputation risk.

The main sources of operating risk statistically include the instability of operating processes, poor IT security, the increasing use of automation, the outsourcing of company functions, the use of a reduced number of suppliers, changes in strategy, fraud, errors, recruitment, training and establishing the loyalty of personnel, and finally, social and environmental impacts. It is not possible to identify a permanent prevalent source of operating risk: operating risk differs from credit and market risks because this type of risk is not taken on by the company as a result of strategic decisions, but is inherent to its operations.

In order to increase its control of these risks, the Banca Carige Group has created during the last quarter of 2014, on occasion of the organisational structure audit of the Parent Company, the function of Operational Risk Management within the Risk Management structure, who directly reports to the CEO. The Group has also started a project in October 2014 with the main objectives that include the regulation of the role and responsibilities of this function, the implementation of a framework for measuring, managing and monitoring the operating risks aligned with the best practices of the system.

In particular, the objective is to start and make operative a Loss data collection (LDC) process together with a Risk Self Assessment (RSA) process, which concerns the prospective risk perceived by different Risk Owners, which are also identified within the scope of the project. The project activities also include the development of a framework for the measurement, management and monitoring of reputation risk, addressing the synergic practices between the two processes. During the first phase of the activities, appropriate synergies with the practices implemented by IT Risk Management were attended to, within the scope of ICT, in observance of updated Circular 263 15.

Within the scope of projects, the processes relative to 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.

For informational purposes only[17], it should be noted that, in parallel to the quantitative recognition, the Group is systematically analysing the processes using a self assessment approach in order to integrate the aspects of a quantitative nature with the analyses of a qualitative nature, as regards the IT system of all Group companies, this has concentrated on the Parent Company which, with regard to the risks connected with a business interruption, has defined a Business Continuity and Disaster Recovery plan in order to identify the operations required in order to restore normal Group operations in the case of a crisis situation. Furthermore, in light of the need to define standard criteria for process managing (mapping, archiving, use, etc.) and identifying suitable methodological and IT solutions, the "Business Process Management" project is being continued and is undergoing continuous updates. In this respect, the Carige Group has adopted a methodological framework for the rationalization and homogenization of the information available in the company and for the simplification of the mechanisms for the production and use of company regulations; therefore organisational guidelines and the relative models have been formulated with regard to the processes, risks and checks defined for each operative area of the company.

## Quantitative Information

The impact, in terms of operating losses as at 31/12/2014, was equal to EUR 4.5 mln. The impact of robberies was around 3% over the total amount.

## Risks related to ongoing proceedings

To our knowledge, the Genoa Public Prosecutor's Office is carrying out investigations within the framework of criminal proceedings no. 10688/2013 of the General Register of Crimes, in which the Bank's former Chairman Giovanni Berneschi is indicted for the offences set out in articles 2622, paragraphs 3 and 4 (false corporate communications to the detriment of the company, shareholders or creditors) and 2637 (market manipulation) of the Italian Civil Code, as well as embezzlement under art. 646 of the Civil Code; the Bank is awaiting the outcome of the preliminary investigations by the Public Prosecutor.

To our knowledge, the facts involved in the charge would have partly been the subject of findings by the Bank of Italy and Consob.

As for the offences that constitute the presumed liability of the entity pursuant to Legislative Decree no. 231, being such offences attributed to a person in a senior position, the Bank was recorded in the roll of suspects due to the administrative offence resulting from a crime under article 25-ter of Legislative Decree no. 231 for false corporate communications to the detriment of the company, shareholders or creditors (art. 2622 of the Italian Civil Code) and for market manipulation (art. 2637 of the Italian Civil Code). The investigations involve, among other things, the regularity of the granting of credit facilities and the overall management of creditor relations and the compliance of the internal organisational models regarding the granting and management of credit facilities and the drafting of financial statements with the legislation for the sector. It should be noted that, regardless of any

[17] This activity is excluded from the scope of the project related to the definition and implementation of a framework for measuring and managing operative risks.

evaluation of the legitimacy of the charge levelled against the Bank, the risks resulting from the harshest sanction theoretically applicable to the Bank for the unlawful administrative acts contested are estimated  not to exceed Euro 2 mln, with no prohibitory sanctions envisaged for said offences.

Other offences were also charged within the above mentioned criminal proceedings no.10688/13, in particular criminal association aggravated by its transnational nature (under article 416 of the Italian Criminal Code and article 4 of Law no.146/06), aggravated fraud (under articles 640 and 646 no.11 of the Italian Criminal Code), embezzlement (under article 646 of the Italian Criminal Code), money laundering (under article 648-bis of the Italian Criminal Code), illegal transfer of funds aggravated by the transnational nature of the criminal association (under articles 12-quinquies of Law no. 356/1992 and 4 of Law no.146/2006), in connection with which, to the Bank's knowledge, precautionary measures (both preventive detention and seizure) were served, among others against the Bank's former Chairman: all of the said crimes were written off and have converged into the criminal proceeding no.17008/14 always before the Genoa Public Prosecutor’s Office..

With regard to the latter proceeding, the Bank was expressly identified as the offended party, which will make it possible for the Bank to file a claim for compensation as part of the criminal trial case being instituted. The Public Prosecutor served the indictees a notification of the conclusion of investigations pursuant to art. 415-bis of the Italian Code of Criminal Procedure and the Bank is awaiting the Public Prosecutor's decision with regard to the related criminal prosecution.

In addition, there are also further proceedings related to the bank, in which neither the Bank nor other Group companies are currently involved, relating to the granting of loans to certain companies and/or natural persons, who would have subsequently been insolvent, as part of which certain Group executives would have been investigated. Since the Bank is not part of the investigations and is not knowledgeable of the trial documents, Banca Carige is not currently in a position to provide any further analytical details on the subject.

With regard to the complex criminal events which received extensive coverage by the media, it is not possible to provide any further analytical assessment of the afore-mentioned trial developments, which the Bank is however following with utmost attention as a party offended or damaged by the crime.

It should also be noted that, to the Bank's knowledge, under criminal proceedings no. 10688/2013 (general register of criminal offences), besides Centro Fiduciario pursuant to articles 25-ter and 25-octies of Legislative Decree no. 231, three seconded employees with management duties at the Centro Fiduciario were also investigated upon and sentenced to measures of precaution, both pre-trial detention and seizure, for the criminal offences of obstruction of public regulators pursuant to article 2638 of the Italian Civil Code, money-laundering pursuant to article 648-bis of the Italian Criminal Code and concurrence in income tax evasion under article 4 of Legislative Decree no. 74/2000; the continuation of business of the aforementioned company under court-ordered receivership was resolved upon for a six-month period as of 17 July 2014 under article 13 para. 1, 2, 15 and 45, para. 3 of Legislative Decree no. 231; in this respect it is noted that the afore mentioned period of administrative receivership came to a close on 17 January 2015 and the Centro Fiduciario has fully resumed its operations. To the Bank's knowledge, preliminary investigations are still underway with regard to the latter criminal issue.

To our knowledge, it should be noted that the Bank cannot exclude that further criminal-related misconduct may emerge from investigation developments -including against other parties- or that the facts under investigation may result in circumstances assumably leading to requests for compensation and/or claims for settlement against the Group from offended and/or damaged third parties. These assumed potential actions for damage compensation are merely hypothetical, therefore their legitimacy can hardly be assessed: in any case, should these actions for damage compensation be taken, they would hardly result in an outlay for the Bank before a sentence is passed, which is reasonable to expect may occur in a time frame of years as of today.

# Part F

## INFORMATION ON SHAREHOLDERS' EQUITY

## SECTION 1 – SHAREHOLDERS' EQUITY

### A. Qualitative Information

As at 1/1/2014, the new supervisory regulations Basel III defined by EU Regulation 575/2013 (CRR) came into force. These were implemented by the Bank of Italy in its Circular 285/2013 and subsequent updates based on which Banca Carige adopts the measures required in order to maintain a suitable amount of capital control in order to face the risks connected with its operations.

Share capital as at 31/12/2014 equals € 2,576,863,267.70 and consists of 10,167,553.157 ordinary shares and 2,554,218 savings shares, the shares do not have an indication of nominal value.

Following the results of the Comprehensive Assessment carried out by the ECB and published on 26 October 2014, The Bank took steps to forward its Capital Plan targeted towards covering the shortfall in capital. For additional information, see the Consolidated Report on Operations and Explanatory Notes.

## B. Quantitative information

Company assets: breakdown

| Captions/Amounts | Amount 31/12/2014 | Amount 31/12/2013 |
|---|---|---|
| 1. Share capital | 2,576,863 | 2,177,219 |
| 2. Share premium reserve | 368,856 | 1,020,990 |
| 3. Reserves | (295,882) | 639,056 |
| - income reserves | 56,653 | 596,241 |
| a) legal reserve | - | 235,778 |
| b) statutory reserve | - | - |
| c) reserve for treasury shares | 77,000 | 77,000 |
| d) other | (20,347) | 283,463 |
| - other | (352,535) | 42,815 |
| 3.5 Interim dividends | - | - |
| 4. Equity instruments | - | - |
| 5. (Treasury shares) | (20,283) | (21,282) |
| 6. Revaluation reserves | (248,345) | (162,138) |
| - Financial assets available for sale | 118 | (21,067) |
| - Property, plant and equipment | - | - |
| - Intangible assets | - | - |
| - Foreign investment hedges | - | - |
| - Cash flow hedges | (150,791) | (107,140) |
| - Exchange differences | - | - |
| - Non-current assets and disposal groups held for sale | - | - |
| - Actuarial gains (losses) on defined-benefit pension plan | (97,672) | (42,411) |
| - Portion of measurement reserves relating to investments carried at equity | - | - |
| - Special revaluation laws | - | 8,480 |
| 7. Net profit (loss) | (657,786) | (1,964,691) |
| Total | 1,723,423 | 1,689,154 |

B.2 Revaluation reserves for available-for-sale assets: breakdown

| Activities/Values | Total 31/12/2014 | | Total 31/12/2013 | |
|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 6,091 | (6,659) | 14,054 | (37,928) |
| 2. Equity securities | 128 | (42) | 179 | - |
| 3. Units in investment fund | 652 | (52) | 2,649 | (21) |
| 4. Loans | - | - | - | - |
| Total | 6,871 | (6,753) | 16,882 | (37,949) |

B.3 Revaluation reserves for available-for-sale assets: annual changes

| | Debt securities | Equity securities | Units in investments funds | Loans |
|---|---|---|---|---|
| 1. Opening balance | (23,874) | 179 | 2,628 | - |
| 2. Positive changes | 38,095 | 39 | 210 | - |
| 2.1 Fair value increases | 14,834 | 39 | 189 | - |
| 2.2 Reclassification through profit or loss of negative reserves | 23,261 | - | 21 | - |
| - due to impairment | - | - | - | - |
| - following disposal | 23,261 | - | 21 | - |
| 2.3 Other changes | - | - | - | - |
| 3. Negative changes | 14,789 | 132 | 2,238 | - |
| 3.1 Fair value reductions | 2,104 | 113 | 60 | - |
| 3.2 Impairment losses | - | - | - | - |
| 3.3 Reclassification throught profit or loss of positive reserves: following disposal | 12,684 | 19 | 2,178 | - |
| 3.4 Other changes | 1 | - | - | - |
| 4. Closing balance | (568) | 86 | 600 | - |

B.4 Valuation reserves relating to defined benefit plans: changes in the year

| | Employee termination indemnities | Company pension fund | Total |
|---|---|---|---|
| 1. Opening balance | (4,991) | (37,420) | (42,411) |
| 2. Positive changes | - | - | - |
| 3. Negative changes | (657) | (54,603) | (55,260) |
| 4. Closing balance | (5,648) | (92,023) | (97,671) |

## SECTION 2 – CAPITAL AND REGULATORY RATIOS

### 2.1 Own funds

### A. Qualitative Information

Own funds were calculated according to Bank of Italy's Circular No. 286 of 17 December 2013, as amended by the 3rd update of 13 January 2015.

The new discipline addressed to banks and investment entities, effective on 1 January 2014, is included in the regulation (EU Regulation no. 575/2013, hereinafter CRR), and the directive (Directive 2013/36/EU, hereinafter CRD IV) of 26 June 2013, which transpose the standards defined by the Basel Committee on supervision of banks into the European Union standards (Basel 3 framework).

On 19 December 2013, the Bank of Italy published the Circular letter no. 285, which included supervisory guidelines for banks, in application of the above-mentioned CRD IV. The new provisions entered into force on 1 January 2014. On that date, the CRR was directly applicable in each single Member State. Specifically, transitory provisions on own capitals (see Second Part, Chapter 14, Section II, of Circular letter no. 285), set out that banks are eligible to keep a prudential filter on unrealized profits and losses related to exposures to central governments and classified as "Available-for-sale assets", until the adoption in Europe of IFRS 9 standard, which will supersede IAS 39 as regards financial instruments (see Section II, par. 2, last line). 2, last line).

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

**1. Common Equity Tier 1– CET 1**

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

- Share capital
- share premium reserve
- reserve net of negative
- own shares in the portfolio
- Loss for the period
- other accumulated items in the Income Statement

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

- increments of CET 1 connected with securitised assets
- cash flow hedge
- gains from own liabilities evaluated at fair value due to its credit rating
- fair value gains deriving from its own credit risk correlated to derivative liabilities
- regulatory value adjustments

The deductions from CET 1 consist of:

- Other intangible assets
- Deferred fiscal assets that are based on future income and that do not derive from temporary differences net of the relative fiscal liabilities

- Deductions with a 10% threshold consisting of a) differed fiscal assets that are based on future income and that emerge from among the temporary differences b) significant investments in CET 1 instruments from other entities in the financial sector
- Deductions with a 17.65% threshold (the 15% threshold resulting from the transitory scheme applies until 2017) with reference to the sum of the elements indicated in the previous section lower than the 10% threshold

- Other negative elements

The impacts on CET 1 due to the transitory scheme must be added to the elements listed above.

## 2. Additional Tier 1 capital (AT1)

Additional Tier 1 capital consists of:

- Paid-in capital (savings shares)
- Share premium on savings shares
- AT 1 instruments subject to transitional "grandfathering" provisions
- Impacts on AT1 due to the transitory scheme

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

- Nominal value issued: euro 160,000,000 divided into bonds with a unit par value of euro 50,000;
- 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: if the Bank should be wound up, the bondholders - with precedence over the shareholders - must be subordinated to all other creditors. Interest payments 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 Bank has not paid dividends to shareholders. Interest is not cumulative if unpaid and the right to remuneration is permanently lost.
- Special clauses: early redemption option in favour of the issuer from 4 December 2018.

## 3. Tier 2 capital (T2).

Tier 2 capital consists of:

- Own T2 instruments
- T2 instruments subject to transitional provisions (grandfathering)
- Impacts on T2 due to the transitory scheme

The instruments calculable in T2 are represented by the following subordinated loans:
Upper Tier II subordinated bond loan issued by the Bank, with the following characteristics:

- nominal issued value: EUR 150,000,000 divided into bonds with a unitary nominal value of EUR 50,000, securities in circulation as at 31/12/2014 for a nominal value of EUR 135,000,000, value calculable in T2 EUR 119,852,136;
- 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 not equally subordinated by the Bank. 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 activities, amounts relating to capital and accrued interest can be used as loss cover. If management performance proves negative, remuneration may be suspended;

- Bond redemption must receive 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. Residual value in circulation as at 31/12/2014: EUR 100,000,000; amount calculable in T2 EUR 29,902,586;
- Rate: 6.14% p.a. nominal;
- Maturity: 29.06.2016;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence 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. Residual value in circulation as at 31/12/2014: EUR 20,000,000, amount calculable in T2 EUR 10,996,714;
- Rate: 5.70% p.a. nominal;
- Maturity: 30.06.2017;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence 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. Residual value in circulation as at 31/12/2014: EUR 50,000,000; amount calculable in T2 EUR 50,000,000;
- Rate: 5.70% p.a. nominal;
- Maturity: 17.09.2020;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence 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. Residual value in circulation as at 31/12/2014: EUR 200,000,000, amount calculable in T2 EUR 200,000,000;
- Rate: 7.321% p.a. nominal;
- Maturity: 20.12.2020;
- Subordination clause: in the event of winding-up of Banca Carige, bondholders - with precedence over shareholders, holders of innovative capital instruments and holders of hybrid capitalisation instruments - will be subordinated to all other creditors;

The Tier 2 Capital tool 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 December 2014 for a nominal value of EUR 323,036,000, nominal value calculated for Regulatory capital purposes as at 31 December 2014, EUR 300,000,000;
- Rate: 3-month Euribor + 42 b.p.s.; from June 2011, 3-month Euribor + 102 b.p.s.;
- Maturity: 07.06.2016;
- special clauses: early redemption option in favour of the issuer from June 2011
- subordination clause: in the event of voluntary or compulsory winding-up, bondholders will be reimbursed after all other creditors not equally subordinated by the Bank.

It should be noted that the T2 grandfathering also includes EUR 32 mln from the AT1 tool that could not be included in additional Tier 1 capital.

## B. Quantitative Information

| | Total 31/12/2014 |
|---|---|
| A. Common Equity Tier 1 (CET1) prior to the application of prudential filters | 1,722,682 |
| o.w. CET1 instruments subject to grandfathering/transitional adjustments | - |
| B. CET1 prudential filters (+/-) | 71,381 |
| C. CET1 gross of deductions and effects from transitional adjustments (A+/-B) | 1,794,063 |
| D. Items to be deducted from CET1 | -390,636 |
| E. Transitional adjustments - impact on CET1 (+/-) | 269,169 |
| F. Total Common Equity Tier 1 (CET1) (C-D+/-E) | 1,672,596 |
| G. Additional Tier 1 Capital (AT1) gross of deductions and effects from transitional adjustments | 128,740 |
| o.w. AT1 instruments subject to grandfathering/transitional adjustments | 128,000 |
| H. Items to be deducted from AT1 | - |
| I. Transitional adjustments - impact on AT1 (+/-) | -71,163 |
| L. Total additional Tier 1 Capital (AT1) (G-H+/-I) | 57,577 |
| M. Tier 2 Capital (T2) gross of deductions and effects from transitional adjustments | 585,148 |
| o.w. T2 instruments subject to grandfathering/transitional adjustments | 175,404 |
| N. Items to be deducted from T2 | - |
| O. Transitional adjustments - impact on T2 (+/-) | -70,097 |
| P. Totale Tier 2 Capital (T2) (M-N+/-O) | 515,051 |
| Q. Total own funds (F+L+P) | 2,245,224 |

Capital losses sterilised on debt securities issued by central governments of countries members of the European Union, included in the "Available-for-sale assets" portfolio, amounted to EUR 2.5 mln. If the option had not been carried out, CET 1 would have decreased by 0.1 million, AT1 by 0.5 million, T2 by 0.8 million; therefore the overall positive impact on own funds due to this option amounts to 1.4 million.

The 2013 regulatory capital table, drawn up according to the rules of Basel 2 is reported below. The regulatory amendments introduced in the regulatory framework as of 1 January 2014 do not allow for a like-for-like comparison with data as at 31 December 2013.

| | Total 31/12/2013 |
|---|---|
| **A. Tier 1 capital prior to the application of prudential filters** | **1,609,493** |
| B. Prudential filters for tier 1 capital: | -27,543 |
| B1 - Positive IAS/IFRS prudential filters (+) | - |
| B2 - Negative IAS/IFRS prudential filters (-) | -27,543 |
| **C. Tier 1 capital gross of items to be deducted (A+B)** | **1,581,950** |
| D. Deductions from Tier 1 capital | 196,277 |
| **E. Total TIER 1 (C - D)** | **1,385,673** |
| **F. Tier 2 capital prior to the application of prudential filters** | **888,334** |
| G. Prudential filters for Tier 2 capital: | -3,561 |
| G.1 - positive IAS/IFRS prudential filters (+) | - |
| G.2 negative IAS/IFRS prudential filters (-) | -3,561 |
| **H. Tier 2 gross of items to be deducted (F+G)** | **884,773** |
| I. Deductions from Tier 2 capital | 196,277 |
| **L. Total Tier 2 capital (TIER 2) (H-I )** | **688,496** |
| M. Items to be deducted from Tier 1 and Tier 2 | - |
| **N. Regulatory capital (E+L - M)** | **2,074,169** |
| O. Tier 3 | - |
| **P. Regulatory capital inclusive of TIER 3 (N+O)** | **2,074,169** |

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

## 2.2 Capital adequacy

### A. Qualitative Information

As part of its risk management policies, the Bank monitors all risk profiles of its assets as against its capital base on a monthly basis. The purpose of the analysis is to check compliance of the capital coefficients from a current and projected point of view (total capital ratio, tier one ratio, common equity ratio) and to prevent possible tension regarding the availability of free equity (equity exceeding the equity requirements for the assumed risks). The bank's monitoring activity is carried out both from the point of view of supervision as well as for checking the RAF (Risk Appetite Framework) indicators approved by the Board of Directors of the Parent Company, which was used to define the target risk/yield profile that the Group intends to apply in compliance with its business model and strategic plan.

### B. Quantitative Information

| Categories/Amounts | Unweighted amounts | | Weighted amounts/ requirements | |
|---|---|---|---|---|
| | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 |
| A. RISK ASSETS | | | | |
| A.1 Credit and counterparty risk | 26,889,061 | 29,657,479 | 11,998,479 | 12,141,989 |
| 1. Standardised Approach | 26,873,415 | 29,638,419 | 11,987,530 | 12,129,315 |
| 2. Internal rating-based (IRB) approach | | | | |
| 2.1.Foundation | | | | |
| 2.2 Advanced | | | | |
| 3. Securitisations | 15,646 | 19,059 | 10,950 | 12,674 |
| B. REGULATORY CAPITAL REQUIREMENTS | | | | |
| B.1 Credit and counterparty risk | | | 959,878 | 971,359 |
| B.2 Credit valuation adjustment risk | | | 1,727 | |
| B.3 Settlement risk | | | | |
| B.4 Market risk | | | 1,598 | 8,339 |
| 1. Standardised approach | | | 1,598 | 8,339 |
| 2. Internal models | | | | |
| 3. Concentration risk | | | | |
| B.5 Operational risk (2) | | | 63,661 | 88,993 |
| 1. Foundation | | | 63,661 | 88,993 |
| 2. Standardised Approach | | | | |
| 3. Advanced | | | | |
| B.6 Other calculation elements | | | | |
| B.7 Total prudential requirements (3) | | | 1,026,865 | 801,518 |
| C. RISK ASSETS AND REGULATORY CAPITAL RATIOS | | | | |
| C.1 Risk-weighted assets | | | 12,835,815 | 13,358,634 |
| C.2 Common Equity Tier 1 capital /Risk Weighted Assets (CET1 capital ratio) | | | 13.0% | |
| C.3 Tier 1 capital/Risk Weighted Assets (Tier 1 capital ratio) | | | 13.5% | 13.8% |
| C.4 Total Own Funds/Risk Weighted Assets (Total capital ratio) | | | 17.5% | 20.7% |

Values as at 31/12/2013 are in accordance with Basel II criteria (circular no. 263 of 27/12/2006 as later amended), whereas values as at 31/12/2014 are in accordance with Basel II criteria (CRR, circ. no. 285 of 17 December 2013 as later amended).

(1) Exposures in equity instruments are included.

(2) Under the provisions of article 316, paragraph 1 b) of EU Regulation 575/2013, the definition of Net interest and other banking income for calculation of the Operational Requirements differs from the definition as at 31 December 2013.

(3) Basel 3 regulations do not provide for a 25% discount on capital requirements for banks belonging to banking groups.

Banks and banking groups which calculate the capital requirement for credit and counterparty risk according to the IRB approach or the requirement for operational risk with the AMA approach also take account of the required floor.

The regulatory amendments introduced in the regulatory framework as of 01 January 2014 do not allow for comparability with data as at 31 December 2013.

The equity ratios as at 31 December 2014 were clearly higher than the minimum requirements of the applicable legislation in force on that date:

- Common Equity Tier 1 ratio ("CET1 ratio"): the ratio is equal to 13.0% with respect to a minimum level of 5.125% (4.5% + Capital Conservation Buffer: "CCB" equal to 0.625%);
- Tier 1 ratio: the ratio is equal to 13.5% with respect to a minimum level of 6.125% (5.5% + 0.625% of CCB);
- Total Capital Ratio: the ratio is equal to 17.5% with respect to a minimum level of 8.625% (8% + 0.625% of CCB).

Additionally, it is pointed out that EU Regulation no.1024 dated 15 October 2013 attributes power to the European Central Bank to request the monitored banks to maintain an amount of own funds that exceeds the minimum equity requirements defined by current legislation. As of the date of preparation of this yearly financial report, the ECB did not provide the Bank with its own final decision regarding the minimum equity ratios that the Bank is required to respect on an individual level. Based on the information that is available, it is believed that the Bank's equity funds are adequate in view of the more stringent requirements that the Supervisory Authority will impose on the Bank upon completion of the Supervisory Review and Evaluation Process (SREP).

# Part G

# BUSINESS COMBINATIONS

## SECTION 1 – TRANSACTIONS PERFORMED DURING THE YEAR

### 1.1. Business combinations

During the year, no business combinations, as regulated by IFRS 3, were carried out.

## SECTION 2 – TRANSACTIONS PERFORMED AFTER YEAR END

### 2.1. Business combinations

No business combinations were performed after the end of the financial year.

## SECTION 3 – ADJUSTMENTS WITH RETROSPECTIVE EFFECT

No adjustments with retrospective effect were made after the end of 2014.

# Part H

## TRANSACTIONS WITH RELATED PARTIES

This section contains information regarding related parties as required under IAS 24 “Related Party Disclosures” and according to Consob regulations.

This section also supplies information on the main transactions excluded by the application of proceedings set out pursuant to the Consob notice no. 17221 of 12 March 2010, in application of provisions set forth by the regulation on transactions with related parties adopted by Banca Carige Board of Directors.

1. Information relating to remuneration for Directors and Executives with strategic responsibilities (figures in thousands of Euro)

| *REMUNERATION* | *31/12/2014* |
|---|---|
| *(a) directors* | 3,344 |
| *(b) statutory auditors* | 317 |
| *(c) executives with strategic responsibilities* | 2,034 |
| *Total* | 5,695 |

(*) Payments net of VAT and trade pension funds.

The amounts indicated refer to emoluments due to directors, statutory auditors and executives with strategic responsibilities of both the Parent Company and other Group companies.

