BANCA CARIGE

BANCA CARIGE'S BOARD OF DIRECTORS APPROVES CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2016

- **HIGH AND STABLE CAPITAL STRENGTH: PHASED-IN CET1r AT 12.3% VS SREP TARGET OF 11.25%; LEVERAGE RATIO 7.4%**
- **STRONG LIQUIDITY POSITION: LCR AT 137% VS SREP TARGET OF 90%**
- **POSITIVE TREND IN GROSS OPERATING PROFIT (+35.9%)[1]; REVENUES IN LINE WITH 9M15 LEVEL (-1.9%) AND COSTS REDUCED (-7.3%)**
- **ADDITIONAL CONTROL OVER NON-PERFORMING LOANS: NPL COVERAGE AT 45.9% (+3.5% ON FY15), CLOSE TO SYSTEM'S TOP LEVEL**
- **NET PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY -EUR 244.9 MLN (-EUR 206.1 MLN IN THE FIRST HALF OF 2016), AFTER RECOGNITION OF LOAN LOSSES FOR AN AMOUNT OF EUR 417.2 MLN**

STRATEGIC INITIATIVES

- **THE PROCESS FOR DISPOSAL OF A FIRST BAD LOAN PORTFOLIO IS BEING STRUCTURED AS PER GUIDANCE IN THE 2016-2020 STRATEGIC PLAN**
- **EXECUTION OF STRATEGIC PLAN ON TRACK: a) SIGNING OF ICT FACILITY MANAGEMENT AGREEMENTS, b) CONCLUSION OF UNION NEGOTIATIONS, c) MERGER BY ABSORPTION OF BANCA CARIGE ITALIA INTO BANCA CARIGE IN DECEMBER 2016, d) CLOSURE OF ABOUT 40 BRANCHES BY THE END OF THE YEAR**

[1] Normalised figures net of non-recurring cost/income items and costs arising from amendments to the regulatory framework and the banking industry

Genoa, 8 November 2016 – Banca Carige's Board of Directors has approved the Group's consolidated results as at 30 September 2016. During the third quarter, the Group actively pursued the implementation of the Strategic Plan approved and disclosed to the market on 29 June 2016, by focusing, in particular, on initiatives aimed at the reduction of operating expenses and on the disposal of a first portfolio of bad loans. With deleveraging continuing, direct funding proved essentially stable and also indirect funding was stabilised in the third quarter, with a positive impact from assets under management.

Profit and loss results for the Carige Group

The P&L for the first nine months of 2016 closed with a net negative result of EUR 244.9 mln (affected by major loan write-downs and the full impairment of Banca Cesare Ponti's goodwill, recognised in the first half), as against a negative result of -EUR 0.4 mln in September 2015, which was inclusive of a EUR 68.1 mln one-off positive component in relation to the disposal of the Insurance Companies.

More specifically, with rates continuing to fall and funding and lending volumes on a downturn (only partially offset by a decrease in the average cost of funding), Net Interest Income (EUR 233.2 mln) was down 5.2% compared to the same period of 2015.

Net fees and commissions (EUR 184.6 mln) stood at lower levels than in the first nine months of 2015 (-6.0%), as a result of a decrease in funding/lending volumes and the market conditions. A positive trend was shown in net retail and corporate banking commissions during the third quarter.

Net income from trading/valuation of financial assets (Finance) contributed a positive EUR 61.4 mln (+70.4% on 9M 2015), EUR 16.8 mln of which mainly traceable to trading in Q3. The figure also includes non-recurring items (disposal of shareholdings in CartaSì in Q1 and Visa Europe in Q2) for an amount of EUR 6.6 mln.

Despite the persisting unfavourable macroeconomic and banking industry conditions, Net interest and other banking income held firm, totalling EUR 479.2 mln, up 0.2% compared to the same period of the previous year.

Net impairment losses on balance-sheet loans to customers for the first nine months of 2016 totalled EUR 417.2 mln (EUR 198.5 mln in the first nine months of 2015) on account of the significant write-downs taken for the most part in the second quarter -also as a result of the extensive thematic review conducted by the ECB in the first half of the year- which led to an increase in the NPL coverage. The annualised cost of credit is 291 bps (121 bps in the first nine months of 2015).

The cost-curbing actions introduced were reflected in a 7.0% reduction compared to the first nine months of 2015, net of P&L factors arising from the amended regulatory framework and the banking industry (costs: EUR 9.2 mln in annual contributions to the National Resolution Fund, EUR 9.1 mln in contributions to the deposit-guarantee scheme, EUR 24.3 mln in DTA fees; positive effects: EUR 19.4 mln in one-off savings on personnel expenses). The normalised cost/income ratio was down to 81.5% from the 86.6% level in the same period of the previous year.

