BASE PROSPECTUS DATED 19 OCTOBER 2018

Banca Carige S.p.A.

(incorporated as a joint stock company in the Republic of Italy)

Euro 5,000,000,000 Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by

Carige Covered Bond S.r.l.

(incorporated as a limited liability company in the Republic of Italy)

The Euro 5,000,000,000 Covered Bond Programme (the "**Programme**") described in this base prospectus (the "**Base Prospectus**") has been established by Banca Carige S.p.A. ("**Banca Carige**", the "**Company**", the "**Bank**" or the "**Issuer**") for the issuance of covered bonds (the "**Covered Bonds**") guaranteed by Carige Covered Bond S.r.l. (the "**Guarantor**") pursuant to Article 7-*bis* of law of 30 April 1999, No. 130, as amended and supplemented (the "**Law 130**") as implemented by Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310 (the "**MEF Decree**" or "**Decree 310**"), the Supervisory Instructions relating to covered bonds (*Obbligazioni Bancarie Garantite*) under Chapter III, Section 3, of the 5th update to circular n. 285 dated 17 December 2013 containing the "*Disposizioni di vigilanza per le banche*", as further implemented or amended (the "**BoI Regulations**" and, together with the Law 130 and the MEF Decree, jointly the "**OBG Regulations**"). The maximum aggregate nominal amount of all the Covered Bonds from time to time outstanding under the Programme will not exceed Euro 5,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantor and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Guarantor on their behalf.

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, which includes the amendments made by Directive 2010/73/EU (the "**2010 Amending Directive**"), as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of giving information with regard to the issue of Covered Bonds under the Programme during the period of 12 months after the date hereof. The CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of Article 7 (7) of the Luxembourg law on prospectuses for securities.

Application has been made for Covered Bonds (other than N Covered Bonds) to be admitted during the period of 12 months from the date of this Base Prospectus to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EU. In addition, the Issuer and each relevant Dealer named under "*Subscription and Sale*" may agree to make an application to list a Series or Tranche on any other stock exchange as specified in the relevant Final Terms. The Programme also permits Covered Bonds to be issued on an unlisted basis.

Covered Bonds may be issued in dematerialised form or in registered form also as German law governed registered covered bonds (*Namensschuldverschreibung*) (the "**N Covered Bonds**"). The CSSF has neither reviewed nor approved the information contained in this Prospectus in relation to any issuance of the Covered Bonds that are not to be publicly offered and not to be admitted to trading on the regulated market of any Stock Exchange in any EU Member State and for which a prospectus is not required in accordance with the Prospectus Directive.

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than Euro 100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency). The terms and conditions of the N Covered Bonds (the "**N Covered Bond Conditions**") will specify the minimum denomination for N Covered Bonds, which will not be listed. This document does not constitute a prospectus for purposes of the German Capital Investments Act (*Vermögensanlagengesetz*).

Under the Programme, the Issuer may issue Covered Bonds denominated in any currency, including Euro, GBP, CHF, Yen and USD. Interest on the Covered Bonds shall accrue monthly, quarterly, semi-annually, annually, in arrear at fixed or floating rate, increased or decreased by a margin. The Issuer may also issue Covered Bonds at a discounted price with no interest accruing and repayable at nominal value (zero-coupon Covered Bonds).

The terms of each Series or Tranche will be set forth in the Final Terms relating to such Series or Tranche prepared in accordance with the provisions of this Base Prospectus and, if listed, to be delivered to the regulated market of the Luxembourg Stock Exchange on or before the date of issue of such Series or Tranche.

The Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners, until redemption or cancellation thereof, by Monte Titoli S.p.A. whose registered office is in Milan, at Piazza degli Affari, No. 6, Italy, ("**Monte Titoli**") for the account of the relevant Monte Titoli Account Holders. The expression "**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any Relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System. The expression "**Relevant Clearing Systems**" means any of Clearstream Banking, *Société Anonyme* ("**Clearstream**") and Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**"). Each Series or Tranche is and will be deposited with Monte Titoli on the relevant Issue Date (as defined in the "*Terms and Conditions of the Covered Bonds*" below). Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds issued in dematerialised form will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of legislative decree No. 58 of 24 February 1998, as amended and supplemented (the "**Financial Services Act**") and implementing regulations and with the joint regulation of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and the Bank of Italy dated 22 February

2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title is and will be issued in respect of the Covered Bonds issued in dematerialised form.

The Covered Bonds will be subject to mandatory and optional redemption in whole or in part in certain circumstances, as set out in Condition 8 (*Redemption and Purchase*).

The Issuer may agree with any Dealer that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds and the Terms and Conditions of the N Covered Bonds herein, in which event (in the case of Covered Bonds admitted to the Official List only) a drawdown base prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

Amounts payable under the Covered Bonds may be calculated by reference to EURIBOR, which is provided by the European Money Markets Institute and to LIBOR, which is provided by ICE Benchmark Administration, in each case as specified in the relevant Final Terms. As at the date of this Base Prospectus, ICE Benchmark Administration appears, and the European Money Markets Institute does not appear, on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**").

Each Series or Tranche may, on or after the relevant issue, be assigned a rating as specified in the relevant Final Terms by Fitch Ratings Limited ("**Fitch Ratings**"), and/or DBRS Ratings Limited ("**DBRS**"), and/or Moody's Investors Service Ltd. ("**Moody's**") and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme (the "**Rating Agencies**"). The rating of certain Series or Tranches to be issued under the Programme may be specified in the applicable Final Terms or in the N Covered Bond Conditions (as applicable). Whether or not each credit rating applied for in relation to relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**") will be disclosed in the Final Terms or in the N Covered Bond Conditions (as applicable). The credit ratings included or referred to in this Base Prospectus have been issued by Fitch and/or DBRS and/or Moody's, each of which is established in the European Union and each of which is registered under the CRA Regulation. As such Fitch, DBRS and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such CRA Regulation as of the date of this Prospectus.

A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to revision or withdrawal by the assigning Rating Agency at any time and each rating shall be evaluated independently of any other.

An investment in Covered Bond issued under the Programme involves certain risks. For a discussion of certain risks and other factors that should be considered in connection with an investment in the Covered Bonds, see the section entitled "*Risk Factors*" of this Base Prospectus.

Joint Arrangers

NatWest Markets **UBS Limited**

Dealers

NatWest Markets **UBS Limited**

RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The Guarantor has provided the information under the section headed "*Description of the Guarantor*" and any other information contained in this Base Prospectus relating to itself and, together with the Issuer, accepts responsibility for the information contained in those sections. To the best of the knowledge of the Guarantor (having taken all reasonable care to ensure that such is the case), the information and data in relation to which it is responsible as described above are in accordance with the facts and do not contain any omission likely to affect the import of such information and data.

NOTICE

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus (and, therefore, acting in association with the Issuer) in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms as the Relevant Dealer(s).

Copies of the Final Terms will be available from the registered office of the Issuer and the Specified Office set out below of the Principal Paying Agent (as defined below) and on website of the Luxembourg Stock Exchange (www.bourse.lu).

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents incorporated by reference*"). This Base Prospectus should be read and construed on the basis that such documents are incorporated by reference in and form part of the Base Prospectus.

Capitalised terms used in this Base Prospectus shall have the meaning ascribed to them in the "*Terms and Conditions of the Covered Bonds*" below, unless otherwise defined in the specific section of this Base Prospectus in which they are used. For the ease of reading this Base Prospectus, the "*Glossary*" below indicates the page of this Base Prospectus on which each capitalised term is first defined.

Neither the Joint Arrangers nor the Dealers nor the Representative of the Covered Bondholders have independently verified the information contained in this Base Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Arrangers, the Dealers and the Representative of the Covered Bondholders (i) as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer, the Sellers and the Guarantor in connection with the Programme and (ii) for any acts or omissions of the Issuer, the Sellers and the Guarantor or any other person in connection with the issue and offering of the Covered Bonds. Neither the Joint Arrangers, the Dealers nor the Representative of the Covered Bondholders accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by Issuer, the Sellers and the Guarantor in connection with the Programme.

The Issuer, and in respect of the information relating to themselves only, the Sellers and the Guarantor, having made all reasonable enquiries, confirm that this Base Prospectus contains all information which, according to the particular nature of the Issuer, the Sellers, the Guarantor and the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Sellers, the Guarantor and of the rights attaching the Covered Bonds, that the information contained herein is true, accurate and not misleading in all material respects, that the opinions and intentions expressed in this Base Prospectus are honestly held and that there are no other facts the omission of which would make this Base Prospectus or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer, and in respect of the information relating to themselves only, the Sellers and the Guarantor accept responsibility accordingly.

No person is or has been authorised by the Issuer or the Sellers or the Guarantor to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or

representation must not be relied upon as having been authorised by the Issuer, the Sellers, the Guarantor, the Joint Arrangers, the Dealers or any party to the Transaction Documents (as defined in *the* Conditions).

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Sellers, the Guarantor, the Joint Arrangers or the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase the Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer or the Sellers or the Guarantor or the Joint Arrangers, or the Dealers to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of the Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer, the Sellers and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer, the Sellers and the Guarantor during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention.

This Base Prospectus is valid for 12 months following its date of approval and it and any supplement hereto as well as any Final Terms filed within these 12 months reflects the status as of their respective dates of issue. The offering, sale or delivery of any Covered Bonds may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of the Issuer since such date or that any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Issuer has undertaken with the Dealers to supplement this Base Prospectus or publish a new Base Prospectus if and when the information herein should become materially inaccurate or incomplete and has further agreed with the Dealers to furnish a supplement to the Base Prospectus in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of the Covered Bonds and which arises or is noted between the time when this Base Prospectus has been approved and the final closing of any Series or Tranche of Covered Bonds offered to the public or, as the case may be, when trading of any Series or Tranche of Covered Bonds on a regulated market begins, whichever occurs later, in respect of Covered Bonds issued on the basis of this Base Prospectus.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus, any document incorporated herein by reference and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.

For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see "*Selling Restrictions*" of this Base Prospectus. In particular, the Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons. There are further restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the European Economic Area, including the United Kingdom, the Republic of Ireland, Germany, the Republic of Italy, and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Base Prospectus, see "*Subscription and Sale*".

Neither this Base Prospectus, any supplement thereto, nor any Final Terms (or any part thereof) constitutes an offer, nor may they be used for the purpose of an offer to sell any of the Covered Bonds, or a solicitation of an offer to buy any of the Covered Bonds, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. Each recipient of this Base Prospectus or any Final Terms shall be

taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Sellers and the Guarantor.

IMPORTANT – EEA RETAIL INVESTORS - Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sale to EEA Retail Investors", as "Not Applicable" the Covered Bonds are not intended to be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / target market – The Final Terms in respect of any Covered Bonds will include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

PRESENTATION OF INFORMATION

In this Base Prospectus, references to "**Euro**" or "**euro**" or "**Euro**" are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to "**U.S.$**" or "**U.S. Dollar**" are to the currency of the United States of America; reference to "**Yen**" are to the currency of **Japan**; references to "**£**" or "**UK Sterling**" are to the currency of the United Kingdom; references to "**Italy**" are to the Republic of Italy; references to laws and regulations are, unless otherwise specified, to the laws and regulations of Italy; and references to billions are to thousands of millions.

FINANCIAL INFORMATION

The financial information included in this Base Prospectus or incorporated by reference herein is derived from: i) the unaudited consolidated financial statements as of 30 June 2018 and for the six month period then ended (the "**2018 Unaudited Interim Consolidated Financial Statements**"); (ii) the comparative unaudited restated consolidated financial information as of 30 June 2017 and for the six month period then ended (the "**2017 Unaudited Restated Interim Consolidated Financial Information**"); (iii) the audited consolidated financial statements as of 31 December 2017 and for the the year then ended (the "**2017 Audited Consolidated Financial Statements**"); (iv) the comparative unaudited restated consolidated financial information as of 31 December 2016 and for the year then ended (the "**2016 Unaudited Restated Consolidated Financial Information**") and (v) the comparative audited consolidated balance sheet as of December 31, 2016.

The 2017 Audited Consolidated Financial Statements and the audited consolidated financial statements as of 31 December 2016 and for the year then ended (the "**2016 Audited Consolidated Financial Statement**") were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), and the instructions of the Bank of Italy set forth in circular No. 262 of 22 December 2005, as amended. Banca Carige has restated i) certain comparative data related to 2016 with respect to the data previously presented in the 2016 Audited Consolidated Financial Statement and ii) certain comparative data related to the six months period ended 30 June 2017 (the "**2017 Unaudited Interim Consoldiated Financial Statement**") in accordance with the provisions of IFRS 5 to take into account the classification as disposal groups (discontinued operations) of Creditis Servizi Finanziari S.p.A. ("**Creditis**").

The 2018 Unaudited Interim Consolidated Financial Statements and the 2017 Unaudited Interim Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

This Base Prospectus hereto includes a statement of reconciliation between the 2016 Audited Consolidated Financial Statements and the 2016 Unaudited Restated Consolidated Financial Information, presented as comparative to the 2017 Audited Consolidated Financial Statements and a statement of reconciliation between the 2017 Unaudited Interim Consolidated Financial Statements and the 2017 Unaudited Restated Interim Consolidated Financial Information, presented as comparative to the 2018 Unaudited Interim Consolidated Financial Statements. For further details on the restatement, refer to the 2017 Audited Consolidated Financial Statements ("*Explanatory Notes—Restatement of prior period accounts in compliance with IFRS 5 (Non-current assets held for sale and discontinued operations)") and to the 2018 Unaudited Interim Consolidated Financial Statements ("Explanatory Notes—Restatement of balances of prior period accounts in compliance with IFRS 5 (Non-current assets held for sale and discontinued operations)")* incorporated by reference in this Base Prospectus.

The 2018 Unaudited Interim Consolidated Financial Statements, the 2017 Audited Consolidated Financial Statements, the 2016 Unaudited Restated Consolidated Financial Information and 2017 Unaudited Restated Interim Consolidated Financial Information are together referred to in this Base Prospectus as the "**Financial Information**".

The unaudited interim consolidated financial information as at 30 June 2018, the 2017 Audited Consolidated Financial Statements, the 2016 Audited Consolidated Financial Statements and 2017 Unaudited Restated Interim Consolidated Financial Information as they appear in the historical financial statements, are together referred to as "**Historical Financial Statements**".

The English translation of the reports of EY S.p.A. ("**EY**"), dated 9 August 2018, March 7, 2018 and March 6, 2017, with respect to the Historical Financial Statements are incorporated by reference into this Base Prospectus.

