BANCA CARIGE
Cassa di Risparmio di Genova e Imperia

BOARD OF DIRECTORS APPROVES BANCA CARIGE'S RESULTS AS AT 30 JUNE 2014[1]

- Capital strengthening phase completed, in line with guidelines of 2014–2018 Business Plan
  - capital increase successfully completed on 11 July: pro-forma phased-in CET1 ratio: 9.9%
  - exclusive negotiations entered into for disposal of the insurance companies
  - Head Office new organisational setup defined and Management Team strengthened
- The intense effort of financial and credit risk profile mitigation continues:
  - downsizing of the securities portfolio and reduction of its average term to maturity
  - 50% of LTRO repaid ahead of schedule
  - coverage ratio of non-performing loans increasing: 36.9% for total non-performing loans (36.0% as at December 2013) and 57.0% for bad loans (56.3% as at December 2013) confirming the Bank's position at the higher banking system levels for Italian regional banks (including write offs, the coverage ratio rises to 60.3%).
- Operational efficiency improvement is ongoing:
  - branch rationalisation plan ongoing: 6 branches closed, 32 to be closed by 18 October
  - union negotiations entered into for incentive-based early retirements

[1] Note:
- Effective as of the half-year condensed consolidated financial report as at 30 June 2014, the assets, liabilities and profit & loss items concerning the Insurance Group have been classified and measured under IFRS 5 (Non-current Assets Held for sale and Discontinued Operations);
- some comparative data reflect corrections made as a result of restaments of prior period balances in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors), mainly for the purpose of taking account of the contents of Consob ruling no.18758 of 10 January 2014 concerning (i) the impairment test on goodwill for the CGUs, Banca Carige Italia and Banca del Monte di Lucca, (ii) valuation of the stake held in the Bank of Italy and (iii) application of the IFRS 5.

- non-core asset disposal process underway: sale of shareholding in Esaote finalised and disposal of other assets under consideration
- project set out for value creation from smaller-amount non-performing loan book

- Commitment to giving new commercial momentum continues:
  - Overall funding holds firm (EUR 49.0 bn: +2.3% 1H; -0.2% YoY), with its “core” component (i.e. current accounts and deposits) rising by 3.6% (to EUR 14.7 bn; +8.3% YoY) despite a difficult business environment in the six-month period;
  - good performance in assets under management (EUR 11.1 bn, +5.7% in H1 and +7.5% YoY), driven by mutual funds (EUR 5.8 bn; +8.6% and +10.5% respectively), with EUR 347 mln in net funding
  - Bancassurance on the rise, with placement of approx. EUR 400 mln worth of new premiums by the branch network in the six-month period (+30.0% in written premiums for 1H2013);
  - Cross selling index up from 4.04 to 4.09 (over 21,000 new products sold in the six-month period);
- The Parent Company's share of profit/loss for the period is -EUR 45.5 mln; net of the non-recurring items emerging in the six-month period for an amount of EUR 45.8 mln[2], the period would have closed at substantial breakeven (+EUR 0.3 mln).
- Participation in the T-LTRO programme planned for an initial amount of approximately EUR 750 mln.

In the first half of the year, the new Management continued executing the guidelines of the Business Plan for 2014-2018.

[2] The main non-recurring item is traceable to the (i) loss on impairment of goodwill and other intangible assets owned by the Insurance Group (EUR 23.2 mln), following treatment of the Insurance Group under IFSR5; (ii) reduction in the value of immovable properties owned by the Insurance Subsidiaries and costs associated with planned closure of 32 branches identified by the Group (EUR 8.9 mln) and (iii) higher net tax impact amounting to EUR 9.7 mln (higher tax rate on the re-valuation of the stake held in the Bank of Italy (-EUR 42 mln), positive effect from tax realignment of immovable properties (+EUR +39.7 mln), negative effect from tax adjustments to deferred tax assets/liabilities for an amount of -EUR 7.3 mln, due to reduced IRAP (Regional Tax on Productive Activities) tax rate.

In today's meeting chaired by Cesare Castelbarco Albani, Banca Carige's Board of Directors has approved the Half-Year Report as at 30 June 2014, as presented by the Chief Executive Officer Piero Luigi Montani.

In line with commitments taken in March upon approval of the 2014–2018 Busines Plan, Management attached priority to executing the first phase of the Plan, namely 'securing' the Group, which saw the completion of a number of processes and introduction of other actions paving the way for the achievement of a sound capital position:

- on 11 July, the rights issue was successfully completed for an amount of 799.3 mln without the Underwriting Syndicate having to step in;
- on 24 July, a phase of exclusive negotiations was entered into with Apollo Management Holdings L.P. for disposal of the eqity interests held in Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A.