## 2. Disclosure on transactions with related parties

2.1 Transactions with shareholders exercising significant influence and investees *(EUR/000)*

| | *Assets* | *Liabilities* | *Guarantees and commitment* | *Income* | *Expenses* | *Dividends* |
|---|---|---|---|---|---|---|
| *Carige shareholders exercising significant influence and group company to which they belong ( 1)* | 80,067 | - | - | 893 | - | - |
| *Subsidiaries (2)* | 4,648,466 | 2,752,546 | 29,984 | 149,936 | 46,004 | 8,602 |
| *Companie s subject to significant influence and their subsidiaries (2)* | - | 4,826 | 61 | 80 | 13 | 3,241 |
| *TOTAL* | 4,728,533 | 2,757,372 | 30,045 | 150,909 | 46,017 | 11,843 |

(1) Dividends distributed by Banca CARIGE S.p.A.

2) Dividends collected

2.2 Transactions with other related parties (EUR/000)

| *Type of relationship* | *Balance* | *Revenues* | *Costs* |
|---|---|---|---|
| *Assets* | 2,242 | 44 | |
| *Liabilities* | 750 | | 4 |
| | | | |
| *Guarantees* | - | | |
| | | | |
| *Cost for the purchase of assets and provision of services* | | | - |

Details on investees can be found under “Relations with investee companies” in the Report on Operations.

Other related parties include:

a) "executives with strategic responsibility for the entity; this refers to those who have the power and responsibility, directly or indirectly, for the management and control of the Bank's activities, including the Directors, Statutory Auditors, Chief Executive Officer and key Managers.

b) close relatives of one of the parties referred to under item a) above; this refers to persons who are expected to influence, or be influenced by, the interested party in their relations with the Group and therefore, by way of example, may include the cohabitant partner and dependents of the interested party or cohabitant partner.

c) "Parties controlled by, jointly controlled by or subject to the significant influence of one of the parties referred to under points a) and b) or in which such parties hold significant direct or indirect voting rights".

## 2.3 Significant transactions

The following significant transactions were carried out during the year:

- with the subsidiary Creditis Servizi Finanziari S.p.A., concerning the granting/renewal of loans for a total of approx. EUR 336 million;
- the repurchase of bonds issued by Banca Carige S.p.A. from the subsidiary Banca Carige Italia S.p.A., which were previously repurchased from customers for a nominal value of EUR 179 million;
- the repurchase, and subsequent redemption from the subsidiaries Cassa di Risparmio di Savona S.p.A., Cassa di Risparmio di Carrara S.p.A. and Banca del Monte di Lucca S.p.A. of bonds outstanding with the Parent Company (respectively EUR 245 million, 146 million and 100 million).

  These transactions were excluded from application of the procedures in accordance with the "Regulations for transactions with related parties and associated entities", approved by the Board of Directors of the Parent Company in accordance with the "Regulation on Related Party Transactions" adopted by Consob with its Resolution no. 17221 of 12 March 2010 and with the Supervisory Instructions issued by the Bank of Italy on "Risk assets and conflict of interest in relation with associated parties".

# Part I

# SHARE-BASED PAYMENT AGREEMENTS

## A. Qualitative Information

1. Description of payment agreements based on own equity instruments

The remuneration policies of the CARIGE Banking Group for 2014, based on the one last approved by the ordinary shareholders' meeting of the Parent Company Banca Carige S.p.A. dated 30 April 2014, define the structure of the variable component for the various personnel categories in the Banks of the Group, allowing Banca Carige S.p.a. to use short-term incentive systems for its most important personnel, with partial disbursement in "cash" and with the deferred pro-quota payment in 5 annual payments (cash or financial instruments connected to the value of the shares of the Parent Company).
Without prejudice to the conditions specified below, all the components in financial instruments include the possible payment in “Performance Units”, meaning “virtual” share units that will be transformed into money based on the variation of the underlying share value between the start of the granting of the “virtual shares” and the moment of their transformation.
The plan based on Performance Units includes the initial fixing of a defined number of Performance Units, which is determined based on an initial price of the underlying share (calculated as the average of the share price for the previous quarter). This number of Performance Units, at the end of the performance period (so-called vesting) and the lock up period (additional maturity period of 2 years for cash instruments and 1 year for deferred instruments), is multiplied by the obtained performance and by the current value of the share price (calculated as the average of the share price for the previous quarter, possibly taking into account adjustments to the share price following extraordinary company operations) and liquidated in cash.
During 2014, no incentive schemes were set up at Group level and therefore no *Performance Units* were assigned during the year to any potential recipients of such schemes.

<u>Annual incentive plan (IBT) and long-term deferment system (ILT)</u>
In relation to the previous remuneration policies of the CARIGE Banking Group, based on the one last approved by the ordinary shareholders' meeting of the Parent Company Banca Carige S.p.A. dated 29 April 2013, the following was planned:

- an IBT deferment system structured based on the management level (Top Management and Central Risk Taker Managers) that included a deferred percentage of the bonus equal to 20% through the attribution of Performance Units subjected to a 2 year lock up period.
  The right of payment, under condition of a positive performance, is conditional to:
  - the presence of the employee in the Company;
  - financial strength and income efficiency of the Bank and the Group.
- a long term incentive system ILT (three-year), fully deferred and intended for management who was to be attributed Performance Units subjected to a vesting and lock up period that varied between 4 and 6 years. In other words, the actual payment of ILT will be made starting from the year following the three-year period under evaluation, with a proportional mechanism (1/3 per each of the three years following the three-year period considered).
  The right of payment is conditional to the achievement of positive performance in at least two of the three reference years, measured through the IBT system, and provided that, upon payment, the following conditions occur:
  - presence of the employee in the company;
  - equity solidity and income efficiency of the Bank and the Group.

In this respect and in relation to the appointment of the Managing Director (hereafter the “Manager”) whose acceptance of the office and powers starting as at 5/11/2013, a variable remuneration will eventually be defined consisting partially of cash and partially in Performance Units and in any case coherent with the current Remuneration Policies which can mature proportionally to the attainment of objectives in accordance with the industrial plan at the end of each three-year term, during the course of which the Manager continuously exercised his office and powers.

The fair value of the financial liabilities relative to the Performance Units, without prejudice to the inherent positive performances and the above cited conditions, is determined by estimating the number of them - on the base of the variables specified by the Remuneration Policies - and applying the ordinary pricing model for the options on equity instruments.

In relation to the current plans, the following is pointed out:

- In relation to the non-verification of the conditions of income efficiency of the Bank and the Group, the deferred shares of IBT, as well as the third payment of the ILT 2009-2011 were not paid;
- The requirement for activating the right to payment of the ILT 2012-2014 was not fulfilled regarding the attainment of positive performance for at least 2 years of the three-year period of reference, measured by means of the IBT.

2. Description of payment agreements based on own equity instruments and equity-settled

With reference to Managers, there are provisions for a one-off incentive payment for the acceptance of the appointment and the associated authority, of 2,814,250 Banca CARIGE ordinary shares under the following conditions: one unit was assigned to each ordinary share. Half the units were converted into ordinary shares, of which the Manager became the holder as at 30 April 2014 (for 1,407,129 shares). As regards the other half, they were converted into ordinary shares of which the Manager will become the holder as at 29 April 2015 (for a total of 1,407,129 shares + 1,407,129 shares/25*93= 6,641,649 shares, taking into account the diluting effect of the increase in capital that took place during 2014) if the Manager will still be exercising the attributed office and powers as of that date.
This case concerns operations with employees and third parties who provide similar services, for which there is the indirect measurement of the fair value, referring to the fair value of the assigned equity instruments. In that case, the fair value of the equity instruments (ordinary Banca CARIGE shares) was determined on the date of assignment of the instruments identified on the date of accepting the office and powers (so-called “grant date”).

B. Quantitative Information

### 1. Annual changes linked to payment agreements based on own equity instruments and settled in cash

| Items/Number of options and exercise prices | Total (2014) | | | Total (2013) | | |
|---|---|---|---|---|---|---|
| | Number of options | Average exercise price | Average maturity | Number of options | Average exercise price | Average maturity |
| A. Outstanding at beginning of period | 9,921,754 | 0.4426 | nov-16 | 6,590,353 | 0.5641 | nov-16 |
| B. Increases | | | | | | |
| B1. New issues | | | | 4,146,338 | 0.4430 | apr-17 |
| B2. Other | | | | | | |
| C. Decreases | | | | | | |
| C1. Forfeited | - 5,872,332 | 0.1746 | mar-16 | - 814,937 | 0.5048 | apr-14 |
| C2. Exercised | | | | | | |
| C3. Expired | | | | | | |
| C4. Other | - 1,972,201 | 0.4431 | apr-17 | | | |
| C5. Other | | | | | | |
| D. Outstanding at end of period | 2,077,221 | 0.4431 | mar-17 | 9,921,754 | 0.4426 | nov-16 |
| E. Options exercisable at year-end | | | | | | |

- 2. Annual changes linked to share-based payment agreements settled with equity instruments

| Items/Number of options and exercise prices | Total (2014) | | | Total (2013) | | |
|---|---|---|---|---|---|---|
| | Number of options | Average exercise price | Average maturity | Number of options | Average exercise price | Average maturity |
| A. Outstanding at beginning of period | 2,814,258 | 0.5665 | ott-14 | - | - | |
| B. Increases | | | | | | |
| B1. New issues | | | | 2,814,258 | 0.5665 | ott-14 |
| B2. Other | 5,234,520 | 0.1200 | apr-15 | | | |
| C. Decreases | | | | | | |
| C1. Forfeited | | | | | | |
| C2. Exercised | - 1,407,129 | 0.576 | apr-14 | | | |
| C3. Expired | | | | | | |
| C4. Other | | | | | | |
| C5. Other | | | | | | |
| D. Outstanding at end of period | 6,641,649 | 0.2146 | apr-15 | 2,814,258 | 0.5665 | ott-14 |
| E. Options exercisable at year-end | | | | | | |

- 3. Other information

In relation to the ILT Plan for the three year period 2012-2014, for the share pertaining to financial year 2014, no charges were recorded as the requirement for activating right to its payment relative to reaching a positive performance in at least 2 years of the three-year period of reference, measured with IBT, was not satisfied. Therefore, all of the Performance Units that were originally attributed were annulled.

Similarly, also the third tranche of the ILT Plan 2009-2011, as well as the deferred shares pertaining to the IBT were also annulled.

With regard to the variable remuneration of the Manager, reconciled with regard to the schemes of the 2014 Remuneration Polices, the Performance Units (recalculated following the cited reconciliation) mature pro-rata temporis and are evaluated as at 31/12/2014 (for the outstanding part. The direct charge in the Income Statement as at 31/12/2014 equals EUR 416,875.18, of which 114,748.4 for charges with payments in Performance units, which offsets amounts due to personnel (Other liabilities).

Lastly, in relation to the one-off incentive for the acceptance of office and powers by the Manager, given equity instruments mature during specific service provision periods, the expense is booked to the income statement in the maturity period, at the same time as provision of the services, with a corresponding increase in shareholders' equity. Therefore, accounting of the personnel costs recorded for the year amounts to EUR 1,079,385 and the balance as at 31/12/2014 of the specific shareholders' equity reserve amounts to EUR 619,997.

# Part L

# SEGMENT REPORTING

Operating segment reporting is performed at consolidated level

# CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 81 TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND FOLLOWING AMENDMENTS AND SUPPLEMENTS

# Certification of the financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and following amendments and supplements

1. The undersigned Piero Luigi Montani, in his capacity as Managing Director, and Luca Caviglia, in his capacity as Manager responsible for preparing the Company's financial reports, of Banca CARIGE S.p.A., certify, taking also into consideration Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the Company's features and
   - the actual application,

   of the administrative and accounting procedures put in place for preparing the financial statements during the year 2014.

2. The assessment of the adequacy of the administrative and accounting procedures put in place for preparing the financial statements as at 31 December 2014 is based on a Model defined by Banca CARIGE S.p.A. *consistently with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents the international* commonly accepted standard for internal control system.

3. The undersigned also certify that:

   3.1 the financial statements:

   a. have been drawn up in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of 19 July 2002;

   b. correspond to the results of the accounting books and records;

   c. are suitable to provide a true and correct representation of the assets and liabilities and of the economic and financial situation of the issuer.

   3.2 The report on operations contains a reliable analysis of the trend and operating results, as well as the situation of the issuer, together with a description of the main risks and uncertainties that it faces.

Genoa, 3 March 2015

| The Managing Director<br>Piero Luigi Montani | The Manager responsible for preparing<br>the Company's financial reports<br>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.*

# PROPOSAL FOR THE SHAREHOLDERS' MEETING

# PROPOSAL FOR FINANCIAL STATEMENTS APPROVAL AND COVERAGE OF LOSS FOR THE YEAR

Dear Shareholders,

The 2014 Financial Statements, together with the Board of Directors' Report on Operations, the Report of the Board of Statutory Auditors and the Independent Auditors' Report are herewith submitted to you for approval. Our proposal is for you to:

1) approve the Financial Statements of Carige S.p.A. – Cassa di Risparmio di Genova e Imperia as at 31 December 2014 (consisting of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and Explanatory Notes), which reported a net loss of Euro 657,786,161.92, as well as the Board of Directors' Report on Operations;

2) use the share premium reserve to cover the 2013 loss for the year, carried forward for an amount of EUR 173,499,966.69;

3) carry forward the 2014 loss for the year amounting to EUR 657,786,161.92.

By so resolving, the shareholders' equity of Banca Carige amounts to Euro 1,723,421,641.49.

Genoa, 3 March 2015 The Board of Directors

# REPORT OF THE BOARD OF STATUTORY AUDITORS

**BANCA CARIGE S.p.A.**
**Financial Statements at 31 December 2014**
**Board of Statutory Auditors' Report to the Shareholders' Meeting pursuant to article 153 of Italian Legislative Decree no. 58/1998 of the Consolidated Law on Finance (T.U.F.) and article 2429 of the Italian Civil Code**

**Introduction.**

Dear Shareholders,
you are reminded first of all that the composition of the Board of Statutory Auditors of Banca Carige S.p.A. changed during financial year 2014 with regard to two of the three members, due to:

- the appointment of a new Board of Statutory Auditors by the Shareholders' Meeting resolution of 30 April 2014, on completion of the previous Board's term of office, composed of Mr. Stefano Lunardi - confirmed as Chairman, Ms. Maddalena Costa and Mr. Diego Maggio, and
- by the determination on 15 May 2014 that Standing Auditor Diego Maggio did not meet the independence requirements and was consequently replaced with effect from the same date by Alternate Auditor Vittorio Rocchetti, drawn from the same list.

In the course of 2014 the Board of Statutory Auditors performed the supervisory activity envisaged by the law and the Board of Statutory Auditors' Code of Conduct issued by the Italian National Council of Chartered Accountants and Accounting Experts.

The Board of Statutory Auditors examined, within its sphere of competence, the draft financial statements of Banca Carige S.p.A. and the consolidated financial statements of Banca Carige Group at 31 December 2014, prepared by the Board of Directors of your company and forwarded to the Board of Statutory Auditors.

As explained above, two of the three current members of the Board of Statutory Auditors which drafted this report, have performed their duties since their respective appointments (30 April 2014 for Ms. Maddalena Costa and 15 May 2014 for Mr. Vittorio Rocchetti).

In performing its supervisory activity, in compliance with the Bank of Italy Supervisory Regulations and its own internal rules, the Board of Statutory Auditors gathered information from various departments and the control units in particular, working in close coordination with the other Control Bodies of the Company and the Boards of Statutory Auditors of the other Group Companies.

The Board of Statutory Auditors also verified its own adequacy in terms of powers, functions and composition, considering the extent, complexity and activities carried out by the Bank, checking the suitability of its members to carry out its duties in compliance with the requirements of professional competence, integrity, time availability and independence, and ensuring that all its members complied with the regulatory limits on the number of offices held.

The Board of Statutory Auditors, in accordance with the law (in particular adopting the layout indicated in Consob communication DEM/1025564 of 6 April 2001 and subsequent amendments and integrations), hereby reports on the areas within its sphere of competence for financial year 2014, in its capacity as control body and Internal Control and Auditing Committee of an institution of public interest pursuant to article 19 of Italian Legislative Decree no. 39/2010.

## 1. Considerations on key transactions.

In the performance of its duties, in particular diligently taking part in meetings of the Board of Directors (27 meetings), the Executive Committee (31 meetings), the Risk Committee (18 meetings), the Remuneration Committee (6 meetings) and the Appointments Committee (3 meetings), the Board of Statutory Auditors examined the Company's main economic, financial and equity transactions, and assessed their compliance with the law and the articles of incorporation.

The Board concludes that no transactions were performed that can be considered clearly imprudent or risky, in potential conflict of interest, contrary to the resolutions of the Shareholders' Meeting or such as to compromise the Company's assets.

The transactions and events concerning the Company and/or Group companies of greatest significance during the year were as follows:

- On 10 January 2014, the Italian Securities and Exchange Commission, Consob, issued ruling no. 18758 asserting non-compliance of the Consolidated and Separate Financial Statements at 31 December 2012 and the Consolidated Half-Year Report at 30 June 2013 for Banca Carige S.p.A. with the financial reporting standards, in particular with regard to the outcome of the impairment tests on goodwill reported in the financial statements (and other specific items); thereafter, on 22 January 2014, the Company issued a press release providing the information requested by Consob.
- In addition to the above issues of non-compliance, on 4 March 2014 Consob also notified the Company of the initiation of proceedings regarding the adoption of measures pursuant to article 154 *ter* of Leg. Dec. no. 58/1998, concerning the additional technical provisions posted by Carige Assicurazioni S.p.A. in its 2012 financial statements. The Bank submitted its observations on this matter on 18 March 2014 and there have been no further developments to date.
- On 19 March 2014, Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A. (insurance parent company) were notified of violations found during the IVASS inspections conducted at the insurance subsidiaries in the period 1 October 2013 to 27 February 2014. In view of this outcome, the Carige Assicurazioni Board of Directors resolved on 20 March 2014 to request a recapitalisation of EUR 92 million from the Parent Company to restore an available solvency margin of approximately 120% of the required margin. On 27 March 2014 this request was accepted by the Banca Carige Board of Directors which, subject to the necessary authorisations from the Bank of Italy, resolved to approve the capital strengthening of Carige Assicurazioni SpA for the aforementioned amount. Following the Bank of Italy approval registered under protocol no. 0540135/14 of 26 May 2014, on 30 June 2014 Banca Carige S.p.A. subscribed a capital increase of Carige Assicurazioni S.p.A. for a total of 287,494 new shares and an amount of EUR 91,998,080.
- On 27 March the Board of Directors approved the Banca Carige Group 2014–2018 Business Plan, made public in condensed form, whose strategy is to reconfirm Carige's vocation as a locally rooted retail bank, focusing on northern Italy, serving households and small- to medium-sized businesses.
- On 14 July 2014 the certificate was registered in the Companies Register for the full subscription of a capital increase for a maximum EUR 800 million as part of the capital strengthening recommended by the Bank of Italy during its 2013 inspections. The pre-emptive offering of up to 7,992,888,534 newly issued ordinary shares beginning on 16 June 2014 was

completed on 4 July 2014; during the offering period pre-emptive rights were exercised for the subscription of 99.9% of the new shares for a total amount of EUR 798,170,398. All pre-emptive rights that were left unexercised at the end of the rights offering period were sold on 8 July 2014. These rights were later exercised in full by 11 July 2014 with the subscription of further new shares for an overall amount of EUR 1,118,455. The Public Offering was thus completed with the subscription of all 7,992,888,534 new shares, for a total amount of EUR 799,288,853, without the underwriting syndicate having to step in.

The capital increase was launched by the Board of Directors' resolution of 27 March 2014 giving execution to the Board's power to increase share capital granted by the Extraordinary Shareholders' Meeting of 29 April 2013. The Board of Directors, exercising the aforementioned power, resolved a share capital increase with consideration, in one or more tranches, for EUR 800 million, including share premium if any, via the issue of ordinary shares having regular dividend entitlement and the same characteristics as the shares outstanding at the date of issuance, with no indication of par value, to be offered pre-emptively to holders of ordinary and savings shares in proportion to their holdings. The amount of the capital increase, of EUR 800 million, was determined by the Board of Directors by taking into consideration the 2013 full-year results, the new Banca Carige Group 2014-2018 Business Plan, the capital base required by the new Basel 3 Regulations and the fact that the ongoing asset disposal plan was unlikely to be completed quickly, in line with the Group's capital strengthening requirement.

On 11 June 2014, Consob approved the Registration Document, Informative Note and Summary Note, constituting the Prospectus for the rights issue offered to Banca Carige’s ordinary and savings shareholders and admission to trading of Banca Carige’s ordinary shares arising from the share capital increase on the Electronic Stock Market (Mercato Telematico Azionario, MTA) organised and managed by Borsa Italiana S.p.A.

The final terms and conditions for the share capital increase were set by the Board of Directors on 12 June 2014, approving the issuance of up to 7,992,888,534 new ordinary shares in the offering period running from 16 June 2014 to 4 July 2014 at a subscription price of EUR 0.10 (applying a 40.78% discount on the Theoretical Ex-Rights Price - TERP, calculated on the 12 June 2014 closing price of EUR 0.414) for each new share, of which EUR 0.05 as share premium, with a ratio of 93 newly issued shares for every 25 ordinary and/or savings shares held.

The underwriting syndicate was initially established via the pre-underwriting agreements signed on 20 February 2014 by and between the Bank, Mediobanca - Banca di Credito Finanziario S.p.A. (as global coordinator and joint bookrunner) and the other participating banks. The underwriting agreement was entered into on 12 June, with the inclusion of other banks as co-lead managers.

- On 30 April 2014 the Ordinary Shareholders' Meeting among other things confirmed the position of Director Piero Luigi Montani, formerly co-opted by the Board meeting of 29 October 2013 and appointed Chief Executive Officer with effect from 5 November 2013, with term of office expiring together with the other directors on the occasion of the Shareholders' Meeting called to approve the 2015 financial statements.

  On 6 May 2014 the Board of Directors confirmed Piero Luigi Montani as Chief Executive Officer, grating him powers and proxies similar to those conferred by the meeting of 29 October 2013.

- On 22 May 2014 the Public Prosecutor of Genoa via the GIP (investigating magistrate) placed a preliminary injunction on several subjects including the previous Chairman of the Bank, in relation to alleged offences concerning events involving the Bank and the insurance companies since 2005.

- On 18 July 2014 the Public Prosecutor of Genoa via the investigating magistrate placed a preliminary injunction on several subjects including the previous Chairman of the Bank and the previous General Manager of the subsidiary Centro Fiduciario CF S.p.A., as well as a preliminary measure of compulsory administration on the company pursuant to article 45 of Leg. Dec. no. 231/2001, in relation to alleged offences concerning events involving the subsidiary since 2011. The preliminary measure on the subsidiary was lifted on 17 January 2015.
- On 7 August 2014 the Bank of Italy notified Banca Carige S.p.A. of the sanction issued with resolution protocol no. 731912 of 18 July 2014 pursuant to article 145 of Leg. Dec. no. 385/1993 (T.U.B.) against some of the previous directors and standing auditors of the Company, as a result of the inspections conducted from 3 December 2012 to 13 March 2013 and 14 March to 26 July 2013.
  On 7 August 2014 the Bank of Italy also notified Banca Carige S.p.A. of the anti-money laundering sanction issued with resolution protocol no. 0626326/14 of 18 June 2014 pursuant to article 145 of Leg. Dec. no. 385/1993 and article 56 of Leg. Dec. no. 231/2007 against the Company as a result of the inspections conducted from 14 March to 26 July 2013.
  The Board of Statutory Auditors' previous report for financial year 2013 gives details on the areas within the Board's remit regarding the issues raised by the Regulator; the main corrective actions taken by the Company, within the remit of the Board of Statutory Auditors, are discussed in greater detail below.
- On 17 September 2014 Carige Group took part in the first Targeted Longer-Term Refinancing Operation (T-LTRO), part of the refinancing programme decided by the Governing Council of the European Central Bank on 5 June 2014, for EUR 700 million, with an option for further borrowing for an amount yet to be defined, in the region of around EUR 400 million. The operation followed the Board of Directors' resolution of 1 August 2014 to apply to the ECB for T-LTRO lending through the Bank of Italy, and the Bank of Italy's authorisation on 11 September 2014 for access to the said refinancing for an initial maximum of approx EUR 1.14 billion.
- On 30 September the Bank signed an agreement with the trade unions which, among other things and in line with the 2014-18 Business Plan, included an incentive-based retirement scheme for at least 600 employees and the recruitment of 150 resources by the end of 2018, in addition to a review of the staff remuneration structure aimed at achieving recurring savings on labour costs.
- On 26 October 2014 the European Central Bank published the results of its comprehensive assessment of the main European operators in the sector. For Banca Carige Group the asset quality review and stress test (connected by a "join-up"), found a capital shortfall, due specifically to the adverse stress situation, for a total EUR 813.4 million.
  On 26 October 2014 the Board of Directors therefore approved a capital plan for submission to the European Central Bank which foresaw, among the capitalisation measures to be completed by July 2015 involving a share capital increase with consideration of not less than EUR 500 million, the disposal of the Group's assets in the insurance, private banking and consumer credit segments, and the purchase of the subsidiary banks' minority shareholdings.
  Execution of the capital plan began in late 2014, and underwent a number of modifications described by the Directors in the appendix to the 2014 draft financial statements (raising the share capital increase with consideration to Euro 850 million), following changes introduced

by the European Central Bank in March 2015. Among these the ECB laid down specific obligations regarding increases to consolidated own funds to reach a Common Equity Tier 1 ratio (CET1R) of 11.50% by the end of July 2015 and a ban on the distribution of dividends; these matters are also described by the Directors in the aforesaid appendix. The proposed share capital increase with consideration, to be achieved via a pre-emptive offering to shareholders of a maximum EUR 850 million, was fully underwritten by a consortium of leading financial institutions under the global coordinator MEDIOBANCA - Banca di Credito Finanziario S.p.A.

- On 28 October 2014 the Company, partly in execution of one of the Bank of Italy's principal recommendations at the conclusion of its 2013 inspections, signed an agreement with Apollo Management Holdings L.P. for the establishment of a bancassurance partnership providing for the sale to Apollo of 100% of Banca Carige's shares in Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A and the stipulation of long-term distribution agreements for life and accident insurance products among the bank and these companies. The preliminary agreement for the sale of the Company's shareholdings in the insurance subsidiaries Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A., specifies, among other things, a total price of EUR 310 million, and a commitment by the Company and the other Group banks on long-term distribution agreements for the life and accident insurance products.
- On 4 November 2014 the Banking Group came under the supervision of the European Central Bank, following European Council Regulation (EU) no. 1024/2013 of 15 October 2013. The Group is therefore currently supervised by this Regulator within the European Single Supervisory Mechanism.
- On 16 December 2014, as part of the measures foreseen by the capital plan then under examination by the European Central Bank, the Board of Directors resolved to begin negotiations with the minority shareholders of the banks controlled by Group Banca Carige, for the purchase of their minority stakes via a share capital increase with consideration, excluding the pre-emptive rights of existing shareholders, to be effected via contribution in kind of the non-controlling interests held by the shareholders.