The report issued by EY on the 2018 Unaudited Interim Consolidated Financial Statements contains an emphasis of matter paragraph that draws attention to the disclosure provided in the "Accounting Policies – Going Concern" paragraph included in the explanatory notes. In consideration of the Group's specific economic, capital and financial situation which, as at 30 June 2018, was not compliant with the Total Capital Ratio (TCR) required by the European Central Bank (ECB), as specified in the Supervisory Review and Evaluation Process (SREP) Decision of 27 December 2017, and alterations in governance due to multiple resignations in the Board of Directors, the Board attentively assessed the going concern assumption. Following the assessment and having regard to the requirements of IAS 1 and guidance provided in Document no. 2 of 6 February 2009, jointly issued by the Bank of Italy, Consob and ISVAP as subsequently updated, the Board concluded that the Group reasonably expects to continue operating as a going concern in the foreseeable future, primarily in light of the:

- implementation of the actions included in the 2017-2020 Business Plan, approved by the Board of Directors on 13 September 2017. In particular, the disposal of the bad loan management platform and the outsourcing of the Group's information system were carried out in the first half of 2018. Preliminary agreements have already been entered into for the disposal of the Merchant Acquiring business and the consumer credit company Creditis Servizi Finanziari S.p.A., with their closing being expected to take place during the second half of 2018. The necessary authorisations from the Supervisory Authorities are pending for the disposal of the consumer credit company to become effective;
- implementation of the actions included in the NPE Strategy, approved by the Board of Directors on 27 March 2018. In particular, during the first half of the year, projects were initiated with a view to disposing of a portfolio of bad loans for an amount up to EUR 1 billion and credit exposures classified as unlikely to pay for a total of approximately EUR 500 million; moreover, as part of the de-risking process launched in implementation of the NPE Strategy, the Group has already completed the disposal of two credit exposures for a total gross amount of approximately EUR 50 million;
- Board of Directors' decision of 3 August 2018 about convening a Shareholders' Meeting on 20 September 2018 to resolve, inter alia, upon (i) the proposals for dismissing the Board of Directors in office and appointing a new governing body, which were submitted by shareholders POP 12 S.à.r.l. and Malacalza Investimenti S.r.l., pursuant to article 2367 of the Italian Civil Code; (ii) filling the vacancies in the Board of Directors by appointing the Chair and Deputy Chair in particular, pursuant to article 2364, paragraph 1(2) of the Italian Civil Code and article 18, paragraph 11, of the Articles of Association, should the foregoing proposals not be approved;
- approval, by 30 November 2018, by the renewed Board of Directors under the new chairmanship, of a comprehensive plan to restore and ensure compliance with the capital requirements by 31 December 2018 at the latest. This plan should assess all options including a business combination.
- The implementation of the above actions, combined with the execution of all other initiatives set out in the 2017-2020 Business Plan and the NPE Strategy, as well as the implementation of any additional actions which will need to be put in place to meet the requests that the ECB communicated in its draft decision of 20 July 2018, reveal that the Group has the reasonable expectation that it will continue as a going concern for the foreseeable future and will comply with the prudential Own Funds and liquidity requirements imposed by the ECB on 27 December 2017, contingent upon its ability to absorb the impact of meeting the NPL reduction targets and minimum NPL coverage levels required.
- The reasonable expectation to continue as a going concern in the foreseeable future is also based on compliance, as at 30 June 2018, with the minimum consolidated CET1 capital requirement and liquidity ratio required by the ECB and the fact that the measures set out in the Business Plan (particularly a subordinated debt issuance of up to EUR 200 million and the disposal of additional non-core assets) are adequate to restore TCR at a level in excess of the SREP thresholds recommended by the ECB, along with the additional options required by the ECB. The Board emphasizes that failure to execute such measures may have significant adverse effects on the overall economic, capital and financial situation of the Bank and the Group, with potential impacts on their capacity to operate as a going concern.
- On the basis of the above, subject to the effective implementation of the above-listed actions, Directors are of the opinion that the Group has the forward-looking ability to comply with the capital requirements set under the SREP in the foreseeable future. Therefore, even considering the uncertainties deriving from the current market environment, as well as from the outcome of the forthcoming completion of the non-performing loan disposal and the potential effects of the ongoing inspection by the Supervisory Authority, of which information is also given In the paragraph "Accounting policies - Estimates and Assumptions in the preparation of the half-year condensed consolidated financial statements and associated uncertainties" included in the explanatory notes, the half-year condensed Consolidated Financial Statements were prepared on the going-concern basis.

The report issued by EY on the 2017 Audited Consolidated Financial Statements contains an emphasis of matter paragraph that draws attention to the disclosure provided in the report on operations and in the paragraph "Going Concern" of the explanatory notes with reference to the approval by the Board of Directors of the 2017-2020

Business Plan, to the capital strengthening measures and to the liability management exercise already completed and to the further actions in course of execution.

The report issued by EY on the 2016 Audited Consolidated Financial Statements contains an emphasis of matter paragraph that draws attention to the disclosure provided in the report on operations and the explanatory notes with reference to the approval by the Board of Directors, on 28 February 2017, of the Strategic Plan 2016-2020 Update. The Directors inform that the Plan includes the assessment made about the adequacy of the Group capital position to absorb the impacts arising from the achievement of the targets required by the European Central Bank on 9 December 2016. Further, the Directors inform that, considering the uncertainties arising from the current scenario, based on the assessments made and subject to the realization of the actions described in the Plan, principally those aimed to reinforce the capital position, they have prepared the financial statements on a going concern basis.

Moreover, although IFRS 5 does not require the restatement of comparative balance sheet figures, Banca Carige reported in this Base Prospectus certain comparative balance sheet figures as of 31 December 2016 restated to allow a consistent comparison. Banca Carige described the nature of the restatements and presented the reconciliation among the historical comparative audited balance sheet as of 31 December 2016 included in the 2016 Audited Consolidated Financial Statement and in the 2017 Audited Consolidated Financial Statement (as comparative financial data) and the unaudited restated balance sheet figures presented in this Base Prospectus. See "Restatement of the Group's financial information as of and for the year ended 31 December 2016".

As a result of the IFRS 5 restatement and of the restatement of balance sheet figures as of 31 December 2016 made to allow a consistent comparison, Banca Carige presented the financial information for 2016 in the form of the 2016 Unaudited Restated Consolidated Financial Information as included in the 2017 Audited Consolidated Financial Statement, in the form of the unaudited balance sheet figures restated for a consistent presentation and in the form of the 2016 Audited Consolidated Financial Statement.

Certain financial information as of and for the years ended 31 December 2017 and 2016 contained in this Base Prospectus is unaudited and different from the financial statements in as much as it has in all cases been subject to reclassification by aggregating and/or changing certain line items from the financial statements and, in some instances, by creating new line items or moving amounts to different line items as set forth therein. Because of the restatements made to the Group's financial information, prospective investors may find it difficult to make comparisons between the different sets of financial information.

The English translations of the 2017 Audited Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements, as they appear in the Historical Financial Statements, are incorporated by reference in this Base Prospectus.

In making an investment decision, investors must rely upon their own examination of the Financial Statements and other financial information included in this Base Prospectus and should consult their professional advisors for an understanding of: (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Prospectus; and (ii) the restatements made in accordance with IFRS 5 and the restatements of balance sheet figures made to allow a consistent comparison; and (iii) the impact that future additions to, or amendments of, IFRS principles may have on the Group's results of operations and/or financial condition, as well as on the comparability of prior periods.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which preceded them.

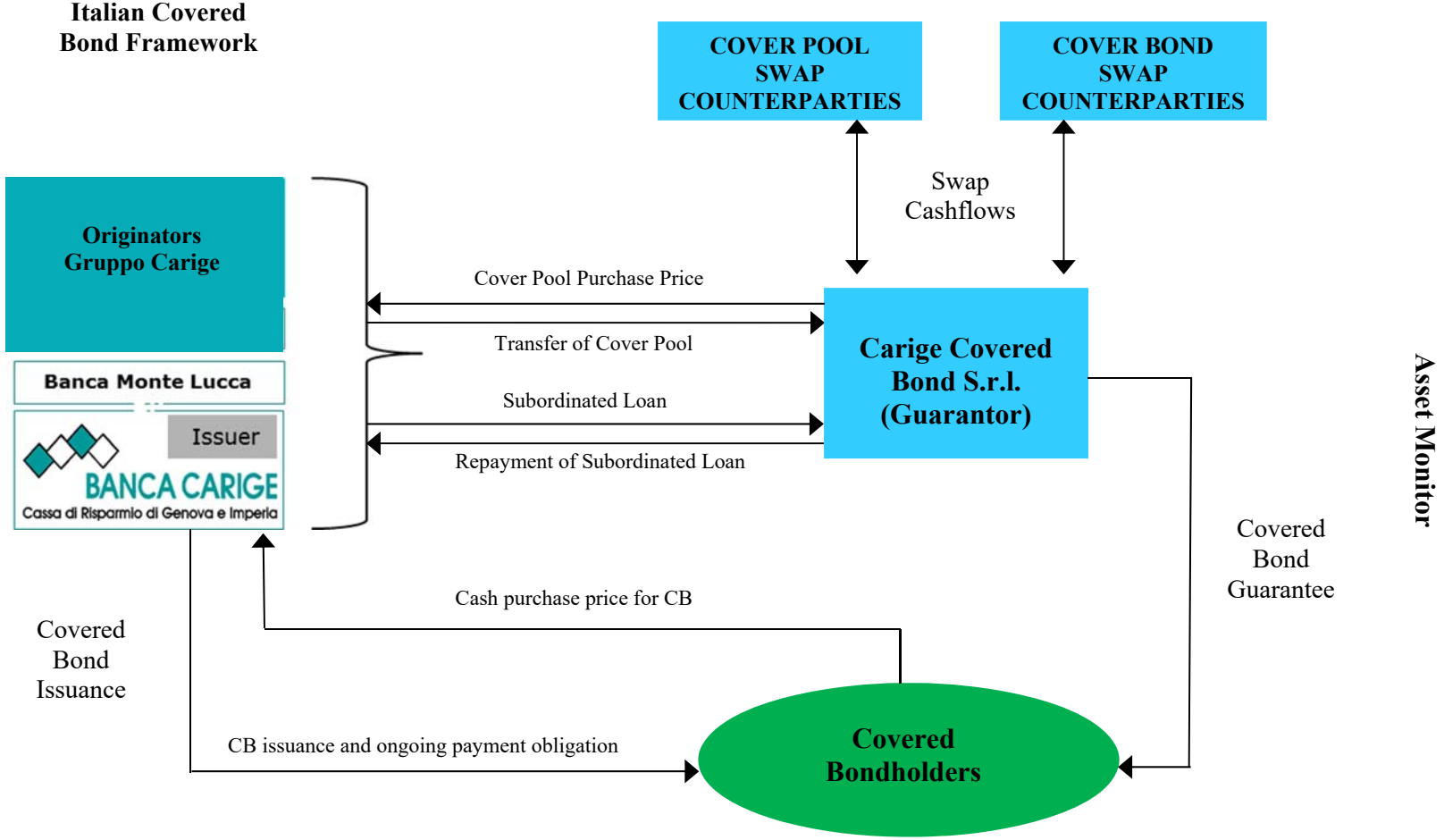
Each initial and subsequent purchaser of a Covered Bond will be deemed, by its acceptance of the purchase of such Covered Bond, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in this Base Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases.

The Joint Arrangers are acting for the Issuer and no one else in connection with the Programme and will not be responsible to any person other than the Issuer for providing the protection afforded to clients of the Joint Arrangers or for providing advice in relation to the issue of the Covered Bonds.

In connection with the issue of any Series or Tranche of Covered Bonds, the Dealer or Dealers (if any) designated to act as the stabilisation manager(s) (the "Stabilisation Manager(s)") in the relevant Final Terms (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Covered Bonds or effect transactions with a view to supporting the market price of such Series or Tranche of Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series or Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series or Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Series or Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

STRUCTURE DIAGRAM

Italian Covered Bond Framework



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RISK FACTORS

The Issuer*, the Seller and the Guarantor believe* that the following factors may affect *their* ability to fulfil *their* obligations under the *Covered Bonds*. Most of these factors are contingencies which may or may not occur and the Issuer*, the Seller and the Guarantor are* not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the *Covered Bonds* are also described below.

Where such risks are expressed below to apply to the Group, they are also relevant for the Issuer and the Guarantor and should be construed accordingly.

The Issuer*, the Seller and the Guarantor believe* that the factors described below represent the principal risks inherent in investing in *Covered Bond* issued under the Programme, but the inability of the Issuer *or the Guarantor* to pay interest, principal or other amounts on or in connection with *the Covered Bonds* may occur for other reasons which may not be considered significant risks by the Issuer *and the Guarantor* based on information currently available to *them* or which *they* may not currently be able to anticipate. In addition, the order in which the risk factors are presented below is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer or the Group.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision. The section "Risk Factors" informs prospective investors about the material risk factors known as at the date of the approval of the Base Prospectus related to the Issuer and the Covered Bonds exhaustively.

1. Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Covered Bonds issued under the Programme

The Group may be required to undertake further capital enhancements to meet the applicable regulatory capital adequacy requirements, which have evolved and may continue to evolve from time to time

The Group is subject to Italian and European regulations applicable to the banking sector in relation to capital requirements. These are aimed, among other things, at preserving the stability and solidity of the banking system, limiting the exposure to risk in order to establish prudential levels of capital requirements, defining its quality and assessing any possible risk mitigation instruments.

Since 2015, as required by the European Central Bank ("**ECB**") following the annual supervisory review and evaluation process (SREP), Banca Carige has been required to maintain the following ratios and minimum capital requirements:

(i) a Common Equity Tier 1 Ratio (CET1 Ratio), at the consolidated level, equal to 11.25 per cent., which may be subject to an additional review in the event of a structural reduction in the weight of the non-performing loans against the amount of the Group's assets;

(ii) on a consolidated basis, a Liquidity Coverage Ratio of 90 per cent. and restrictions on the payment of dividends to Shareholders;

(iii) on a consolidated basis, a TSCR of 11.25 per cent., comprising the minimum total capital requirement of 8 per cent. and an additional total capital requirement of 3.25 per cent.. The ECB specified that the TSCR of 11.25 per cent. could be revised, including in light of any future developments in the financial position of the Company, on the consolidated basis, once the non-performing exposures have been reduced to a sustainable level;

(iv) an OCR that includes, in addition to the TSCR, the combined capital buffer requirement established by the Bank of Italy at 1.25 per cent. for 2017; and

(v) on a consolidated basis, a Liquidity Coverage Ratio of 90 per cent. and a prohibition on distributing dividends to Shareholders.

For further information, please see *"Risk related to the disposal of the NPL portfolio*".

On 29 December 2017 Banca Carige announced it had received the final decision concerning the prudential requirements to be complied with in 2018 as part of the ECB's annual Supervisory Review and Evaluation Process (SREP 2017 Decision) that requires that, as of 1 January 2018, the Bank should maintain, on a consolidated basis, a minimum CET1 Ratio (inclusive of Pillar 2 Capital Guidance) of 11.175%, lower than the 2017 target of 11.25% as a combined effect of i) the 62.5 bps increase due to the phased-in application of the transitional arrangements to the Capital Conservation Buffer ("CCB"), which has risen for the whole banking system to 1.875% from 1.250% in 2017 and ii) the 70 bps reduction in Pillar 2 Capital Guidance to 1.55% from 2.25% in 2017. In addition to the Pillar 1 minimum requirement (4.50%), the additional Pillar 2 requirement has also remained unchanged at 3.25%.

In the same letter, the ECB requires compliance -again on a consolidated basis- with a minimum Total Capital Ratio of 13.125% as compared to 12.5% in 2017 (12.5% in 2016 as well); the increase is exclusively due to the afore-mentioned transitional arrangements for the CCB.

As at 31 December 2017, the Group had a phased-in Total Capital Ratio of 12.4%, a phased-in Tier I Ratio of 12.4% and a phased-in Common Equity Tier 1 Ratio of 12.6%, higher than the minimum regulatory levels. (On a fully loaded basis Carige's CET1 as of 2017 was 11.7% (10.5% as of 2016) and TC 11.8%).

As at 30 June 2018, the Group had a phased-in Total Capital Ratio of 12%, a phased-in Tier 1 Ratio of 11.9% and a phased-in Common Equity Tier 1 Ratio of 11.9%, higher than the minimum regulatory levels.

The CET1 Ratio is higher than both the regulatory limits and the 9.625% minimum threshold required by the ECB under the SREP process for 2018, and the Pillar 2 Guidance threshold of 11.175%.