The capital increase and concurrent reduction in RWAs allows for the achievement of a significant level of pro-forma phased-in CET1 ratio of 9.9%, without factoring in any effects from future disposal of the insurance subsidiaries.

At the same time, the intense effort of financial and credit risk profile mitigation conducted as of the fourth quarter of last year continued:

- the bank's securities portfolio, net of the shareholding in the Bank of Italy, was gradually downsized (from EUR 7.2 bn as at 30/09/2013 through EUR 6.0 bn as at 30/06/2014 to today's EUR 4.6 bn) and its average term to maturity was drastically reduced from 6 to less elettività LTRO repayment, with over 50% already repaid (EUR 3.7 bn out of the original EUR 7 bn);
- the conservative loan classification and assessment policy resulted in coverage ratios increasing to the higher banking system levels for Italian regional banks: 36.9% for total non-performing loans (36.0% as at December 2013) and 57.0% for bad loans (56.3% as at December 2013); including write offs, the coverage ratio for non-performing loans rises to 39.2 % and that of bad loans reaches 60.3%.

The second phase of the Plan, namely operational efficiency improvement, is similarly progressing along the following lines of action:

- rationalisation of the branch network, approximately 50% completed under the terms and within the deadlines set out in the Plan, with closure of 6 branches in the six month period and further 32 branches scheduled to be closed during the year;
- union negotiations entered into for the purpose of defining the approximate 600 incentive-based early retirements set out in the Plan;
- sales process for additional “non core” assets underway, with disposal of 7.40% shareholding in Esaote S.p.A. finalised on 14 July and preparatory actions initiated to explore disposal of the leasing and factoring business;
- project of value creation from the non-performing loan book, with negotiations initiated for the disposal of smaller-amount loans.
- definition of the Head Office new organisational setup, with the rationalisation of 43% of the organisational units and 110 resources freed up, o.w. 90 to be redeployed to commercial activities and 20 to be released;

Actions are being examined for the execution of the third phase of the Plan, which is intended to give “new commercial momentum” to the Group: this phase is going to be centered on a new commercial approach, the roll out of the “hub & spoke” model for local market coverage, the setup of a Wealth Management hub and digitalisation.

The Group's business performance in the first half of the year was affected by the macro-economic environment and Plan execution

The uncertainties associated with the macro-economic environment and the intense efforts conducted as part of the Business Plan were reflected in the business performance of the Group for the first half of the year, which was partly weighed down by the recognition of non-recurring items, with profit/loss for the period thus closing at -EUR 45.5 mln; net of these one offs, the half year would have closed at substantial breakeven (+EUR 0.3 mln)[3].

[3] This result compares with H1 2013 restated as per IAS 8 (- EUR 595.2 mln), which amounted to -EUR 57.6 mln, if normalised for non-recurring items (-EUR 565.8 mln due to the impairment of goodwill relating to the CGUs ‘ Banca Carige Italia’ and ‘Banca del Monte di Lucca’ net of related tax effects, and [relating] to additional effects (+3.2 mln) arising from the accounting treatment of the “Reinstatement premiums”, +17.4 mln in revenues correlated with the effects from changes to fair value measurement of the securities issued by the bank, including those for which the Group adopted the Fair Value Option, and +EUR 10.8 mln in revenues from the settlement of a legal dispute).

Overall funding, amounting to EUR 49.0 bn in the six-month period, was up 2.3% (-0.2% YoY): as part of direct funding (EUR 25.7 mln; +2.8% H1 and -3.2% YoY), the "core" component (i.e. current accounts and deposits) were up 3.6% (to EUR 14.7 bn; +8.3% YoY) despite a difficult business environment. The YoY decrease was accounted for by the bond component of retail customers, whose drop is only partially offset by an increase in medium-long term deposits.

Indirect funding, totalling EUR 23.2 bn, was up 1.9% on account of the positive trend in asset management (EUR 11.1 bn, +5.7% HY and +7.5% Y/Y).

The strong drive for products placed by the branch network continues: mutual funds in the six-month period registered EUR 347 mln in net funding, while EUR 397.4 mln worth of bancassurance products were placed (vs. EUR 305.8 mln placed in H1 2013, +30.0%), both boosted by improved financial market conditions.

Conversely, the uncertainties of the macro-economic environment and a more targeted credit policy were reflected on the slowdown in gross loans [4] (EUR 25.9 bln; -6.1% 1H and -9.2% YoY); loans to customers (EUR 23.5 bn) witnessed a more moderate downturn by 2.5% in the six-month period (-4.7% YoY), with a steeper drop for the corporate segment (-4.7% HY); non-performing loans were up 4.8% to EUR 6.0 bn in the six-month period.