Personnel expenses totalled EUR 226.1 mln, down 13.0% with respect to the first nine months of 2015, partly reflective of non-recurring items, net of which the reduction is still 5.5%. A EUR 2.9 mln impact from the new union agreement was accounted for in the third quarter, while positive effects for an amount of EUR 22.3 mln were recognised in the second quarter in connection with the definition of agreements on the Company's supplementary pension scheme. Other administrative expenses, amounting to EUR 211.2 mln, were down 11.4% Y/Y on a like for like basis; compared to the first nine months of 2015, they were up 11.0% as they included EUR 42.6 mln in costs arising from amendments to the regulatory framework and the banking industry.

Profit (loss) before tax amounted to -EUR 356.1 mln (-EUR 120.1 mln as at 30 September 2015). Net of income tax recoveries for an amount of EUR 108.2 mln and the profit (loss) attributable to minority interests (-EUR 3.0 mln), the net profit (loss) attributable to the Parent Company for the period was a negative EUR 244.9 mln (-EUR 0.4 mln in September 2015, which was inclusive of the profit (loss) from non-current assets held for sale).

Key capital indicators for the Carige Group

Direct funding from customers totalled EUR 21.1 bn in the first nine months of the year (-EUR 2.3 bn compared to December 2015); the outflows were mainly incurred in the first quarter of the year, when tensions escalated on the market following the adoption of the Bank Recovery and Resolution Directive (BRRD). Compared to H1 2016, a EUR 0.7 bn reduction was registered in both the institutional segment (-9.0%) and, to a minimum extent, the retail component (-0.9%), with the latter picking up since October. Trends in the institutional component can be traced back to the downturn in repos, aimed at reducing the cost of funding.

Indirect funding in the third quarter remained stable at EUR 21.2 bn (-2.9% on December 2015 and +0.2% on June 2016). Assets under Management (+0.4% compared to June 2016) showed a positive performance in bancassurance products (+0.8%) and portfolio management (+2.6%), as against a slight decrease in mutual funds (-0.3%).

In line with the first half of the year, deleveraging in loans to customers continued in the quarter (-3.8% to EUR 22.5 bn), particularly in the institutional component. The reduction in the institutional component (-31.0% compared to June 2016 to EUR 0.8 bn) is accounted for by the drop in lower-yielding repos. Loans to households and businesses were down by EUR 0.6 bn (-2.4%) on June 2016: loans to businesses saw a drop in the short-term component (current accounts), whereas lending to households fell primarily as a result of loans coming to maturity; a positive trend was registered in new mortgage loans granted (EUR 334 mln in the nine months, of which EUR 118 mln in Q3).

The government bond portfolio maintains a low risk profile in terms of both sizing (67.4% of own funds vs. an Italian system average of 176.6%) and duration (2.2 years). Net of the stake held in the Bank of Italy, approximately 97% of the securities portfolio consists of Italian Government bonds.

Capital ratios continue to remain well above the Italian system average, offsetting the increase in coverage with the reduction in RWAs: compared to December 2015, the phased-in CET1 ratio has risen to 12.3%; phased-in Leverage Ratio at 7.4%[2].

Despite the uncertain market environment, the liquidity profile showed an improvement compared to June 2016: the Liquidity Coverage Ratio (LCR) is 137% - broadly in excess of the ECB's 90% SREP target - with cash and unencumbered ECB eligible assets totalling

[2] Pending official reporting on 11 November 2016, the capital ratios as at 30 September 2016 were calculated based on operational estimates.

EUR 2.3 bn (after repayment of two Lower Tier 2 subordinated debt issuances in June for an aggregate amount of EUR 423.0 mln).

The non-performing loan portfolio remained substantially unchanged at EUR 7.1 bn gross, with coverage up 3.5 p.p. on December 2015 to 45.9%, above system average[3] (45.4%) and further strengthened compared to June 2016 (+30 bps). More specifically, the bad loan portfolio was stable at EUR 3.7 bn gross (EUR 1.4 bn net) and showed a 61.1% high level of coverage (60.4% as at December 2015, 58.7% the Italian banking system's average[3]); unlikely to pay exposures amounted to gross EUR 3.3 bn (EUR 2.3 bn net), with a stable 30.0% coverage with respect to June 2016 (24.2% as at December 2015, 27.5% the Italian banking system's average[3]). Tighter control over non-performing loans is reflective of the results of the thematic review conducted by the ECB on over one-fourth of the loan portfolio in the first half of the year.