The TCR is higher than the 9.875% regulatory limit and lower than the 13.125% minimum threshold required by the ECB under the SREP process for 2018.

The fully-phased in TCR is 10.2%, the T1R is 10.1% and the CET1R is 10%.

The period for application of the transitory regime comes to an end in 2018 (the final year of the transitory regime) and the effects of grandfathering will end in 2022. In the event of unfavourable and currently unforeseeable outcomes to such periodic verification in the future, a further strengthening of capital may be required.

In addition, in light of developments in the regulatory framework, from 1 January 2018, the regulatory capital may be adversely affected by the application of the International Accounting Principle IFRS 9 - Financial Instruments, and meet the "Leverage Ratio" capital requirement (the ratio of Tier 1 capital to total assets, including off-balance sheet items), requested by the Supervisory Authority during the observation period which ended in 2017. See "*The introduction of the new accounting principle IFRS9 "Financial Instruments" may have adverse consequences if Banca Carige fails to fully comply with such new principles*".

New and stricter regulatory requirements may also adversely affect the regulatory capital, such as the expected review of the use of internal models to measure capital requirements in view of Basel Pillar 1 risks, with reference to operational and market credit risk profiles, which could determine, among other things, a significant increase in risk weighted assets, the need to support new plans aimed at a quicker reduction of the stock of NPLs and/or the assessment of particularly challenging market scenarios requiring the availability of adequate capital resources to support the business of the Group.

As a result of the above, the Group may undergo a reduction in its capital ratios compared to the situation on the date of the Base Prospectus. In this case, also faced with possible external factors and unforeseeable events out of its control, the Group may need to take suitable steps and/or implement measures aimed at restoring adequate capital ratios, partly in view of "fully phased Basel 3". Such prudential level, reasonably above the minimum regulatory requirements, may be determined by examining the overall development prospects of the business and the ability to absorb hypothetical shocks and/or a stressed business environment, in line with the policies deemed suitable by the management. Moreover, the Supervisory Authority could set additional requirements and/or change the parameters used to calculate capital adequacy requirements, or it could interpret the regulations governing the requirements for capital adequacy in a manner that is unfavourable to Banca Carige, with the need to adopt further measures to strengthen capital. Any of the above may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Any deterioration in the capital ratios could impact, among other things, the ability to access the capital markets. The resulting, possibly significant, increase in the cost of funding may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations. Similar effects, including on the reputation of the Group, could arise from any requests for intervention by the Supervisory Authority or from a downgrade of the Company by one or more rating agency. If Banca Carige is required by the Supervisory Authority to raise capital but unable to do so in the market, this may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

A deterioration in asset quality and/or any significant increase of non performing loans due to borrowers' reduced ability to meet their repayment obligations could adversely affect the Group's financial condition

Exposure to Non-Performing Loans

The Group is subject to credit risk (the risk that a borrower may not meet its payment or repayment obligations, and that such borrower's creditworthiness may deteriorate). Historically, credit risk increases during periods of recession and stagnation, which are characterized by higher rates of insolvency and bankruptcy. Further adverse economic conditions could result in a further significant reduction of the value of the security against which the customers' borrowing are secured, and/or the inability of customers to provide additional adequate security.

The Group's non performing loans ("**Non-Performing Loans**" or "**NPLs**") comprise Bad Loans, Unlikely-to-Pay exposures, and Past-Due exposures, each as defined below. Bad loans represent the aggregate exposure to insolvent parties or parties in substantially similar situations, regardless of any estimate of loss ("**Bad Loans**"). Unlikely-to-pay exposures are loan exposures, other than Bad Loans, for which the Company assesses that a debtor is unlikely to pay its obligations under the loan, without recourse by the Company to actions such as realizing security ("**Unlikely-To-Pay**"). Past-due exposures, other than those classed as Bad Loans or Unlikely-to-Pay, are Non-Performing Loans that are more than 90 days overdrawn and/or past-due, and cross an established materiality threshold ("**Past-Due**").

The Group has a higher proportion of NPLs, both as a whole and in the individual categories of Bad Loans, Unlikely to Pay exposures and Past Due exposures, than other significant banks which are subject to ECB supervision, and the Group has a significant amount of NPLs.

The Group has adopted the new category of loans which are performing but which are in forbearance.

In general, the possible losses that Banca Carige could incur with respect to the exposure of the Group to individual credit risk and of the whole portfolio may depend, in addition to the applicable regulations and legal framework, on various circumstances, including macroeconomic conditions, the performance of specific sectors of the economy, the deterioration of the competitive position of the borrowers, the downgrading of individual counterparties, the level of indebtedness of borrowers (both personal and corporate), the performance of the real estate market and other circumstances that may have an impact on the creditworthiness of the counterparties and reduce the value of the collateral securing the loans. In addition, credit risk may be exacerbated if, based on untrue or partial information provided to Banca Carige, the Group companies grant loans that otherwise they would not have granted or would have granted at different conditions.

A further deterioration in credit quality and the consequent significant increase of NPLs due to borrowers' reduced ability to meet their repayment obligations could result in material adverse effects on Group's business, financial condition and results of operations. In addition, the deterioration in credit quality could result in higher provisions for impaired loans, which could result in material adverse effects on the Issuer's and/or the Group's business, financial condition and results of operations.

ECB Communication in relation to NPL management

On 7 April 2017, the ECB sent Banca Carige a communication entitled "*Remarks on the qualitative valuation of NPLs*". In this communication, the ECB highlighted the following parameters for the Company: an NPL ratio (NPLs as a percentage of the total loan portfolio) of 29.4 per cent. as of 30 June 2016 compared to a European average of 5.4 per cent., and a Net Adjusted Texas Ratio of 177 per cent. as at 30 September 2016, higher than the one recommended by the ECB.

The above mentioned communication also illustrated a number of the Company's weaknesses identified by the ECB, including the NPL management strategy, governance and operational set-up for NPL management, procedures to identify measures of forbearance, classification of NPLs, valuation process for provisions and

valuation of guarantees. See "*Regulatory Proceedings and Litigation - Inspections and thematic reviews by the ECB*".

In the business plan for the 2017-2020 period approved by Board of Directors on 13 September 2017 (the "**Business Plan**" or "**Strategic Plan**") Banca Carige has outlined corrective actions intended to address these weaknesses, including the reduction of NPLs to achieve the quantitative objectives set by the ECB in relation to the target exposure of the portfolio and levels of coverage. However, such actions may not prove to be successful. Any failure to meet these objectives and resolve the weaknesses reported by the ECB may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Segment and customer geographic concentration and large exposures

The Group has a higher concentration of loans in the real estate and transportation segments compared to the rest of the Italian banking system.

In the event of a deterioration in a counterparty's credit rating, concentration of exposures to a single counterparty or related group of counterparties could have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

In addition, deterioration of the economic or financial environment, particularly of Italy, may lead to a deterioration in credit quality and an increase of NPLs and related provisions; as well as changes in credit risk estimates, either of which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations, and a lower capacity for self-funding by the Group.

The credit risk oversight and specific policies and procedures designed to identify, monitor and manage this risk may not accurately estimate the risk parameters and provisions to cope with any losses. For further information on the quality of loans, please refer to the 2017 Audited Consolidated Financial Statement and the 2016 Audited Consolidated Financial Statement.

From 1 January 2018 the Company applies the classifications and measures required by the new accounting principle IFRS 9. The application of IFRS 9 could have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations. See "*The introduction of the new accounting principle IFRS9 "Financial Instruments" may have adverse consequences if Banca Carige fail to fully comply with such new principles*".

The periodical assessments by the ECB may result in a further deterioration of the Group's asset quality and adversely affect the Group's financial position and condition

Banca Carige is subject to periodical assessments from the ECB, the EBA and the national regulatory authorities (including, in the case, the Bank of Italy) which are based on a number of criteria including the total value of Banca Carige's assets (the "**Comprehensive Assessment**"). The Comprehensive Assessment is conducted in relation to the single supervisory mechanism, which governs the principles and tasks involved in the activity carried out by the ECB and by the national Supervisory Authorities that came into force on 4 November 2014 (the "**Single Supervisory Mechanism**").

When exercising these supervisory powers, the ECB and the Bank of Italy conduct various ordinary periodic inspections and/or verification relating to the Company, aimed at performing their task of prudential supervision. Such inspections and/or verification support the annual supervisory review and evaluation process (SREP), which aims at verifying that the credit institution has implemented proper measures of capital management and organisation control of assumed risks, in order to ensure an overall operational equilibrium. In particular, the SREP is based on the following pillars from Banca Carige:

(i) evaluating whether the business model is viable and sustainable;

(ii) evaluating the adequacy of corporate governance and risk management;

(iii) evaluating capital risks; and

(iv) evaluating liquidity risks.

At the end of the annual SREP, the Supervisory Authority delivers a decision ("**SREP Decision**") setting forth capital and/or liquidity quantitative requirements, as well as any additional recommendations regarding

organisation and internal control which the individual credit institution must comply with, according to the methods and in the timeframe laid down.

As a result of the SREP, the ECB may require Banca Carige to adopt certain corrective measures, which could affect the management of the Group, including the request (i) to hold assets above the regulatory limits; (ii) to undertake actions aimed at strengthening systems, procedures and processes concerning risk management, internal control, and capital adequacy; (iii) to set limits to distribution of income or other assets, as well as, with reference to financial instruments which can be accounted for as total capital, to prohibit the payment of interests, and (iv) to prohibit corporate transactions or otherwise, in order to reduce the risk level. Finally, there is a risk that Banca Carige may be required to apply the resolution tools under the Legislative Decree no. 180/2015 which has transposed in Italy the Directive 2014/59/EU of the European Parliament and of the Council providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time ("**Bank Recovery and Resolution Directive**" or "**BRRD**").

In the event that Banca Carige fails to carry out in whole or in part the above measures, Banca Carige could experience losses and a decrease in asset values, or in the event of unfavourable outcomes of the periodical review on the capital requirements conducted by the ECB from time to time, Banca Carige may need to implement further capital strengthening measures. Banca Carige may not be able to implement such further capital strengthening measures for economic reasons. Any of these events could have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

In addition, if the ECB recommends an additional Asset Quality Review and a review on the procedures implemented to address any impairment of financial assets, and such reviews are followed by a supplemental stress test, Banca Carige may be unable to meet the minimum standards set out in such verification. In such circumstances, Banca Carige may be subject to ECB's new capitalization measures or other initiatives designed to cure capital shortfall, and may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Deferred tax assets may decrease due to reductions of the Group's estimated future taxable profit, and/or restrictions pursuant to tax laws

In accordance with international accounting standards, Banca Carige has recorded certain deferred tax assets in the consolidated financial statements.

Deferred tax assets ("**DTAs**") can be recorded in the consolidated financial statements in the event that such assets may be recovered, also on the basis of the tax capability (which is the capability to generate income in the future) of the company and of the group (comprising companies that are subject to group level taxation on a consolidated basis). In addition, the deferred tax assets that can be recognized as tax credits, if certain conditions are met, pursuant to Law No. 214 of 22 December 2011 ("**Law 214/2011**"), can be recorded in the Group's consolidated financial statements depending solely on the tax capability of the Group. This specific type of deferred tax assets is not included among the negative elements for the purposes of the capital adequacy requirements and is included in the Risk Weighted Assets for 100 per cent.. On 3 May 2016, Law Decree 59/2016 was introduced, converted into law by Law no. 119 of 30 June 2016. With regard to the convertible DTAs, in accordance with Law 214/2011, Legislative Decree No. 59/2016 established, among other things, provisions on deferred tax receivables, allowing companies to continue to apply the existing rules on conversion of DTAs into tax credits, provided that they exercise an appropriate irrevocable option and that they pay an annual fee of 1.5 per cent. in respect of each tax year until 2029.

IAS 12 specifies an annual test to be conducted for DTAs, to verify whether the forecasts of future profitability are such as to ensure their re-absorption and therefore justify their recognition and maintenance in the financial statements (the so-called "**probability test**").

In carrying out the probability test on the deferred tax assets recognized of 31 December 2017, assets deriving from deductible temporary differences relating to write-downs of loans and goodwill were considered separately, as the current regulatory framework establishes the conversion to tax credits of such deferred tax assets recognised in the financial statements where tax and/or statutory losses are realized. This circumstance implies the adoption of an additional method, aimed at ensuring the recovery of eligible deferred tax assets in any situation, regardless of the company's future profitability. The convertibility of deferred tax assets resulting from temporary differences suitable to be transformed into tax credits, therefore constitutes to be an adequate basis for their recognition in the financial statements and renders the associated probability test de facto implicitly superseded (as set out in the

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).

The recognition, on first-time adoption of IFRS 9, of new deferred tax assets mainly associated with the treatment of impairment losses on loans based on the expected credit loss (ECL) approach, made it necessary to update the information on the results of the probability test already carried out on the accounts as at 1/1/2018, to also consider the effects of the first-time application of the new standard.

The test carried out on the basis of the assumptions already made in the 2017 financial statements has once again demonstrated the probability that the DTAs may be recovered. As was previously explained, the test has always been carried out only on deferred tax assets that are not likely to be converted into tax credits, on the basis of the information contained in the 2017-2020 Business Plan and additional assumptions described in greater detail in the 2017 financial statements, which are referred to for additional guidance.

On a consolidated basis, in the absence of volatility assumptions, corporate income tax (IRES) DTAs recognised in the financial statements would basically be absorbed by 2037.

However, with assumptions of volatility in the taxable income forecasts being embedded in the model, a 60% probability of full recovery of DTAs -still on a consolidated basis- was shown in the presence of a volatility of 9% for the period between 2035 and 2041 (90% by 2044), which extends to the 2033 - 2052 period, if a volatility of over 18% is assumed.

In the event that the probable future tax income calculated by the Group is not sufficient to support the deferred tax assets recorded in the Group's consolidated financial statements, the Group may be required to reduce the value of such deferred tax assets. In these cases, a portion of the deferred tax assets currently recognized in the financial statements could be written off, which could have a material adverse effect on the Issuer and/or the Group's business, financial condition and results of operations.

In addition, there can be no assurance that the current regulatory framework concerning the deferred tax assets will not be changed or repealed entirely, with possible effects on the regulation governing the tax credits and the related treatment of the specific types of the afore-mentioned deferred tax assets. These potential changes could also result in a stricter deduction or weighting regime. The consistency of DTAs and tax credits under Law 214/2011, resulting from the conversion of DTAs, would also be reduced where the goodwill recorded by Banca Carige Italia for 2012 was adjusted as a result of the partial acceptance of the position of the Revenue Bureau of Liguria—Tax Controls Office in relation to the merger of Banca Carige Italia into Banca Carige. See "*Regulatory Proceedings and Litigation – Merger of Banca Carige Italia into Banca Carige*".

These factors may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Risks related to the use of estimates and assumptions

Certain items in the Issuer's financial statements require the use of estimates and assumptions that may have significant effects on the relevant values recorded in the balance sheet and income statement, and also to the notices to the financial statements. Such estimates and assumptions are based on available information and subjective valuations, and may vary from time to time resulting in significant differences and adjustments in subsequent financial statements.

In particular, estimates and assumptions are mostly used in the valuation of financial assets, in particular loans to customers and assets available for sale and the quantification of employees funds, allowances for risk and charges and tax items.