Lower funding/lending volumes and substantially stable spreads, still at an all-time low, were reflected in the trends in Net Interest Income in the first part of the year (EUR 208.7 mln; -12.3% from H1 2013); lower margins were partly the result of the loan book quality enhancement policy (approx. -EUR14 mln due to bad loans increasing by 670 mln in 2013) and divestment of part of the AFS securities portfolio for the purpose of repositioning it to a duration in line with the early repayment of the LTRO (-EUR 16 mln). The customer spread showed a trend reversal, albeit modest, over the latest quarter (2 bps), which is expected to stabilise as a result of the re-opening of bond issuance programmes for customers.

Net fees and commissions (EUR 126.6 mln) YoY (-6.5%; -EUR 8.8 mln) were partly affected by weak volumes (-EUR 4.3 mln in commissions on loans granted) and partly by lower revenues associated with the disposal of the Asset Management Company finalised on 30 December 2013 (-5.1%). In the second quarter, however, fees and commission showed a reversal of trends (+2.9% on Q1) primarily accounted for by collection an payment services.

[4] Net of debt securities classified as L&R.

The aggregate does not include intragroup fees on bancassurance (amounting to approximately EUR 10 mln, with regard to results for both 1H2013 and 1H2014), which will be recognised in the event of a final disposal of the insurance companies and maintenance of their distribution activities.

Net income from trading/valuation of financial assets totalled EUR 72.5 mln and reflects the contribution from divestment of part of the AFS securities portfolio, which will continue over the year in line with the objective of mitigating the financial risk profile.

Operating costs (EUR 305.3 mln) net of non-recurring items, which in 1H2014 arose primarily from Plan-implementing actions, registered a slight increase by 1.7% (from EUR 290.5 mln to EUR 295.4 mln). Personnel expenses and overhead costs as a whole were up by approximately EUR 10.9 mln respectively on account of charges associated with trends in the Supplementary Pension Fund and the planned closure of identified branches.

Loan loss provisions for an amount of EUR 168.6 mln were recognised in profit and loss (vs. EUR 237.3 mln in 1H 2013), corresponding to an annualised cost of credit of 143 bps (417 bps in 2013).

The profit/loss of the Insurance Companies, reported under item “Profit (loss) after tax from assets held for sale and discontinued operations” was +EUR 13.9 mln after factoring in approximately EUR 23.2 mln in negative effects from profit/loss being treated under IFRS 5. This result compares with a similar result of EUR 23.9 mln for the first half of 2013.

In the first half of the year, EUR 2 bn of the LTRO were repaid ahead of schedule, leaving EUR 5 bn outstanding as at the end of June; as at today an additional EUR 1.3 bn has been repaid, and once repayment is completed the liquidity buffer will total EUR 2.8 bn. Additional support to liquidity will be provided by the use of the T-LTRO programme (Targeted Longer Term Refinancing Operations) for an amount estimated at about EUR 750 mln. The funding gap was reduced to EUR 1.6 bn net (EUR 1.8 bn as at December 2013).

Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)

Without prejudice for the considerations contained in the Press Release of 22 January 2014, which was published in accordance with the requirements of Consob as set out in its ruling no.18758 of 10 January 2014, Banca Carige has deemed it appropriate to introduce a number of corrections to the accounts relating to the first half of 2013 in accordance with IAS 8. The restatements concerned the: (i) impairment of goodwill allocated to the CGUs Banca Carige Italia and Banca del Monte di

Lucca for an amount of respectively EUR 772.8 mln and EUR 22.2 mln which, in turn, resulted in positive effects on deferred tax assets and liabilities for a total of EUR 226 mln and (ii) valuation of the stake held in the Bank of Italy which resulted in a EUR 52.8 mln restatement of the change in *fair value* recognised in the Consolidated Statement of Comprehensive Income for the first half of 2013.

Finally, the Carige Group has restated the comparative data for the first half of 2013 in order to reflect the retrospective application of recognition criteria for a specific type of premiums (a.k.a. “Reinstatement premiums”) pertaining to the non-life insurance business.

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The Half Year Report as at 30 June 2014 for the Banca CARIGE Group will be made available to the public at the Bank's registered office, on Banca Carige's corporate websitewww.gruppocarige.it/investor_relations/bilanci and through all other means allowed by applicable regulations in force.