## 2. Atypical and/or unusual transactions, including intercompany transactions and transactions with related parties.

In performing its activities regarding corporate transactions, the Board of Statutory Auditors concludes that no atypical and/or unusual transactions were carried out, including intercompany transactions or transactions with related parties.

The Board of Statutory Auditors supervised the observance of the procedures adopted to ensure the transparency and substantial and procedural correctness of the transactions with related parties, obtaining full information on this matter from the Board of Directors and the other Bank departments.

## 3. Assessment of the adequacy of the information provided in the management report on operations as regards atypical and/or unusual transactions, including intercompany transactions and transactions with related parties.

The Board of Statutory Auditors obtained from the Directors, in compliance with the provisions of article 150 of T.U.F. and article 20 of the Articles of Association, regular quarterly information on activities and significant economic, financial and capital transactions carried out by the Company.

No atypical and/or unusual transaction is mentioned in the report on operations or explanatory notes and the Directors give full information on the relationships with subsidiaries and related parties.

The Board of Statutory Auditors concludes that the information contained in the management report on the financial statements as regards atypical and/or unusual transactions, including intercompany transactions and transactions with related parties is adequate.

## 4. Observations and proposals on the findings and references to information in the Independent Auditors' Report.

The Shareholders' Meeting of 29 April 2011, in compliance with the law and the articles of association, appointed Reconta Ernst & Young S.p.A. as Independent Auditor of the accounts for the nine-year period 2012-2020.

The Board of Statutory Auditors supervised the statutory audit of the annual and consolidated accounts in the performance of its duties as Internal Control and Auditing Committee of an institution of public interest pursuant to article 19 of Italian Legislative Decree no. 39/2010.

The Auditor verified that the draft financial statements and consolidated financial statements at 31 December 2014 correspond to the entries in the books and accounting records, and were compliant with financial reporting standards, and concluded their audit giving professional opinions in the reports dated 26 March 2015.

The Auditor's reports contain the following opinions and references to information, with no specific findings:

- The financial statements of Banca Carige S.p.A. at 31 December 2014 "*comply with the International Financial Reporting Standards adopted by the European Union and with the instructions issued enacting article 9 of Italian Legislative Decree no. 38/2005. The statements are therefore clearly drafted and provide a truthful and accurate representation of the financial and equity positions, economic result and cash flows of Banca Carige S.p.A. – Cassa di Risparmio di Genova e Imperia for the financial year ending at that date*";
- The consolidated financial statements of Banca Carige Group at 31 December 2014 "*comply with the International Financial Reporting Standards adopted by the European Union and with the instructions issued enacting article 9 of Italian Legislative Decree no. 38/2005. The statements are therefore clearly drafted and provide a truthful and accurate representation of the financial and equity positions, economic result and cash flows of Banca Carige Group for the financial year ending at that date*";
- Information is provided by the Directors regarding the Group's capital strengthening plan and in particular the proposed capital increase of EUR 850 million.

The Board of Statutory Auditors has no observations or recommendations to make on this matter; please see paragraphs 16 and 18 below for further information regarding the independent audit of the accounts.

## 5. Claims pursuant to article 2426 of the Italian Civil Code, measures taken and relative outcomes.

No claims pursuant to article 2408 of the Italian Civil Code were lodged with the Board of Statutory Auditors during the year.

## 6. Presentation of petitions, initiatives taken and related outcomes.

No petitions were filed with the Board of Statutory Auditors during the year.

## 7. Assignment of additional tasks to the Independent Auditors and related costs.

The Auditor duly informed the Board of Statutory Auditors, in compliance with article 17, paragraph 9 of Italian Legislative Decree no. 39/2010, of any tasks assigned to the Auditor by the Company in addition to the statutory audit of the accounts, either during the year or in other years but with costs bookable in the period.

The tasks are listed below, indicating the year assigned, the pro-rata costs for the financial year (excluding VAT and expenses), and the main company procedures involved:

| *Brief description of the task* | *Year ass.* | | *2014 Capital Increase* | *AQR and stress tests (EC)* | *Other* |
|---|---|---|---|---|---|
| - examination of Covered Bond report | 2013 | Euro | - | - | 6,200 |
| - examination of Covered Bond 2 report | 2013 | " | - | - | 6,200 |
| - examination of Argo Mortgage 2 securitisation report | 2013 | " | - | - | 6,200 |
| - FINREP/COREP workgroup support | 2013 | " | - | - | 70,000 |
| - examination of loan book 30.9.2013 | 2013 | " | - | - | 40,000 |
| - agreed-upon procedures for Banking Group loan book | 2014 | " | - | 80,000 | - |
| - examination of consolidated Forecasts and Estimates | 2014 | " | 250,000 | - | - |
| - AQR workgroup support | 2014 | " | - | 283,000 | - |
| - voluntary restricted audit 31.3.2014 | 2014 | " | 90,000 | - | - |
| - comfort letters - prospectus | 2014 | " | 350,000 | - | - |
| - comfort letters - international offering circular | 2014 | " | 350,000 | - | - |
| - 2014 fast closing workgroup support | 2014 | " | - | - | 150,000 |
| Total | | Euro | 1,040,000 | 363,000 | 278,600 |

The particularly intense use of the Auditor's services, beyond the auditing, is attributable, in the year just ended, to the extraordinary activities involving various areas of the Bank (the capital increase, the ECB comprehensive assessment, the specially tight deadline for closure of the annual financial statements following the regulatory changes); a similar situation arose the previous financial year due to other extraordinary circumstances (the Bank of Italy's inspection for the asset quality review, and the new legal and regulatory obligations).
In these circumstances the Company preferred to outsource some tasks to the Auditor, having the skills and expertise needed to complete the activities required in the limited time available.
We foresee that such a situation will arise again in 2015, given the extraordinary activities required of the Bank in this period (in particular the operations to implement the capital plan resulting from the outcome of the comprehensive assessment).

We should also point out that the Shareholders' Meeting of 30 April 2014 has been duly informed of the fact that the Independent Auditor's fees have been increased with respect to the original figure (approved by the Shareholders' Meeting of 29 April 2011 and updated on 19 March 2013 for the creation of Banca Carige Italia S.p.A.), for financial year 2013 in light of the additional hours effectively worked, and raised for the period 2014-2020 in view of the higher expected workload and greater complexity of the auditing process given the originally unforeseen changes in the work and conditions. This increase in fees was judged acceptable, after hearing the Board of Statutory Auditors, in consideration of the original proposal and the Consob rules on such matters, as detailed in the minutes of the said Shareholders' Meeting. The hours and total fees for the statutory audit of the Banca Carige S.p.A. accounts were raised for 2013 by 1,494 hours and EUR 176,168, and for 2014 and the following years by 1,310 hours and EUR 150,913.

In relation to the above, and taking into account the identification criteria for threats and risks to the Auditor's independence described in the applicable auditing principles, the Board of Statutory Auditors concludes that, taking everything into consideration, the tasks assigned do not compromise the Auditor's independence.

## 8. Assignment of tasks to subjects linked to the Independent Auditor through ongoing relationships, and related costs.

The Auditor duly informed the Board of Statutory Auditors, in compliance with article 17, paragraph nine of Italian Legislative Decree no. 39/2010, of any tasks assigned, either during the year or in other years but with costs bookable to the period in question, by the Company to subjects linked to the Auditor through ongoing relationships.

The tasks are listed below, indicating the year assigned, the pro-rata costs for the financial year (excluding VAT and expenses), and the main company procedures involved (in all cases the work was entrusted to Ernst & Young Financial-Business Advisors S.p.A.):

| *Brief description of the task* | *Year ass.* | | *2014 Capital Increase* | *AQR and stress tests (EC)* | *Other* |
|---|---|---|---|---|---|
| - Centro Fiduciario workgroup support | 2014 | Euro | - | - | 305,000 |
| - Review of Manager in Charge procedure article 154 *bis* | 2014 | " | - | - | 75,000 |
| Total | | Euro | - | - | 380,000 |

In relation to all of the above, and taking into account the identification criteria for threats and risks to independence described in the applicable auditing principles, we refer you to what this Board of Statutory Auditors has stated above regarding the assignment of additional tasks to the Independent Auditor, with particular reference to the extraordinary activities required of the Bank in relation to events affecting the subsidiary Centro Fiduciario S.p.A.

## 9. Opinions given pursuant to law during the period.

The Board of Statutory Auditors gave the following opinions required by law during the year:

- on 15 April 2014 a favourable opinion on the Board of Directors' appointment of Mr. Luca Caviglia to the office of Manager in Charge of preparing the corporate financial documents pursuant to article 154 *bis* Leg. Dec. no. 58/1998;
- on 30 April 2014 a favourable opinion on the Board of Directors' proposal to the Shareholders' Meeting for the purchase of treasury shares, subsequently approved by the same Shareholders' Meeting;
- on 1 August 2014 a favourable opinion on the Board of Directors' appointment of Mr. Roberto Trebiani as Head of the Group Anti-Money Laundering Department.

## 10. Statement on the frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors.

The Board of Statutory Auditors diligently participated in the activities of all the Corporate Bodies, taking part in the Shareholders' Meetings, the meetings of the Board of Directors and the

Executive Committee as well as the meetings of the committees established within the Board of Directors in consequence of the Company's adhesion to the Corporate Governance Code for Listed Companies in Regulated Markets, such as the Control and Risk Committee, the Remuneration Committee and the Appointments Committee.

The frequency and number of meetings of these Committees was fairly high in the period, as reported in the Company's Report on Corporate Governance for the year in question, and summarised below:

| *Corporate Body* | *Average Frequency* | *Number of Meetings* |
|---|---|---|
| - Board of Directors | - fortnightly - | 27 |
| - Executive Committee | - weekly - | 31 |
| - Board of Statutory Auditors | - weekly - | 52 |

The Board of Statutory Auditors also worked in close contact with the other Control Bodies (Independent Auditor, Supervisory Body established by the organisational and management model adopted pursuant to Italian Legislative Decree no. 231/2001, the Control and Risk Committee established within the Board of Directors), and with the Boards of Statutory Auditors of the other Banca Carige Group companies, through periodic and frequent exchanges of information.

**11. Observations on respect for the principles of correct management.**

The Board of Statutory Auditors diligently participated in the activities of all the Corporate Bodies, as specified above, acquiring information and supervising, as far as possible and for the areas within its remit, respect for the principles of correct management by the Company, including the Risk Appetite Framework adopted in 2014 following the changes introduced by the new rules on the prudential supervision of banks.

Based on the activities performed, the information acquired and liaison with the other Control Bodies of the Company and the Boards of Statutory Auditors of the Group companies (as specified in the paragraph above), this Board of Statutory Auditors concludes that the Bank operated in the year in question in compliance with the principles of correct management.

**12. Observations on the adequacy of the organisational structure.**

The Board of Statutory Auditors periodically acquired information and supervised, within its sphere of competence, the adequacy of the Company's organisational structure.

Based on the activities performed, the periodic meetings and the information acquired from the various Corporate Bodies, this Board of Statutory Auditors concludes that the Bank's organisational structure essentially meet the Company's requirements.

On this point the Board of Statutory Auditors reports the following:

- in financial year 2014 the Company and with it the Group's subsidiaries undertook an articulated process of progressive adaptation of the corporate organisational system to the new prudential supervisory regulations on banks laid down in Bank of Italy Circular no. 263/2006, update no. 15; this process is still ongoing;
- special attention should be paid to the corporate organisational structure with regard to the handling of problematic loans, whose number and value has increased considerably during the year.

**13. Observations on the adequacy of the internal control system, the activity of the head**

**of internal control, and any corrective actions taken and/or to be taken.**

The Board of Statutory Auditors periodically acquired information and supervised the adequacy of the internal control system, the activity of the person in charge of internal control and, in general, the overall operation of the internal control system.

Based on the activities carried out, the regular contact with the Internal Auditor, the periodic meetings and the information acquired by the bodies concerned, the positive opinion expressed by the Board of Directors and the overall assessment of the Group's internal control system by Internal Controls, this Board of Statutory Auditors concludes that the internal control system is substantially and operationally adequate.

Specifically with regard to corrective actions taken and/or to be taken, the Board of Statutory Auditors would report the following:

- during the year the organisational parameter, and therefore evaluation of the adequacy of the internal control system as a whole, was altered by the gradual application of the new prudential supervisory regulations for banks laid down by Bank of Italy Circular no. 263/2006, update no. 15. The Company has therefore begun a further process of procedural and organisational adaptation of the system of controls, which is still ongoing. In particular the Bank plans to adopt and progressively implement new IT systems designed to facilitate the work of the Internal Departments and Control Bodies;
- during the year the Company has made considerable efforts in the regulatory, procedural and organisational adaptation of its internal control system, as requested by the Bank of Italy at the end of the inspections conducted in 2013;
- the gradual qualitative/quantitative upgrading of the resources dedicated to control functions, as a consequence of the Bank of Italy's inspections in 2013, the planned broadening of powers, and the regulatory changes introduced by Circular no. 263/2006, is nearing completion;
- the progressive broadening of the powers of Internal Audit on administrative and accounting issues and financial reporting, and the progressive reinforcement of the second level control structures of the Manager in Charge, is almost complete;

With specific reference to the second level control functions Risk Management and Compliance (which comprises the Anti-Money Laundering Department), this Board of Statutory Auditors would report the following:

- the Compliance Department is in the process of a progressive reorganisation and adaptation, with particular regard to the broadening of powers and prerogatives, the qualitative/quantitative upgrading of the structure, the operation of "specialist controls" and the implementation of IT systems to help it carry out its 2nd level control duties;
- the Risk Management Department is in the process of surveying and managing operating risks and in general broadening the types of risk managed, partly on the basis of the recommendations emerging from the Bank of Italy inspections in 2013.

**14. Observations on the adequacy of the administrative and accounting system and its reliability in correctly representing corporate affairs.**

The Board of Statutory Auditors supervised the adequacy of the administrative and accounting system, and its reliability in correctly representing corporate affairs, through repeated meetings and exchanges of information with the Auditor, the Manager in Charge and the Head of

Accounting Control.

The Board of Statutory Auditors also supervised the issuer's reporting process.

Based on the results obtained, and the lack of findings by the Chief Executive Officer and the Manager in Charge concerning the individual financial statements and the consolidated financial statements for 2014, the Board of Statutory Auditors concludes that the administrative and accounting system is adequate and presents an accurate picture of corporate affairs.

The Board of Statutory Auditors should also point out, as explained fully by the Directors in the documents accompanying the financial statements, that:

- Consob served notice on the Company on 9 January 2015 that a civil case has been brought before the Court of Genova pursuant to article 157, paragraph 2, of Leg. Dec. 58/1995, requesting a declaration of nullity or annulment of the Shareholders' Meeting resolution of 30 April 2014 approving the Bank's Separate Financial Statements at 31 December 2013 on the grounds of alleged non-compliance with the financial reporting standards, specifically IAS 1, 8 and 36, as well as the asserted non-compliance of the Consolidated Financial Statements with the aforementioned accounting principles. The hearing is set for 19 May 2015 and the term for reporting of Banca Carige is 27 April 2015. The Company believes - on the basis of authoritative legal advice - that it is unlikely to be liable for costs in the Consob case, and has therefore not recalculated the comparable balancing items for financial year 2013.
- A significant portion (over EUR 400 million) of the losses for the financial year were made up of the impairments resulting from adjustments to the processes, methodologies and parameters for the classification and valuation of credits, partly in the light of the European Central Bank's observations following the asset quality review within the comprehensive assessment.
- Investigation proceedings are pending with respect to offences pursuant to articles 2622, paragraphs 3 and 4, and 2637 of the Italian Civil Code, allegedly committed by the former Chairman of the Bank, the Bank being under investigation for civil liability pursuant to Leg. Dec. no. 231/2001.

**15. Observations on the adequacy of the Company's instructions to its subsidiaries pursuant to article 114, paragraph 2, of the Consolidated Law on Finance (T.U.F.).**

The Board of Statutory Auditors states that the Company, in its role as Parent carrying out its duty of guidance and coordination, duly instructs its subsidiaries in compliance with the provisions of the Consolidated Banking Law (T.U.B.) and the Bank of Italy Supervisory Regulations, and specifically with reference to the subsidiaries' obligation to furnish all information required by the Bank to fulfil its reporting obligations.

The Board of Statutory Auditors operated in close liaison with the Boards of Statutory Auditors of the Group companies, through periodic meetings and frequent exchanges of information to assess, from more than one standpoint, the adequacy of the Company's instructions to the subsidiaries in this regard.

The Board of Statutory Auditors concludes that the Company's instructions regarding the fulfilment of its reporting obligations are adequate and were reinforced, as necessary, where special circumstances arose during the year.

**16. Observations on any issues emerging from meetings with the Auditor pursuant to article 150, paragraph 3 of T.U.F.**

The Board of Statutory Auditors operated in close liaison with the Independent Auditor, through periodic meetings and frequent exchanges of information, receiving, in accordance with the law, the Auditor's report on any fundamental issues emerging from the audit and any significant shortcomings found in the internal control system in relation to the financial reporting process.

During these activities, the Board of Statutory Auditors assessed the various important issues together with the Auditor, the main ones being:

- acceptance by the Bank of the impairments resulting from adjustments to the processes, methodologies and parameters for the classification and valuation of credits, partly in the light of the European Central Bank's observations following the asset quality review within the comprehensive assessment.
- the Directors' considerations regarding possible tax risks in relation to Consob's challenge to the 2013 annual and consolidated statements;
- classification and valuation under IFRS 5 of the shareholdings in Carige Assicurazioni S.p.A., Carige Vita Nuova S.p.A., Banca Cesare Ponti S.p.A. and Creditis Servizi Finanziari S.p.A.

**17. Adhesion to the Code of Conduct of the Committee for the Corporate Governance of Listed Companies.**

The Company adheres to the Code of Conduct issued by the Committee for the Corporate Governance for Listed Companies (last updated July 2014).

In compliance with the provisions of article 149, paragraph 1, letter c-bis) of T.U.F., the Board of Statutory Auditors supervised the actual implementation of the rules envisaged by the Corporate Governance Code.

The Board of Statutory Auditors examined the Annual Corporate Governance and Ownership Structure Report for the year and verified that it complied with Borsa Italiana standards and that the information contained within it was adequate.

**18. Concluding assessment of the supervisory activity carried out as well as any omissions, censurable facts or irregularities.**

The Board of Statutory Auditors makes the following additional remarks regarding the supervisory activity performed:

- regarding the capital adequacy of the Bank and the Banking Group with respect to the prudential supervisory regulations for banks, the Directors refer to the supplementary notes (Part F) to the consolidated statements; the Board of Statutory Auditors verified the adequacy of the procedures adopted and in particular the capital strengthening operation underway and described by the Directors in the documentation;

The Board of Statutory Auditors draws your attention to the following points which emerged during its supervisory activities after the end of the year:

- the European Central Bank set out a specific prudential capitalisation requirement for Banca Carige Group, to be met at consolidated level by July 2015, consisting in a minimum Common Equity Tier 1 ratio of 11.50%. In response, the Board of Directors' meeting of 19 March 2015, among other things approved the following proposal for the Extraordinary Shareholders' Meeting called for 23 April 2015:
  - a capital increase with consideration to be offer pre-emptively to the shareholders for a maximum amount of EUR 850 million;

- a capital increase with consideration, excluding the pre-emptive rights of existing shareholders pursuant to article 2441, paragraph 4, first indent, of the Civil Code, for a maximum amount of EUR 15,822,885.75, to be effected via contribution in kind of the non-controlling interests held in the subsidiaries Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A. by their respective shareholders;

- The Company has thoroughly prepared the new 2015-2019 Business Plan which it approved at the Board of Directors' meeting of 19 March 2014.

## 19. Recommendations on the proposals to the Shareholders' Meeting pursuant to article 153, paragraph 2, of the Consolidated Law on Finance (T.U.F.).

The results of the individual and consolidated financial statements of the Company for FY 2014 are summarised below:

| | *Individual Financial Statements Euro* | *Consolidated Financial Statements (Euro thousands)* |
|---|---|---|
| Balance sheet | | |
| - assets | 25,972,995,302 | 38,309,560 |
| - liabilities | 24,249,573,661 | 36,492,017 |
| - shareholders' equity | 1,723,421,641 | 1,817,543 |
| *capital* | *2,576,863,268* | *2,576,863* |
| *- share premium* | *368,855,791* | *368,856* |
| *- reserves* | *-295,882,756* | *-426,348* |
| *- valuation reserves* | *-248,345,098* | *-190,025* |
| *- treasury shares* | *-20,283,402* | *-20,283* |
| *- minority interests* | *-* | *52,071* |
| *- losses for the year* | *-657,786,162* | *-543,591* |
| Income statement | | |
| - net interest and other banking income | 261,160,581 | 714,916 |
| - net impairments and recoveries | -412,522,029 | -669,433 |
| - net income from banking and insurance activities | -151,361,448 | 45,483 |
| - operating costs | -293,688,740 | -613,458 |
| - profits/losses on equity investments | -347,863,956 | 4,940 |
| - impairments to goodwill | - | -15,919 |
| - profit/losses from disposal of investments | -147,626 | -179 |
| - pre-tax losses on continuing operations | -793,061,770 | -579,133 |
| - taxes on income from continuing operations | 135,275,608 | 170,897 |
| - losses after tax from continuing operations | -657,786,162 | -408,236 |
| - losses after tax from disposal of assets | - | -138,706 |
| - losses for the year | 657,786,162 | -546,942 |
| - losses for the year attributable to minority interests | - | -3,351 |
| - parent company's net losses for the year | - | -543,591 |

In consideration of the above, the Board of Statutory Auditors advises the Shareholders' Meeting:

- to approve the Company's draft financial statements for FY 2014 and the management report on operations;

- to approve the Director's proposal regarding the allocation of the losses on the Company's individual financial statements for the year, and the coverage of losses on the Company's individual financial statements for FY 2013.

* * * * *

This report was completed and signed in Genoa on 27 March 2015.

The Board of Statutory Auditors.

| Chairman | Standing Auditor | Standing Auditor |
|---|---|---|
| (Stefano Lunardi) | Maddalena Costa | Vittorio Rocchetti |

# INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF BANCA CARIGE S.P.A.

EY
Building a better working world

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**Independent auditors' report**
**pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010**
(Translation from the original Italian text)

To the Shareholders of
Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia

1. We have audited the financial statements of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia as of 31 December 2014 and for the year then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 3 April 2014.
3. In our opinion, the financial statements of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia for the year then ended.
4. The Directors disclose in the report on operations and in the explanatory notes the actions for the strengthening of the Banca Carige Group's capital, including the proposal for capital increase via a rights issue for existing shareholders for a maximum amount of euro 850 million, aimed at fulfilling the additional own funds requirements formulated by the European Central Bank.

5. The Directors of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Governance - Company Documents - Corporate Governance Report" of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia's website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of the Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia at 31 December 2014.

Genova, Italy, 26 March 2015

Reconta Ernst & Young S.p.A.

Signed by: Guido Celona, partner

*This report has been translated into the English language solely for the convenience of international readers.*

# ANNEXES

## Information pursuant to art. 149-duodecies of Consob Issuer Regulation

This table shows the 2014 fees due for the auditing and non-auditing services provided by the Independent Auditors Reconta Ernst & Young S.p.A. and/or by companies associated to it (1)

| Type of services | Entity providing the service | User of the service | Remuneration (EUR/000) |
|---|---|---|---|
| Auditing | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 330 |
| Voluntary auditing of the consolidated financial statements as at 31 March 2014 | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 90 |
| Agreed-upon audit procedures | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 139 |
| Comfort letters associated with Capital Increase | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 950 |
| Work groups' support for obligations required by changes in the regulatory framework | Reconta Ernst & Young s.p.a. | Banca Carige S.p.A | 503 |
| Agreed-upon audit procedures | Ernst & Young Financial Business Advisory S.p.A. | Banca Carige S.p.A | 380 |
| Total | | | 2,392 |

*(1) Fees net of VAT and out-of-pocket expenses*

## SUMMARY INFORMATION ON THE SUBSIDIARIES

HIGHLIGHTS OF DIRECTLY CONTROLLED SUBSIDIARY COMPANIES
THAT HAVE NOT ADOPTED INTERNATIONAL ACCOUNTING STANDARDS

| (thousands of euro) | Columbus Immobiliare SpA | Centro Fiduciario SpA | Carige Assicurazioni SpA | Carige Vita Nuova SpA |
|---|---|---|---|---|
| ***BALANCE SHEET*** | (1) | (1) | (1) | (1) |
| ***ASSETS*** | | | | |
| Due from banks | - | 608 | 9,834 | 228,119 |
| Other loans | 278 | 195 | 309,741 | 367,784 |
| Securities | - | 1,572 | 629,873 | 4,073,162 |
| Equity investments | - | - | 31,001 | 36,801 |
| Property and equipment and intangible c | - | 38 | 135,379 | 128,853 |
| Other asset items | 14,475 | 108 | 11,321 | 62,279 |
| ***Total assets*** | ***14,753*** | ***2,521*** | ***1,127,149*** | ***4,896,998*** |
| ***LIABILITIES*** | | | | |
| Due to banks | 12,956 | 462 | 200 | - |
| Other payables | 102 | 94 | 905,169 | 4,643,334 |
| Other liability items | - | 591 | 28,563 | 582 |
| Shareholders' equity | 1,695 | 1,374 | 193,217 | 253,082 |
| ***Total liabilities*** | ***14,753*** | ***2,521*** | ***1,127,149*** | ***4,896,998*** |
| ***INCOME STATEMENT*** | | | | |
| Profit (loss) on operating activities | (468) | 80 | 44,097 | 46,181 |
| Extraordinary profit (loss) | (8) | 15 | (348) | (1,854) |
| Taxation | 65 | (59) | (15,804) | (13,568) |
| ***Net profit (loss) for the year*** | ***(411)*** | ***36*** | ***27,945*** | ***30,759*** |

The shareholders' equity includes the profit/loss for the year.

(1) Financial statements as at 31/12/2014 drawn up by the Directors.