Adjustments in the value of loans to customers are based on the monitoring of customer relationships and of customers' financial condition. The impairment of the credit portfolio is based on an historical valuation of the probability of insolvency and the percentage of loss relating to bad loans for similar categories of credits. The impairment of financial assets not recorded at fair value is based on the monitoring of the economic and financial situation of the Issuer. In this respect, the continuation of the current economic and financial crisis or its worsening could cause a further deterioration of the financial conditions of the Group debtors and of the issuers of securities and result in higher losses than the Group had expected and taken into account in the preparation of the financial statements, on the loans granted to customers and in the securities in which the Group invested.

Intangible assets other than goodwill and with a defined useful life are depreciated on a straight-line basis during their respective useful life. If the useful life of an intangible asset is undefined, instead of depreciating such asset on a straight-line basis there is a periodic impairment testing to assess the adequacy of its book value.

Impairment tests on goodwill are conducted at least once a year (on 31 December) or at any time during the year when there are indicators that point to a possible decrease in their book value. The impairment test consists on the valuation of the difference between the book value of the cash generating unit ("**CGU**") to which the goodwill has been allocated and its recoverable value, which is defined as the higher between the value in use and the fair value (namely, the amount that could be obtained from the sale of an asset, less selling costs) of the CGU. If the recoverable value is lower than the book value, an adjustment must be recorded in the income statement.

As a result of the Group's measurement at fair value of its liabilities, the Group may benefit financially from a deterioration in its credit spread. That benefit (in the form of a reduction in liabilities), net of linked hedging positions, could be reduced, with an adverse effect upon the Group's income statement, in the event of a subsequent improvement of the Group's credit spread.

The Group can provide no guarantee that (i) future changes in the fair value of the financial instruments and/or their classification, (ii) a need to liquidate assets not measured at fair value prior to their maturity, and/or (iii) the emergence of circumstances or events which may cause the valuations and the estimates to be no longer current, would not have a material adverse effect on the assets, the financial condition and the results of operations of Banca Carige and/or the Group.

The Group may be unable to fully or successfully implement its Business Plan which was approved in September 2017

The ability to meet the objectives depends on a number of assumptions and circumstances, some of which are outside of the control. On 13 September 2017, the board of directors approved the business plan (the "**Business Plan**" or "**Strategic Plan**"), as a consequence of the early intervention decisions aimed at reducing the NPL portfolio and strengthening the capital. In particular, the Business Plan is a result of the early intervention decision as of 12 December 2016, approved by the ECB and aimed at the reduction of the Company's NPL portfolio and the capital strengthening of the Company. See "*Strategy*".

In particular, the Business Plan sets forth certain targets which are determined on the basis of a macroeconomic scenario and on specific strategic actions, as well as certain projections of negative interest rates in the banking system, with an ECB refinancing rate expected to rise above zero only after 2019. Such targets also assume that a number of extraordinary transactions that will take place between the end of 2017 and 2018, which aim at strengthening the capital and reducing the risk profile related to the impact of NPLs. The Business Plan establishes targets for 2020 based on improving macroeconomic conditions and on the effects of the specific managerial actions ("**Projections**").

The Projections are based on a number of future events and actions to be taken by the directors and management, including hypothetical and general assumptions. The Projections are based on assumptions relating to future events and managements actions that may not occur, as well as events and actions that management may not control or control only to a limited extent.

The Projections are subjective in nature and are characterized by uncertainty. Actual results may differ significantly from the Projections, especially in light of current macroeconomic and market conditions. In particular, estimates underlying the Projections could become inaccurate due to changes in the banking regulatory framework, the results of the Supervisory Review and Evaluation Process (SREP) conducted by the ECB on an annual basis, as well as the introduction of new international accounting principles including IFRS 9 - Financial Instruments, applied starting from January 2018.

On May 2018, EBC approved the addendum which supplements the NPL Guidance by specifying the ECB's supervisory expectations when assessing a bank's levels of prudential provisions for nonperforming exposures (NPEs). The ECB will, among other things, evaluate the length of time an exposure has been classified as non-performing (i.e. its "vintage") as well as the collateral held (if any). The ECB's supervisory expectations set out what the ECB deems to be a prudent treatment of NPEs. Its aim is to avoid an excessive build-up of non-covered aged NPEs on banks' balance sheets in the future, which would require supervisory measures. This addendum does not substitute or supersede any applicable regulatory or accounting requirements.

This addendum does not bind banks, but serves as a basis for a supervisory dialogue. The ECB will assess any differences between banks' practices and the prudential provisioning expectations laid out in this addendum at least annually. The ECB will link the supervisory expectations in this addendum to new NPEs classified as such from 1 April 2018 onwards. Taking into account the specificities of the supervisory expectations, banks will thus be asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, from early 2021 onwards.

It will be necessary for the Company to increase the coverage levels for loans, or adopt other measures in relation to NPLs, resulting in possible failure to reach the objectives of the Business Plan, since the Business Plan did not take into account the possible effects of the addendum at the time it was approved, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations and/or require Banca Carige to implement further capital strengthening measures. As a result of the emphasis of matter paragraph included in the audit opinion related to the 2016 Audited Consolidated Financial Statements Banca Carige has also been required to provide information to CONSOB, on a quarterly basis, on the implementation of the Business Plan and the status of the actions contained therein. See "*Recent Developments*".

The ability to grant new loans and the availability of adequate funding levels and funding costs could be significantly impacted if Banca Carige fails to implement the Business Plan. Moreover, failure to achieve the objectives of the Business Plan may lead to failure to comply with regulatory capital ratios, possible downgrading and write-downs of goodwill. In summary, the Group's failure to implement the Business Plan to the extent and within the timeframe contemplated could have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations and prospects.

At last on 22 July 2018 the Bank informed that, on 20 July 2018 the ECB notified a draft decision establishing, among the others:

1 "*not to approve the updated Capital Conservation Plan ("CCP") submitted by Supervised Entity on 22 June 2018.*"

In this regard, the ECB noted that "*The Supervised Entity has been in breach of the Overall Capital Requirement (OCR) of 13.125% since 1 January 2018. In the first quarter of 2018, the Supervised Entity's Total Capital Ratio was 12.23%, 89 basis points below the OCR.*". "*The Tier 2 issuance forms the cornerstone of the updated CCP. Due to idiosyncratic and market factors, the Supervised Entity's Tier 2 issuance attempts have proven unsuccessful*".

The ECB further observed that: "*In the CCP submitted on 18 April 2018, a number of RWAs* [Risk Weighted Assets] *reduction measures (disposal of non-core assets, including real-estate assets, a stake in Autofiori and the disposal of the Banca d'Italia shareholding) were planned to be executed by June 2018. None of the measures was executed by the initial timeline, and the updated CCP postponed the expected execution by one trimester*.".

2 "*that the Supervised Entity shall present to the ECB at the latest by 30 November 2018 a plan, approved by the Board of Directors, to restore and ensure in a sustainable manner compliance with capital requirements at the latest by 31 December 2018. This plan should assess all options including a business combination*.".

"*If a business combination solution is pursued in order to ensure in a sustainable manner compliance with capital requirements, the ECB will set a new date as of which at the latest compliance with all capital requirements shall be achieved in order to reflect the needs of such business combination transaction*.

The European Central Bank's final decision, notified on 14 September 2018, confirms the content of the draft decision of 20 July as disclosed on 22 July 2018.

The Group is involved in certain criminal proceedings

As of the date of this Base Prospectus, criminal proceedings are currently pending before the Public Prosecutor of Rome, concerning the crimes of obstructing supervisory activities and market manipulation. These claims have been brought against the Company's board of directors in office at the date of the events for both alleged crimes, while the offence of obstructing supervisory activities relates to the former general manger and other managers of the Company. The Company has direct liability for offences committed in its interest or benefit in relation to the regulatory offences. See "*Regulatory proceedings and litigation —Criminal Proceedings*".

In the event of a negative outcome where by Banca Carige is convicted of the alleged regulatory offences, Banca Carige could be exposed to a fine not exceeding Euro 1.5 million (estimated on the basis of a prudential calculation

of the maximum penalties set forth by law) in addition to the amount of profit arising from the offence, the estimate of which is uncertain given the type of offence.

The nature of the alleged offences underlying the criminal charges mean that it is possible that other parties could join proceedings against the defendants, and that third parties may seek damages from the Group as a consequence of such alleged criminal offences by the board of directors. At present, it is not possible to accurately estimate such a risk, which could materialize only after a first instance judgment is issued. The first instance proceedings will only take place if, at the outcome of the preliminary hearing, which is yet to be set, the judge will order the indictment before the Court.

Furthermore, as the criminal matters have received extensive press attention, such coverage may have adverse effects on the Issuer's and/or the Group's reputation and business.

Any of the abovementioned circumstances, including an outcome whereby Banca Carige is convicted of the alleged regulatory offences, or third parties seek damages or the reputation is damaged as a result of such conviction, may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

See also "*The periodical assessments by the ECB may result in a further deterioration of the Group's asset quality and adversely affect the Group's financial position and condition*".

The Group is exposed to failures in the corporate criminal liability organisational model

The Group is adopted an organisation, management and control model (the "**Model**") as provided for by Legislative Decree No. 231 of 8 June 2001 ("**Legislative Decree 231/01**") to implement a number of procedures to prevent the commission of crimes by the employees and management. The supervision of the procedures provided by the Model and the update, review and implementation of the Model are assigned to a specific supervisory committee appointed pursuant to Legislative Decree 231/01. In accordance with the directions, Creditis and Centro Fiduciario CF in Liquidazione S.p.A. ("**Centro Fiduciario**") also adopted separate organisation, management and control models and appointed independent supervisory committees. For further information, see "*Management and Employees - Organisation and management model pursuant to Legislative Decree 231/01 and the Supervisory Committee*".

There is no certainty that the Model Banca Carige adopted and the other models adopted by the companies of the Group will be deemed adequate by the courts to exclude the administrative liability of the companies. In case of commission of the crimes contemplated by Legislative Decree 231/01 by the employees and /or management and if the courts deem the models inadequate, Banca Carige may be ordered, in each case and for each offence, to pay a fine, and, in the most serious cases, Banca Carige may have authorizations, licenses or concessions suspended or revoked, or be prohibited from conducting business, from contracting with governmental entities, or from advertising the goods and services. In addition to these measures, were Banca Carige to be sanctioned under Legislative Decree 231/01, Banca Carige could be forced to disgorge any profit received from the illegal action. Any such developments may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations. See "*The group is involved in certain criminal proceedings*".

The Group is subject to risks related to legal proceedings and actions of supervisory authorities which could have a material adverse effect on the business, financial condition and results of operations

The Group is subject to litigation in the ordinary course of the business, including civil and administrative legal proceedings.

Summarized below are certain ongoing legal proceedings. For more information, see "*Regulatory proceedings and litigation*".

Article 120 of the Italian Legislative Decree No. 385 of 1 September 1993 as amended (the "**Consolidated Banking Act**") was recently reformed with reference to compound interest. Banca Carige believe that the entry into force of the CICR[1] resolution should add certainty with regard to the criteria and procedures to be followed to generate interest in banking transactions. See "*Regulatory proceedings and litigation - Disputes regarding*

[1] CICR: Interministerial Credit and Savings Committee. The CICR is composed of members of the MEF and other ministers responsible for economic matters. The CICR has wide regulatory powers regarding banking activity, in accordance with the provisions of the Consolidated Banking Act and other laws.

compound interest (anatocismo)". However, disputes regarding compound interest cannot be ruled out for the period between 1 January 2014 to 1 October 2016 due to the approach of some Courts which considered the new wording of article 120(2) of the Consolidated Banking Act to be effective immediately albeit in the absence of the implementing administrative provisions to which this legal provision expressly referred.

Legal proceedings not considered for the purposes of the provisions Banca Carige has set aside, including those provisions in relation to compound interest, could in the future give rise to additional liabilities, and the amounts already set aside in this provision may not be sufficient to fully cover the possible losses deriving from these proceedings if the outcome is worse than expected. This may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

There can be no assurance that the outcome of any of the above or any other legal proceedings that has been brought against Banca Carige will be favourable to Banca Carige or that any amount that Banca Carige set aside in a provision will be sufficient to fully cover the losses that could result from a negative outcome of such legal proceedings or if the outcome is worse than expected. Any such unfavourable outcome or any other legal proceeding in the future could have a material adverse effect on the business, financial condition and results of operations.

The Group's exposure to Italian sovereign debt has adversely affected, and may continue to adversely affect, the Group's business, financial condition and results of operations

The Group is exposed to movements in sovereign debt in general, and in Italian sovereign debt securities in particular. Tensions and volatility in the market of Italian sovereign debt securities, or any deterioration in the credit worthiness of the Italian State, together with a consequential reduction in the value of such securities, would have a negative impact on the available for sale assets. Italian sovereign debt securities are impacted upon by the wider macroeconomic conditions of Italy. See "*Banca Carige and the Group's business and prospects have been affected and will continue to be affected by macroeconomic and market conditions*".

Furthermore, a reduction in short term returns on Italian State securities could result in a consequential reduction in economic performance for the Group. Any of these circumstances could have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Unfavourable developments in the credit ratings could increase the funding costs and affect the ability to access capital markets

As of the date of this Base Prospectus, Banca Carige short term debt obligations and long term debt obligations are assigned a rating by Moody's and Fitch.

	Short term debt		**Long term debt**		**Date of last revision**
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**	
Moody's	*NP*	*Not on Watch*	*Caa3*	*RUR Downgrade*	*August 7, 2018*
Fitch	*C*		*CCC+*	*Negative*	*October 10, 2018*

In determining the ratings assignments, the agencies examine several performance indicators of the Group's performance, including profitability, liquidity, capitalization and risk profile.

In the event that Banca Carige do not achieve or maintain certain performance measures, or maintain the capital ratios above certain levels, ratings may be downgraded. A downgrading of the ratings could increase the funding costs, limit the funding resources, negatively impact the access to liquidity and force Banca Carige to increase the value of the collateral that Banca Carige is required to provide. Access to the market to obtain capital without having to give collateral depends on the credit rating.

Any reduction in the rating levels could make it less favourable for Banca Carige to access the liquidity instruments and make Banca Carige less competitive on the market. This could lead to an increase in the funding costs or require additional collateral in order to obtain liquidity, with negative effects on the business, financial condition or results of operations. Any suspension, lowering or withdrawal of one or more of these ratings could

have a negative impact on the business, financial condition and results of operations. Furthermore, any reduction in the rating assigned to Banca Carige may have an unfavourable effect upon the ability to meet the objectives of the Business Plan, making it more difficult to access funding markets and having negative reputational effects.

The rating may also be affected by the rating of the Republic of Italy. As of the date of this Base Prospectus, the Republic of Italy has been awarded ratings of "Baa2" (negative outlook) by Moody's, and "BBB" (stable outlook) by Fitch. Any downgrade of the rating of debt securities issued by the Republic of Italy may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The Base Prospectus contains restated and reclassified financial information, and it may be difficult for an investor to compare between the various financial periods for which data is presented herein

This Base Prospectus contains financial information derived from 2018 Unaudited Interim Consolidated Financial Statements, the 2017 Audited Consolidated Financial Statements, the 2016 Unaudited Restated Consolidated Financial Information and the comparative audited consolidated balance sheet as of 31 December 2016.

Banca Carige has restated certain comparative data related to 2016 with respect to the data previously presented in the 2016 Audited Consolidated Financial Statement in accordance with the provisions of IFRS 5 to take into account the classification as disposal groups (discontinued operations) of Creditis.