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During the quarter, the Banca Carige Group actively continued with the execution of the 2016-2020 Strategic Plan which was disclosed to the market on 29 June 2016. Activities focused on both strengthening the balance sheet structure and pursuing increased efficiency. More specifically, the Group is intensively working on the structuring of the disposal of the first bad loan portfolio. Noteworthy among the initiatives aimed at reducing costs and improving efficiency are the signing of a *facility management* agreement with Cedacri, the conclusion of negotiations with the trade unions for a review of the Company's

[3] Source: Bank of Italy - Annual Report for 2015

Supplementary Labour Agreement, activities for merging Banca Carige Italia and the closure of about 40 branches by the end of the year.

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

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

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The Banca Carige Group's results as at 30 September 2016 will be presented to the financial community in a conference call scheduled for 8 November 2016 at 5.30 p.m. (CET). A live webcast will also be available.

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

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FINANCIAL STATEMENTS
BANCA CARIGE GROUP

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR/000)*

	30/09/2016	31/12/2015	Change absolute	%
10 - CASH AND CASH EQUIVALENTS	284,714	324,395	(39,681)	-12.2
20 - FINANCIAL ASSETS HELD FOR TRADING	8,111	15,065	(6,954)	-46.2
40 - FINANCIAL ASSETS AVAILABLE FOR SALE	2,048,420	3,803,770	(1,755,350)	-46.1
60 - LOANS TO BANKS	2,612,174	1,220,489	1,391,685	...
70 - LOANS TO CUSTOMERS	19,113,363	21,472,616	(2,359,253)	-11.0
80 - HEDGING DERIVATIVES	49,318	54,730	(5,412)	-9.9
100 - EQUITY INVESTMENTS	94,236	92,536	1,700	1.8
120 - PROPERTY AND EQUIPMENT	771,278	783,816	(12,538)	-1.6
130 - INTANGIBLE ASSETS	53,463	78,062	(24,599)	-31.5
of which:				
- goodwill	-	*19,942*	*(19,942)*	*-100.0*
140 - TAX ASSETS	2,132,744	2,145,389	(12,645)	-0.6
a) current	*1,100,302*	*1,186,602*	*(86,300)*	*-7.3*
b) deferred	*1,032,442*	*958,787*	*73,655*	*7.7*
b1) of which pursuant to Law no. 214/2011	*615,112*	*647,443*	*(32,331)*	*-5.0*
160 - OTHER ASSETS	337,117	307,988	29,129	9.5
TOTAL ASSETS	**27,504,938**	**30,298,856**	**(2,793,918)**	**-9.2**

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

	30/09/2016	31/12/2015	Change absolute	%
10 - DUE TO BANKS	3,000,284	2,824,957	175,327	6.2
20 - DUE TO CUSTOMERS	13,838,760	15,536,566	(1,697,806)	-10.9
30 - SECURITIES ISSUED	6,803,542	7,327,427	(523,885)	-7.1
40 - FINANCIAL LIABILITIES HELD FOR TRADING	2,077	4,824	(2,747)	-56.9
50 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	488,209	557,795	(69,586)	-12.5
60 - HEDGING DERIVATIVES	249,195	220,628	28,567	12.9
80 - TAX LIABILITIES	66,244	18,303	47,941	...
(a) current	*52,147*	*6,735*	*45,412*	*...*
(b) deferred	*14,097*	*11,568*	*2,529*	*21.9*
100 - OTHER LIABILITIES	643,776	922,239	(278,463)	-30.2
110 - EMPLOYEE TERMINATION INDEMNITIES	68,013	72,235	(4,222)	-5.8
120 - ALLOWANCES FOR RISKS AND CHARGES:	95,914	324,830	(228,916)	-70.5
a) post-employment benefits	*40,788*	*244,932*	*(204,144)*	*-83.3*
b) other allowances	*55,126*	*79,898*	*(24,772)*	*-31.0*
140 - VALUATION RESERVES	(145,620)	(198,017)	52,397	-26.5
170 - RESERVES	(342,745)	(832,387)	489,642	-58.8
180 - SHARE PREMIUM RESERVE	175,954	811,949	(635,995)	-78.3
190 - SHARE CAPITAL	2,791,422	2,791,422	-	-
200 - TREASURY SHARES	(15,572)	(15,572)	-	-
210 - NON-CONTROLLING INTERESTS (+/-)	30,416	33,398	(2,982)	-8.9
220 - PROFIT (LOSS) FOR THE YEAR (+/-)	(244,931)	(101,741)	(143,190)	...
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**27,504,938**	**30,298,856**	**(2,793,918)**	**-9.2**