HIGHLIGHTS OF DIRECTLY CONTROLLED SUBSIDIARY COMPANIES

THAT DRAFT THE FINANCIAL STATEMENTS ON THE BASIS OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS)

| (thousands of euro) | Banca Carige Italia SpA | Banca del Monte di Lucca SpA | Cassa di Risparmio di Savona SpA | Cassa di Risparmio di Carrara SpA | Banca Cesare Ponti SpA | Argo Mortgage 2 Srl | Creditis Servizi Finanziari SpA | Carige Covered Bond Srl | Carige Covered Bond 2 Srl |
|---|---|---|---|---|---|---|---|---|---|
| ***BALANCE SHEET*** | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| ***ASSETS*** | | | | | | | | | |
| Financial assets | 4,038 | 496 | 11,155 | 33,017 | 33,821 | - | 6,856 | - | - |
| Due from banks | 1,533,302 | 100,112 | 204,419 | 264,304 | 401,548 | 11 | 2,419 | 10 | 10 |
| Loans to customers | 7,068,013 | 714,619 | 1,396,361 | 830,071 | 92,182 | - | 533,434 | - | - |
| Equity investments | - | - | 1,983 | - | - | - | - | - | - |
| Property and equipment and intangible assets | 215,393 | 19,971 | 34,974 | 27,248 | 29,256 | - | 1,433 | - | - |
| Other asset items | 973,276 | 55,231 | 95,845 | 63,009 | 34,100 | 17 | 4,939 | 31 | 31 |
| ***Total assets*** | ***9,794,022*** | ***890,429*** | ***1,744,737*** | ***1,217,649*** | ***590,907*** | ***28*** | ***549,081*** | ***41*** | ***41*** |
| ***LIABILITIES*** | | | | | | | | | |
| Due to banks | 181,607 | 446 | 22,817 | 2,466 | 173,464 | - | 488,607 | - | - |
| Due to customers | 5,766,254 | 486,913 | 940,100 | 873,293 | 365,884 | - | 623 | - | - |
| Securities issued | 2,725,207 | 265,835 | 493,930 | 185,097 | - | - | - | - | - |
| Financial liabilities | 3,969 | 19,263 | 73,612 | 449 | 14,435 | - | - | - | - |
| Other liability items | 317,209 | 28,378 | 61,447 | 60,760 | 7,659 | 18 | 5,734 | 31 | 31 |
| Shareholders' equity | 799,776 | 89,594 | 152,831 | 95,584 | 29,465 | 10 | 54,117 | 10 | 10 |
| ***Total liabilities*** | ***9,794,022*** | ***890,429*** | ***1,744,737*** | ***1,217,649*** | ***590,907*** | ***28*** | ***549,081*** | ***41*** | ***41*** |
| ***INCOME STATEMENT*** | | | | | | | | | |
| Net interest and other banking income | 349,036 | 28,382 | 66,098 | 40,108 | 16,347 | - | 34,790 | - | - |
| Net losses/recoveries on impairment | (188,069) | (18,917) | (38,382) | (11,541) | (580) | - | (4,370) | - | - |
| Operating expenses | (235,595) | (20,110) | (36,797) | (28,784) | (12,246) | (32) | (12,120) | (32) | (35) |
| Other profit and revenues | (33) | - | 1 | (13,642) | - | 32 | 799 | 32 | 35 |
| Taxation | 21,991 | 4,654 | 5,501 | 5,484 | (1,276) | - | (6,591) | - | - |
| ***Net profit (loss) for the year*** | ***(52,670)*** | ***(5,991)*** | ***(3,579)*** | ***(8,375)*** | ***2,245*** | ***-*** | ***12,508*** | ***-*** | ***-*** |

The shareholders' equity includes the profit/loss for the year.

(1) Financial statements as at 31/12/2014 drawn up by the Directors.

HIGHLIGHTS OF COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

| (thousands of euro) | Autostrade dei Fiori SpA | Sport e Sicurezza Srl in liq. | Nuova Erzelli Srl |
|---|---|---|---|
| ***BALANCE SHEET*** | (1) | (2) | (3) |
| ***ASSETS*** | | | |
| Due from banks | 30,124 | 229 | 16 |
| Other loans | 3,701 | 137 | - |
| Securities | - | - | - |
| Equity investments | 264,477 | - | 3,041 |
| Property and equipment and intangibl | 369,520 | - | - |
| Other asset items | 68,610 | - | 9 |
| ***Total assets*** | ***736,432*** | ***366*** | ***3,066*** |
| ***LIABILITIES*** | | | |
| Due to banks | 30,000 | - | - |
| Other payables | 188,170 | 27 | - |
| Other liability items | 66,012 | 91 | 22 |
| Shareholders' equity | 452,250 | 248 | 3,044 |
| ***Total liabilities*** | ***736,432*** | ***366*** | ***3,066*** |
| ***INCOME STATEMENT*** | | | |
| Profit (loss) on operating activities | 34,090 | 269 | (2,458) |
| Extraordinary profit (loss) | 41 | (28) | - |
| Taxation | (7,425) | (104) | (47) |
| ***Net profit (loss) for the year*** | ***26,706*** | ***137*** | ***(2,505)*** |

The shareholders' equity includes the profit/loss for the year.

(1) Financial statements as at 31/12/2014 drawn up by the Directors.
(2) Financial statements as at 31/10/2014 (the final liquidation).
(3) Financial statements as at 31/12/2012 (last available set of approved financial statements).

HIGHLIGHTS OF INDIRECTLY CONTROLLED SUBSIDIARY COMPANIES

| (thousands of euro) | Assi 90 Srl | Dafne Immobiliare Srl | Immobiliare Carisa Srl | I.H. Roma Srl |
|---|---|---|---|---|
| ***BALANCE SHEET*** | (1) | (1) | (1) | (1) |
| ***ASSETS*** | | | | |
| Due from banks | 3,121 | 973 | - | 1,852 |
| Other loans | 2,429 | 542 | 67 | 1,275 |
| Securities | - | - | - | - |
| Equity investments | - | - | - | - |
| Property and equipment and intangibl | 1,675 | 17,295 | - | 33,360 |
| Other asset items | 274 | - | 2,887 | 2,710 |
| ***Total assets*** | ***7,499*** | ***18,810*** | ***2,954*** | ***39,197*** |
| ***LIABILITIES*** | | | | - |
| Due to banks | - | - | 987 | - |
| Other payables | 3,678 | 131 | 13 | 3,450 |
| Other liability items | 133 | 249 | - | 307 |
| Shareholders' equity | 3,688 | 18,430 | 1,954 | 35,440 |
| ***Total liabilities*** | ***7,499*** | ***18,810*** | ***2,954*** | ***39,197*** |
| ***INCOME STATEMENT*** | | | | |
| Profit (loss) on operating activities | 1,776 | 625 | (2) | 2,850 |
| Extraordinary profit (loss) | 3 | - | (4) | - |
| Taxation | (632) | (239) | (7) | (1,020) |
| ***Net profit (loss) for the year*** | ***1,147*** | ***386*** | ***(13)*** | ***1,830*** |

The shareholders' equity includes the profit/loss for the year.

(1) Financial statements as at 31/12/2014 drawn up by the Directors.

# MONETARY REVALUATIONS ON PROPERTY ASSETS

**Pursuant to Art. 10 of Italian Law No. 72/83, those assets still in the Bank's capital for which monetary revaluations were made are stated below:**

| Location of property | | Revaluation pursuant to Italian Law No. 576/75 | Revaluation pursuant to Italian Law No. 72/83 | Revaluation pursuant to Italian Law No. 413/91 | Revaluation pursuant to Italian Law No. 342/2000 | Total |
|---|---|---|---|---|---|---|
| Via Cassa di Risparmio 15 | Genova | 1,871,809.13 | 12,911,422.48 | - | - | 14,783,231.61 |
| Via Pelio 6 | Genova | - | 926,361.09 | - | - | 926,361.09 |
| Via G.D'Annunzio 79 | Genova | - | 1,132,094.10 | 601,815.88 | - | 1,733,909.98 |
| Via G.D'Annunzio 25-29c-39-41-63-73-81 | Genova | - | 4,131,655.19 | - | - | 4,131,655.19 |
| Via G.D'Annunzio posto auto | Genova | - | 50,288.54 | - | - | 50,288.54 |
| Via G.D'Annunzio posto auto | Genova | - | 740.50 | - | - | 740.50 |
| Via G.D'Annunzio 23 | Genova | - | - | 2,079,683.71 | - | 2,079,683.71 |
| Via G.D'Annunzio 23 | Genova | - | - | 1,784,792.76 | - | 1,784,792.76 |
| Via G.D'Annunzio 23 | Genova | - | - | 8,007.36 | - | 8,007.36 |
| Via G.D'Annunzio 23 autorimessa | Genova | - | - | 19,549.75 | - | 19,549.75 |
| Via G.D'Annunzio 23 (4 posti auto + cantina) | Genova | - | - | 14,737.22 | - | 14,737.22 |
| Via G.D'Annunzio 23 autorimessa | Genova | - | - | 706.22 | - | 706.22 |
| Via G.D'Annunzio 23 | Genova | - | - | 154.80 | - | 154.80 |
| Via G.D'Annunzio 23 | Genova | - | - | 3,552.42 | - | 3,552.42 |
| Via G.D'Annunzio 83 | Genova | - | 1,707,522.88 | 913,336.82 | - | 2,620,859.70 |
| Via G.D'Annunzio (2 posti auto) | Genova | - | 20,815.28 | 3,800.79 | - | 24,616.07 |
| Via G.D'Annunzio 89 | Genova | - | - | 860,338.63 | - | 860,338.63 |
| Via G.D'Annunzio (4 posti auto) | Genova | - | - | 11,995.85 | - | 11,995.85 |
| Via G.D'Annunzio | Genova | - | - | 14,414.86 | - | 14,414.86 |
| Piazza della Libertà, 37 | Lavagna | - | 14,295.00 | - | - | 14,295.00 |
| Via Aureliano Galeazzo, 4-6 | Genova | - | 2,582.00 | - | - | 2,582.00 |
| Via Aureliano Galeazzo, 8 | Genova | - | 1,735.00 | - | - | 1,735.00 |
| Via Aureliano Galeazzo, 10/06 | Genova | - | 2,239.00 | - | - | 2,239.00 |
| Via Cassa di Risparmio, 4/7 | Genova | - | 9,146.00 | - | - | 9,146.00 |
| Via Cassa di Risparmio, 4/8 | Genova | - | 2,336.00 | - | - | 2,336.00 |
| Via Cassa di Risparmio, 4/15 | Genova | - | 3,861.00 | - | - | 3,861.00 |
| Via Cassa di Risparmio, 4/16 | Genova | - | 4,065.00 | - | - | 4,065.00 |
| Via Cassa di Risparmio, 4/17 | Genova | - | 7,113.00 | - | - | 7,113.00 |
| Via Cassa di Risparmio, 4/18 | Genova | - | 3,861.00 | - | - | 3,861.00 |
| Via Cassa di Risparmio, 4/19 | Genova | - | 4,471.00 | - | - | 4,471.00 |
| Via Cassa di Risparmio, 4/20 | Genova | - | 4,065.00 | - | - | 4,065.00 |
| Via Cassa di Risparmio, 4/21 | Genova | - | 4,065.00 | - | - | 4,065.00 |
| Via XI Ottobre, 1-3-3R / Via E. Vernazza / Via V Dicembre 12 E | Genova | 579,948.00 | 1,506,607.00 | 943,860.00 | - | 3,030,415.00 |
| Immobile in locazione finanziaria | | | | | - | - |
| Loc. Anderlino - Fraz. Avenza | Carrara | - | - | 24,346.75 | - | 24,346.75 |
| Total | | 2,451,757.13 | 22,451,341.06 | 7,285,093.81 | - | 32,188,192.00 |

# PROPERTY ASSETS

| Ubicazione dell'immobile | | | Sup. mq. | Valore Ias immobile al 31.12.2014 | Riduzione di valore immobile al 31.12.2014 | Valore residuo immobile al 31.12.2014 |
|---|---|---|---|---|---|---|
| **a) Functional** | | | | | | |
| Head Offices | Via Cassa di Risparmio 15 | Genoa | 21278 | 73,158,211.50 | 7,012,244.07 | 66,145,967.43 |
| Web point | Via Cassa di Risparmio 12 | Genoa | 28 | 168,000.00 | 16,632.00 | 151,368.00 |
| Banca continua (24-hour bank) | Via XXV Aprile 10/12 r. | Genoa | 204 | 1,224,000.00 | 121,176.00 | 1,102,824.00 |
| Premises used | Vico Monte di Pietà 4 | Genoa | 1942 | 4,509,367.26 | 448,412.98 | 4,060,954.28 |
| for various offices | Piazza dei Garibaldi 29 r. | Genoa | 34 | 74,800.00 | 8,022.30 | 66,777.70 |
| Underground levels | Via D. Chiossone 7 - fondi | Genoa | 427 | 281,820.00 | 27,900.18 | 253,919.82 |
| Offices | Via D. Chiossone 12 | Genoa | 3655 | 9,027,479.50 | 885,554.84 | 8,141,924.66 |
| Offices | Vico Monte di Pietà 6/8 r. | Genoa | 126 | 302,400.00 | 29,937.60 | 272,462.40 |
| Offices | Vico Monte di Pietà 10 r. | Genoa | 50 | 120,000.00 | 11,880.00 | 108,120.00 |
| Warehouse | Via D. Chiossone 7/6 | Genoa | 93 | 223,200.00 | 22,096.80 | 201,103.20 |
| Warehouse | Piazza dei Garibaldi 33 r. | Genoa | 45 | 94,500.00 | 10,135.18 | 84,364.82 |
| Warehouse | Piazza dei Garibaldi 31 r. | Genoa | 37 | 77,700.00 | 8,333.38 | 69,366.62 |
| Offices | Via G. D'Annunzio Torri E e F (escluso piani 2-9-10) | Genoa | 6210 | 22,540,893.14 | 2,373,797.39 | 20,167,095.75 |
| Offices | Via G. D'Annunzio Torri E e F 2° p. | Genoa | " | 1,691,707.42 | 173,435.17 | 1,518,272.25 |
| Power station | Via G. D'Annunzio "A" (q.9,40) | Genoa | 27 | 31,050.00 | 3,176.47 | 27,873.53 |
| Warehouse | Via G. D'Annunzio "B" (q.10,75) | Genoa | 50 | 75,000.00 | 7,672.50 | 67,327.50 |
| Warehouse | Via G. D'Annunzio "B" (q.10,75) | Genoa | 176 | 193,600.00 | 19,805.28 | 173,794.72 |
| Warehouse | Via G. D'Annunzio "C" (q.14,95) | Genoa | 275 | 302,500.00 | 30,945.75 | 271,554.25 |
| Box (Condominium - Branch office 9) | Corso Sardegna, 44 r | Genoa | 18 | 39,600.00 | 4,051.08 | 35,548.92 |
| Garages | Via G. D'Annunzio - 66 posti auto | Genoa | 1080 | 1,782,000.00 | 182,298.60 | 1,599,701.40 |
| Circolo Dipendenti ('Employee Club') | Via XX Settembre 41 6° piano | Genoa | 830 | 2,282,500.00 | 169,475.68 | 2,113,024.32 |
| Branch office no. 87 | Via Pisa 58 | Genoa | 230 | 1,254,316.38 | 93,129.30 | 1,161,187.08 |
| Branch office no. 41 | Via G. D'Annunzio 39 | Genoa | 230 | 763,631.19 | 79,736.92 | 683,894.27 |
| Electronics Centre | Via G. D'Annunzio 25-29c-41-63-73-81 | Genoa | 1470 | 4,880,595.70 | 509,622.40 | 4,370,973.30 |
| Electronics Centre- back office | Via Isonzo 21 | Genoa | 8520 | 24,107,775.94 | 2,899,995.15 | 21,207,780.79 |
| Branch office no. 39 | Piazza delle Americhe 1 | Genoa | 2680 | 12,928,421.20 | 962,652.32 | 11,965,768.88 |
| Branch office no. 1 | Via Cesarea 60 r. | Genoa | 536 | 2,185,977.60 | 179,353.65 | 2,006,623.95 |
| Branch office no. 2 | Via B. Buozzi 57- 58 rr. | Genoa | 187 | 728,966.87 | 72,511.44 | 656,455.43 |
| Branch office no. 2 | Piazza Dinegro 2-3-4 rr. | Genoa | 70 | 213,541.72 | 21,329.84 | 192,211.88 |
| Branch office no. 3 | Via G. Torti 80 r. | Genoa | 498 | 17,818.75 | 1,785.41 | 16,033.34 |
| Branch office no. 3 | Via G. Torti 24 | Genoa | " | 1,551,591.35 | 155,232.34 | 1,396,359.01 |
| Branch office no. 4 | Via Lagustena 40/48 | Genoa | 465 | 1,674,000.00 | 171,250.20 | 1,502,749.80 |
| Branch office no. 5 | Via Monticelli 70 r. | Genoa | 1035 | 205,175.02 | 19,745.54 | 185,429.48 |
| Branch office no. 5 | Via Monticelli | Genoa | " | 2,293,273.17 | 245,666.98 | 2,047,606.19 |
| Branch office no. 6 | Piazza Dante 30 r. | Genoa | 330 | 851,776.00 | 84,325.78 | 767,450.22 |
| Branch office no. 6 | Via Fieschi 47 r. | Genoa | " | 518,224.00 | 51,304.22 | 466,919.78 |
| Branch office no. 7 | Via della Liberta' 68-70-72-74-74A-78 rr. | Genoa | 340 | 498,950.15 | 52,680.76 | 446,269.39 |
| Branch office no. 7 | Via L. Pareto 6/8 | Genoa | " | 917,877.95 | 96,912.71 | 820,965.24 |
| Branch office no. 8 | Piazza S. Sabina 6 | Genoa | 872 | 2,531,880.00 | 259,011.28 | 2,272,868.72 |
| Branch office no. 9 | Corso Sardegna 94 r. | Genoa | 340 | 18,308.00 | 1,872.86 | 16,435.14 |
| Branch office no. 9 | Corso Sardegna 90 r. | Genoa | " | 4,317.00 | 441.65 | 3,875.35 |
| Branch office no. 9 | Corso Sardegna 96 r. p.t. | Genoa | " | 189,968.00 | 19,433.70 | 170,534.30 |
| Branch office no. 9 | Corso Sardegna 44/1 | Genoa | " | 808,697.00 | 82,729.68 | 725,967.32 |
| Branch office no. 9 | Corso Sardegna 98 r. | Genoa | " | 241,590.00 | 24,714.69 | 216,875.31 |
| Branch office no. 10 | Via S. Vincenzo 26 | Genoa | 760 | 2,547,492.69 | 210,210.75 | 2,337,281.94 |
| Branch office no. 10 | Via Galata 51 A r. | Genoa | " | 352,200.73 | 23,164.73 | 329,036.00 |
| Branch office no. 11 | Via Piacenza 94 E | Genoa | 391 | 1,032,697.00 | 124,388.33 | 908,308.67 |
| Branch office no. 11 | Via Piacenza 179 G | Genoa | " | 23,003.00 | 2,770.68 | 20,232.32 |
| Branch office no. 13 | Via XII Ottobre 7 r. | Genoa | 536 | 2,356,287.49 | 196,878.44 | 2,159,409.05 |
| Branch office no. 14 | Piazza Manin 2/1 | Genoa | 321 | 637,863.00 | 57,886.07 | 579,976.93 |
| Branch office no. 14 | Piazza Manin 2/1 | Genoa | " | 382,737.00 | 34,733.38 | 348,003.62 |
| Branch office no. 15 | Via Napoli 40 r. | Genoa | 180 | 535,504.85 | 63,069.65 | 472,435.20 |
| Branch office no. 16 | Viale des Geneys 2/1 - 2/A/B/C/D/E | Genoa | 423 | 1,206,888.00 | 136,787.48 | 1,070,100.52 |
| Branch office no. 17 | Via Posalunga 11 r. | Genoa | 585 | 95,972.00 | 11,559.79 | 84,412.21 |
| Branch office no. 17 | Via Timavo 96 - 104 r. | Genoa | " | 449,858.00 | 54,185.45 | 395,672.55 |

| | Location of property | | Area square metres | Property value as at 31.12.2014 | Property depreciation as at 31.12.2014 | Property residual value as at 31.12.2014 |
|---|---|---|---|---|---|---|
| Branch office no. 17 | Via Posalunga 5 r. | Genoa | " | 265,266.00 | 31,951.26 | 233,314.74 |
| Branch office no. 17 | Via Timavo 86-94 | Genoa | " | 797,360.00 | 96,041.99 | 701,318.01 |
| Branch office no. 17 | Via Posalunga 7-9 r. | Genoa | " | 333,894.00 | 40,217.54 | 293,676.46 |
| Branch office no. 18 | Via Corsica 13-19 r. | Genoa | 802 | 2,602,700.00 | 249,078.39 | 2,353,621.61 |
| Branch office no. 19 | Via Quinto 38 r. | Genoa | 123 | 553,500.00 | 56,623.05 | 496,876.95 |
| Branch office no. 20 | Via Avio 2 r. | Genoa | 765 | 1,788,092.87 | 212,466.69 | 1,575,626.18 |
| Branch office no. 20 | Via Pesce - Via Mamiani 3 | Genoa | 319 | 638,444.44 | 75,808.23 | 562,636.21 |
| Branch office no. 21 | Via Sestri 114 r. | Genoa | 787 | 371,947.32 | 44,119.08 | 327,828.24 |
| Branch office no. 21 | Via Sestri 24/1 r. | Genoa | " | 505.59 | 59.96 | 445.63 |
| Branch office no. 21 | Via Donizetti 46/46A/46B/48 | Genoa | " | 2,073,890.83 | 245,997.70 | 1,827,893.13 |
| Branch office no. 21 | Via Donizetti 8 A/3 - 8 A/4 | Genoa | " | 275,135.18 | 32,635.60 | 242,499.58 |
| Branch office no. 21 | Via Donizetti 8 A/1 - 8 A/2 | Genoa | " | 275,135.18 | 32,635.60 | 242,499.58 |
| Branch office no. 21 | Via Donizetti 8 A - 46 - 48 | Genoa | " | 691,296.58 | 81,999.15 | 609,297.43 |
| Branch office no. 21 | Via Donizetti 50 r. | Genoa | " | 174,206.62 | 20,663.80 | 153,542.82 |
| Branch office no. 21 | Via Donizetti 52 r. | Genoa | " | 123,806.37 | 14,852.76 | 108,953.61 |
| Branch office no. 21 | Piazza Rosolino Pilo 1 | Genoa | 15 | 45,000.00 | 5,420.25 | 39,579.75 |
| Branch office no. 22 | Piazza Sebastiano Gaggero 9 r. | Genoa | 730 | 2,189,211.00 | 263,690.46 | 1,925,520.54 |
| Branch office no. 22 | Via Don G. Verità 28 r. | Genoa | " | 10,114.00 | 1,218.25 | 8,895.75 |
| Branch office no. 22 | Via Don G. Verità 6/2 | Genoa | " | 2,435.00 | 293.26 | 2,141.74 |
| Branch office no. 23 | Via Pastorino 26 - Via Custo 22 r. | Genoa | 815 | 2,381,749.00 | 286,896.49 | 2,094,852.51 |
| Branch office no. 23 - 12 garages | Via Pastorino 26 - Via Custo 22 r. | Genoa | 135 | 180,000.00 | 21,666.16 | 158,333.84 |
| Branch office no. 23 | Via G.B. Custo 18 - 20 r. | Genoa | 142 | 364,251.00 | 43,874.05 | 320,376.95 |
| Branch office no. 24 | Via F. del Canto 4 A | Genoa | 424 | 917,125.00 | 110,467.72 | 806,657.28 |
| Branch office no. 25 | Via G. Jori 22 A - B | Genoa | 337 | 949,196.87 | 112,059.33 | 837,137.54 |
| Branch office no. 25 | Via G. Jori 22/1 | Genoa | 337 | 338,646.72 | 39,979.62 | 298,667.10 |
| Branch office no. 26 | Via Martiri della Libertà 3 A | Genoa | 490 | 334,966.00 | 40,333.72 | 294,632.28 |
| Branch office no. 26 - 2 garages | Via Martiri della Libertà 3 A | Genoa | 47 | 105,000.00 | 12,660.21 | 92,339.79 |
| Branch office no. 26 | Via Garelli 11 r. | Genoa | 490 | 728,780.00 | 87,781.54 | 640,998.46 |
| Branch office no. 26 | Via Garelli 5 - 7 - 9 r. | Genoa | 490 | 522,907.00 | 62,984.13 | 459,922.87 |
| Branch office no. 26 | Via Martiri della Libertà 7-9 | Genoa | 490 | 492,347.00 | 59,303.20 | 433,043.80 |
| Branch office no. 27 | Via Oberdan 120 A | Genoa | 243 | 1,231,682.65 | 145,743.53 | 1,085,939.12 |
| Branch office no. 28 | Via Molassana 70 r. - Via S. D'Acquisto | Genoa | 512 | 1,409,037.63 | 164,160.60 | 1,244,877.03 |
| Branch office no. 29 | Via C. Rolando 56 E r. | Genoa | 346 | 276,316.00 | 33,282.26 | 243,033.74 |
| Branch office no. 29 | Via C. Abba 43 - 45 r. | Genoa | " | 468,684.00 | 56,452.99 | 412,231.01 |
| Branch office no. 30 | Via S. G. D'Acri 6 r. | Genoa | 304 | 35,859.00 | 4,319.26 | 31,539.74 |
| Branch office no. 30 | Via S. G. D'Acri 4 r. | Genoa | " | 117,509.00 | 14,153.92 | 103,355.08 |
| Branch office no. 30 | Via S. G. D'Acri 12 r. | Genoa | " | 372,462.00 | 44,863.06 | 327,598.94 |
| Branch office no. 30 | Via S. G. D'Acri 4-1 | Genoa | " | 576,670.00 | 69,459.94 | 507,210.06 |
| Branch office no. 31 | Via Pra 140 A/R | Genoa | 287 | 299,583.00 | 36,084.73 | 263,498.27 |
| Branch office no. 31 | Via Venezian 1 | Genoa | " | 627,075.00 | 82,532.56 | 544,542.44 |
| Branch office no. 32 | Piazza Banchi 2 r | Genoa | 210 | 639,496.00 | 65,420.41 | 574,075.59 |
| Branch office no. 32 | Via S. Luca 2 | Genoa | 10 | 426,329.00 | 43,613.46 | 382,715.54 |
| Branch office no. 34 | Via Struppa 146 C e via Buscaglia 18 r | Genoa | 331 | 612,849.00 | 73,759.82 | 539,089.18 |
| Branch office no. 47 | Via di Francia 3 r. | Genoa | 770 | 2,464,000.00 | 284,592.00 | 2,179,408.00 |
| Branch office no. 55 | Via del Capriolo 1 - 3 rr. | Genoa | 106 | 318,000.00 | 38,303.10 | 279,696.90 |
| Branch office no. 60 | Piazza Leopardi 2 | Genoa | 426 | 1,947,644.52 | 115,264.49 | 1,832,380.03 |
| Recco Branch | Via IV Novembre 2r - P.za N.da Recco27/2 | Recco | 512 | 134,705.00 | 13,335.85 | 121,369.15 |
| Recco Branch | P.za N. da Recco 24 | Recco | " | 2,130,075.00 | 210,877.48 | 1,919,197.52 |
| S.Margherita L. branch | Largo Giusti 17 | S.Margherita L. | 311 | 1,959,300.00 | 187,505.01 | 1,771,794.99 |
| Chiavari branch | Piazza Roma 34 r. - Piazza Roma 10/1 | Chiavari | 1540 | 248,835.76 | 24,634.72 | 224,201.04 |
| Chiavari branch | Corso Dante p.t. | Chiavari | " | 4,068,365.00 | 402,768.19 | 3,665,596.81 |
| Chiavari branch | Corso Dante 16/4 | Chiavari | " | 2,878,161.00 | 284,937.95 | 2,593,223.05 |
| Sestri L. branch | Corso Colombo 19 r. | Sestri Levante | 311 | 1,430,600.00 | 141,629.40 | 1,288,970.60 |
| Rapallo branch | Via Giustiniani 9 | Rapallo | 496 | 578,032.75 | 60,811.78 | 517,220.97 |
| Rapallo branch | Galleria Raggio 2D e 3D | Rapallo | " | 124,175.74 | 13,061.45 | 111,114.29 |
| Rapallo branch | Via Matteotti 7/3 | Rapallo | " | 186,728.28 | 19,640.67 | 167,087.61 |
| Rapallo branch | Via Giustiniani 7 | Rapallo | " | 1,652,204.98 | 173,840.39 | 1,478,364.59 |
| Rapallo branch | Galleria Raggio 4/D | Rapallo | " | 471,030.17 | 49,569.93 | 421,460.24 |
| Branch Office 1 - Rapallo | Via del Pozzo 24 | Rapallo | 151 | 717,289.03 | 66,564.32 | 650,724.71 |
| Lavagna branch | Piazza della Libertà 40/2 | Lavagna | 106 | 466,400.00 | 47,712.72 | 418,687.28 |
| La Spezia branch | Corso Nazionale 252 | La Spezia | 2141 | 5,869,500.00 | 697,296.60 | 5,172,203.40 |