Moreover, although IFRS 5 does not require the restatement of comparative balance sheet figures, Banca Carige reported in this Base Prospectus certain comparative balance sheet figures as of 31 December 2016 restated to allow a consistent comparison. As a result of the IFRS 5 restatement and of the restatement of balance sheet figures as of 31 December 2016 made to allow a consistent comparison, Banca Carige presented the financial information for 2016 in the form of the 2016 Unaudited Restated Consolidated Financial Information as included in the 2017 Audited Consolidated Financial Statement, in the form of the unaudited balance sheet figures restated for a consistent presentation and in the form of the 2016 Audited Consolidated Financial Statement.

Certain historical information extracted from the 2016 Audited Consolidated Financial Statement cannot be compared and neither sets of information can be compared with financial information as of and for the year ended 31 December 2017 presented in this Base Prospectus. The same considerations are valid with reference to certain balance sheet figures as at 31 December 2017 and the economic data at 30 June 2017 that are not comparable on a consistent basis with those of the comparative periods as they have not been restated using the financial statements required by the fifth update of Bank of Italy Circular No. 262 / 2005 and do not include the effects deriving from the application of IFRS 9.

Because of the restatements made to financial information, prospective investors may find it difficult to make comparisons between our different sets of financial information.

Further, certain financial information as of and for the years ended 31 December 2017 and 2016 contained in this Base Prospectus is unaudited and different from the financial statements in as much as it has in all cases been subject to reclassification by aggregating and/or changing certain line items from the financial statements and, in some instances, by creating new line items or moving amounts to different line items as set forth therein. This financial information is used by the Group's management to analyse the Group's business performance and financial results. This reclassified data was extracted from the report on operations for the Group in order to comment upon economic performance and with the precise intent of enabling comparability of economic results and equity.

In addition, this Base Prospectus contains certain financial information not included in the 2017 Audited Consolidated Financial Statements and in the 2018 Unaudited Interim Consolidated Financial Statements , arising from the Company's accounting records. Investors are cautioned not to place undue reliance on such data.

This Base Prospectus contains alternative performance measures, which should not be relied upon or viewed as indicative for future performance of the Group

In order to facilitate the understanding of economic and financial performance of the Group, the directors have identified some Alternative Performance Measures ("**APM**s").

These measures facilitate the directors in identifying operational trends and take about investment decisions, resource allocation and other operational decisions.

Pursuant to the ESMA's guidelines dated October 5, 2015 (entered into force on July 3, 2016), an APM should be understood as a financial measure of historical or future performance, financial position or cash flows, other than a financial measure defined or specified in the specific financial reporting framework. These measures are usually derived from, or based on, the financial statements prepared in accordance with applicable financial reporting rules, most of the time by adding or subtracting amounts from the data contained in the financial statements, but are not themselves prepared in accordance with IFRS or applicable financial reporting rules.

With reference to the interpretation of these APM attention is drawn to the matters illustrated below:

(i) these indicators are constructed exclusively from the Group's historical data and is not indicative of the future performance of the Group;

(ii) the APM are not required by accounting standards ("**IFRS**") and, although derived from the Issuer's consolidated financial statements are not audited;

(iii) these financial measures should not be seen as a substitute for measures defined according to the IFRS;

(iv) investors should therefore not place undue reliance on APMs and read these APM together with the Group's financial information from the Issuer's consolidated financial statements for the year period 2016-2017 and for the six months ended 30 June 2018 - 2017;

(v) It is to be noted that, since not all companies calculate APM in the same manner, these are not always comparable to measurements used by other companies; and

(vi) APM used by the Group are processed with continuity and consistency of definition and representation for all periods for which financial information included in this Base Prospectus.

For more information, see "*Overview of financial information of Banca Carige Group - Alternative Performance Measures*".

The Group may be unable to obtain required liquidity and/or long term-financing

The Group is subject to liquidity risk, which is the risk that the Group will be unable to meet its payment obligations as they fall due. Typically, this risk consists of a funding liquidity risk, which is the risk of a financial institution being unable to meet its own payment and other obligations efficiently due to its inability to obtain funding without compromising its asset base or financial condition, and a market liquidity risk, which is the risk of a financial institution being unable to liquidate an asset without suffering a capital loss due to the relevant market for such asset not being sufficiently deep or due to the time that is necessary to liquidate such asset.

Liquidity for the Group's operations and access to long-term financings are both necessary to achieve the Group's strategic objectives, in particular, to enable the Group to meet its payment obligations in cash, whether scheduled or unscheduled, and avoid compromising its current operations and financial condition. The Group may be unable to obtain the required level of liquidity or long term-financing due to its inability to access the debt markets, dispose of its own assets or liquidate or refinance its own investments. Such inability could in turn result from a deterioration of market conditions, lack of confidence in the financial markets, uncertainty and speculative behaviour relating to the solvency of market players, credit rating downgrades or operational difficulties experienced by third parties. If the Group is unable to obtain the required level of liquidity at favourable terms and conditions or long-term financing at favourable terms and conditions, this may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Furthermore, an additional deterioration of the quality of the credit rating may adversely affect the liquidity position, due to the necessity to increase the funds required to cover non-performing loans, which would in turn adversely affect the ability to finance through own funds.

Factors caused by a market shock not directly under the control, such as political crises, financial crises, catastrophic events or a market crisis, may lead to difficulties in renewing loans, in accessing some markets, and/or unexpected withdrawals by depositors and those to whom a credit line has been granted. Other factors may also adversely affect the liquidity such as certain financial products including contracts in certain circumstances (sudden shifts in the market, bankruptcies or ratings downgrades) which trigger the request for further collateral by counterparties.

See "*Risk Management – Liquidity Risk*".

Banca Carige has participated in the ECB's Targeted-Longer Term Refinancing Operations ("**T-LTROs**"). In September and December 2014, Banca Carige took part in the first two offers of T-LTROs in the nominal amount of Euro 1,130 million (respectively Euro 700 million and Euro 430 million), against a total that could be requested of Euro 1,140 million (the so-called initial allowance). In addition, Banca Carige obtained funding of Euro 160 million in June 2015, of Euro 710 million in September 2015 and of Euro 300 million in December 2015 with exposure to the T-LTRO programme at the end of 2015 of Euro 2.3 billion. In March 2016, no programme funding was requested, while in June 2016 the T-LTRO loan of 2.3 billion was repaid in advance in light of the possibility of taking part in the new T-LTRO II programme. As of 30 June 2018 Banca Carige benefitted from the T-LTRO II financing program for an amount of Euro 3.5 billion.

From 2015, ECB extended the securities purchasing programme ("**Quantitative Easing**" or "**QE**"). As of the date of this Base Prospectus, the Group does not meet the requirements to access Quantitative Easing as the direct counterparty of purchases by the Central Bank because it is not a primary dealer (intermediaries operating as market makers on the electronic wholesale market for government securities), while in terms of the securities issued, issues of Covered Bond are included among the securities that can be purchased in the Quantitative Easing programme.

In the current economic, financial and political environment, liquidity risk is likely to remain at a high level in the near future. Specifically, based on annual averages by quarters, the funding gap of the banking system in Italy in the period 2016-2017 was as follows: in 2016 Euro 113.0 billion and at September 30, in 2017 Euro 74.7 billion, (Sources: Financial Stability Report of the Bank of Italy No. 2/2017).

The above minimum requirement of 90 per cent. was confirmed by the final decision regarding the outcomes of the SREP 2016, received by the Company in December 2016. As of 31 December 2017, the above parameter stood at 156 per cent. (124 per cent. as of 31 December 2016), above the requirement of 90 per cent.. With reference to year 2018 the SREP 2017 doesn't include a specific minimum requirement for the LCR indicator. Although Banca Carige has established monitoring and management systems aimed at managing the liquidity risk (see "*Risk Management—Liquidity Risk*"), the persistence of adverse market conditions and/or any deterioration in such conditions, a deterioration of the economy as a whole, further fall in the credit rating of the Company, and more generally the inability of the Company to obtain from the market the resources required to meet its liquidity needs and/or regulatory requirements as introduced from time to time under Basel 3. In addition, any unfavourable changes in the funding policies established by the ECB or changes in the access requirements for this funding, including changes in the criteria to identify the types of assets that can be used as collateral and/or their valuations, may impact the capital position. Finally, failure to meet the minimum regulatory requirements applicable to the Company for liquidity parameters and specifically for the LCR as well as, the NSFR (a measure which becomes applicable with a minimum requirement of 100 per cent., and establishes the minimum acceptable level of stable funding based on asset liquidity features and the features of transactions over a period of one year) could lead to the imposition by the Supervisory Authorities of specific measures against Banca Carige and, if Banca Carige and/or the Group were not able to adopt these measures or to meet the obligations imposed by the Supervisory Authorities.

Any tension on the bank liquidity segment as well as risks deriving from external factors may adversely affect future liquidity and may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The Group is exposed to market risk

The Group is exposed to the risk that the value of the financial assets may decrease or that the value of the financial liabilities may increase due to trends in such market-related factors as stock prices, interest rates, exchange rates, prices of securities and commodities and their volatility. Market risk arises both in relation to the Group's trading book, which includes the securities held by Banca Carige for trading as well as the derivative instruments linked to such securities and the Group's banking book, which includes financial assets and liabilities other than those that constitute the Group's trading book. Fluctuations in interest rates in Europe and, consequently, Italy, which is the market where the Group almost exclusively operates, affect the Group's results of operations.

The results of the Group's banking and financing operations depend on the management of the Group's exposure to interest rates, which consists of the relationship between interest rate fluctuations in the relevant markets and fluctuations in the Group's net interest income. A misalignment between the interest income received by the Group

and the interest expense payable by the Group may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Such events and the continuation of the current level of interest rates or to the high volatility of the interest rates in combination with the uncertainty of the funding markets could adversely affect the interest margin and the value of assets and liabilities held by the Group and may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The Group is exposed to interest rate risk

Interest rate fluctuations may have a negative impact on the assets and on the interest margin generated by the assets and liabilities which are not included in the supervisory trading portfolio. In connection with variable interest rate transactions, the risk arises from mismatches in maturities (maturity gap) and characteristics and timing of revision of the remuneration terms (refixing gap). In connection with fixed rate transactions, the risk arises from mismatches in maturities. In addition, broader economic factors, including national monetary policy, macroeconomic performance and the political environment can affect interest rates.

In relation to the financial position, the purpose of monitoring the interest rate risk of the banking portfolio is to measure the impact of interest rate changes on the market value of the capital in order to preserve its stability. The variability of the value of the assets following a shock on the interest rates is measured according to two different approaches: the supervisory standard approach (duration analysis) and internal model (sensitivity analysis). Pursuant to the duration analysis approach, the variation in the value of assets is measured based on the duration criteria applied to aggregates of transactions categorized in a time bucket of reference on the basis of the date of maturity or re-pricing. In accordance with the sensitivity analysis approach, the variation in the value of the assets is measured, at individual transaction level, as the difference between the fair value before and after the shock.

From the results of operations standpoint, the purpose of the monitoring of the interest rate risk of the banking portfolio is to measure the expected interest margin within the timeframe of one year (gapping period).

The variability of the interest margin following a shock on the interest margins is measured in accordance with a gap analysis approach, pursuant to which this variability depends on both the reinvestment (refinancing) on market conditions which were unknown *ex ante* of the capital cash flows maturing in the reference period, and the variation in the cash flows due as interest (for floating interest rate transactions).

The Group carries out ongoing checks of the impact of the variations of interest rates on the interest margin, intermediation margin, profit and net assets.

The levels of volatility and liquidity in the financial markets, together with demand from investors for specific types of securities, may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The Group is exposed to counterparty credit risk in derivatives transactions

The activities on derivatives are essentially aimed at hedging the interest rate risk for certain specific assets (securities, mortgage loans, etc.) and liabilities (notes) of the Group.

The activities on derivatives as hedging counterparty to the customers (retail and corporate) is limited and represented by hedging agreements entered into by the customers to hedge their risks. Most of the hedging agreements where Banca Carige act as a counterparty to the customers are so called "plain vanilla" and Banca Carige cover the position by entering into opposite hedging agreements with institutional investors.

The Group's operations in over-the-counter ("**OTC**") derivatives primarily entail an assumption of market risk, that is, potential losses that may occur on positions held as a result of unfavourable changes in market conditions. Such operations are principally subject to the following risks: interest rate, exchange rate, indices and associated volatility and correlations risks. These operations also expose the Group to counterparty risk, that is, the risk that the counterparty to a transaction for a particular financial instrument may default before the transaction has settled. This could result in potential losses if at the time of the counterparty's default the financial instrument has a positive value to the Group and the Group has a claim upon the counterparty.

The Group is exposed to the Italian real estate market

The Group is exposed to the fluctuations of the Italian real estate market due to its lending exposure to real estate companies engaged in the construction, lease or sale of real estate assets. The real estate market is influenced by, among other factors, the level of macroeconomic stability, the outlook for the labour market, and the applicable tax rates on real estate assets. If such market deteriorates, the Group's business, financial condition and results of operations and prospects may be adversely affected.

The cash flow of such companies is linked to the trends of the real estate market and in particular to the sale prices and levels of rents. In recent years, the price and number of completed real estate transactions in the Italian real estate market has declined. As a result, companies that operate in this market have experienced a decrease in volumes and profitability of transactions, an increase in financial charges and more difficult refinancing conditions. In the event that Italian real estate market conditions deteriorate, the real estate company customers may find it increasingly difficult to meet their interest and principal payment obligations and the loans supported by security consisting of real estate assets may become under-collateralized, reducing the rate of recovery in cases of default by the borrower.

Further, the high unemployment rate in Italy (particularly in the regions in which the Group operates) and the increase in insolvency rates among the Group's corporate and retail customers may result in such customers being increasingly unable to meet their loan repayment obligations (an aggregate amount which includes Non-Performing Loans). In addition, the decline in prices in the Italian real estate market could have an adverse effect on the Group due to the decrease in the market value of collateral consisting of real estate assets and/or the impossibility to obtain additional collateral to compensate for such decrease in the value of existing collateral.

The methodology which the Group has adopted to value real estate provided as collateral for loans now classified, as NPLs may not have resulted in accurate estimates of such collateral being made.

In this context, with specific reference to the methodology used by the Group for the valuation of real estate provided as guarantees for NPL-classified loans, on 10 April 2017, the ECB notified the outcome of the inspection and examination of the NPL portfolio, which indicated a weakness in governance and the methodology adopted by the Group.

Specifically, the Group does not have an approved group of independent and qualified experts complying criteria illustrated in the guidelines for NPL management. As a result, there is a risk that valuations of security deposit assets may be contradictory, overestimated or inadequate in terms of calculating the required provisions. The Company notified the ECB that it had started a competitive selection process involving various networks of external experts in order to assign the above task.

In recent years, there has been a downturn in investments in the residential and non-residential Italian real estate market, and a decrease in the value of assets, notwithstanding moderate growth in the number of sale and purchase transactions. This downturn is due in part to the uncertain economic situation, the difficult outlook of the labour market, the reduction in the income available to invest and the increased tax burden on real estate assets.

A further deterioration of the real estate market could result in lower valuation being attributed to the owned real estate, and in the future, this could require Banca Carige to make further value adjustments of the real estate properties in question, with consequent adverse effects on the Company's or Group's business, financial condition and results of operations. If Banca Carige fail to complete these divestments at all or at values lower than initially envisaged, this may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Finally, a further deterioration of the real estate market could make the planned sale of certain real estate assets more difficult and have negative effects on timing and results of such sale transactions. Any of the abovementioned circumstances may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The Group is subject to a number of operational risks

The Group is subject to the operational risk to which all the financial institutions are exposed, that consists in the risk of incurring losses due to internal or external frauds, from the inadequacy or malfunctioning of the Group's policies and procedures, human error, the lack of adequate human resources, deficient internal control systems or external factors, disruptions or malfunctioning of the services and systems (including the IT systems) the Group's operational risk also includes the Group's legal risk but does not include the Group's risks relating to the Group's strategy or reputation.