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Declaration of the Financial Reporting Officer 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 undersigned, Luca Caviglia, in his capacity as the Manager responsible for preparing the Company’s financial reports, declares that the accounting information contained in this Press Release corresponds to the underlying documentary evidence and accounting records.

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The Banca Carige Group's results as at 30 June 2014 will be presented to the financial community in a conference call scheduled for 4 August 2014 at 10.00 a.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'.

Genoa, 01 August 2014

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ACCOUNTING TABLES
BANCA CARIGE GROUP

CONSOLIDATED BALANCE SHEET

ASSETS *(thousands of euro)*

	30/06/2014	31/12/2013	Change absolute	Change %
10 - CASH AND CASH EQUIVALENTS	300,736	339,280	(38,544)	-11.4
20 - FINANCIAL ASSETS HELD FOR TRADING	79,435	132,697	(53,262)	-40.1
30 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	-	258,633	(258,633)	-100.0
40 - FINANCIAL ASSETS AVAILABLE-FOR-SALE	6,208,197	10,544,587	(4,336,390)	-41.1
60 - DUE FROM BANKS	1,228,786	1,218,989	9,797	0.8
70 - LOANS TO CUSTOMERS	23,623,900	25,476,359	(1,852,459)	-7.3
80 - HEDGING DERIVATIVES	183,175	125,811	57,364	45.6
100 - EQUITY INVESTMENTS	90,145	91,552	(1,407)	-1.5
110 - TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES SUBJECT TO JOINT CONTROL	-	155,233	(155,233)	-100.0
120 - PROPERTY AND EQUIPMENT	781,696	1,070,877	(289,181)	-27.0
130 - INTANGIBLE ASSETS	154,652	188,067	(33,415)	-17.8
of which:				
- goodwill	93,006	106,479	(13,473)	-12.7
140 - TAX ASSETS	1,920,799	2,083,257	(162,458)	-7.8
a) current	1,027,141	298,245	728,896	…
b) deferred	893,658	1,785,012	(891,354)	-49.9
b1) pursuant to Law 214/2011	667,192	1,425,756	(758,564)	-53.2
150 - NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	6,136,834	-	6,136,834	…
160 - OTHER ASSETS	620,469	470,933	149,536	31.8
TOTAL ASSETS	**41,328,824**	**42,156,275**	**(827,451)**	**-2.0**

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

	30/06/2014	31/12/2013	Change absolute	Change %
10 - DUE TO BANKS	5,847,890	8,161,242	(2,313,352)	-28.3
20 - DUE TO CUSTOMERS	16,224,220	14,817,367	1,406,853	9.5
30 - SECURITIES ISSUED	8,530,194	9,217,979	(687,785)	-7.5
40 - FINANCIAL LIABILITIES HELD FOR TRADING	10,550	14,567	(4,017)	-27.6
50 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	990,463	1,296,816	(306,353)	-23.6
60 - HEDGING DERIVATIVES	530,148	457,998	72,150	15.8
80 - TAX LIABILITIES	98,194	252,242	(154,048)	-61.1
(a) current	71,134	94,683	(23,549)	-24.9
(b) deferred	27,060	157,559	(130,499)	-82.8
90 - LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	5,976,523	-	5,976,523	…
100 - OTHER LIABILITIES	1,045,005	812,430	232,575	28.6
110 - EMPLOYEE TERMINATION INDEMNITIES	84,234	89,232	(4,998)	-5.6
120 - ALLOWANCES FOR RISKS AND CHARGES:	387,174	375,415	11,759	3.1
a) post employment benefits	356,536	320,900	35,636	11.1
b) other allowances	30,638	54,515	(23,877)	-43.8
130 - TECHNICAL RESERVES	-	5,017,768	(5,017,768)	-100.0
140 - VALUATION RESERVES	(127,187)	(123,950)	(3,237)	2.6
170 - RESERVES	(436,560)	296,061	(732,621)	…
180 - SHARE PREMIUM RESERVE	(201)	1,020,990	(1,021,191)	…
190 - SHARE CAPITAL	2,177,219	2,177,219	-	0.0
200 - TREASURY SHARES	(20,283)	(21,282)	999	-4.7
210 - MINORITY INTERESTS (+/-)	56,762	55,838	924	1.7
220 - NET INCOME (LOSS) (+/-)	(45,521)	(1,761,657)	1,716,136	-97.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**41,328,824**	**42,156,275**	**(827,451)**	**-2.0**

CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT *(figures in thousands of Euro)*