| | Location of property | | Area square metres | Property value as at 31.12.2014 | Property depreciation as at 31.12.2014 | Property residual value as at 31.12.2014 |
|---|---|---|---|---|---|---|
| La Spezia Ag.2 branch | Corso Cavour 154 | La Spezia | 153 | 1,084,360.00 | 125,243.58 | 959,116.42 |
| La Spezia Ag.2 branch | Via Monale 76 | La Spezia | 140 | 234,140.00 | 27,043.17 | 207,096.83 |
| Rezzoaglio branch | Via Roma 12 | Rezzoaglio | 399 | 680,090.00 | 80,626.50 | 599,463.50 |
| Montoggio branch | Via Roma 89 | Montoggio | 234 | 585,000.00 | 72,393.75 | 512,606.25 |
| Torriglia branch | Via Matteotti 48 r. | Torriglia | 120 | 40,441.00 | 5,004.56 | 35,436.44 |
| Torriglia branch | Loc.piano fondi con acc.Via Molinetto 7 | Torriglia | " | 259,559.00 | 32,120.44 | 227,438.56 |
| Campoligure branch | P.za Martiri della Benedicta 2 | Campoligure | 254 | 18,160.00 | 2,247.30 | 15,912.70 |
| Campoligure branch | Via Trento 2 | Campoligure | " | 594,049.00 | 73,513.55 | 520,535.45 |
| Campoligure branch | Via Trento 6 | Campoligure | 57 | 165,291.00 | 20,454.72 | 144,836.28 |
| Arenzano branch | Via Pallavicini 25 | Arenzano | 419 | 128,280.00 | 13,758.03 | 114,521.97 |
| Arenzano branch | Via Pallavicini 29 | Arenzano | " | 1,671,820.00 | 179,302.75 | 1,492,517.25 |
| Ronco Scrivia branch | Corso Italia 29 | Ronco Scrivia | 562 | 1,306,650.00 | 157,386.02 | 1,149,263.98 |
| Cogoleto branch | Piazza Giusti 1 | Cogoleto | 564 | 2,030,311.00 | 221,100.88 | 1,809,210.12 |
| Cogoleto branch | Piazza Giusti 1 | Cogoleto | " | 225,689.00 | 24,577.52 | 201,111.48 |
| Isola Cantone branch | Via Roma 118 r. | Isola Cantone | 261 | 34,858.76 | 4,194.90 | 30,663.86 |
| Isola Cantone branch | Via Roma 182 1^ p. | Isola Cantone | " | 580,967.25 | 69,913.64 | 511,053.61 |
| Camogli branch | Piazza Schiaffino 9 | Camogli | 225 | 1,039,500.00 | 85,758.75 | 953,741.25 |
| Rossiglione branch | Via Roma 10 | Rossiglione | 203 | 497,350.00 | 59,905.78 | 437,444.22 |
| Masone branch | Via Veneto 6 | Masone | 188 | 86,913.00 | 10,468.70 | 76,444.30 |
| Masone branch | Via Roma 27 | Masone | " | 373,687.00 | 45,010.57 | 328,676.43 |
| Casella branch | Viale Mandelli | Casella | 189 | 585,900.00 | 72,505.18 | 513,394.82 |
| Savignone branch | Via Giovanni XXIII 1 | Savignone | 130 | 277,500.00 | 33,424.93 | 244,075.07 |
| Sori branch | Via Garibaldi 6 B - C | Sori | 249 | 748,929.00 | 76,615.44 | 672,313.56 |
| Sori branch | Via Garibaldi 6 D | Sori | " | 209,721.00 | 21,454.51 | 188,266.49 |
| Moconesi branch | Viale De Gasperi 19 | Moconesi | 175 | 415,885.00 | 50,093.34 | 365,791.66 |
| Moconesi branch | Viale De Gasperi 19 | Moconesi | " | 12,865.00 | 1,549.57 | 11,315.43 |
| Pedemonte branch | Via Medicina p.t. 104 | Serra Ricco' | 293 | 533,410.00 | 64,249.24 | 469,160.76 |
| Pedemonte branch | Via Medicina p.fondi 104 | Serra Ricco' | " | 144,465.00 | 17,400.79 | 127,064.21 |
| S.Olcese branch | Via Poire'43 | S.Olcese di M. | 309 | 541,080.00 | 65,173.13 | 475,906.87 |
| S.Olcese branch | Via Poire'69 | S.Olcese di M. | " | 308,670.00 | 37,179.34 | 271,490.66 |
| Casarza L. branch | Via IV Novembre 28 B | Casarza L. | 308 | 847,000.00 | 102,021.15 | 744,978.85 |
| S.Colombano C. branch | Via D.Cuneo 163/C - D - E | S.Colombano C. (GE) | 221 | 477,444.00 | 57,508.11 | 419,935.89 |
| S.Colombano C. branch | Via D.Cuneo 163/C - D - E | S.Colombano C. (GE) | " | 130,306.00 | 15,695.35 | 114,610.65 |
| Campomorone branch | Via De Gasperi 60 - 62 - 64 - 70 | Campomorone | 408 | 1,122,000.00 | 135,144.90 | 986,855.10 |
| Alassio branch | Via Mazzini 2 | Alassio | 683 | 3,556,240.00 | 410,745.72 | 3,145,494.28 |
| Alassio branch | Via Mazzini 2 | Alassio | " | 2,956.00 | 341.44 | 2,614.56 |
| Alassio branch | Via Dante 114/1 | Alassio | " | 24,054.00 | 2,778.27 | 21,275.73 |
| Leca d'Albenga branch | Piazza del Popolo 13 | Leca d'Albenga | 206 | 566,500.00 | 72,908.55 | 493,591.45 |
| Toirano branch | Via Braida 21 - 23 - 27 | Toirano | 135 | 299,243.00 | 36,537.60 | 262,705.40 |
| Toirano branch | Via Braida 21 - 23 - 27 | Toirano | " | 78,757.00 | 9,616.20 | 69,140.80 |
| Finale Ligure branch | Via Garibaldi 1 - Via Roma 12/1 | Finale L. | 315 | 1,260,000.00 | 137,214.00 | 1,122,786.00 |
| Varazze branch | Piazza Dante 6 | Varazze | 280 | 1,344,000.00 | 146,361.60 | 1,197,638.40 |
| Cairo M. branch | Via F.lli Francia 3 | Cairo M. | 225 | 618,750.00 | 74,528.41 | 544,221.59 |
| Loano n. Sede branch | Via Stella (Pal. Sirena) | Loano | 404 | 1,555,400.00 | 169,383.06 | 1,386,016.94 |
| Pietra L. branch | P.zza Martiri Libertà 10 ) | Pietra L. | 610 | - | - | - |
| Pietra L. branch | Via Vinzone 1/1^-2^p. ) | Pietra L. | " | 2,072,208.00 | 225,663.46 | 1,846,544.54 |
| Pietra L. branch | Via Vinzone 1/3^p. | Pietra L. | " | 246,592.00 | 26,853.86 | 219,738.14 |
| Imperia Office | Via Berio 14 r. | Imperia | 1634 | 294,503.31 | 32,765.60 | 261,737.71 |
| Imperia Office | Via Berio 4/1 e 4/2 | Imperia | " | 180,289.94 | 20,058.53 | 160,231.41 |
| Imperia Office | Via Berio 4 | Imperia | " | 279,055.44 | 31,046.93 | 248,008.51 |
| Imperia Office | Via Berio 10/5 | Imperia | " | 70,372.53 | 7,829.47 | 62,543.06 |
| Imperia Office | Via Berio 10/8 | Imperia | " | 2,027,172.74 | 225,537.57 | 1,801,635.17 |
| Imperia Office | Via Berio 6 | Imperia | " | 718,039.81 | 79,887.14 | 638,152.67 |
| Imperia Office | Via Berio 10/6 | Imperia | " | 2,499,146.54 | 303,492.47 | 2,195,654.07 |
| Sanremo branch | Corso Mombello 25,25 A,27,29 | Sanremo | 1605 | 6,916,439.84 | 762,102.01 | 6,154,337.83 |
| Bordighera branch | Corso V.Emanuele 153/155 r. | Bordighera | 810 | 3,714,000.00 | 410,582.70 | 3,303,417.30 |
| Pieve di Teco branch | Via Eula 33 | Pieve di Teco | 246 | 620,467.15 | 79,642.56 | 540,824.59 |
| Arma di Taggia branch | Via Blengino 19 | Arma di Taggia | 236 | 1,038,400.00 | 114,795.12 | 923,604.88 |
| P.Maurizio branch | P.zza F.lli Serra 10 | Imperia | 340 | 934,952.24 | 100,295.97 | 834,656.27 |
| P.Maurizio branch | P.zza F.lli Serra 9 | Imperia | " | 921,974.60 | 98,903.84 | 823,070.76 |
| S.Bartolomeo M. branch | Nuova P.zza Comunale 49/51 r. | S.Bartolomeo M. | 240 | 707,998.00 | 78,269.18 | 629,728.82 |
| S.Bartolomeo M. branch | Piazza Magnolia 32 | S.Bartolomeo M. | " | 115,902.00 | 12,813.02 | 103,088.98 |

| | Location of property | | Area square metres | Property value as at 31.12.2014 | Property depreciation as at 31.12.2014 | Property residual value as at 31.12.2014 |
|---|---|---|---|---|---|---|
| S.Stefano Mare branch | Piazza A. Saffi 4 | S.Stefano M. | 282 | 295,095.00 | 32,622.70 | 262,472.30 |
| S.Stefano Mare branch | Piazza A. Saffi 5 | S.Stefano M. | " | 367,330.00 | 40,608.37 | 326,721.63 |
| S.Stefano Mare branch | Piazza A. Saffi 6 | S.Stefano M. | " | 388,625.00 | 42,962.48 | 345,662.52 |
| Ventimiglia branch | Condominio Le Palme | Ventimiglia | 876 | 1,687,901.83 | 203,999.57 | 1,483,902.26 |
| Ventimiglia branch | Condominio Le Palme | Ventimiglia | " | 173,813.97 | 21,007.12 | 152,806.85 |
| Ventimiglia branch | Via Roma (fondi) | Ventimiglia | " | 303,934.00 | 37,110.37 | 266,823.63 |
| Ventimiglia branch | Via Matteotti 1 | Ventimiglia | 145 | 696,754.00 | 85,073.67 | 611,680.33 |
| Diano Marina branch | Piazza Maglione 1 | Diano Marina | 208 | 852,800.00 | 94,277.04 | 758,522.96 |
| Vallecrosia branch | Via Giovanni XXIII 27 - 29 - 31 | Vallecrosia | 205 | 831,600.00 | 107,010.70 | 724,589.30 |
| Vallecrosia-posti auto) branc | Via Giovanni XXIII 27 - 29 - 31 | Vallecrosia | 122 | 247,500.00 | 31,869.47 | 215,630.53 |
| Branch 63 | Via Donghi n. 20/22/24/26/28 r. | Genoa | 98 | 298,900.00 | 30,577.47 | 268,322.53 |
| Brugnato branch | Via Briniati 3 | Brugnato (SP) | 194 | 640,200.00 | 79,224.75 | 560,975.25 |
| Branch 65 | Via Marchini 39 r | Genoa | 55 | 167,750.00 | 20,205.46 | 147,544.54 |
| Branch Office 3 - Sanremo | Corso Cavallotti 232 | Sanremo | 115 | 506,000.00 | 55,938.30 | 450,061.70 |
| Branch Sarzana | Via Brigate Partigiane Muccini 65 | Sarzana | 340 | 1,436,050.00 | 154,016.39 | 1,282,033.61 |
| Branch 66 | Via Merano 99 | Genoa | 214 | 496,800.00 | 59,839.56 | 436,960.44 |
| Branch Office 3 - Ventimiglia | Corso Genova 82 | Ventimiglia | 152 | 433,200.00 | 55,752.84 | 377,447.16 |
| Branch Office 1 - Chiavari | Via S. Rufino 18 | Chiavari | 131 | 323,475.00 | 33,091.52 | 290,383.48 |
| Branch 69 | Via Paleocapa 135/137 | Genoa | 94 | 235,000.00 | 24,040.50 | 210,959.50 |
| Branch Office 3 - La Spezia | Via Genova 103 | La Spezia | 173 | 556,638.12 | 68,758.74 | 487,879.38 |
| Branch Ameglia | Via XXV Aprile 51 | Ameglia | 103 | 293,550.00 | 36,326.84 | 257,223.16 |
| Branch 71 | Via dei Mille 57/59 | Genoa | 203 | 812,000.00 | 83,067.60 | 728,932.40 |
| Lerici branch | Via Gerini 10 | Lerici | 214 | 1,059,300.00 | 113,609.98 | 945,690.02 |
| Branch office no. 75 | Via Gramsci 135/137/139 | Genoa | 220 | 693,000.00 | 70,893.90 | 622,106.10 |
| Monterosso branch | Via Vittorio Emanuele 69 | Monterosso | 105 | 517,176.00 | 52,032.42 | 465,143.58 |
| Branch Office2 - Ventimiglia | Corso Nizza | Ventimiglia | 150 | 330,000.00 | 42,471.00 | 287,529.00 |
| Branch 78 | Via Murcarolo 4 r. | Genoa | 205 | 922,500.00 | 94,371.75 | 828,128.25 |
| Branch Riva Ligure | Corso Villaregia 54 | Riva Ligure (IM) | 132 | 496,800.00 | 60,659.28 | 436,140.72 |
| Branch 83 | Via Lido di Pegli 2/3 rr. | Genoa | 200 | 261,117.00 | 26,712.29 | 234,404.71 |
| Branch 83 | Via Lido di Pegli 2/3 rr. | Genoa | " | 458,883.00 | 46,943.71 | 411,939.29 |
| Branch 85 | Via Teglia 23/25/27 rr | Genoa | 170 | 425,000.00 | 51,191.25 | 373,808.75 |
| Warehouses and archives | Via G. D'Annunzio - Lotto "D" | Genoa | 1755 | 2,386,800.00 | 244,169.64 | 2,142,630.36 |
| Warehouses | Via G. D'Annunzio - Lotto "E" | Genoa | 1210 | 1,694,000.00 | 173,296.20 | 1,520,703.80 |
| Warehouses | Via G. D'Annunzio - Lotto "F" | Genoa | 80 | 220,000.00 | 22,506.00 | 197,494.00 |
| Warehouses | Via G. D'Annunzio - Lotto "G" | Genoa | 607 | 1,092,600.00 | 111,772.98 | 980,827.02 |
| Car parking spaces - 1 car parking space | Via D'Annunzio 31 - 1-2 B2 | Genoa | 27 | 54,547.00 | 5,580.19 | 48,966.81 |
| Car parking spaces - 1 car parking space | Via D'Annunzio 31 - 1-2 B2 | Genoa | " | 803.00 | 82.17 | 720.83 |
| Office building F | Via D'Annunzio 23 | Genoa | 2810 | 4,872,698.00 | 498,476.99 | 4,374,221.01 |
| Office building F | Via D'Annunzio 23 | Genoa | " | 4,378,663.00 | 447,937.27 | 3,930,725.73 |
| Office building F | Via D'Annunzio 23 | Genoa | " | 21,151.00 | 2,163.70 | 18,987.30 |
| Office building F | Via D'Annunzio 23 | Genoa | " | 488.00 | 49.94 | 438.06 |
| Car parking spaces - 4 car parking space | Via D'Annunzio 23 - E1 | Genoa | 52 | 106,600.00 | 10,905.18 | 95,694.82 |
| 4 car parking space | Via D'Annunzio 23 | Genoa | 67 | 137,347.78 | 14,050.63 | 123,297.15 |
| Basement | Via D'Annunzio 23 | Genoa | 27 | 9,117.00 | 932.69 | 8,184.31 |
| 2 car parking space | Via D'Annunzio 23 | Genoa | " | 40,833.00 | 4,177.25 | 36,655.75 |
| 2 car parking space | Via D'Annunzio | Genoa | 25 | 51,250.00 | 5,242.93 | 46,007.07 |
| 4 car parking space | Via D'Annunzio | Genoa | 50 | 102,500.00 | 10,485.75 | 92,014.25 |
| Sesta Godano branch | Via Sogari 25 | Sesta Godano (SP) | 130 | 286,000.00 | 35,392.50 | 250,607.50 |
| Branch Amelia | Via XXV Aprile 51 ( terreno) | Ameglia | 70 | 6,586.00 | - | 6,586.00 |
| Store | Via XXV Aprile 14-16 r. | Genoa | 150 | 847,645.67 | 88,936.10 | 758,709.57 |
| Branch Office1 Gattorna (194) | Via Del Commercio, 38 | Gattorna Moconesi (GE) | 160 | 493,771.02 | 45,658.01 | 448,113.01 |
| Branch | Piazza della Libertà, 37 | Lavagna | 205 | 338,051.32 | 123,390.00 | 214,661.32 |
| Branch Office 6 Genova | Piazza Dante, 38 R | Genoa (GE) | 1212 | 3,615,198.29 | 1,155,055.82 | 2,460,142.47 |
| Bolano branch | Via Romana, 85 | Bolano (SP) | 183 | 286,452.82 | 96,248.11 | 190,204.71 |
| Aulla branch | Viale Resistenza, 52 G | Aulla (MS) | 227 | 241,645.53 | 76,118.33 | 165,527.20 |
| S. Stefano Magra branch | Via Berlinguer, 8 | S. Stefano Magra (SP) | 170 | 247,189.70 | 83,055.78 | 164,133.92 |
| Branch Office 79 Genoa | Via Cecchi, 128-130 R | Genoa (GE) | 265 | 496,752.52 | 124,510.83 | 372,241.69 |
| Varese Ligure branch | Piazza V. Emanuele, 37 | Varese Ligure (SP) | 165 | 239,108.13 | 69,517.17 | 169,590.96 |
| Branch Office 1 Busalla | Via C. Navone 7 a-d | Busalla (GE) | 170 | 219,989.05 | 59,855.80 | 160,133.25 |
| Branch Office 84 genova | Piazza Tommaseo, 12-14 R | Genoa | 116 | 427,216.25 | 82,038.21 | 345,178.03 |
| Branch Office 86 Genova | Via San Biagio, 31 | Genoa | 195 | 351,202.69 | 59,291.51 | 291,911.17 |

| | Location of property | | Area square metres | Property value as at 31.12.2014 | Property depreciation as at 31.12.2014 | Property residual value as at 31.12.2014 |
|---|---|---|---|---|---|---|
| Branch Office 40 Genova | Via R. Bianchi, 44 (loc. Campi) | Genoa | 245 | 520,371.63 | 97,600.11 | 422,771.51 |
| Branch Office 65 Genova | P.zza Solari 4-5 RR | Genoa | 134 | 234,810.84 | 26,092.93 | 208,717.91 |
| Branch Office 61 Genova | C.so Firenze, 40-42 R | Genoa | 100 | 319,890.28 | 30,071.33 | 289,818.95 |
| Branch Office Bancaria | Via Aurelia, 88 | S. Lorenzo al Mare (IM) | 149 | 618,523.42 | 44,664.05 | 573,859.37 |
| Branch Office Bancaria | Via XXV Aprile | Imperia (IM) | 327 | 1,237,685.53 | 96,654.87 | 1,141,030.66 |
| Offices | Via D'Annunzio 105-107 | Genoa | 3840 | 9,194,578.81 | 135,442.62 | 9,059,136.19 |
| | Totale (a) | | | 345,729,480.00 | 36,386,713.63 | 309,342,766.38 |
| **b) Employee residences** | | | | | | |
| Apartment | Via XX Settembre 20/131 | Genoa | 36 | 126,000.00 | 9,355.50 | 116,644.50 |
| Apartment | Via XX Settembre 20/132 | Genoa | 36 | 126,000.00 | 9,355.50 | 116,644.50 |
| Apartment | Via XX Settembre 20/133 | Genoa | 34 | 119,000.00 | 8,835.75 | 110,164.25 |
| Apartment | Via XX Settembre 20/134 | Genoa | 34 | 119,000.00 | 8,835.75 | 110,164.25 |
| Apartment | Via XX Settembre 20/136 | Genoa | 35 | 122,500.00 | 9,095.68 | 113,404.32 |
| Apartment | Corso Mombello 25 p.attico/1 | S.Remo | 45 | 198,000.00 | 21,888.90 | 176,111.10 |
| Apartment | Corso Mombello 25 p.attico/2 | S.Remo | 45 | 198,000.00 | 21,888.90 | 176,111.10 |
| Apartment | Corso Mombello 25 p.attico/3 | S.Remo | 50 | 220,000.00 | 24,321.00 | 195,679.00 |
| Apartment | Via Roma 12 a/1 | Rezzoaglio | 48 | 52,800.00 | 6,272.64 | 46,527.36 |
| Apartment | Via Roma 12 a/2 | Rezzoaglio | 73 | 80,300.00 | 9,539.64 | 70,760.36 |
| Apartment | Via XX Settembre 20 139/154 | Genoa | 75 | 262,500.00 | 19,490.68 | 243,009.32 |
| | Totale (b) | | | 1,624,100.00 | 148,879.94 | 1,475,220.06 |
| | Totale (a+b) | | | 347,353,580.00 | 36,535,593.57 | 310,817,986.44 |
| **Other properties a) Supplementary pension fund** | | | | | | |
| Store | Via Luccoli 19-21 r. | Genoa | 340 | 680,000.00 | 72,930.00 | 607,070.00 |
| Offices | Via Cassa di Risparmio 4/1 | Genoa | 60 | 180,000.00 | 17,820.00 | 162,180.00 |
| Offices | Via Cassa di Risparmio 4/3 | Genoa | 110 | 302,500.00 | 29,947.50 | 272,552.50 |
| Offices | Via Cassa di Risparmio 4/6 | Genoa | 110 | 302,500.00 | 29,947.50 | 272,552.50 |
| Offices | Via Cassa di Risparmio 4/13 | Genoa | 50 | 150,000.00 | 14,850.00 | 135,150.00 |
| Offices | Via Cassa di Risparmio 4/14 | Genoa | 105 | 288,750.00 | 28,586.25 | 260,163.75 |
| Store | Via F. Turati 2 - 4 - 6 rr. | Genoa | 85 | 425,000.00 | 42,075.00 | 382,925.00 |
| Store | Via F. Turati 8/10 rr. | Genoa | 40 | 180,000.00 | 18,414.00 | 161,586.00 |
| Store/funds | Via S. Martino 65 B - C (piani terra e fondi) | Genoa | 1180 | 1,298,000.00 | 132,785.40 | 1,165,214.60 |
| Store | Via S. Martino 152 - 154 - 156 rr. | Genoa | 220 | 588,000.00 | 60,152.40 | 527,847.60 |
| Offices | Via XX Settembre 41 - 5° piano | Genoa | 700 | 2,100,000.00 | 155,925.00 | 1,944,075.00 |
| Offices | Via XX Settembre 41 - 5° piano | Genoa | 380 | 1,140,000.00 | 84,645.00 | 1,055,355.00 |
| Offices | Via XX Settembre 41 - 6° piano | Genoa | 270 | 810,000.00 | 60,142.50 | 749,857.50 |
| Offices | Via XX Settembre 41 - 7° piano | Genoa | 600 | 1,800,000.00 | 133,650.00 | 1,666,350.00 |
| Store | Vico Casana 74-76 rr. | Genoa | 260 | 650,000.00 | 64,350.00 | 585,650.00 |
| Store | Vico Casana 38 r. | Genoa | 35 | 140,000.00 | 13,860.00 | 126,140.00 |
| Store | Vico Casana 40 r. | Genoa | 26 | 104,000.00 | 10,296.00 | 93,704.00 |
| Store | Vico Casana 42 r. | Genoa | 26 | 104,000.00 | 10,296.00 | 93,704.00 |
| Store | Vico Casana 44/46 r. | Genoa | 95 | 124,800.00 | 12,355.20 | 112,444.80 |
| Store | Vico Casana 48 r. | Genoa | " | 138,000.00 | 13,662.00 | 124,338.00 |
| Store | Vico Casana 50 r. | Genoa | " | 138,000.00 | 13,662.00 | 124,338.00 |
| Warehouses | Via G. D'Annunzio p. A/3 (lotto B q. 10,75) | Genoa | 100 | 77,500.00 | 7,928.25 | 69,571.75 |
| Office | Piazza Dante 8/2 | Genoa | 170 | 425,000.00 | 42,075.00 | 382,925.00 |
| Store | Via Fiasella 36 - 38 - 40 rr. | Genoa | 190 | 570,000.00 | 47,025.00 | 522,975.00 |
| Store | Via Cesarea 66 r. | Genoa | 75 | 300,000.00 | 24,750.00 | 275,250.00 |
| Store + box | Via Cesarea 68 r. | Genoa | 687 | 374,500.00 | 30,896.25 | 343,603.75 |
| 14 car parking space | Via G. D'Annunzio | Genoa | 170 | 391,000.00 | 39,999.30 | 351,000.70 |