In addition, the Basel Committee has published a consultation document with proposed amendments to rules on capital requirements in relation to operational risk ("**Standardised Measurement Approach**"). Any change to calculation criteria could result in an increase in requirements and impact the Group's capital adequacy. If the internal policies of risk management should prove to be inadequate, including in light of the aforementioned changes, Banca Carige could face unexpected or underestimated risks that could result in significant losses and have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, regardless of the adequacy of the risk management policies, given the current market conditions, Banca Carige cannot exclude the possibility of negative future events deriving from unforeseeable circumstances that the Group and the management may not fully control. Lastly, considering the importance of IT systems for the activities carried out by Banca Carige and the Group, the occurrence of one or more of these events and circumstances may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations. For further information on the risk management system, see *"Risk Management"*.

Changes in the ownership structure and/or existing laws may affect the governance

The ownership structure of the Issuer is described in the paragraph "Ownership Structure"

However, the ownership structure may change in the future, including due to changes in relevant regulations and specifically with respect to banking foundations, which may affect the policies and strategy and indirectly affect the Group's business, financial condition and results of operations.

In this context, Amissima Vita S.p.A. filed a petition to have the court issue a restraining order prohibiting Malacalza Investimenti S.r.l. and Fondazione Carige shareholders from exercising voting rights at the shareholder's meeting of March 28, 2017, on the basis of the fact that Malacalza Investimenti exercised a regulatory compliance control of the Company. On March 24, 2017, the Court of Genova dismissed the petition for lack of legal standing. The petition requested to void the resolution passed by the Shareholder's meeting that authorized a liability action against former directors Cesare Castelbarco Albani and Piero Luigi Montani. If Amissima Vita S.p.A.'s claims are granted by the Court, there is a potential reputation risk for the Company, which may result in a loss of customers, and may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations. See *"Material agreements - Sale of the shareholding in Amissima Vita (formerly Carige Vita Nuova) and Amissima Assicurazioni (formerly Carige Assicurazioni) and the related distribution agreement"*.

The Group's risk management policies could leave the Group exposed to unidentified or unanticipated risks

The Group has structures, processes and human resources aimed at developing risk management policies, procedures and assessment methods for its activities, in compliance with the new prudential supervisory instructions for banks including with respect to the Internal Capital Adequacy Assessment Process - ICAAP and Risk Appetite Framework (RAF). The Company coordinates such processes and sets forth specific limitations for each of its subsidiaries. These methods and strategies may be inadequate for the monitoring and management of certain risks, and, as a result, the Group could suffer greater losses than those contemplated by the methods or suffer losses not previously considered, or there could be an element of human error in evaluate elements of risk in the performance of certain operations within the Group and in providing prompt and adequate information within the risk management structure.

The occurrence of unforeseeable events, or events which have not been considered by the risk management division, also due to the situation of high uncertainty and volatility of market trends, or the occurrence of any of the abovementioned circumstances, may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The Group operates in a highly competitive environment

The Italian banking sector is characterized by a high degree of competition due to the following factors: (i) implementation of European Union directives liberalizing the banking sector; (ii) deregulation of the banking sector across the European Union, which has introduced further competition in the traditional banking sector and has resulted in a gradual reduction of the spread between interest income and interest expense; (iii) the trend in the Italian banking industry to focus on fee revenues, leading to greater competition in asset management and corporate and investment banking; (iv) certain changes to the Italian banking and tax regime; and (v) development in services with a strong component of technological innovation, such as internet, telephone and mobile banking.

Competition has also been increased by the entry into the market of new competitors, including foreign ones, with specialist services and products which, making use of innovative technological platforms, lighter supply and distribution chains and efficient and flexible cost structures, are highly competitive.

In the future competition may increase due to regulatory changes, changing behaviour of competitors, consumer demand, technological changes, consolidation in the financial sector, new competitors entering the market and a number of other factors outside the Group's control. In addition, any worsening of the overall economy could lead to an increase in competitive pressure due to increased price pressure and lower turnover.

Specifically, the Law of March 24, 2015 required the Italian cooperative banks with assets exceeding Euro 8 billion (the ten largest cooperative banks) to transform into joint stock companies within eighteen months of further implementation provisions of the Bank of Italy taking effect or else incur sanctions. The adoption of implementation provisions by the Bank of Italy could lead to further changes in competition in the Italian banking sector and could lead to further mergers between cooperative (or formerly cooperative) banks, or between such banks and other credit institutions. If such consolidation occurs, the competitive pressures in the already highly competitive market in which the Group operates could increase further.

In the event that the Group is not able to respond to increasing competitive pressure by, among other things, providing innovative and profitable products and services to meet the needs of customers, the Group could lose market share in the sectors in which it operates. In addition, as a result of such competition, the Group may fail to maintain or increase business volumes and profit levels and not meet the strategic objectives set out in the Business Plan. All of the above-mentioned factors may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Changes in regulatory framework and accounting policies

The Group is subject to extensive regulation and supervision by the European Central Bank, the European System of Central Banks, the Bank of Italy and CONSOB (the Italian securities markets regulator). The banking laws to which the Group is subject govern the activities in which banks and banking foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Group must comply with financial services laws that govern its marketing and selling practices. One particularly significant change in regulatory requirements affecting the Group will be the final implementation of the regulatory framework known as Basel III aimed at strengthening global capital and liquidity rules with the goal of promoting a more resilient banking sector.

Any changes in how such regulations are applied or implemented for financial institutions may have a material effect on the Issuer's business and operations. As some of the laws and regulations affecting the Group have only recently come into force, the manner in which they are applied to the operations of financial institutions is still evolving and their implementation, enforcement and/or interpretation may have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer.

Adverse regulatory developments

The Issuer conducts its businesses subject to on-going regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made could materially adversely affect the Issuer's business.

The Issuer is required to hold a licence for its operations and is subject to regulation and supervision by authorities in Italy and in all other jurisdictions in which it operates, and by the ECB. Extensive regulations are already in place and new regulations and guidelines are introduced relatively frequently. The rules applicable to banks and other entities in banking groups are mainly provided by implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the "**Basel Committee**") and aim at preserving stability and resilience and limiting their risk exposure (see below "**Basel III and the CRD IV Package**").

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments Directive and Markets in Financial

Instruments Regulation which applies from 3 January 2018. The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

Moreover, the Basel Committee has embarked on a very significant risk weighted assets (RWA) variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new framework is in the process of being finalised. The new framework will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against those exposures assessed via the standardised approach, and those evaluated via an internal ratings based approach (IRB). In addition, significant changes are expected in relation to operational risk modelling, as the Basel Committee is proposing the elimination of the internal models some banks (including the Issuer) are currently utilising and the introduction of a more standardised approach. Following the finalisation of the Basel framework, the new rules will need to be transposed into European regulation. Implementation of these new rules on risk models will take effect from 1 January 2022.

On 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks ("**EU Banking Reform**"). The proposed new package provides for amendments to the following pieces of legislation:

(i) the CRD IV Package (as defined below);

(ii) the Bank Recovery and Resolution Directive (as defined below);

(iii) regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.

The EU Banking Reform, furthermore, proposes to change the rules for calculating the capital requirements for market risks against trading book positions set out in the CRR. The proposal seeks to transpose the work done by the Basel Committee (but not yet finalised in all its elements at that time) with the Fundamental Review of the Trading Book (January 2016) into EU law by establishing clearer and more easily enforceable rules on the scope of application to prevent regulatory arbitrage; improving risk capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The proposed new rules envisage a phase-in period.

Moreover, the European Commission, in the context of the proposed new package, has proposed a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments, by creating, *inter alia*, a new asset class of "non-preferred" senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency. In such perspective, the proposed amendments to article 108 of the *Bank Recovery and Resolution Directive* or BRRD aim to enhance the implementation of the bail-in tool provided for under BRRD and to facilitate the application of the *Minimum Requirement for Own Funds and Eligible Liabilities* or MREL requirement concerning the loss absorption and recapitalisation capacity of credit institutions and investment firms. As such, the amendments provide an additional means for credit institutions and certain other institutions to comply with the forthcoming MREL requirements and improve their resolvability, without constraining their respective funding strategies. The proposal of the European Commission resulted in the adoption of Directive (EU) 2017/2399 of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017 and must be transposed into national law by the Member States by 29 December 2018. In this regard, the Italian Law n. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to "non-preferred" senior debt instruments.

In addition, regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Issuer's benefit. A breach of any regulations by the Issuer could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and be involved in judicial or administrative proceedings. The Issuer may also become subject to new regulations and guidelines that may require additional investments in systems and people and compliance with which may place additional burdens or restrictions on the Issuer's business.

These and other potential future changes in the regulatory framework and how they are implemented may have a material effect on all the European banks and on the Group's business and operations. The manner in which the new framework of banking laws and regulations will be applied to the operations of financial institutions is still

evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Group. Prospective investors in the Covered Bonds should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

Basel III and the CRD IV Package

In December 2009, the Basel Committee proposed strengthening the global capital framework, and in December 2010, January 2011 and July 2011, the Basel Committee issued its final guidance on the proposed changes to capital adequacy and liquidity requirements ("**Basel III**"), which envisaged a substantial strengthening of capital rules existing at the time, including by, among other things, raising the quality of the Common Equity Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), introducing requirements for Additional Tier 1 and Tier 2 capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability, strengthening the risk coverage of the capital framework, promoting the build-up of capital buffers and introducing a new leverage ratio and global minimum liquidity standards for the banking sector. The full implementation of Basel III is not expected before 2019.

In January 2013 the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the LCR (as defined below), with a full implementation in 2019, as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio (the "**NSFR**"), the Basel Committee published the final rules in October 2014 providing that the NSFR will become a minimum standard starting from 1 January 2018, though the proposed amendments to the CRR (as defined below) envisaged a longer period.

On 7 December 2017 the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms, which include revisions to the measurement of the leverage ratio and a leverage ratio buffer for G-SIIs, which will take the form of a Tier 1 capital buffer set at 50 per cent. of a G-SIIs' additional risk-weighted capital buffer, will take effect from 1 January 2022.

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**").

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed. Additionally, it is possible that EU Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

National options and discretions that were exercised by national competent authorities are now exercised by the SSM (as defined below) in a largely harmonised manner throughout the European banking union. In this respect, on 14 March 2016 the ECB adopted Regulation (EU) 2016/445 of 14 March 2016 on the exercise of options and discretions available in Union law, published on 24 March 2016 and the ECB Guide on options and discretions available in Union law ("**ECB Guide**"). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with article 6(4) of Regulation (EU) No 1024/2013, and Part IV and article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options / discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional / lower capital requirements may result. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) 2016/445 published on 24 March 2016.

In addition, it should be noted that, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities ("**NCAs**") concerning the exercise of options and national discretions available in European Union law that affect banks which are directly supervised by NCAs (*i.e.* less significant

institutions). Both documents are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the SSM (as defined below) applies. The aim is to ensure a level playing field and the smooth functioning of the euro area banking system as a whole.

In Italy, the Government approved the Legislative Decree No. 72 of 12 May 2015 implementing the CRD IV (the "**Decree 72/2015**"). Decree 72/2015 entered into force on 27 June 2015. Decree 72/2015 impacted, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and Members of the management body (articles 23 and 91 of the CRD IV);
- supervisory measures and competent authorities' powers (articles 64, 65, 102 and 104 of the CRD IV);
- reporting of potential or actual breaches of national provisions (so called whistleblowing, article 71 of the CRD IV); and
- administrative penalties and measures (article 65 of the CRD IV).

The Bank of Italy published the supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 - "**Circular No. 285**") which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. Circular No. 285 has been constantly updated after its first issue.

Italian banks are required to comply with a minimum Common Equity Tier 1 (CET1) Capital ratio of 4.5 per cent., a minimum Tier I Capital ratio of 6 per cent., and a minimum Total Capital Ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- Capital conservation buffer: set at 2.5 per cent. of risk weighted assets subject to the transitional regime below and applicable to the Issuer from 1 January 2014 (pursuant to article 129 of the CRD IV and Title II, Chapter I, Section II of Circular No. 285). In this respect, on 4 October 2016, the Bank of Italy enacted the 18th update to Circular No. 285 in order to align the domestic transitional regime concerning the capital conservation buffer to the provisions set forth in CRD IV. According to such update, banks, both at individual and consolidated level, shall apply a minimum capital conservation buffer equal to: (i) 1.25 per cent. from 1 January 2017 to 31 December 2017, (ii) 1.875 per cent. from 1 January 2018 to 31 December 2018 and (iii) 2.5 per cent. starting from 1 January 2019. Such update entered into force on 1 January 2017;

- Counter-cyclical capital buffer: The countercyclical capital buffer applies starting from 1 January 2016. Pursuant to article 160 of the CRD IV and the transitional regime granted by Bank of Italy for 2017, institutions' specific countercyclical capital buffer shall consist of Common Equity Tier 1 capital capped to 1.25 per cent. of the total of the risk-weighted exposure amounts of the institution. As of 23 June 2017 the Bank of Italy set the rate to 0 per cent. with reference to the exposure towards Italian counterparties;

- Capital buffers for global systemically important institutions (**G-SIIs**): set as an "additional loss absorbency" buffer ranging from 1.0 per cent. to 3.5 per cent. determined according to specific indicators (size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), it was phased in from 1 January 2016 (article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285), becoming fully effective on 1 January 2019; and

- Capital buffers for other systemically important institutions at domestic level (**O-SIIs**): up to 2.0 per cent. as set by the relevant competent authority (and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the domestic financial system (article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285).

The Issuer is not included in the list of financial institutions of global systemic importance published on 21 November 2017 by the Financial Stability Board. The Bank of Italy has not included the Issuer among the O-SIIs for the year 2018.

In addition to the above listed capital buffers, under article 133 of the CRD IV each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 in order to prevent and mitigate long term non-cyclical systemic or macroprudential risks with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. At this stage, no provision is set forth on the systemic risk buffer under article 133 of the CRD IV as the Italian level 1 rules for the implementation of the CRD IV on this point have not been enacted yet.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (articles 140 and 141 of the CRD IV and Part I, Title II, Chapter I, Section V of Circular No. 285).

As part of the CRD IV Package transitional arrangements, as implemented by Circular No. 285, regulatory capital recognition of outstanding instruments which qualified as Tier I or Tier II capital instruments under the framework which the CRD IV Package has replaced and that no longer meet the minimum eligibility criteria for Tier I or Tier II capital instruments (respectively) under the CRD IV Package will have their capital recognition gradually phased out. Fixing the base at the nominal amount of all such instruments outstanding on 1 January 2013, their recognition was capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year (see, in particular, Part Two, Chapter 14, Section 2 of Circular No. 285).

The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio (the "**LCR**") and the NSFR. The Liquidity Coverage Ratio Delegated Regulation (EU) 2015/61 was adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015. The LCR is subject to a gradual phase-in: the minimum value for the LCR is set at (i) 60 per cent. starting from 2015; (ii) 70 per cent. starting from 1 January 2016; (iii) 80 per cent. starting from 1 January 2017; and (iv) 100 per cent. starting from 1 January 2018, in accordance with the CRR.