CONSOLIDATED INCOME STATEMENT

(EUR/000)

		1ST 9M 2016	1ST 9M 2015(*)	Change absolute	Change %
10 -	INTEREST AND SIMILAR INCOME	443,555	518,881	(75,326)	- 14.5
20 -	INTEREST AND SIMILAR EXPENSE	(210,392)	(272,865)	62,473	- 22.9
30 -	**NET INTEREST INCOME**	**233,163**	**246,016**	**(12,853)**	**- 5.2**
40 -	FEE AND COMMISSION INCOME	210,595	231,119	(20,524)	- 8.9
50 -	FEE AND COMMISSION EXPENSE	(25,955)	(34,673)	8,718	- 25.1
60 -	**NET FEE AND COMMISSION INCOME**	**184,640**	**196,446**	**(11,806)**	**- 6.0**
70 -	DIVIDENDS AND SIMILAR INCOME	*14,077*	14,436	*(359)*	- 2.5
80 -	NET PROFIT (LOSS) ON TRADING	7,743	5,295	*2,448*	46.2
90 -	NET PROFIT (LOSS) FROM HEDGING	(1,994)	(4,903)	2,909	- 59.3
100 -	PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	43,288	19,922	23,366	…
	a) loans	*(4)*	*(15)*	*11*	*- 73.3*
	b) financial assets available for sale	*36,330*	*19,309*	*17,021*	*88.2*
	d) financial liabilities	*6,962*	*628*	*6,334*	…
110 -	PROFITS (LOSSES) FROM FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE	*(1,682)*	*1,282*	(2,964)	…
120 -	**NET INTEREST AND OTHER BANKING INCOME**	**479,235**	**478,494**	**741**	**0.2**
130 -	NET LOSSES/REVERSALS ON IMPAIRMENT OF:	(413,325)	(191,127)	(222,198)	…
	a) loans	*(417,032)*	*(198,397)*	*(218,635)*	…
	b) financial assets available for sale	*(716)*	*(1,755)*	*1,039*	*- 59.2*
	d) other financial transactions	*4,423*	*9,025*	*(4,602)*	*- 51.0*
140 -	**NET INCOME FROM BANKING ACTIVITIES**	**65,910**	**287,367**	**(221,457)**	**- 77.1**
170 -	**NET INCOME FROM BANKING AND INSURANCE ACTIVITIES**	**65,910**	**287,367**	**(221,457)**	**- 77.1**
180 -	ADMINISTRATIVE EXPENSES:	(437,296)	(450,078)	12,782	- 2.8
	a) personnel expenses	*(226,110)*	*(259,830)*	*33,720*	*- 13.0*
	b) other administrative expenses	*(211,186)*	*(190,248)*	*(20,938)*	*11.0*
190 -	NET PROVISIONS FOR RISKS AND CHARGES	(3,742)	(4,035)	293	*- 7.3*
200 -	NET ADJUSTMENTS TO/ RECOVERIES ON PROPERTY AND EQUIPMENT	(14,461)	(16,169)	1,708	*- 10.6*
210 -	NET ADJUSTMENTS TO/ RECOVERIES ON INTANGIBLE ASSETS	(18,545)	(21,040)	2,495	- 11.9
220 -	OTHER OPERATING INCOME/EXPENSE	65,375	77,029	(11,654)	- 15.1
230 -	**OPERATING EXPENSES**	**(408,669)**	**(414,293)**	**5,624**	**- 1.4**
240 -	PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL	6,596	6,642	(46)	- 0.7
260 -	IMPAIRMENT ON GOODWILL	(19,942)	-	(19,942)	…
270 -	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	38	203	(165)	- 81.3
280 -	**PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS**	**(356,067)**	**(120,081)**	**(235,986)**	**…**
290 -	TAXES ON INCOME FROM CONTINUING OPERATIONS	108,186	47,130	61,056	…
300 -	**PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS**	**(247,881)**	**(72,951)**	**(174,930)**	**…**
310 -	PROFITS (LOSSES) AFTER TAX DISCONTINUED OPERATIONS	-	72,271	(72,271)	- 100.0
320 -	**NET PROFIT (LOSS)**	**(247,881)**	**(680)**	**(247,201)**	**…**
330 -	MINORITY INTERESTS	(2,950)	(310)	(2,640)	…
340 -	**NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY**	**(244,931)**	**(370)**	**(244,561)**	**…**

(*) The balances for the first nine months of the previous year 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".