	1st H 2014	1 H 2013 (*)	Change 06/14 - 06/13 absolute	%
10 - INTEREST AND SIMILAR INCOME	449,580	527,892	(78,312)	- 14.8
20 - INTEREST EXPENSE AND SIMILAR EXPENSE	(240,861)	(289,781)	48,920	- 16.9
30 - INTEREST MARGIN	**208,719**	**238,111**	**(29,392)**	**- 12.3**
40 - FEE AND COMMISSION INCOME	153,738	161,687	(7,949)	- 4.9
50 - FEE AND COMMISSION EXPENSE	(27,118)	(26,273)	(845)	3.2
60 - NET FEE AND COMMISSION INCOME	**126,620**	**135,414**	**(8,794)**	**- 6.5**
70 - DIVIDENDS AND SIMILAR INCOME	17,918	4,186	*13,732*	...
80 - PROFIT (LOSSES) ON TRADING	*(1,792)*	*13,263*	*(15,055)*	...
90 - FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING	*728*	*(610)*	1,338	...
100 - PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	*53,685*	*56,975*	(3,290)	- 5.8
a) loans	*1,278*	*(2)*	*1,280*	...
b) financial assets available-for-sale	*49,330*	*34,476*	*14,854*	*43.1*
c) financial assets held to maturity	-	*21,261*	*(21,261)*	*- 100.0*
d) financial liabilities	*3,077*	*1,240*	*1,837*	...
110 - PROFIT (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE	*3,187*	*26,690*	(23,503)	- 88.1
120 - NET INTEREST AND OTHER BANKING INCOME	**409,065**	**474,029**	**(64,964)**	**- 13.7**
130 - NET LOSSES/RECOVERIES ON IMPAIRMENT OF:	(164,935)	(249,351)	84,416	- 33.9
a) loans	*(167,343)*	*(237,470)*	*70,127*	*- 29.5*
b) financial assets available-for-sale	*(1,082)*	*(6,294)*	*5,212*	*- 82.8*
d) other financial activities	*3,490*	*(5,587)*	*9,077*	...
140 - NET INCOME FROM BANKING ACTIVITIES	**244,130**	**224,678**	**19,452**	**8.7**
150 - NET INSURANCE PREMIUMS	-	-	-	...
160- OTHER NET INSURANCE INCOME (EXPENSE)	-	-	-	...
170 - NET INCOME FROM BANKING AND INSURANCE ACTIVITIES	**244,130**	**224,678**	**19,452**	**8.7**
180 - ADMINISTRATIVE EXPENSES:	(324,022)	(310,032)	(13,990)	4.5
a) personnel expenses	*(190,114)*	*(185,318)*	*(4,796)*	*2.6*
b) other administrative expenses	*(133,908)*	*(124,714)*	*(9,194)*	*7.4*
190 - NET PROVISIONS FOR RISKS AND CHARGES	(6,004)	(3,320)	(2,684)	*80.8*
200 - NET ADJUSTMENTS TO/ RECOVERIES ON PROPERTY AND EQUIPMENT	(11,959)	(11,095)	(864)	*7.8*
210 - NET ADJUSTMENTS TO/ RECOVERIES ON INTANGIBLE ASSETS	(15,407)	(15,981)	574	- 3.6
220 - OTHER OPERATING EXPENSES (INCOME)	52,133	61,673	(9,540)	- 15.5
230 - OPERATING EXPENSES	**(305,259)**	**(278,755)**	**(26,504)**	**9.5**
240 - PROFIT (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL	2,620	3,512	(892)	- 25.4
260 - GOODWILL IMPAIRMENT	-	*(795,037)*	795,037	- 100.0
270 - PROFIT (LOSSES) FROM DISPOSAL OF INVESTMENTS	(20)	4	(24)	...
280 - INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(58,529)**	**(845,598)**	**787,069**	**- 93.1**
290 - TAXES ON INCOME FROM CONTINUING OPERATIONS	*179*	*224,812*	*(224,633)*	- 99.9
300 - INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**(58,350)**	**(620,786)**	**562,436**	**- 90.6**
310 - INCOME (LOSS) FROM NON-CURRENT ASSETS HELD FOR SALE, AFTER TAX	13,961	23,889	(9,928)	- 41.6
320 - NET INCOME (LOSS)	**(44,389)**	**(596,897)**	**552,508**	**- 92.6**
330 - MINORITY INTERESTS	1,132	(1,737)	2,869	...
340 - PARENT COMPANY'S NET INCOME (LOSS)	**(45,521)**	**(595,160)**	**549,639**	**- 92.4**

(*) The 2013 first half balances reflect, with respect to the published balances, the changes resulting from the application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and of IFRS 5 "Non-current Assets Held for sale and Discontinued Operations".