On the other hand, the EU Banking Reform includes a proposal aimed at establishing a binding detailed NSFR which will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding with a view to increasing banks' resilience to funding constraints. The European Commission proposed that the amount of available stable funding be calculated by multiplying an institution’s liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR is expressed as a percentage and set at a minimum level of 100 per cent., which indicates that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR will apply at a level of 100 per cent. to credit institutions and systemic investment firms two years after the date of entry into force of the proposed amendments to the CRR.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to LCR and leverage ratio in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States. Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the LCR buffer. In addition, the CRD IV Package states that the EBA shall report to the European Commission on the operational requirements for the holdings of liquid assets. The CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

The CRD IV Package also introduced a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015, amending the calculation of the leverage ratio compared to the current text of the CRR. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation of the leverage ratio as a Pillar 1 measure and European harmonisation, however, is two years after the date of entry into force of the proposed amendments to the CRR. In this context, it is worth noting that the EU Banking Reform contains a proposal to implement a binding leverage ratio of 3 per cent. which is designed to prevent institutions from excessively increasing leverage (e.g. to compensate for low profitability).

Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer's growth opportunities.

In addition, the Issuer notes that it is subject to the Pillar 2 requirements for banks imposed under the CRD IV Package, which will be impacted, on an on-going basis, by the Supervisory Review and Evaluation Process ("**SREP**").

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Regulation (EU) No. 1024/2013 establishing a single supervisory mechanism (the "**ECB Single Supervisory Mechanism**" or "**SSM**") for all banks in the

Banking Union (euro area banks and banks of any EU member state that joins the Banking Union), which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over "significant credit institutions" established in the Banking Union. The SSM framework regulation (Regulation (EU) No. 468/2014 of the ECB) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include any Eurozone bank that (i) has assets greater than Euro 30 billion or – unless the total value of its assets is below Euro 5 billion – greater than 20 per cent. of national gross domestic product;(ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities. Notwithstanding the fulfilment of these criteria, the SSM may declare an institution significant to ensure the consistent application of high-quality supervisory standards.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, *inter alia*, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Euro-zone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB also has the right to impose pecuniary sanctions.

National competent authorities will continue to be responsible for supervisory matters not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the Euro-zone, the EBA is developing a single supervisory handbook applicable to EU Member States.

The Issuer is a "significant supervised entity" subject to direct supervision by the ECB for prudential supervisory purposes. Following the SREP, the ECB has set the following requirements for 2018 that the Group has to comply with on a consolidated basis:

- a Common Equity Tier 1 ratio of 9.625 (*Pillar* 2 *guidance* 11.175) per cent.; and
- a Total Capital Ratio of 13.125 per cent.

The ECB could introduce higher prudential requirements including higher requirements on the Group capital buffer, should the ECB consider the Group's capital as inadequate.

The Group is also subject to stress tests carried out by regulators. As a consequence of such tests the Group could be required to increase its capital or to take other appropriate actions to address matters raised in the assessments.

The Group is subject to the provisions of the Bank Recovery and Resolution Directive

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force. The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of the Covered Bonds.

The BRRD provides competent authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD has been applied by Member States from 1 January 2015, except for the General Bail-In Tool (as defined below) which was to be applied from 1 January 2016.

The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of

business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which grants resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**General Bail-In Tool**"), which equity could also be subject to any future application of the General Bail-In Tool.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to article 44(2) of the BRRD.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD.

An institution will be considered as failing or likely to fail when: (a) it is, or is likely in the near future to be, in breach of its requirements for continuing authorization; (b) its assets are, or are likely in the near future to be, less than its liabilities; (c) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (d) it requires extraordinary public financial support (except in limited circumstances).

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalisation EU state aid rules require that shareholders and junior bond holders contribute to the costs of restructuring. All other kinds of extraordinary public support have the consequence that an institution is deemed to be failing or likely to fail, and in such a case resolution is triggered.

In addition to the General Bail-In Tool and other resolution tools, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into shares or other instruments of ownership capital instruments at the point of non-viability and before any other resolution action is taken ("**BRRD Non-Viability Loss Absorption**"). Any shares or other instruments of ownership issued upon any such conversion into shares or other instruments of ownership may in turn be subject to the application of the General Bail-in Tool.

For the purposes of the application of any BRRD Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The powers set out in the BRRD impact on how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

Article 44, paragraph 2 of the BRRD excludes secured liabilities (including covered bonds and liabilities in the form of financial instruments used for hedging purposes which form an integral part of the cover pool and which, according to national law, are secured in a way similar to covered bonds) from the application of the General Bail-in Tool.

Although the bail-in powers are not intended to apply to secured debt (such as the rights of Covered Bondholders in respect of the Covered Bond Guarantee), the determination that securities issued by the Group will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control. This determination will also be made by the relevant resolution authority and there may be many factors, including factors not directly related to the bank or the Group, which could result in such a determination. Because of this inherent uncertainty, it is difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the Group may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Group and the securities issued by the Group. Potential investors in the securities issued by the Group should consider the risk that a holder may lose all or part of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

With specific reference to the Covered Bonds, to the extent that claims in relation to the Covered Bonds are not met out of the assets of the Cover Pool or the proceeds arising from it (and the Covered Bonds subsequently rank pari passu with senior debt), the Covered Bonds may be subject to write-down or conversion into equity on any application of the General Bail-In Tool, which may result in Covered Bondholders losing some or all of their investment. In the limited circumstances described above, the exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Covered Bondholders, the price or value of their investment in any relevant Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any relevant Covered Bonds.

Moreover, considering that (i) article 44(2) of the BRRD, as already mentioned, excludes certain liabilities from the application of the general bail-in tool and (ii) article 44(3) of the BRRD provides that the resolution authority may partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally.

On 1 June 2016, the Commission Delegated Regulation (EU) 2016/860 of 4 February 2016 ("**Delegated Regulation (EU) 2016/860**"), specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under article 44(3) of BRRD, was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the bail-in tool is applied. The Delegated Regulation (EU) 2016/860 entered into force on 21 June 2016.

On 31 July 2015, the "European Delegation Law 2014" – Law No. 114 of 9 July 2015 – was published on the Italian Official Gazette containing, *inter alia*, principles and criteria for the implementation by the Government of the BRRD in Italy. Subsequently, on 16 November 2015, the Italian Government issued Legislative Decrees No. 180 and No. 181 implementing the BRRD in Italy (the "**BRRD Implementing Decrees**"). The BRRD Implementing Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the bail-in tool applies from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.

With respect to the BRRD Implementing Decrees, Legislative Decree No. 180 of 16 November 2015 ("**Decree No. 180**") sets forth provisions concerning resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also regulating the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 ("**Decree No. 181**") introduces certain amendments to the Consolidated Banking Act and the Financial Services Act concerning recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Decree No. 181 also amends certain provisions regulating proceedings for extraordinary administration ("*amministrazione straordinaria*") and compulsory administrative liquidation ("*liquidazione coatta amministrativa*") in order to render the relevant proceedings compliant with the BRRD.

It is important to note that, pursuant to article 49 of Decree No. 180, resolution authorities may not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability

(including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

Decree No. 181 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

Furthermore, article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU (the "**Deposit Guarantee Schemes Directive**") have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Decree No. 181 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with any unsecured liability owed to the Covered Bondholders, will rank higher than such unsecured liabilities in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into shares or other instruments of ownership only after Covered Bonds (for the portion, if any, that could be subject to bail-in accordance with the above). Therefore, the safeguard set out in Article 75 of the BRRD would not provide any protection since, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

On 25 October 2017 the European Parliament, the Council and the EU Commission agreed on elements of the review of the BRRD. The proposal of the European Commission resulted in the adoption of Directive (EU) 2017/2399 of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017 and must be transposed into national law by the Member States by 29 December 2018.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree no. 30 of 15 February 2016 ("**Decree 30/2016**") – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree 30/2016 came into force on 9 March 2016, except for article 1 comma 3, let. A), which will come into force on 1 July 2018. Amongst other things, the Decree 30/2016 amends Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is Euro 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

The BRRD also requires institutions to meet at all times a sufficient aggregate amount of own funds and "eligible liabilities" expressed as a percentage of the total liabilities and own funds of the institution (i.e. "Minimum Requirement for Own Funds and Eligible Liabilities" – "**MREL**"), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. "Eligible liabilities" (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that a part of the MREL is to be met through "contractual bail-in instruments". The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the "**SRB**") for banks being part of the Banking Union. The scope, calculation and composition of the MREL is currently under review.

On 23 May 2016, the European Commission published a delegated regulation on MREL according to article 45, par. 18 of the BRRD, which entered into force on 23 September 2016 (Commission Delegated Regulation (EU) 2016/1450).

However, the EU Banking Reform contains potential amendments to the abovementioned regime.

As from 1 January 2016, the resolution authority for the Issuer is the SRB and the Issuer will be subject to the authority of the SRB for the purposes of determination of its MREL requirement. There is a risk that the Issuer may not be able to meet the MREL requirements, which could result in higher refinancing costs, regulatory measures and, if resolution measures were imposed on the Issuer, could significantly affect its business operations, could lead to losses for its creditors (including the holders of the Covered Bonds) and could result in restrictions on, or materially adversely affect the Issuer's ability to make, payments under the Covered Bonds.

The Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism

After having reached an agreement with the Council, in April 2014, the European Parliament adopted, Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the "**SRM**"). The SRM became fully operational on 1 January 2016. Certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the SRB with national resolution authorities entered into force on 1 January 2015. On 23 November 2016, the European Commission published a proposal to amend certain provisions of the SRM as part of the EU Banking Reform (see further "**Adverse regulatory developments**" above). In particular, the main objective of such proposal is to implement the *Total Loss Absorption Capacity* ("**TLAC**") standard applicable to global systemically important institutions and to integrate the TLAC requirement into the general MREL rules by avoiding duplication by applying two parallel requirements.

The SRM, which complements the ECB Single Supervisory Mechanism, applies to all banks supervised by the ECB Single Supervisory Mechanism. It mainly consists of the SRB and a Single Resolution Fund (the "**Fund**").

Decision-making is centralised with the SRB, and involves the European Commission and the Council (which will have the possibility to object to the SRB's decisions) as well as the ECB and national resolution authorities.

The Fund, which backs resolution decisions mainly taken by the SRB, will be divided into national compartments during an eight-year transition period. Banks, starting from 2015, were required to start paying contributions (additional to the contributions to the national deposit guarantee schemes) to national resolution funds that gradually started mutualising into the Fund starting from 2016.

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

The manner in which the SRM will operate is still evolving, so there remains some uncertainty as to how the SRM will affect the Group once implemented and fully operational.

Banca Carige and the Group's business and prospects have been affected and will continue to be affected by macroeconomic and market conditions

The Group's business and prospects have been affected and will continue to be affected by general economic and financial market conditions and, in particular, by the strength and growth prospects of the Italian economy as well as economic conditions in the whole Eurozone.

In this regard, significant factors related to such areas could impact the operations, including investors' expectations and confidence, volatility in short- and long-term interest rates, exchange rates, financial markets liquidity, the availability and cost of capital, the sustainability of sovereign debt, family income, consumer spending, unemployment levels, inflation and house prices.

World economic recovery in 2017 was positive, characterized by a strengthening of the growth trend observed already in the first months of the year. Global GDP is increasing with an increase of 3.5 per cent. In the Eurozone, the recovery is driven above all by the positive trend of international trade, by the low inflation rates and by a low political risk situation, despite the Catalan independentist's pressures and political uncertainties in Germany and Italy. The ECB has continued its policy of supporting the economies of member countries, in particular through quantitative easing (QE), which will continue at least until September 2018 with purchases of 30 billion monthly. The economy of Germany, after years of restraining its growth rate, has found new vigour, acting as a driving force for all the countries in the area. Italy has benefited better than expected in 2017, but still low inflation is a sign that the economic cycle is still in a moderate growth phase.

Nevertheless the worsening of adverse macroeconomic conditions, with the continuing stagnation of the Italian economy, could again increase concerns related to the economic and financial crisis, and have a negative impact on the trust of investors towards Italy. This, in turn, may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Certain information in this Base Prospectus about the Group's industry, market share, relative competitive position and market data is based on assumptions and estimates and Banca Carige cannot assure you that it is accurate or correctly reflect the market position

This Base Prospectus contains statements regarding the industry and the relative competitive position in the industry that are based on the knowledge of the market in which Banca Carige operate, on available data, and on the own experience, rather than on published statistical data or information obtained from independent third parties. Although Banca Carige believe that the assumptions and estimates are reasonable, Banca Carige cannot assure you that any of these assumptions are accurate or correctly reflects the position in the industry and may be affected in the future in a significant way by the occurrence of foreseeable and unforeseeable events, uncertainties and other factors set out in this Base Prospectus. This Base Prospectus also includes certain comparative data and benchmarks that summarize information about third parties. Such data has not been independently audited or verified by the Company, and the Company assumes no responsibility for the truthfulness and fairness of the information represented by such comparative data or benchmarks, and prospective investors should not place undue reliance on such data.

The Issuer's ability to meet its obligations under the Covered Bonds: general risks relating to the property

The Mortgage Loans (as defined below) will be secured by, among other things, the mortgage over the property. The repayment of the Mortgage Loans in part may be, and the payment of interest on the Mortgage Loans is, dependent on the ability of the property to produce cash flow. However, the income-producing capacity of the property may be adversely affected by a large number of factors. Some of these factors relate specifically to the property itself, such as: (i) the age, design and construction quality of the property; (ii) perceptions regarding the safety, convenience and attractiveness of the property; (iii) the proximity and attractiveness of competing properties; (iv) the adequacy of the property's management and maintenance; (v) an increase in the capital expenditure needed to maintain the property or make improvements; (vi) a decline in the financial condition of a major tenant and the creditworthiness generally of tenants; (vii) a decline in rental rates as leases are renewed or entered into with new tenants; and (viii) the length of tenant leases.

Other factors are more general in nature, such as: (i) national, regional or local economic conditions (including plant closures, industry slowdowns and unemployment rates); (ii) local property conditions from time to time (such as an oversupply or undersupply of warehouse, retail or office space); (iii) demographic factors; (iv) consumer confidence; (v) consumer tastes and preferences; (vi) retrospective changes in building codes or other regulatory changes; (vii) changes in governmental regulations, fiscal policy, planning/zoning or tax laws; (viii) potential environmental legislation or liabilities or other legal liabilities; (ix) the availability of refinancing; and (x) changes in interest rate levels. In particular, a decline in the property market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short term revenue sources and may lead to higher rates of delinquency or defaults.

Any one or more of the above described factors or others not specifically mentioned above could operate to have an adverse effect on the income derived from, or able to be generated by, the property, which could in turn cause the Debtor (as defined below) to default on the Mortgage Loans, reduce the chances of the Debtor being able to refinance the Mortgage Loan or reduce the Debtor's ability to sell the property at a required price or at all.

Risks associated with recent ECB guidance on NPL provisioning

The ECB has published on 20 March 2017 its final guidance on NPLs. It outlines measures, processes and best practices which banks should incorporate when tackling NPLs. The ECB expects banks to fully adhere to the guidance in line with the severity and scale of NPLs in their portfolios.

The guidance calls on banks to implement realistic and ambitious strategies to work towards a holistic approach regarding the problem of NPLs. This includes areas such as governance and risk management. For instance, banks should ensure that managers are incentivised to carry out NPL reduction strategies. This should also be closely managed by their management bodies. The ECB does not stipulate quantitative targets to reduce NPLs. Instead, it asks banks to devise a strategy that could include a range of policy options such as NPL work-out, servicing, and portfolio sales.

The guidance is applicable as of its date of publication and is currently non-binding in nature. However, banks should explain and substantiate any deviations upon supervisory request. This guidance is taken into consideration in the SRM regular supervisory review and evaluation process and non-compliance may trigger supervisory measures.