| | Location of property | | Area square metres | Property value as at 31.12.2014 | Property depreciation as at 31.12.2014 | Property residual value as at 31.12.2014 |
|---|---|---|---|---|---|---|
| Store/funds | V.le Des Geneys 14 r. | Genoa | 175 | 385,000.00 | 44,467.50 | 340,532.50 |
| Store | Via de Nicolay 44 r. | Genoa | 160 | 288,000.00 | 35,640.00 | 252,360.00 |
| Store | Via Monticelli 35 | Genoa | 720 | 1,080,000.00 | 115,830.00 | 964,170.00 |
| Apartment/Office | Via Monticelli 11/1 | Genoa | 150 | 187,500.00 | 20,109.43 | 167,390.57 |
| Store | Via Colombo 49 r. | Genoa | 180 | 720,000.00 | 59,400.00 | 660,600.00 |
| Store | Via G.B. Custo 11 r. | Genoa | 220 | 550,000.00 | 68,062.50 | 481,937.50 |
| Car parking spaces | Via di Francia 5 A r. - p.2S | Genoa | 635 | 635,000.00 | 73,342.50 | 561,657.50 |
| Store | Piazzetta dei Garibaldi 27 r. | Genoa | 35 | 70,000.00 | 7,507.50 | 62,492.50 |
| Store | Via Lungomare S.Maria 9/11/13 | Cogoleto | 100 | 400,000.00 | 42,900.00 | 357,100.00 |
| Store | Via Dante 225 B | Alassio | 65 | 292,500.00 | 33,783.75 | 258,716.25 |
| Store | Via Dante 229 | Alassio | 65 | 292,500.00 | 33,783.75 | 258,716.25 |
| Store | Via della Concezione 60 | Finale Ligure | 130 | 650,000.00 | 75,075.00 | 574,925.00 |
| Store | Via S. Maurizio 25 | Imperia | 35 | 70,000.00 | 8,085.00 | 61,915.00 |
| Store | Via S. Maurizio 27 | Imperia | 40 | 80,000.00 | 9,240.00 | 70,760.00 |
| Store | Via S. Maurizio 27 A | Imperia | 40 | 80,000.00 | 9,240.00 | 70,760.00 |
| Apartment | C.so Mombello 25 piano 3 int. 3 | Sanremo | 104 | 468,000.00 | 51,737.40 | 416,262.60 |
| Apartment | C.so Mombello 25 piano 3 int. 4 | Sanremo | 149 | 670,500.00 | 74,123.83 | 596,376.17 |
| Store | Corso Mombello 46/48/50 rr. | Sanremo | 180 | 810,000.00 | 89,545.50 | 720,454.50 |
| Store | Via Boselli 21 r. | Arma di Taggia | 125 | 500,000.00 | 57,750.00 | 442,250.00 |
| Store | Via Vittorio Emanuele 176 | Bordighera | 150 | 675,000.00 | 74,621.25 | 600,378.75 |
| Offices | Via D'Annunzio 79 | Genoa | 615 | 1,691,250.00 | 173,014.93 | 1,518,235.07 |
| Offices | Via Sestri 128/130/132 rr. | Genoa | 2076 | 3,148,497.00 | 379,236.44 | 2,769,260.56 |
| Offices | Via Sestri 128/130/132 rr. | Genoa | " | 1,545,253.00 | 186,125.72 | 1,359,127.28 |
| Offices (Ignazio Messina) | Via D'Annunzio 83-89-93-103 | Genoa | 680 | 1,530,000.00 | 156,519.00 | 1,373,481.00 |
| Offices | Via Ceccardi 4/16 | Genoa | 500 | 1,422,025.00 | 140,780.53 | 1,281,244.47 |
| Offices (Ignazio Messina) | Via D'Annunzio 83-89-93-103 | Genoa | 941 | 29,032.00 | 2,970.00 | 26,062.00 |
| Offices (Ignazio Messina) | Via D'Annunzio 83-89-93-103 | Genoa | " | 2,088,218.00 | 213,624.73 | 1,874,593.27 |
| Offices | Piazza Faralli 36/38 rr. | Genoa | 854 | 1,921,500.00 | 196,569.45 | 1,724,930.55 |
| Basement | Via Corsica 3 | Genoa | 9 | 5,400.00 | 445.50 | 4,954.50 |
| Offices | Via D'Annunzio Lotto D | Genoa | 300 | 525,000.00 | 53,707.50 | 471,292.50 |
| Offices (Carige Assicurazioni) | Via D'Annunzio 41 | Genoa | 3600 | 8,102,206.00 | 828,855.72 | 7,273,350.28 |
| Offices (Carige Assicurazioni) | Via D'Annunzio 27 (81) | Genoa | " | 11,294.00 | 1,155.33 | 10,138.67 |
| Store | Piazza Risorgimento, 53A/54 | Roma | 72 | 475,825.26 | 26,693.80 | 449,131.46 |
| Ex Branch (locata) | Via Mazzini 30 A | Fidenza | 300 | 525,000.00 | 64,968.75 | 460,031.25 |
| Store | Via Aureliano Galeazzo, 4-6 | Genoa | 70 | 67,511.25 | 26,472.81 | 41,038.44 |
| Store | Via Aureliano Galeazzo, 8 | Genoa | 43 | 51,893.59 | 20,323.76 | 31,569.83 |
| Housing | Via Aureliano Galeazzo, 10/06 | Genoa | 65 | 41,833.00 | 4,831.73 | 37,001.27 |
| Office | Via Cassa di Risparmio, 4/7 | Genoa | 110 | 181,444.67 | 60,807.27 | 120,637.40 |
| Office | Via Cassa di Risparmio, 4/8 | Genoa | 22 | 36,292.05 | 12,164.25 | 24,127.80 |
| Office | Via Cassa di Risparmio, 4/15 | Genoa | 60 | 103,579.81 | 34,654.76 | 68,925.05 |
| Office | Via Cassa di Risparmio, 4/16 | Genoa | 70 | 103,603.42 | 34,675.92 | 68,927.50 |
| Office | Via Cassa di Risparmio, 4/17 | Genoa | 110 | 181,304.98 | 60,681.95 | 120,623.03 |
| Housing | Via Cassa di Risparmio, 4/18 | Genoa | 65 | 103,291.00 | 10,225.82 | 93,065.19 |
| Office | Via Cassa di Risparmio, 4/19 | Genoa | 65 | 103,603.42 | 34,675.92 | 68,927.50 |
| Housing | Via Cassa di Risparmio, 4/20 | Genoa | 85 | 129,115.00 | 12,782.42 | 116,332.59 |
| Office | Via Cassa di Risparmio, 4/21 | Genoa | 70 | 103,580.49 | 34,655.33 | 68,925.16 |
| Commercial/offices | Via XII Ottobre, 1-3-3R / Via E. Vernazza / Via V Dicembre 12 E | Genoa | 11364 | 35,538,749.73 | 8,061,764.66 | 27,476,985.07 |
| | Totale | | | 82,451,852.67 | 13,030,654.46 | 69,421,198.21 |

**b) Provision for employee termination indemnities**

| | | | | | | |
|---|---|---|---|---|---|---|
| Offices | Via XXV Aprile 4/7 | Genoa | 145 | 362,500.00 | 35,887.50 | 326,612.50 |
| Offices | Via XXV Aprile 4/8 | Genoa | 70 | 175,000.00 | 17,325.00 | 157,675.00 |
| Offices | Via XXV Aprile 4/9 | Genoa | 120 | 300,000.00 | 29,700.00 | 270,300.00 |
| Offices | Via XXV Aprile 4/12 | Genoa | 120 | 300,000.00 | 29,700.00 | 270,300.00 |
| Apartment | Via XXV Aprile 6/6 amm.to | Genoa | 40 | 60,000.00 | 5,940.00 | 54,060.00 |
| Warehouses | Vico Monte di Pietà 3/5/7 rr. | Genoa | 180 | 225,000.00 | 24,131.25 | 200,868.75 |
| Store | Sottopassaggio Via XXV Aprile 2 | Genoa | 40 | 40,000.00 | 4,290.00 | 35,710.00 |
| Store | Via Antica Accademia 1 r. | Genoa | 35 | 43,750.00 | 4,692.16 | 39,057.84 |

| | Location of property | | Area square metres | Property value as at 31.12.2014 | Property depreciation as at 31.12.2014 | Property residual value as at 31.12.2014 |
|---|---|---|---|---|---|---|
| Store | Via Antica Accademia 3 r. | Genoa | 35 | 43,750.00 | 4,692.16 | 39,057.84 |
| Store | Via Antica Accademia 5 r. | Genoa | 40 | 52,000.00 | 5,577.00 | 46,423.00 |
| Store | Piazza S. Matteo 6 A - 6 B (piani terreno e amm.to) | Genoa | 220 | 550,000.00 | 58,987.50 | 491,012.50 |
| Office | Piazza S. Matteo 15/3 - 4 | Genoa | 400 | 800,000.00 | 85,800.00 | 714,200.00 |
| Store | Vico S. Matteo 13 r. - Piazzetta Tavarone 15 r. | Genoa | 35 | 87,500.00 | 9,384.43 | 78,115.57 |
| Store | Vico dell'Isola 4 r. | Genoa | 35 | 70,000.00 | 7,507.50 | 62,492.50 |
| Store | Vico dell'Isola 6 r. | Genoa | 35 | 52,500.00 | 5,630.68 | 46,869.32 |
| Offices | Via Luccoli 17/3 | Genoa | 70 | 122,500.00 | 13,138.18 | 109,361.82 |
| Offices | Via Luccoli 17/6 | Genoa | 85 | 148,750.00 | 15,953.41 | 132,796.59 |
| Offices | Via Luccoli 17/9 | Genoa | 90 | 157,500.00 | 16,891.93 | 140,608.07 |
| Offices | Via Luccoli 17/9 A | Genoa | 90 | 157,500.00 | 16,891.93 | 140,608.07 |
| Offices | Via Luccoli 17/10 A-B-C | Genoa | 120 | 210,000.00 | 22,522.50 | 187,477.50 |
| Offices | Via Luccoli 17/11 A | Genoa | 36 | 63,000.00 | 6,756.75 | 56,243.25 |
| Offices | Via Luccoli 17/12 | Genoa | 120 | 210,000.00 | 22,522.50 | 187,477.50 |
| Offices | Via Luccoli 17/13 | Genoa | 45 | 78,750.00 | 8,445.91 | 70,304.09 |
| Store | Via Cassa di Risparmio 14 | Genoa | 20 | 100,800.00 | 9,979.20 | 90,820.80 |
| Offices | Via Davide Chiossone 7/2 | Genoa | 100 | 150,000.00 | 14,850.00 | 135,150.00 |
| Store | Via Davide Chiossone 8/1 | Genoa | 55 | 96,250.00 | 9,528.75 | 86,721.25 |
| Store | Via Davide Chiossone 8/2 | Genoa | 60 | 105,000.00 | 10,395.00 | 94,605.00 |
| Store | Via Davide Chiossone 26 r. | Genoa | 60 | 150,000.00 | 14,850.00 | 135,150.00 |
| Office | Via G. D'Annunzio Lotto "I" (quota 24,50) | Genoa | 210 | 472,500.00 | 48,336.75 | 424,163.25 |
| Office | Sal. Montagnola della Marina 3 - 1° piano sot. | Genoa | 1220 | 275,201.00 | 31,785.71 | 243,415.29 |
| Office | Sal. Montagnola della Marina 3 - 2° piano sot. | Genoa | " | 275,194.00 | 31,784.94 | 243,409.06 |
| Office | Sal. Montagnola della Marina 3 - piano terreno | Genoa | " | 361,981.00 | 41,808.80 | 320,172.20 |
| Office | Sal. Montagnola della Marina 3 - 1° piano | Genoa | " | 361,981.00 | 41,808.80 | 320,172.20 |
| Office | Sal. Montagnola della Marina 3 - 2° piano | Genoa | " | 391,227.00 | 45,186.68 | 346,040.32 |
| Office | Sal. Montagnola della Marina 3 - 3° piano | Genoa | " | 361,981.00 | 41,808.80 | 320,172.20 |
| Office | Sal. Montagnola della Marina 3 - 4° piano | Genoa | " | 391,227.00 | 45,186.68 | 346,040.32 |
| Office | Sal. Montagnola della Marina 3 - 5° piano | Genoa | " | 361,981.00 | 41,808.80 | 320,172.20 |
| Office | Sal. Montagnola della Marina 3 - 6° piano | Genoa | " | 391,227.00 | 45,216.68 | 346,010.32 |
| Apartment | Via G. Jori 22/2 | Genoa | 80 | 121,600.00 | 15,048.00 | 106,552.00 |
| Apartment | Via S. D'Acquisto 1/1 | Genoa | 100 | 130,000.00 | 16,087.50 | 113,912.50 |
| Store | Via XXV Aprile 2 B | S. Margherita L. | 120 | 600,000.00 | 57,420.00 | 542,580.00 |
| Store | Via Roma 1 | Busalla | 230 | 460,000.00 | 55,407.00 | 404,593.00 |
| Garage | Via Molinetto 7 (parte - mq. 15) | Torriglia | 15 | 16,500.00 | 2,041.93 | 14,458.07 |
| Apartment | Via Sauli Pallavicini 27/4 | Arenzano | 118 | 472,000.00 | 50,622.00 | 421,378.00 |
| Basement | Via Sauli Pallavicini 25 | Arenzano | 5 | 3,000.00 | 321.75 | 2,678.25 |
| Store | Piazza Camillo Golgi 19 D | Arenzano | 95 | 142,500.00 | 16,458.75 | 126,041.25 |
| Apartment | Piazza Schiaffino 11 | Camogli | 65 | 224,250.00 | 18,500.68 | 205,749.32 |
| Warehouses | Piazza Schiaffino 6 - 2° piano interrato | Camogli | 150 | 112,500.00 | 9,281.25 | 103,218.75 |
| Store | Via Medicina 102 | Serra Riccò (GE) | 72 | 108,000.00 | 13,365.00 | 94,635.00 |
| Store | Piazza La Scafa - Residence al Porto | Lavagna | 620 | 930,000.00 | 112,018.50 | 817,981.50 |
| Apartment | Piazza Unità Nazionale 19/9 sc. A | Imperia | 175 | 262,500.00 | 30,318.75 | 232,181.25 |
| Basement | Via Berio 10 | Imperia | 6 | 3,000.00 | 331.65 | 2,668.35 |
| Store | Via Eula 31 A/29 | Pieve di Teco | 170 | 221,000.00 | 29,202.00 | 191,798.00 |
| Apartment | Via Blengino 12/1 | Arma di Taggia | 132 | 396,000.00 | 43,777.80 | 352,222.20 |
| Store | Corso Italia 55 F. | Ronco Scrivia (GE) | 169 | 211,250.00 | 27,885.00 | 183,365.00 |
| S.G.R.Spa | Via Pisa 58 | Genoa | 942 | 6,188,306.70 | 432,934.04 | 5,755,372.66 |
| | Totale | | | 19,158,956.70 | 1,857,725.48 | 17,301,231.22 |

c) Other

| | | | | | | |
|---|---|---|---|---|---|---|
| London Representative Office | Hornton Street 12 | Londra | 150 | 1,162,629.56 | 60,984.00 | 1,101,645.56 |
| Warehouses | Via Emilia 48 C E r. | Genoa | 3653 | 2,413,223.61 | 296,087.96 | 2,117,135.65 |
| Warehouses | Via Emilia 48 D r. | Genoa | " | 1,051,304.69 | 128,988.71 | 922,315.98 |
| Leased to Creditis | Via G. D'Annunzio Torri E e F -piani 9 e 10 | Genoa | 720 | 2,544,059.47 | 273,291.71 | 2,270,767.76 |
| 116 B.M.L. branch | Scali della Pietra, 9 | Livorno | 320 | 528,359.59 | 101,805.36 | 426,554.23 |
| | Viale N.Bixio 31 | Treviso | 130 | 188,500.00 | 21,771.75 | 166,728.25 |
| Warehouses | Via Arrivabene 39 r. | Genoa | 1536 | 851,400.00 | 102,551.13 | 748,848.87 |
| Archive | Via Pelio 6 | Genoa | 4760 | 5,563,396.00 | 670,111.09 | 4,893,284.91 |
| Archive | Via Pelio 6 | Genoa | " | 351,914.00 | 42,388.06 | 309,525.94 |

| | Location of property | | Area square metres | Property value as at 31.12.2014 | Property depreciation as at 31.12.2014 | Property residual value as at 31.12.2014 |
|---|---|---|---|---|---|---|
| Archive | Via Pelio 6 | Genoa | " | 506,782.32 | 61,469.32 | 445,313.00 |
| Archive | Via Monticelli 13/2 | Genoa | 50 | 82,500.00 | 8,848.18 | 73,651.82 |
| S.Margherita L. branch | Via XXV Aprile 6/1 | S.Margherita L. | 137 | 765,600.00 | 73,267.92 | 692,332.08 |
| Apartment | Via Blengino 12/2 | Arma di Taggia | 70 | 175,000.00 | 19,346.25 | 155,653.75 |
| Office | Via Casilina n. 356 - | Roma | 608 | 2,566,775.35 | 60,479.64 | 2,506,295.71 |
| Office | Via D'Annunzio, 105-107 Torre D | Genoa | 466 | 2,010,030.59 | 29,597.70 | 1,980,432.89 |
| Office | Corso Roma 198 | Loano | 130 | 495,110.60 | 82,110.60 | 413,000.00 |
| Office | Corso Italia 15 | Pietra L. | 99 | 329,811.96 | 38,811.96 | 291,000.00 |
| Office | P. la Scafa 16 | Lavagna | 197 | 479,892.88 | 59,321.68 | 420,571.20 |
| Office | Piazza Dallara 42 | Savona | 149 | 354,621.83 | 44,621.83 | 310,000.00 |
| Office | Via Bobbio 62/64/66 r. | Genoa | 120 | 216,986.60 | 34,986.60 | 182,000.00 |
| Office | Via Torti 236/238 rr. | Genoa | 150 | 182,364.38 | 22,402.38 | 159,962.00 |
| Office | Via Barrili 26 r. | Genoa | " | 174,522.32 | 21,484.32 | 153,038.00 |
| Office | Via Piandilucco, 7 | Genoa | 218 | 544,392.54 | 73,392.54 | 471,000.00 |
| Office | Via Sanremo, 157-159-161 R | Genoa (GE) | 108 | 141,387.97 | 41,808.05 | 99,579.91 |
| Office | Via De Marini Torri WTC | Genoa | 266 | 524,102.55 | 29,102.55 | 495,000.00 |
| | Total | | | 24,204,668.81 | 2,399,031.29 | 21,805,637.51 |
| | | | | | | |
| **d) Credit collection** | | | | | | |
| Building portion | Località Prau primo | Perinaldo | 397.77 | 153,804.83 | 20,302.26 | 133,502.57 |
| Apartment | Via Bonningher, 2 - piano 2 | Busalla | 53.5 | 39,295.55 | 2,940.31 | 36,355.24 |
| Apartment | Via Bonningher, 2 - piano 2 | Busalla | 34 | 39,251.69 | 2,471.40 | 36,780.29 |
| Apartment-garage- cellars | C.so Inglesi 470 | Sanremo | 256 | 737,905.24 | 46,488.02 | 691,417.22 |
| Apartment-garage- cellars | Via San Maurizio | Rapallo | 100 | 120,678.67 | 6,788.20 | 113,890.47 |
| Apartment | Via nazionale, 10 | Montoggio | 550 | 176,000.00 | 7,392.00 | 168,608.00 |
| Apartment | Via San Pietro 8/1 | Ceranesi (GE) | 215 | 294,171.95 | 8,825.15 | 285,346.80 |
| Apartment | Via San Pietro 8/2 | Ceranesi (GE) | 146 | 226,340.75 | 6,790.22 | 219,550.53 |
| Apartment | Vico San Gerolamo int. 1 Sc.A | Genoa (GE) | 166 | 493,295.31 | 12,689.99 | 480,605.32 |
| Apartment | Strada degli Olandesi n. 65 | Sanremo | 232 | 384,587.22 | 6,537.99 | 378,049.23 |
| Villa | Via F.lli Ferrari | Bogliasco (GE) | 525 | 1,109,809.00 | 13,317.71 | 1,096,491.29 |
| Lands | Via F.lli Ferrari | Bogliasco (GE) | 370 | 54,566.00 | - | 54,566.00 |
| Locals | Corso Marconi, 92 | Sanremo | 611 | 1,421,029.90 | 11,368.24 | 1,409,661.66 |
| | Total | | | 5,250,736.11 | 145,911.49 | 5,104,824.62 |
| | | | | | | |
| | Total (a+b+c+d) | | | 131,066,214.29 | 17,433,322.72 | 113,632,891.56 |
| | | | | | | |
| | TOTAL | | | 478,419,794.29 | 53,968,916.29 | 424,450,878.00 |
| | | | | | | |
| **Other properties (Francia)** | | | | | | |
| Nizza Branch | Rue Maccarani | Nizza (FR) | 518 | 2,559,279.73 | 1,376,937.00 | 1,182,342.73 |
| - | Rue Partouneux 1 | Mentone (FR) | 237 | 1,113,836.79 | 467,202.83 | 646,633.96 |
| | Totale | | | 3,673,116.52 | 1,844,139.83 | 1,828,976.69 |
| | | | | | - | |
| **Credit collection (Francia)** | | | | | | |
| El Paradisio | Bd Mal Joffre 45 Bis | Beaulieu Sur Mer (FR) | | 2,246,391.95 | - | 2,246,391.95 |
| | Totale | | | 2,246,391.95 | - | 2,246,391.95 |
| | | | | | | |
| **Immobili in via di Dismissione** | | | | | | |
| Avegno (186) | Via delle Mimose | Avegno (GE) | 100 | 100,000.00 | - | **100,000.00** |
| | Totale | | | 100,000.00 | - | 100,000.00 |
| | | | | | | |
| | TOTAL PROPERTY ASSETS | | | 484,339,302.76 | 55,813,056.12 | 428,526,246.64 |

# GLOSSARY OF TECHNICAL TERMS AND ACRONYMS USED

## A

*ABS - Asset-Backed Securities*
Financial instruments issued under securitisation transactions (see definition) whose yield and redemption are guaranteed by the assets of the issuer (see definition), exclusively earmarked for the satisfaction of the rights incorporated in said financial instruments. Technically, debt securities are issued by an SPV (see definition). The portfolio underlying the securitisation may comprise mortgages, loans, bonds, trade receivables, credit card receivables and so on. Based on the type of underlying asset, ABS may be classified in:
- credit loan obligations (the portfolio is composed of bank loans);
- collateralised bond obligations CBO (the portfolio is composed of junk bonds);
- collateralised debt obligations CDO (the portfolio is composed of bonds, debt instruments and securities in general);
- residential mortgage-backed security RMBS (the portfolio is composed of mortgages on residential properties);
- commercial mortgage-backed security CMBS (the portfolio is composed of mortgages on commercial properties);

*Additional return*
Form of remuneration of junior securities deriving from securitisation transactions. In addition to a fixed coupon, these securities accrue periodic earnings (quarterly, half-yearly, etc.), the amount of which depends on the margin produced by the transaction (in turn reflecting the performance of the securitised assets).

*Additional TIER1 (AT1)*
“Additional Tier 1 capital" (see EU Regulation no. 575/2013 (CRR), Part Two, Title 1, Chapter 3) is a component of the Bank’s own funds (or Regulatory Capital). It is comprised of equity instruments other than ordinary shares which meet the requirements established by art. 52 of EU Regulation 575/2013 (CRR), net of adjustments and deductions.

*Advisor*
Financial broker who assists government authorities or companies involved in privatisations or other corporate finance operations, whose tasks range from the preparation of appraisals, drawing up of documents and provision of general consultancy about specific transactions.

*AFS - Available For Sale*
IAS accounting category used to classify assets available for sale.

*ALM - Asset & Liability Management*
Integrated management of assets and liabilities designed to allocate resources with a view to optimising the risk-return ratio.

*ALT-A Agency*
Securities backed by Alt-A mortgages, guaranteed by specialised Government Agencies.

*ALT-A - Alternative A Loan*
Residential mortgages generally of “prime” quality; however the LTV ratio, the documentation provided, the work/employment situation, the type of property or other factors, do not allow them to be qualified as standard contracts able to be used in subscription programmes. The main reason for a loan being classified as “Alt-A” is the non-submission of all the required documentation.

*Alternative investment*
Alternative investments cover a broad range of types of investment, including those in private equity (see definition) and hedge funds (see definition).

*AP – Attachment Point*
Level above which a protection seller would start covering losses incurred by a protection buyer. Typically used in synthetic CDOs.

*Arranger*
In structured finance, the arranger is the person who – albeit in different forms with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – acts as a coordinator of the organisational aspects of the transaction.

*Arrangement (commission)*
Commission payment for advisory and support services in the structuring and organisation stage of a loan.

*Asset allocation*
Investment decisions targeted to identify diversification in markets, geographical areas, sectors and products that is able to achieve the desire mix between risk and return.

*Asset management*
Various forms of activity relating to the management and administration of customer assets.

*ATM - Automated teller machine*
An automatic electronic device that allows customers to carry out transactions, e.g. cash withdrawals, paying-in of cash or cheques, account information requests, bill payments, phone top-ups, etc. Customers activate the terminal by introducing a card and entering their PIN (personal identification number).

*Risk-weighted assets*
This is the amount obtained by multiplying the total regulatory capital (credit risk, market risk and other prudential requirements) times a coefficient of 12.5. For companies belonging to banking groups, total regulatory capital requirements are reduced by 25%.

*Audit*
In listed companies, it is the set of audits carried out on the business and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

# B

*Back office*
The unit of a bank or financial company that handles all transactions performed by operational units (front office).

*Back testing*
Retrospective tests performed to verify the reliability of the measurement of risk sources associated with the asset portfolio positions.

*Bancassurance*
Offer of insurance products, normally through the operating network of a bank.

*Banking book*
Normally refers to securities or financial instruments in general, identifying the portion of a portfolio dedicated to "proprietary" trading.

*Basel 2*
The new international accord on capital which redefines the guidelines for the calculation of minimum capital requirements for banks.
The new prudential regulation is based on three pillars:
- *first pillar (Pillar 1)*: without prejudice to the objective of an 8% risk-weighted capital ratio, a new system of rules has been outlined for the measurement of typical banking and financial risks (credit, counterparty, market and operating risks) which provides for alternative calculation methods characterised by varying levels of complexity, with the ability to use, with the prior authorisation of the Supervisory Body, models developed in-house;
- *second pillar (Pillar 2)*: banks must be equipped with the processes and tools for determining the overall level of internal capital (Internal Capital Adequacy Assessment Process – ICAAP) necessary to face all types of risk, including those not covered by the first pillar (overall capital requirement). The Supervisory Body is responsible for examining the ICAAP process, formulating an overall opinion and, where necessary, implementing the appropriate corrective measures;
- third pillar (Pillar 3): obligations of transparency were introduced with regard to disclosure on capital levels, risks and their management.

*Basel 3*
The term "Basel 3" refers to a set of measures approved by the Basel Committee on banking supervision as a consequence of the 2007-08 financial crisis with the aim of strengthening the pre-existing prudential regulation of the banking industry (which in turn is currently known as Basel 2), the effectiveness of the supervisory action and intermediaries' ability to manage the risk they assume.

*Basis point*
Corresponds to one hundredth of one percentage point (0.01%).

*Basis swap*
Contract providing for the exchange between two counterparties of payments linked to different floating rates.

*Benchmark*
Reference parameter of financial investments: it can also be represented by the most well-known market indexes or by other indexes considered more representative of the investment's risk/return profile.

*Best practice*
Conduct commensurate with the more important and/or highest-level skills and techniques achieved in a given technical/professional sphere.

*Incremental Beta Gap*
Gap analysis method which, for customer-originated items, takes into account the percentage of absorption by internal rates of a change in the external market rate.

*Bid-ask spread*
The difference between the bid price and the ask price of a given financial instrument or set of financial instruments.

*Bookrunner*
See *Lead Manager* definition.

# C

*CAGR – Compound annual growth rate*
The year by year growth rate applied to an investment or other activities over a multiple-year period. The CAGR calculation formula is (current value/base value) ^ (1/no. of years).

*Capital allocation*
A process of how companies divide their investment between the different categories of financial activity (in particular, bonds, shares and liquidity). Capital allocation decisions are determined by the need to optimise the risk/return ratio in relation to the investor's time horizon and expectations.

*Capital Asset Pricing Model*
The Capital Asset Pricing Model (or CAPM) is a financial model that establishes a relationship between the return on a security and its risk level. It has several financial applications, including the "opportunity cost" calculation, i.e. the amount of income needed by a company to fund the cost of capital.

*Capital structure*
As regards securitisation transactions (see definition), the SPV issues various classes of bond (tranches), guaranteed by the acquired portfolio, that have different risks and returns, in order to satisfy the needs of the different categories of investor. All the tranches combined constitute the Capital Structure. The subordination ratios between the various tranches are governed by a series of regulations that specify the distribution of collateral losses:
• Equity Tranche: the riskiest portion of the portfolio, also known as "first loss" and is subordinate to all other tranches; it is therefore the first to bear losses that may occur during recovery of the underlying assets.
• Mezzanine Tranche: the intermediate tranche ranking between the equity tranche and the senior tranche. The mezzanine tranche is normally subdivided into 2-4 tranches with different levels of risk, each subordinated to the others. They are typically characterised by a rating in the BBB-AAA range.
• Senior/Supersenior Tranche: the tranche with the highest level of credit enhancement (see definition), i.e. the highest level of privilege in terms of remuneration and redemption priority.

*Absorbed capital*
Absorbed capital is the capital requested to cover the business risks. It equals the maximum between the regulatory capital (obtained by multiplying the weighted assets by the risk for the core tier 1 ratio objective) and internal capital. Internal capital is the amount of capital that must be retained to withstand potential losses and is needed to support business activities and the positions held. Total capital is given by the sum of the economic capital, obtained by aggregating the different risk types, in addition to a reserve to take account of the effects of the cycle and risk model.

*Captive*
Term generically referring to "networks" or companies operating in the sole interest of the company or the Group to which they belong.

*Securitisation*
Disposal of loans or other non-negotiable financial assets to a qualified company (SPV) created for the sole purpose of implementing such transactions and arranging conversion of the loans or assets into securities that can be traded on a secondary market.

*Synthetic securitisation*
Securitisation structure (see definition) whereby transfer of the asset portfolio is performed through the use of credit derivatives or similar types of guarantee that allow transfer of the portfolio risk.

*Cash flow hedge*
The hedging of exposure to cash flow fluctuations attributable to a particular risk.

*Cash management*
A banking service which, in addition to making a whole series of information available to companies on the status of relations with the bank, provides an operating tool that allows businesses to transfer funds and thereby achieve a more efficient treasury management.

*Categories of financial instruments envisaged in IAS 39*
*Trading activity (Held For Trading – HFT)* which includes the following; assets purchased for short-term sale or part of portfolios of instruments managed jointly for the purpose of realising profits in the short-term, and assets that the entity decides to record at fair value with variation in value entered in the income statement (Fair Value Through Profit & Loss – FVTPL); assets held to maturity (Held To Maturity –

HTM), non-derivative assets with a fixed term and payments that are fixed or determinable, concerning which there is a real intention and capacity to hold them to maturity; credits and loans (Loans & Receivables - L&R), non-derivative assets with payments that are fixed or determinable, not quoted on the active market; *assets available for sale (Available For Sale – AFS)*, specifically designated as such, or other not falling under the previous types.

*CBO - Collateralised Bond Obligation*
CDO type securities (see definition) with underlying bonds.

*CDO - Collateralised Debt Obligation*
Debt securities, issued by a SPV, guaranteed by underlying assets in the form of loans, bonds, Asset-Backed Securities (see definition) or other CDOs. These types of structures are constituted to eliminate ("derecognition") assets from the balance sheet and to arbitrage the yield differences between securitised assets and securities issued by the SPV.
CDOs can by "funded", if the SPV legally purchases ownership of the assets, or synthetic ("unfunded") if the SPV acquires the underlying risk of the assets through Credit Default Swaps (see definition) or other similar forms of guarantee.

*ABS CDO*
CDO type securities (see definition) with underlying ABS tranches.

*CDS - Credit Default Swaps*
Derivative contract under which one party (protection seller) undertakes, against payment of a sum, to pay a pre-fixed amount to another party (protection buyer), in case an event, agreed upon in advance, occurs, related to the default (see definition) of a third party (reference entity).

*ABX index CDS*
The ABX indexes fall under the ABS Index type. Every ABX refers to a basket of 20 reference obligations belonging to a specific ABS segment. Each ABX (a total of five) reproduces a rating class (AAA, AA, A, BBB, and BBB-). In fact, for ABX the market does not provide credit curve valuations, but rather a direct price evaluation. As detailed in the ISDA 2005 documentation, the settlement permitted for ABX Index contracts is PAUG (Pay As You Go). This requires the protection seller to pay any incurred losses to the protection buyer as and when they occur, without however determining termination of the contract. It has to be borne in mind that hedging through ABI Index purchases, even if structured to give the best possible match for the characteristics of the hedged portfolio, remains subject to "basis risk". In other words, given it is not a specific hedge of single positions, it may generate income statement volatility in the phases of less than perfect correlation between index prices and market values of hedged positions.

*Capital bonds (insurance)*
*Capitalisation contracts fall within the scope of direct life insurance matters pursuant to Legislative Decree no. 209 of 7 September 2005 (Private Insurance Code). As defined by article 179 of this decree, they are contracts whereby an insurance company, without any agreements regarding the length of human life, undertakes to pay determined amounts upon expiry of a long-term period in exchange for single or regular premium payments, made in cash or other assets. The contracts may not have a period of validity of less than five years and they provide the option for the contracting party to claim redemption of the contract from the beginning of the second year and provided that the contracting party has paid the premium for an entire year. In accordance with article 42 of the aforementioned Private Insurance Code, financial hedges for technical reserves are only used to cover any obligations connected with principal-protected life insurance contracts. Therefore, in the event of liquidation of the insurance company (article 258), the beneficiaries of these policies are in fact the preferred holders of the credit positions.*

*CLN - Credit Linked Note*
Security with an embedded credit derivative, typically a credit default swap (CDS).

*CLO - Collateralised Loan Obligation*
A CDO backed by loans granted to registered Corporates.

*CMBS - Commercial Mortgage-Backed Securities*
Loan securitisations backed by mortgages on commercial properties.

*CMO - Collateralised Mortgage Obligation*
Mortgage-backed securities in which the total amount of the issue is broken down into tranches with different maturities and yields. The tranches are repaid in the order specified on issue.

*Commercial paper*
Short-term notes issued to gather funds from third-party subscribers as an alternative to other forms of borrowing.

*Common Equity TIER 1 (CET1)*
Primary quality capital of Own Funds (or Regulatory Capital), as defined by art. 4 of EU Regulation no. 575/2013 (CRR).
It is composed of the following calculable elements and equity instruments, net of the required adjustments and deductions: a) share capital and the relative premiums; b) reserves of profits, from valuation, other; c) CET1 instruments subject to transitory provisions.
The prudential filters that have an effect on Common Equity Tier 1 concern:
a) profits from capitalisation of future revenues of securitised assets;
b) positive and negative reserves from cash flow hedges;
c) profits or losses of cash liabilities and derivatives designated at fair value, connected with changes in an entity's credit rating;
d) value adjustments due to the so-called "prudent valuation" of components evaluated at Fair value.
The elements to be deducted from CET1 are as follows:
a) goodwill and other intangible assets;
b) deferred tax assets connected to future profitability but not deriving from temporary differences;

c) excess of expected losses with respect to total value adjustments for the positions weighted according to IRB methods;
d) net assets deriving from defined-benefit pension plans;
e) insignificant investments in CET1 instruments issued by companies in the financial sector (less the part that exceeds the threshold set by the regulations);
f) deferred tax assets which depend on future profitability and which derive from temporary differences (less the amount that exceeds the thresholds set by the regulations);
g) significant investments in CET1 instruments issued by companies in the financial sector.

For more information, see EU Regulation no. 575/2013 (CRR), Part Two, Title 1.

*Conduits*
Asset-Backed Commercial Paper Conduits are a specific type of Special Purpose Vehicle established for the securitisation of different types of assets and financed through the issue of Commercial Paper. Commercial Papers are typically securities with a 270-day maturity, for which capital and interest repayment depend on cash flows from the underlying assets.
Based on the number of underlying asset portfolios, ABCP conduits may be classified as single-seller or multi-seller.
Generally the structure of ABCP conduits provides for the formation of different SPVs. In fact, top level companies issue commercial paper and finance one or more second level SPVs that acquire the securitised assets.
The typical elements of an ABCP Conduit are as follows:
• issue of short-term securities that determine a maturity mismatch between assets held and securities issued;
• Inclusion of lines of liquidity to cover the maturity mismatch;
• Inclusion of guarantees to cover the insolvency risk of assets, both specific and used on the programme as a whole.

*Consumer ABS*
ABS backed by consumer credit.

*Contingency funding plan*
Intervention plans for liquidity management in crisis conditions; their main objective is to protect the bank's capital in the event of a liquidity drain, through the preparation of crisis management strategies and procedures for obtaining emergency funding.

*Core Business*
Primary area of business constituting the focal point of a company's strategies and policies.

*Corporate*
Segment of customers corresponding to medium- and large-sized companies (mid-corporate and large corporate).

*Corporate Governance*
Through the composition and functioning of internal and external corporate bodies the corporate governance structure defines the distribution of rights and responsibilities among those that participate in the company's business, with reference to the breakdown of tasks, and assumption of responsibilities and decision-making powers. The fundamental objective of corporate governance is to maximise value for shareholders, which in the medium/long-term also leads to positive results for other stakeholders, i.e. customers, suppliers, employees, creditors, consumers and the community.

*Cost/Income Ratio*
The ratio of operating expenses to net interest and other banking income. This is one of the key indicators of a bank's operating efficiency: the lower the value, the more efficient the bank.

*Amortised cost*
Differs from cost in that it allows for the progressive amortisation or depreciation of the differential between book value and nominal value of an asset or liability in accordance with the actual rate of return.

*Cost of risk*
Is the ratio between net adjustments on loans and loans to customers. It is one of the risk indicators for bank assets: as the indicator decreases, so does the level of bank asset risk.

*Covered bond*
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.
Banks that intend to issue covered bonds must possess capital of no less than EUR 250 mln and a Total Capital ratio no lower than 9%.
For assets that may potentially be used as a guarantee, the portion transferred cannot exceed the following limits, fixed according to the level of capitalisation:
- 25% in cases where the Tier 1 capital ratio is ≥ 7% and the Common equity Tier 1 ratio is ≥ 6%;
- 60% in cases where the Tier 1 capital ratio is ≥ 8% and the Common equity Tier 1 ratio is ≥ 7%;
- no limit where the Tier 1 capital ratio is T1≥ 9% and the Common equity Tier 1 ratio is ≥ 8%.

*CPPI - Constant Proportion Portfolio Insurance*
A capital guarantee security with an embedded dynamic trading strategy for participation in the performance of a specified underlying asset.

*Credit derivatives*
Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market mainly through recourse to non-cash instruments, to obtain credit exposures diversified by maturity and intensity, modify the risk profile of a portfolio and separate credit risks from other market risks.

*Credit enhancement*
Techniques and instruments used by issuers to improve the rating of their issues (pledges, granting of cash credit facilities, etc.).

*Credit-linked notes*
See CLN - Credit Linked Note

*Credit spread option*
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the security.

*Restructured credit*
Position whereby the Bank has agreed to extend the repayment terms, renegotiating the exposure at interest rates that are lower than market rates.

*Past due loans*
"Past due loans" are exposures that are overdue and/or borderline as defined in current supervisory instructions.

Credit value adjustment (CVA)
Adjustment in the measurement of an activity which reflects the default risk of the counterparty.

*Cross selling*
Activity designed to increase customer loyalty through the sale of integrated products and services.

# D

*Debit valuation adjustment (DVA)*
Adjustment in the measurement of a liability which reflects the default risk of the counterparty.

*Default*
Failure to honour debts and/or pay related interest.

*Delinquency*
Irregularity in payments due at a given date, normally after 30, 60 and 90 days. *DGV VaR - Delta-Gamma-Vega*
Parametric model for the calculation of VaR, able to assess risk factors having both a linear and non-linear trend.

*Derivatives*
Financial instruments where the value depends on the performance of one or more underlying parameters (interest rates, exchange rates, share prices or prices of raw materials, etc.); they can be quoted on regulated markets or they don't have to be quoted (see OTC derivatives).

*OTC derivatives*
The so-called Over-The-Counter (OTC) derivatives are those agreed directly between the parties outside a regulated market.

*Directional (Funds)*
Funds investing in financial instruments that profit from market movements of a directional type, sometimes linked to macroeconomic analyses.

*Domestic Currency Swap*
Contract settled in Euros, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. At the maturity date the differential between the forward rate as per the contract and the current spot rate.

*Duration*
Constitutes an indicator of interest rate risk a security or securities portfolio is subject to. In its most frequent format, it is calculated as the weighted average of a bond's interest and capital payment dates.

*Duration analysis:*
Technique supporting Asset and Liability Management (see definition), which analyses the impact of interest rate changes on the market value of capital.

# E

*EAD – Exposure At Default*
Relating to positions on or off the books, it is defined as the estimated future value of an exposure at the time of default of a debtor. Only banks meeting the requirements for the adoption of the Advanced IRB approach are legitimised to estimate EAD. All others must refer to regulatory estimates.

*EPS - Earnings Per Share*
Indicator of the profitability of a company calculated by dividing the net profit by the average number of shares in circulation net of own shares.

*Equity hedge / long-short (Funds)*
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivative contracts involving securities or market indexes.

*Equity origination*
Increase in a company's risk capital achieved by arranging a new share issue.

*Exotics (derivatives)*
Non-standard derivatives, normally not listed on regulated markets.

*"Junior", "Senior" and "Mezzanine" exposures*
Junior exposures are those reimbursed last, therefore absorbing the initial losses produced by the securitisation operation. Senior exposures are the first exposures to be redeemed. The "mezzanine" category includes the exposures with reimbursement priority at an intermediate stage.

*EVA - Economic Value Added*
EVA is an indicator of the value created by a company. It expresses the capacity to generate value in monetary terms, as the difference between net operating profit (NOPAT) and the cost of invested capital.

# F

*Factoring*
A disposal contract with recourse (credit risk borne by the factor) or without recourse (credit risk borne by the seller) transferring accounts receivable to banks or specialist companies for management and collection purposes, which may be associated with a loan granted to the seller.

*Fairness/Legal opinion*
An opinion given on request by experts with proven professional capacity and competence, relating to the fairness of economic terms and/or lawfulness and/or technical aspects of a given transaction.

*Fair Value*
The price that would be obtained by selling an asset or that would be paid to redeem a liability during a regular transaction between market operators, at the valuation date.

*Fair value hedge*
Hedging against exposure to a variation in the fair value of a balance sheet item, attributable to a particular risk.

*Floating Leg*
Floating "leg" of an IRS (see definition) under which two parties swap a fixed interest rate flow (fixed leg) for a floating interest rate flow (floating leg) calculated on a notional amount.

*Floor*
OTC interest rate derivative contract which sets a minimum limit on decreases in the buyer rate.

*Forwards*
Forward contracts on interest rates, exchange rates or stock indexes, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be fulfilled at a predetermined future date, through the receipt or payment of differentials calculated with reference to parameters that vary according to the purpose of the contract.

*FRA - Forward Rate Agreement*
Contract by which the parties agree to receive (pay) on maturity the difference between the value calculated by applying a predetermined interest rate to the transaction value and the value achieved by a benchmark rate chosen in advance by the parties.

*Funding*
Provision of the funds, in various forms, necessary to finance company activity or specific financial transactions.

*Futures*
Standardised future contracts under which the parties agree to exchange securities or physical commodities at a fixed forward price and at a future date. These contracts are normally traded on organised markets where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying value.

# G

*Gap Analysis*
Technique supporting Asset and Liability Management (see definition), which analyses the difference (gap) between asset and liability items, on the basis of the interest rate review date of said items. A positive gap indicates a positive change in expected interest margin widens as interest rates increase. Vice versa in the opposite case.
*Gap Ratios*
Gap-related indicators.

*Goodwill*
Identifies the amount paid to acquire a shareholding and is equal to the difference between the cost and the corresponding percentage of shareholders' equity, for the part not attributable to elements making up the assets of the acquired company.

*Governance*
Identifies the set of instruments and regulations that govern the way a company is run, with particular reference to the transparency of corporate documents and records and to the completeness of disclosures to the market.

*Greeks*
Parameters that measure the sensitivity with which a derivative contract (e.g. an option) reacts to changes in value of the underlying asset, or other parameters (typically intrinsic volatility, interest rates, share prices, etc.).

# H

*Hedge accounting*
Rules on the accounting of hedging transactions.

*Hedge fund*
A mutual investment fund - denied to traditional investors - able to use sophisticated tools or investment strategies such as "short selling", derivatives (options or futures, even above 100% of capital), hedging (of the portfolio against market volatility through short selling and use of derivatives) and financial leverage (borrowing for the purpose of investing the sum borrowed).

*HFT - Held For Trading*
IAS category used to classify trading assets and liabilities.

*HTM - Held To Maturity*
IAS accounting category used to classify assets held to maturity (financial instruments).

# I

*IAS/IFRS*
International accounting standards issued by the International Accounting Standard Board (IASB), an international independent body established in April 2001, involving the accounting professions in the main countries and, with observer status, the European Union, IOSCO (International Organisation of Securities Commissions) and the Basel Committee. This body succeeded the International Accounting Committee (IASC) formed in 1973 to promote the harmonisation of regulations for the preparation of corporate financial statements. When IASC became IASB, the decision was taken, inter alia, to call the new standards the "International Financial Reporting Standards" (IFRS).

*Impairment*
As regards IAS (see definition), impairment refers to the loss in value of a balance sheet asset, recorded in the event in which the book value exceeds the recoverable value or the amount that could be obtained from selling or using the asset. All assets must be impairment tested, with the exception of those designated at fair value, for which any loss (and gain) in value is intrinsic.

*Watchlist*
Loans at nominal value in respect of which subjects are in a situation of objective difficulty which, however, can be surmounted in a suitable period of time.

*Index linked*
Policies with performance directly linked to a share index or other reference value.

*Herfindahl Index*

$$H = \frac{\left(\sum_{i=1}^{n} EAD_i^2\right)}{\left(\sum_{i=1}^{n} EAD_i\right)}$$

Index (calculated in relation to exposures) used in the algorithm that determines the measure of internal capital relative to concentration risk.

*Internal dealing*
Transactions performed by distinct operating units of a company. The associated documentation assumes accounting significance and contributes to determining the position (trading or hedging) of the individual units that performed it.

*Intraday*
Used to refer to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used in reference to price movements of a given security over the course of one day of trading.

*Investment banking*
This is a highly specialised finance segment that deals in particular with helping companies and governments issue securities and, more generally, to gather funds on the capital market.

*Investment grade*
Term used with reference to high quality bonds that have received a medium/high rating (e.g. no less than BBB on Standard & Poor's scale).

*IRB - Advanced Internal Rating Based Approach*
Internal rating approach within the framework of the New Basel Accord, separated into basic and advanced methods. The advanced approach can only be used by institutions that meet the strictest minimum requirements with respect to the basic approach. In this case, all input estimations (PD, LGD, EAD, Maturity) for the credit risk assessment are made internally. In the basic method, only the PD is estimated by the Bank.

*IRS – Interest Rate Swap*
A contract in which two parties agree to exchange flows on predetermined notional amount with a fixed/floating or floating/floating rate.

# J

*Judgmental*
A rating assignment method also based on a subjective opinion.

*Junior*
In a securitisation transaction, it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of recovery of the underlying assets.

# L

*L.A.T. - Liability Adequacy Test*
Procedure involving the adequacy test of the book value of net reserves (meaning balance sheet reserves reduced by the costs of acquisition to be deferred and intangible assets) based on the discounting of expected future cash flows generated by contracts in the policy portfolio examined and using the best and most consistent actuarial assumptions. Should this test show that the net reserves are less than the "realistic reserve", the resulting reserve deficit would have to be recorded in the income statement.

*L.T.R.O. (Long-Term Refinancing Operation)*
By using L.T.R.O., The European Central Bank provides banks with liquidity for a longer period of time than what is available with the usual "main refinancing operations". Initially, the L.T.R.O. were completed within a period of time of 3 months and then distributed based on a standard tender once a month. As the crisis in the Euro zone worsened, other similar types of operations were added with maturity dates of 1 year or more. The two most significant L.T.R.O. were carried out on 22 December 2011 and 29 February 2012, for a total or more than one trillion euros: in two cases these were 3 year loans, with securities as collateral (usually government bonds).

*Lead arranger*
Bank responsible for organising a securitisation transaction. The activities performed by the arranger include, inter alia, checking of the portfolio derived from the securitisation through quali-quantitative analysis, the handling of relations with ratings agencies, preparation of an information prospectus and the identification and resolution of accounting and legal problems.

*Lead manager – Bookrunner*
The lead figure in an issuing syndicate of a bond; he deals with the debtor, is responsible for choosing the "co-lead manager" and other members of the underwriting syndicate in agreement with the same debtor; he determines the terms and conditions of issue, manages the execution (almost always undertaking to place the most relevant portion on the market) and keeps the books (bookrunner); in addition to the reimbursement of expenses and usual fees, he receives a special commission for this service.

*L&R - Loans & Receivables*
IAS accounting category used to classify financial assets other than derivatives and not listed on active markets, with fixed or calculable payments measured at amortised cost.

*LGD - Loss Given Default*
Indicates the estimated loss rate in the event of the default of a debtor.

*Lower Tier II*
Subordinated liabilities forming part of Tier II capital (see definition) provided that the contracts governing their issue expressly envisage:
a) In the event of winding-up of the issuer, that the debt is redeemed only after all other creditors not equally subordinated have been paid;
b) The term of the contractual relations is equal to or greater than 5 years and, should the maturity be undetermined, notice of at least 5 years is required for repayment;
c) Early repayment of the liabilities only at the issuer's initiative and requires specific approval from the Bank of Italy.
The amount of subordinated loans admitted to Tier 2 capital is reduced by one fifth each year during the 5 years prior to expiry of the contract, in the absence of an amortisation plan that produces similar effects.

*LTV – Loan to Value Ratio*
Ratio between the amount of the mortgage and the value of the property for which the loan is required or the price paid by the debtor to acquire the property. The LTV ratio measures the amount of own funds used by the debtor to purchase the property as a proportion of the value of the asset guaranteeing the loan. The higher the LTV ratio, the lower the amount of own funds the debtor needs to purchase the property, and the lower the protection the creditor enjoys.

# M

*Mark to Market*
Process of evaluating a portfolio of securities or other financial instruments based on the application of mathematical financial models.

*Mark to Model*
Process of evaluating a portfolio of securities or other financial instruments, which makes it possible to carry out value adjustments of mark to market estimates (see definition), in order to incorporate in the balance sheet values the element of "uncertainty" which cannot be shown in a model. These adjustments, which satisfy the general principle of caution and are based on experience, are performed, for example, when inputs to the model are mainly estimated within the company ("entity-specific"), when it is known that the model does not incorporate certain recent structural changes in the market and, in general, each time that a part of the phenomenon is not explained by the variables considered. This valuation policy must be applied consistently in the long term and accompanied by suitable disclosures to the public on the estimation methods used and reasons underlying the adjustments made.

*Market dislocation*
Financial market turbulence characterised by a sharp decrease in trading on financial markets with difficulty in obtaining price information from specialised info-providers.

*Market making*
Financial activity carried out by specialised intermediaries, whose task consists of guaranteeing liquidity and depth to the market, both through their continuous presence and through their role as competitive pricing guide.

*Mark up*
Margin applied as remuneration, which for a bank is given at aggregate level by the difference between the average active interest rate of the technical forms of application considered and the Euribor rate.

*Maturity Ladder*
The increasing scale of maturities of treasury asset and liability items.

*Medium Term note*
Debt securities with a maturity of 5-10 years.

*Merchant banking*
This includes the activities of subscription of securities - shares or debt securities - issued by corporate clients for subsequent placement on the market, acquisition of shareholdings for longer periods but with the aim of transferring them later, and the providing of business consulting services in the matter of mergers and acquisitions or reorganisation.

*Mezzanine*
In a securitisation transaction it represents the tranche ranking between the junior tranche and senior tranche.

*Monoline*
Insurance companies that, in exchange for a commission, guarantee the redemption of given bond issues. Established in the Seventies to insure the issues of local entities against insolvency, their services were then particularly appreciated for issues of complex financial products: the structure and underlying assets of said issues are often extremely problematic; through monoline coverage, the portions of debt guaranteed by the latter become much easier to evaluate and more attractive to risk averse investors, given that the risk of insolvency is assumed by the insurance company.

*Subprime loans*
The subprime concept does not refer to the loan operation per se, but rather to the borrower. Technically, a subprime loan concerns a buyer who does not have a fully positive credit history, as it includes negative credit events such as instalments that were not paid for previous loans, unpaid and protested checks, etc. These past events are indicative of the greater intrinsic risk of the counterparty, which results in a greater remuneration by the intermediary who grants the loan.
Operations with subprime customers developed on the American financial market, often using securitisation and security issues against such loan agreements.
Alt-A mortgages refer to mortgages granted on the basis of incomplete or inadequate documentation.

# N

*NAV - Net Asset Value*
The value of the unit into which the fund’s capital is divided.

*Non-performing*
Term generally referring to loans characterised by irregular performance.

# O

*Structured bonds*
Bonds where the interest and/or repayment value depend on a real parameter (related to the commodity price) or index performances. In these cases the implicit option is separated out for accounting by the host contract. In the event of indexation to interest rates or inflation (for example Treasury Certificates) the implicit option is not separated out for accounting by the host contract.

*UCIT - Undertaking for Collective Investment in Transferable Securities*
“Undertakings for Collective Investment in Transferable Securities", pursuant to letter m) of art. 1 of the Consolidated Financial Act (Testo Unico della Finanza [TUF]), invest in financial instruments or other assets, capital raised from the public and which operate on the principle of risk-spreading. They include mutual funds (open and closed end, Italian and foreign) and SICAVs.

*Option*
Represents the right, but not the commitment, acquired on payment of a premium, to purchase (call option) or sell (put option) a financial instrument at a determined price (strike price) by (American option) or at a fixed date in the future (European option)

*Originator*
The party transferring an owned portfolio of assets with deferred liquidity to an SPV (see definition) for securitisation.

*OTC - Over-The-Counter*
Transactions carried out directly between parties, rather than through an organised market.

*Over-collateralisation*
Form of credit guarantee in which the portfolio of assets pledged as collateral to the securities issued must have a higher value than securities offered.

# P

*Past due*
Exposures that are continuously overdue and/or borderline for more than 90/180 days, in accordance with the definition provided in current Supervisory Instructions.

*Regulatory capital – Own Funds*
The new harmonised regulations for banks and investment companies contained in EU regulation ("CRR") and directive ("CRD IV") of 26 June 2013 became applicable on 1 January 2014, which transpose in the European Union the standards defined by the Basel Committee for bank supervision (Basel 3 Framework).
These law provisions were acknowledged at national level through the following circulars: Bank of Italy circulars no. 285 "Supervisory provisions for Banks", no. 286 "Instructions for preparing prudential reports for Banks and Real Estate Brokerage Firms", no. 154 "Supervisory reports of Credit and Financial Institutions: measurement schemes and instructions for the transmission of information" (update).
The new legislative framework requires Own Funds (new name of regulatory capital) to be comprised of the following elements:
1) Tier 1 Capital, in turn composed of: a) Common Equity Tier 1 capital (CET1); b) Additional Tier 1 capital (AT1);
2) Tier 2 capital (T2).

*Payout ratio*
Indicates the percentage of net profit distributed to shareholders. This amount depends largely on the company's self-financing needs and the returns expected by shareholders.

*PD - Probability of Default*
Represents the probability that, within the space of one year, a debtor will default.

*Performing*
term generally referring to loans characterised by regular performance.

*Plain vanilla (derivatives)*
Derivative products (see definition) where the contractual terms are considered standard (e.g. Call/Put, Futures, Swap).

*Capitalisation policies*
See definition *Certificates (insurance) of capitalisation*.

*Subordinated loans*
Financial instruments where the contractual terms envisage that holders of documents representing the loan have rights that are subordinate to other creditors in the event of winding-up of the issuer.

*Price sensitive*
Term that generally refers to data or information not of public domain which, if made public, could considerably affect the price of a security.

*Price-to-Book Ratio*
Ratio between capitalisation and the book value of a listed company.

*Pricing*
Broadly speaking, it generally refers to the methods used to determine returns and/or costs of products and services offered by the Bank.

*Private banking*
Business designed to provide high-end customers with asset management, advisory and other customised services.

*Private equity*
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

# R

*RARORAC - Risk Adjusted Return On Risk Adjusted Capital*
Is an indicator calculated as the ratio between EVA (see definition) and allocated/absorbed capital. It is the value generation capacity per unit of risk assumed, expressed in percentage terms.

*Rating*
An evaluation of the quality of a company or its debt security issues, based on the company's financial strength and outlook. This assessment is performed by specialist agencies.

*Business risk*
Risks of adverse or unexpected changes in profits/margins compared to forecasts, related to volatility in turnover due to competitive pressure or market situations.

*Concentration risk*
A risk resulting from exposures in the banking portfolio to counterparties, groups of counterparties in the same economic sector or who exercise the same activity or belong to the same geographical area. Concentration risk can be divided between two sub-classes:
- Single name concentration risk;
- Sector concentration risk.

*Credit risk*
The risk that an unexpected change in the credit rating of a counterparty, the value of the guarantees given by this party, or the margins used in the event of insolvency, generate an unexpected change in the bank's credit position value.

*Liquidity Risk*
The likelihood that the company will not be able to meet its payment commitments due to its inability to liquidate assets or obtain enough market funding (funding liquidity risk) or due to the difficulty/impossibility of easily converting positions in financial assets into cash without significantly and unfavourably influencing the price due to the insufficient strength of the financial market or its temporary malfunctioning (market liquidity risk).

*Market risk*
Risk of variation in the market value of the positions in the trading portfolio for supervisory purposes due to unexpected changes in market conditions and creditworthiness. This also includes the risks from unexpected changes in exchange rates and commodity prices relating to balance sheet positions.

*Reputation risk*
Risk of incurring losses as a result of negative perception of the bank's image by customers, counterparties, bank shareholders, investors, supervisory authorities or other stakeholders.

*Interest rate risk*
Current or prospective risk of a change in the interest margin and economic value of the company following unexpected changes in interest rates with an impact on the banking book.

*Operational risk*
The risk of suffering losses due to the inadequacy or inefficiency of procedures, human resources or internal systems, or by external events. Operational risk also includes legal risk, or the risk of loss due to the infringement of laws or regulations, contractual or off-contract liability or other disputes; however it does not include strategic risk (loss due to incorrect management strategies) or reputation risk (loss of market share when the bank brand becomes associated with negative events).

*The so-called "sovereign" risk*
The credit risk with respect to a central Government, an entity that has the legal power to withdraw resources from taxpayers and to make economic policy decisions, in order to obtain the resources, denominated in foreign or local currency, required to honour obligations to foreign creditors. The risk is called "sovereign" because, unlike a private person, the central government is the highest authority, which theoretically could even promulgate, at its discretion, laws allowing to violate, within its own jurisdiction, the obligations to debtors, declaring default or unilaterally restructuring the contractual conditions on determined public debt securities.

*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;
- poor reaction to changes in the competitive context.

*Risk Management*
Acquisition, measurement, assessment and overall management of the various types of risk and related hedging.

*RMBS - Residential Mortgage-Backed Securities*
ABS issued under securitisations of loans backed by residential property mortgages.

*RWA - Risk Weighted Assets*
Cash and off-balance sheet assets (derivatives and guarantees) classified and weighted based on different risk-related coefficients, pursuant to banking regulations issued by the supervisory bodies (e.g.: Bank of Italy, Bafin, etc.) for the calculation of solvency coefficients.

# S

*Scorecard*
System of expert quality assessment methods.

*Scoring*
System of analysis of company clientele, resulting in an indicator obtained from the examination of financial statements figures and assessment of sector performance forecasts, analysed using statistical methods.

*Senior/super senior*
In a securitisation, the tranche with the highest privilege in terms of remuneration and redemption priority.

*Sensitivity analysis*
An analysis that examines the sensitivity of the actual value of the Bank's assets and liabilities to changes in the external interest rate scenarios; this analysis is a refined version of duration analysis in that rather than assessing the impact of a parallel shift in the interest rate curve, it assesses the market value of the Bank's assets and liabilities and, consequently, the market value of capital, by using interest rate curves different from those in force.

*Servicer*
In securitisation transactions, this figure - on the basis of a special servicing contract - continues to manage the securitised credits or assets after they have been transferred to the SPV responsible for the issue of the securities.

*Shadow accounting*
Accounting method that provides for the allocation to technical reserves of insurance or investment contracts with discretionary profit sharing, unrealised capital losses and/or gains from related activities, as if they had been realised.
Said adjustment is charged to shareholders' equity or the income statement depending on whether the corresponding gains or losses are charged to shareholders' equity or the income statement.
In the case of net capital losses, these are attributed to the insured only after having checked the guaranteed minimum using the Liability Adequacy Test; in the opposite case, these remain fully charged to the company. For example, if assets are classified as "Available for Sale" then at year end their book value is aligned to market value at the end of the financial year, recognition of shadow liabilities are recognised to technical reserves in the balance sheet to the extent of latent capital gains/losses pertaining to the insured, countered by recognition to shareholders' equity for an amount equal to the latent capital gains/losses of the portion pertaining to shareholders. On the other hand, in the event in which the relative securities are recorded at fair value in the income statement, account will be taken of the effect of the latent capital gains/losses , recording shadow liabilities and passing them to the income statement, with a variation in the technical reserves for the share pertaining to the insured.

*Shifted Beta Gap*
Gap analysis method which, in addition to the repositioning ratios mentioned earlier, in determining the impact on the interest margin also takes into account phenomenon of shifts in customer-originated items, i.e. the fact that the rates of a single customer-originated item will not react immediately to decisions to adjust market rates but, due to stickiness, will be gradual and diluted.

*SPE/SPV*
Special Purpose Entities (SPE) or Special Purpose Vehicles (SPV) are subjects (companies, "trusts" or other entities) that are specially created to reach a set objective that is well defined and delimited, or to carry out a specific transaction. SPE/SPVs have a legal structure independent of other parties to the transaction and generally have no operating or management structures of their own.

*Speculative grade*
Term used to identify issuers with a low rating (e.g.: below BBB on the Standard & Poor's scale).

*Spread*
This term usually indicates the difference between two interest rates, the difference between the bid and ask price in securities trading or the price paid by a securities issuer in addition to the reference rate.

*Stakeholders*
Persons or entities who, in different capacities, interact with the company, contribute to results, influence its performance and assess its economic, social and environmental impact.

*Standards*
This term applies without distinction to both IAS/IFRS (International Accounting Standards/International Financial and Reporting Standards) and FAS (Financial Accounting Standards).

*Stock option*
Term used to define the options offered to managers of a company, giving them the right to buy shares in the company based on a specified price (strike price).

*Stress test*
A simulating procedure designed to assess the impact of extreme market scenarios on a bank's overall risk exposure.

*Swaps (of interest rates and currencies)*
Transactions consisting of an exchange of financial flows between operators under various contractual arrangements. In interest rate swaps (IRS), the counterparties swap interest payment flows calculated on a notional reference capital according to differentiated criteria (e.g. one counterparty pays a fixed rate, the other a floating rate). In the case of a currency swap, the counterparties exchange specific amounts of two different currencies, repaying them over time according to predefined arrangements that may regard both the notional capital and interest.

# T

*T-L.T.R.O. (Targeted Long-Term Refinancing Operation)*
These represent an evolution of the L.T.R.O. with which the European Central bank extended the term of the previous three-year operations by an additional four years (until September 2018). The amount allocated in the first two tranches of September 2014 and December 2014 (slightly less than EUR 200 billion) was clearly less than the maturing L.T.R.O., as the disbursement is subjected to control mechanisms with the purpose of channelling the financing towards the real economy rather than towards the purchase of government bonds.

*Tainting Rule*
Rule defined in paragraph 9 of IAS 39, applicable to financial instruments classified as HTM on the strength of which "(...) An entity must not classify any financial asset as held to maturity if, during the course of the current or previous two financial years, it has sold or reclassified, prior to maturity, a significant amount of investments held to maturity (not insignificant in relation to the overall held to maturity portfolio), (...)".

*Risk free rate*
Interest rate on a risk free asset. In practice this indicates the interest rate of short term government securities, which in effect cannot be considered risk free.

*Tier 1 capital*
The Tier 1 capital (T1) of an entity (element of Own Funds or Regulatory Capital) consists of the sum of common equity Tier 1 capital (CET1) and additional Tier 1 capital (AT1).

*Tier 2 capital*
The Tier 2 capital (T2 – element of Own Funds or Regulatory Capital) is comprised of the following positive and negative elements: a) equity instruments and subordinated loans and the associated premiums; b) banks' standardised generic value adjustments subject to the limit of 1.25% of credit risk-weighted assets; c) excess of expected losses of IRB banks of value adjustments recorded, subject to the limit of 0.6% of credit risk-weighted assets; d) class 2 instruments subject to transitory provisions; e) adjustments and deductions.

*Time value*
Change in the financial value of an instrument in relation to a different time horizon when certain cash flows will become available or due.

*Total return swap*
A contract under which one party, usually the owner of the security or reference credit, agrees to make periodic payments to an investor (protection seller) based on the capital and interest generated by said asset. Vice versa, the investor agrees to pay a floating rate, plus any asset depreciation compared to when the contract was signed.

*Trading book*
Usually refers to securities or in any event financial instruments in general, identifying the portion of the portfolio held for trading.

*Trigger event*
A contractually predefined event triggering specified contracting party rights.

*Trigger Point*
Thresholds.

*TROR - Total rate of return swap*
A contract under which the "protection buyer" (also called the "total return buyer") undertakes to transfer all cash flows generated by the "reference obligation" to the "protection seller" (also called the "total return receiver"), who transfers as a counter-item to the "protection buyer" cash flows linked to the performance of the "reference rate". At the cash flow coupon date (or contract expiry), the total return payer pays the total return receiver any appreciation of the reference obligation; conversely, in the event of depreciation of the reference obligation it is instead the total return receiver that pays the related amount to the total return payer. Essentially, a TROR is a structured financial product combining a credit derivative with an interest rate swap.

# U

*Underwriting (commission)*
Commission claimed in advance by the bank based on assumption of the underwriting risk associated with a loan.

*Unit-linked*
Life insurance policies with performance linked investment fund values.

*Upfront*
Amount paid to a counterparty at the time of signing a derivative contract.

*Upper Tier II*
Hybrid capitalisation instruments included in Tier II capital (see definition) when the contract envisages that:
a) In the event of balance sheet losses resulting in a decrease in paid-up capital and reserves to below the minimum required capital for banking activity authorisation, amounts collected on the aforementioned liabilities and accrued interest can be used to cover such losses, allowing the issuer to continue operations;

b) In the event of a negative operating performance, the right to repayment can be suspended to the extent necessary to avoid or limit potential losses as much as possible;
c) In the event of winding-up of the issuer, the debt is redeemed only after all other creditors not equally subordinated have been paid;
Irredeemable hybrid capital instruments must have a term of equal to or more than 10 years. The contract must explicitly contain the clause that subordinates repayment of the loan on issue of a declaration of no impediment by the Bank of Italy.

# V

*VaR - Value at Risk*
Value indicating the maximum possible loss on a portfolio due to the effect of market performance, with a certain probability and assuming that the positions require a given period of time for related disposal.

# W

*Warrant*
Negotiable instrument offering the holder the right to buy or sell fixed income securities or shares according to precise methods from/to the issuer.

# Z

*Zero coupon*
A bond without coupon, the return on which is the difference between the issue price (or purchase price) and the redemption value.

## List of IAS/IFRS standards and related interpretations (SIC/IFRIC) endorsed by the European Commission and effective at reporting date

1) International accounting standards (IAS/IFRS)

| IAS/IFRS | Description | Endorsing EC Regulation (1) |
|---|---|---|
| Framework | Framework | See note (2) |
| IAS 1 | Presentation of Financial Statements | Reg. 1274/2008 (18/12/2008), Reg. 53 (22/01/2009), Reg. 70 (24/01/2009), Reg. 494 (12/06/2009), Reg. 243/2010 (24/03/2010), Reg. 149/2011 (19/02/2011), Reg. 475/2012 (06/06/2012), Reg. 301/2013 (28/03/2013) |
| IAS 2 | Inventories | Reg. 1126/2008 (29/11/2008), Reg. 70 (24/01/2009) |
| IAS 7 | Statement of Cash Flows | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 494/2009 (12/06/2009), Reg. 243/2010 (24/03/2010) |
| IAS 8 | Accounting Policies, Changes in Estimates and Errors | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 10 | Events after the Reporting Period | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (23/01/2009), Reg. 1142 (27/11/2009) |
| IAS 11 | Construction Contracts | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008) |
| IAS 12 | Income Taxes | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 495 (12/06/2009), Reg. 1255/2012 (29/12/2012) |
| IAS 16 | Property, Plant and Equipment | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 301/2013 (28/03/2013) |
| IAS 17 | Leasing | Reg. 1126/2008 (29/11/2008), Reg. 243/2010 (24/03/2010) |
| IAS 18 | Revenue | Reg. 1126/2008 (29/11/2008), Reg. 69 (24/01/2009) |
| IAS 19 | Employee Benefits | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 475/2012 (06/06/2012) |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 21 | The Effects of Changes in Foreign Exchange Rates | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 69 (24/01/2009), Reg. 494 (12/06/2009), Reg. 149/2011 (19/02/2011) |
| IAS 23 | Financial charges | Reg. 1260 (17/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 24 | Related Party Disclosures | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 632/2010 (20/07/2010) |
| IAS 26 | Accounting and Reporting by Retirement Benefit Plans | Reg. 1126/2008 (29/11/2008) |
| IAS 27 | Separate Financial Statements | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 69/2009 (24/01/2009), Reg. 70/2009 (24/01/2009), Reg. 494/2009 (12/06/2009), Reg. 1254/2012 (29/12/2012), Reg. 1174/2013 (20/11/2013) |

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| IAS 28 | Investments in Associates and Joint Ventures | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 149/2011 (19/02/2011), Reg. 1254/2012 (29/12/2012) (3) |
| IAS 29 | Financial Reporting in Hyperinflationary Economies | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IAS 32 | Financial instruments: presentation | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 53/2009 (22/01/2009), Reg. 70/2009 (24/01/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 1293 (24/12/2009), Reg. 149/2011 (19/02/2011), Reg. 301/2013 (28/03/2013), Reg. 1256 (29/12/2013) |
| IAS 33 | Earnings per Share | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009) |
| IAS 34 | Interim Financial Reporting | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 149/2011 (19/02/2011), Reg. 301/2012 (28/03/2013) |
| IAS 36 | Impairment of Assets | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 69/2009 (24/01/2009), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 243/2010 (24/03/2010), Reg. 1374/2013 (19/12/2013) |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 495 (12/06/2009) |
| IAS 38 | Intangible assets | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 495 (12/06/2009), Reg. 243/2010 (24/03/2010) |
| IAS 39 | Financial Instruments: recognition and measurement | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 53 (22/01/2009), Reg. 70 (24/01/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 824/2009 (10/09/2009), Reg. 839/2009 (16/09/2009), Reg. 1171/2009 (01/12/2009), Reg. 243/2010 (24/03/2010), Reg. 149/2011 (19/02/2011), Reg. 1375/2013 (19/12/2013) |
| IAS 40 | Investment Property | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 1361/2014 (19/12/2014) |
| IAS 41 | Agriculture | Reg. 1126/2008 (29/11/2008), Reg. 1274 (18/12/2008), Reg. 70/2009 (24/01/2009) |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | Reg. 1126/2008 (29/11/2008), Reg. 1260 (17/12/2008), Reg. 1274 (18/12/2008), Reg. 69 (24/01/2009), Reg. 70 (24/01/2009), Reg. 254 (26/03/2009), Reg. 494 (12/06/2009), Reg. 495 (12/06/2009), Reg. 1136 (26/11/2009), Reg. 1164 (01/12/2009), Reg. 550/2010 (24/06/2010), Reg. 574/2010 (01/07/2010), Reg. 662/2010 (24/07/2010), Reg. 149/2011 (19/02/2011), Reg. 1255/2012 (29/12/2012), Reg. 301/2013 (28/03/2013), Reg. 183/2013 (05/03/2013), Reg. 313 (04/04/2013) |
| IFRS 2 | Share-based Payment | Reg. 1126/2008 (29/11/2008), Reg. 1261 (17/12/2008), Reg. 495 (12/06/2009), Reg. 243/2010 (24/03/2010), Reg. 244/2010 (24/03/2010) |

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| IFRS 3 | Business Combinations | Reg. 1126/2008 (29/11/2008), Reg. 495/2009 (12/06/2009), Reg. 149/2011 (19/02/2011), Reg. 1361/2014 (19/12/2014) |
| IFRS 4 | Insurance Contracts | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 494/2009 (12/06/2009), Reg. 1165/2009 (01/12/2009) (3) |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 70/2009 (24/01/2009), Reg. 494/2009 (12/06/2009), Reg. 1142/2009 (27/11/2009), Reg. 243/2010 (24/03/2010) |
| IFRS 6 | Exploration for and Evaluation of Mineral Resources | Reg. 1126/2008 (29/11/2008) |
| IFRS 7 | Financial instruments: disclosures | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 53/2009 (22/01/2009), Reg. 70/2009 (24/01/2009), Reg. 495/2009 (12/06/2009), Reg. 824/2009 (10/09/2009), Reg. 1165/2009 (01/12/2009), Reg. 574/2010 (01/07/2010), Reg. 149/2011 (19/02/2011), Reg. 1205/2011 (22/11/2011), Reg. 1256/2012 (29/12/2012) |
| IFRS 8 | Financial instruments: disclosures | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 243/2010 (24/03/2010), Reg. 632/2010 (20/07/2010) |
| IFRS 10 | Consolidated Financial Statements | Reg. 1254/2012 (29/12/2012), Reg. 313/2013 (04/04/2013), Reg. 1174/2013 (20/11/2013) |
| IFRS 11 | Joint arrangements | Reg. 1254/2012 (29/12/2012), Reg. 313/2013 (04/04/2013) (3) |
| IFRS 12 | Disclosure of interests in other entities | Reg. 1254/2012 (29/12/2012), Reg. 313/2013 (04/04/2013), Reg. 1174/2013 (20/11/2013) |
| IFRS 13 | Fair Value Measurement | Reg. 1255/2012 (29/12/2012), Reg. 1361/2014 (19/12/2014) |

## 2) Interpretations (SIC/IFRIC)

| SIC / IFRIC | Description | Endorsing EC Regulation (1) |
|---|---|---|
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | Reg. 1126/2008 (29/11/2008), Reg. 1260/2008 (17/12/2008), Reg. 1274/2008 (18/12/2008) |
| IFRIC 2 | Members' Shares in Co-operative Entities and Similar Instruments | Reg. 1126/2008 (29/11/2008), Reg. 53/2009 (22/01/2009), Reg. 301/2013 (28/036/ 2013) |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | Reg. 1126/2008 (29/11/2008), Reg. 254/2009 (26/03/2009) |
| IFRIC 5 | Rights arising from interests in Decommissioning, Restoration and Environmental Rehabilitation Funds | Reg. 1126/2008 (29/11/2008) |
| IFRIC 6 | Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | Reg. 1126/2008 (29/11/2008) |
| IFRIC 7 | Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| IFRIC 9 | Reassessment of Embedded Derivatives | Reg. 1126/2008 (29/11/2008), Reg. 495/2009 (12/06/2009), Reg. 1171/2009 (01/12/2009), Reg. 243/2010 (24/03/2010) |

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| IFRIC 10 | Interim Financial Reporting and Impairment | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| IFRIC 12 | Service Concession Arrangements | Reg. 254/2009 (26/03/2009) |
| IFRIC 13 | Customer Loyalty Programmes | Reg. 1262/2008 (17/12/2008), Reg. 149/2011 (19/02/2011) |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | Reg. 1263/2008 (17/12/2008), Reg. 1274/2008 (18/12/2008), Reg. 633/2010 (20/07/2010) |
| IFRIC 15 | Agreements for the Construction of Real Estate | Reg. 636/2009 (23/07/2009) |
| IFRIC 16 | Hedge of Net Investment in a Foreign Operation | Reg. 460/2009 (05/06/2009), Reg. 243/2010 (24/03/2010) |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | Reg. 1142/2009 (27/11/2009) |
| IFRIC 18 | Transfers of Assets from Customers | Reg. 1164/2009 (01/12/2009) |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | Reg. 662/2010 (24/07/2010) |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | Reg. 1255/2012 (29/12/2012) |
| IFRIC 21 | Levies | Reg. 634/2014 (14/06/2014) (4) |
| SIC 7 | Introduction of the Euro | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 494/2009 (12/06/2009) |
| SIC 10 | Government Assistance – No Specific Relation to Operating Activities | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| SIC 15 | Operating Leases – Incentives | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| SIC 25 | Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |
| SIC 27 | Evaluating the Substance of Transactions in the Legal Form of a Lease | Reg. 1126/2008 (29/11/2008) |
| SIC 29 | Disclosure – Service Concession Arrangements | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008), Reg. 254/2009 (26/03/2009) |
| SIC 31 | Revenue – Barter Transactions Involving Advertising Services | Reg. 1126/2008 (29/11/2008) |
| SIC 32 | Intangible Assets – Web Site Costs | Reg. 1126/2008 (29/11/2008), Reg. 1274/2008 (18/12/2008) |

(1) The reported date refers to the publication of the Regulation in the Official Journal of the European Community.

(2) The framework of the international accounting standards is not an applicable accounting standard and it cannot be used to justify exceptions to the standards adopted. However, it can be used to interpret and apply existing standards. The objectives of the reference framework include support to the IASB and national accounting standard boards for the development of new standards and the implementation of convergence projects for national and international standards.
In case of conflict between the reference framework and some accounting standards, the international accounting standard shall always prevail.

characteristics that determine the usefulness of information in financial statements; c) the definition, recognition and measurement of the elements that form the financial statements; d) concepts of capital and capital maintenance.

(3) In October 2014, the Regulation was amended to correct the Italian translation of the definition of liquidity risk reporting in Appendix A.

(4) In August 2014 the Regulation was amended to correct the Italian translation of a sentence contained in the scope of application (para. 2)