The guidance does not intend to substitute or supersede any applicable regulatory or accounting requirement or guidance from existing EU regulations or directives and their national transpositions or equivalent, or guidelines issued by the EBA. Instead, the guidance is a supervisory tool with the aim of clarifying the supervisory expectations regarding NPLs identification, management, measurement and write-offs in areas where existing regulations, directives or guidelines are silent or lack specificity. Where binding laws, accounting rules and national regulations on the same topic exist, banks should comply with those. It is also expected that banks do not enlarge already existing deviations between regulatory and accounting views in the light of this guidance, but rather the opposite: whenever possible, banks should foster a timely convergence of regulatory and accounting views where those differ substantially.

In addition, on 15 March 2018, the ECB published an addendum to the ECB guidance to banks on NPLs. The addendum supplements the qualitative guidance on NPLs dated 20 March 2017 and specifies the ECB's supervisory expectations for prudent levels of provisions for new NPLs. The addendum is not binding and will serve as the basis for the supervisory dialogue between the significant banks and the ECB Banking Supervision. During the supervisory dialogue, the ECB will discuss with each bank divergences from the prudential provisioning expectations laid out in the addendum. After the dialogue and taking into account the bank's specific situation, ECB Banking Supervision will decide (on a case-by-case basis) whether and which supervisory measures are appropriate. The result of this dialogue will be incorporated, for the first time, in the 2021 Supervisory Review and Evaluation Process (SREP). The addendum is complementary to any future EU legislation based on the European Commission's proposal to address NPLs under Pillar 1. The Commission's proposal for a statutory provisioning backstop is conceived as a binding requirement that applies to all credit institutions.

Reform of EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"

The Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to a "benchmark".

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation**").

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation applies from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses

by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Covered Bonds), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Covered Bonds linked to a "benchmark" index, including in any of the following circumstances:

(i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Covered Bonds, the Covered Bonds could be delisted (if listed), adjusted, redeemed or otherwise impacted;

(ii) the methodology or other terms of the "benchmark" related to a series of Covered Bonds could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the terms of the Covered Bonds, including determination by the Calculation Agent of the rate or level in its discretion.

Any of the international, national or other reforms or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such "benchmarks". On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR "benchmark" after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR "benchmark" or any other "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Covered Bonds referencing such "benchmark". Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any such Covered Bonds.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Covered Bonds referencing a "benchmark".

Risk related to the disposal of the NPL portfolio

The valuation of loans on the balance sheet, including those subject to disposal, are based on an estimate of the obtainable inflows arising from credit recovery, considering the array of possible actions and taking into account the borrower's ability to pay and the estimated realizable value resulting from the enforcement of any guarantees securing the loan, net of the relevant direct costs. In line with the relevant international accounting principles, the book value of such loans is determined by discounting such estimated inflows on the basis of the actual original interest rate and the expected time of recovery.

Disposals of loans may result in the entry in the income statement of greater impairment losses on loans for a significant amount, resulting from the difference between the book value and the market value of such loans. The difference between the book value and the market value is partly due to the high rates of return that potential purchasers are seeking to advice in consideration of the risk they are assuming, as well as the potential purchaser factoring in the management and other overhead costs required for the collection activity that they must cover.

With reference to the outcomes of the Supervisory Review and Evaluation Process 2016, ECB indicated the quantitative NPL reduction targets as follows:

	As of		
	December 31, 2017	December 31, 2018	December 31, 2019
Gross NPLs (billions of euro)	max 5.5	max 4.6	max 3.7

This decision indicated different minimum coverage levels referred to the different credit classifications (bad loans 63 per cent., 32 per cent. unlikely to pay and 18 per cent. for past due).

Banca Carige previously transferred part of the NPL portfolio with a value of Euro 938.3 million as at the cut-off date of 31 August 2016, to a securitization vehicle by using the GACS state guarantee (granted by the MEF by a decree dated 9 August 2017) on the senior tranche. On 5 July 2017, the SPV issued three different classes of securities (senior, mezzanine and junior). This securitization transaction featured the initial subscription by the transferring banks (the Company, Banca Cesare Ponti and Banca del Monte di Lucca) of 100 per cent. of the senior, mezzanine and junior securities at their nominal value of approximately Euro 309.7 million (equal to approximately 33 per cent. of the gross value of the loans sold) and the subsequent sale to institutional investors of the mezzanine and junior tranches. The senior tranche, for which a GACS was issued, is retained in the transferring banks' portfolio. Therefore, Banca Carige is still exposed to the transferred NPL portfolio through the senior tranche.

On 6 December 2017, the Company and Credito Fondiario S.p.A. entered into a sale agreement for the Company's Euro 1.2 billion (gross) NPL portfolio and recovery platform. The closing of the sale of the Company's Euro 1.2 billion NPL portfolio was completed in the same month of December 2017 whilst the sale of the recovery platform completed on 10 May 2018.

The financial and economic conditions relating to the sale of the Company's Euro 1.2 billion NPL portfolio and the recovery platform do not, on the whole, involve any substantial changes to the provisions of the Business Plan. The Company's expectation is to proceed with structuring the sale of an additional NPL portfolio for approximately Euro 1 billion by 31 December 2018.

In the ECB's final decision concerning the prudential requirements to be complied with in 2017 as part of the ECB's annual Supervisory Review and Evaluation Process (SREP Decision 2016), the ECB observed that the losses forecast by Banca Carige (as a result of the first disposal transaction described above) were underestimated compared to current market prices recorded on the Italian market. If Banca Carige underestimate losses and ultimately suffer losses greater than forecast by Banca Carige in a disposal of the portfolio of Bad Loans, it may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

On 27 March 2018 Banca Carige's Board of Directors has approved the Non Performing Exposure (NPE) strategy for the 2018-2020 period (the "**NPE Strategy**") which outlines the key actions designed to reduce the Group's NPE stock level. To this end the Bank has decided to proceed with the disposal of an additional bad loan portfolio for a gross amount of up to Euro 1 billion, on top of the already-planned disposal of Unlikely-to-Pay exposures (UTPs) for a gross amount of approximately Euro 500 million, having assessed the accounting treatment of the effects arising from the First Time Adoption (FTA) of IFRS 9.

To give effect to the NPE Strategy, a portfolio of up to Euro 1 billion will be selected out of a total bad loan portfolio of approximately Euro 1.7 billion as at 31 December 2017, which will be disposed of on the market, with senior notes backed by the Italian Government guarantee (GACS).

On 7 August 2018 Banca Carige, by giving effect to the derisking measures set out in the 2017-2020 Business Plan and in the NPE Strategy resolved upon on 27 March 2018, resolved to grant Bain Capital Credit, LP a period of exclusivity until 15 October 2018.

Out of a UTP portfolio amounting to roughly Euro 3 billion as at 31 December 2017, the Bank is also planning the disposal and write-off of UTP positions for a gross amount of approximately Euro 500 million in 2018 and an additional Euro 200 million in 2019.

In this regard, Banca Carige may not be able to find any counterparty willing to participate in a loan disposal on satisfactory terms.

In addition, should the ECB or others Supervisory Authorities require Banca Carige to pursue an NPL reduction on a stricter timeframe or for a greater amount than those forecast, this or any of the above-mentioned factors may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The asset disposals provided for in the Business Plan is likely to affect the future profitability

The Business Plan calls for a number of extraordinary transactions, including the sale of the shareholding in Creditis Servizi Finanziari S.p.A. ("**Creditis**") and the merchant book business. In preparing the Business Plan, the Company considered the ECB's observations of 2 August 2017, in which the ECB requested the Company to assess whether such transactions would compromise its future profitability and highlighted the risk that the sales could have a negative impact on the profitability.

For the year 2017 Creditis is classified as asset held for disposal and the result after tax from discontinued operations amounted to of Euro 26.1 million and for the period ended 30 June 2018 Euro 15 million.

On 6 December 2017, the Company and Chenavari Investment Managers entered into an agreement relating to the sale of the Company's controlling stake of 80.1 per cent. in Creditis for an amount of Euro 80.1 million. This contract envisages a multi-year distribution agreement with the Group's network. The economic and financial conditions relating to the sale of the Company's controlling stake of 80.1 per cent. in Creditis are substantially in line with the provisions of the Business Plan. For additional information, see "*Material Agreement — Sale of the shareholding in Creditis*".

The future profitability is uncertain

In recent years, profitability for Italian banks has been subject to increasing pressure, caused by the economic and financial crisis that commenced in 2007, which led to substantial stagnation in the intermediation margin and a significant increase in credit risk. The profitability of banks has been further pressured by the extraordinary costs linked to the reduction of personnel, which are partly offset by an operating expenses containment policy.

Banca Carige and the Group companies' results have been materially influenced by difficult and unstable economic conditions: specifically, starting with the financial year ended 31 December 2013, Banca Carige has recorded losses predominantly connected to adjustments to loans to customers. Banca Carige Group recorded net losses of Euro 20,193 thousand, 393,364 thousand and Euro 296,068 thousand for the period ended on 30 June 2018 and for the years ended 31 December 2017 and 2016 .

The recorded profitability level of the Company has also been impacted by weakness in interest margin, in the context of intermediation margin, which is affected by the historically low interest rates, a decline in volumes and a reduction in net commissions and fees, also influenced by a reduction in operations.

In its SREP Decision 2016, the ECB emphasized an extremely weak level of profitability which has resulted in an erosion of the Group's capacity to generate cyclical operating income and consequently an extremely high cost-income ratio. One of the most significant factors influencing the capacity of the Company to generate profits is the high credit risk arising out of the level of NPLs.

The Business Plan provides for a set of interventions which Banca Carige believe, if realized together with other measures provided, will enable the return to profitability, specifically through the improved contribution of income from interest margin and net commissions and fees, a further reduction in operating expenses and renewed credit management policies. A set of actions has been identified intended to relaunch business, also for the purpose of realigning the level of profitability with that of the Group's main competitors, including the transfer of the NPL portfolio and a broader strategy relating to Unlikely-to-Pay portfolios. See "*Recent Developments*".

The risks arising from the failure of the Company to return to profitability have also been highlighted in the credit ratings that Moody's and Fitch have issued since 2016.

Any failure to implement or complete the actions provided could prevent Banca Carige from achieving pre-established Business Plan targets, including in relation to profitability, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations. In addition, the implementation of the actions provided may not achieve the desired result**,** or the Group may be required to meet more stringent targets for reducing the amount of NPLs than at present, including following requests from the Supervisory Authority. Moreover, any deterioration in macroeconomic conditions could result in the reduced success of those actions and a consequent need for Banca Carige to identify additional measures intended to achieve an adequate level of profitability.

Finally, even if future financial periods are profitable, it will not be possible for Banca Carige to distribute dividends, as the ECB has placed a prohibition on the distribution of dividends pending any new communication following a periodic SREP.

For further information please see "*The periodical assessments by the ECB may result in a further deterioration of the Group's asset quality and adversely affect the Group's financial position and condition*", "*The Group may be unable to fully or successfully implement its business plan which was approved in September 2017"*, "*— Unfavourable developments in the credit ratings could increase the funding costs and affect the ability to access capital markets*" and *"Banca Carige and the Group's business and prospects have been affected and will continue to be affected by macroeconomic and market conditions".*

The internal liquidity risk management systems may not promptly or sufficiently identify weaknesses in liquidity

The ability to maintain an adequate level of liquidity over time and access to funding is fundamental to the ability to meet the expected and unexpected payment obligations on an ongoing basis, without interfering with the ongoing day-to-day operations or impacting on the financial position.

The liquidity management and control system is aimed to address the default risk arising from potential insufficiencies in liquidity, including for reasons beyond the control such as a general economic downturn. This system is designed to measure variations in liquidity related to the dynamics in lending, direct funding, whole sale funding and the portfolio of required securities as well as in other transactions but which cause a variation in liquidity buffers, with the aim of ensuring continued balance by estimating the evolution of short-term liquidity indicators (LCR - Liquidity Coverage Ratio), medium/long-term indicators (NSFR - Net Stable Funding Plan) and liquidity buffers, also taking into account, the Risk Appetite Framework ("**RAF**"). This activity is set out in the funding plan document, drawn up each year, which specifies strategies to:

(i) maintain current and anticipated risk levels in line with the risk appetite approved by the board of directors;

(ii) maintain sufficient capital for such risks;

(iii) ensure liquidity oversight for the prudential management of cash flows generated by day-to-day operations; and

(iv) foster over time the production of profits and, consequently, the distribution of dividends which are a satisfactory remuneration for Shareholders.

Variations in liquidity arising from funding hypotheses are assessed by verification of the ability to maintain: (i) short term balancing by measurement of the "forecast" LCR; and (ii) adequate long-term balancing, by measurement of the "forecast" NSFR and Funding Gap (which is the difference between balances of deposits and balances of loans) the funding plan is drawn up by developing baseline and alternative scenarios of markets deterioration to test the strength of such plan in worsening conditions and identify what additional corrective actions are needed. In addition to management parameters, the NSFR is monitored. This parameter, which becomes applicable on 1 January 2018 with a minimum requirement of 100 per cent., establishes the minimum acceptable level of stable funding based on asset liquidity features and the features of transactions over a period of one year.

Between 21 September 2015 and 11 December 2015 the ECB, in its capacity as Supervisory Authority carried out an on-site inspection to assess liquidity risk and the interest rate risk of the banking portfolio of the Company. On 11 July 2016 Banca Carige received the outcomes of that inspection. The observations made by the ECB relate to organisational aspects and the processes involved in both risks. Specifically, in relation to the systems adopted by the Group to manage liquidity risk and to carry out stress tests, the ECB required the adoption of suitable internal regulations for the Contingency Funding Plan. See "*Regulatory Proceedings and Litigation - Inspections and*

thematic reviews by the ECB". In addition, on 27 September 2017, Banca Carige received a draft decision from the ECB which, on the basis of the annual SREP as of 31 December 2016, sets forth the prudential requirements for the Company for 2018. On 31 October 2017, the Group received further communication from the ECB in relation to the 2017 SREP, which highlighted a number of weaknesses and points of attention with regard to the companies of the Group. The letter set out, among other things, that the ability to continue to operate as a stand-alone bank over the long term is strongly related to the ability to formulate and implement a credible plan based on the significant reduction of the NPL portfolio in the short-term and the implementation of measures aimed at improving the Company's profitability, and included criticism of the compliance function in relation to its lack of involvement and influence in key decisions, weakness of the Internal Audit function in planning and approaches to audit activities, risks related to computer risks with regard to the limited awareness of these risks by the board of directors and the lack of information flows, and identified shortcomings and problems associated with risk management, and noted that short-term liquidity shortcomings remain weak. On 29 December 2017 Banca Carige announced it had received the ECB's final decision concerning the prudential requirements to be complied with in 2018 as part of the ECB's annual SREP, which confirmed the quantitative targets set out in the draft decision received on 27 September 2017. See "*Regulatory proceedings and litigation - Inspections and thematic reviews by the ECB - 2017 Inspections and thematic reviews*".

The Group has adopted a Contingency Funding Plan ("**CFP**") aimed at protecting the Group and individual companies from stress situations or crises of various degrees, and ensuring operational continuity in the event of a sudden reduction in available liquidity. Therefore, to anticipate stress or a liquidity crisis, some Early Warning Indicators (EWI) are monitored.

The above-mentioned monitoring and management systems for liquidity risk may not (including as a result of unforeseeable events such as a deterioration in market conditions and the overall economy, or a credit rating downgrading of the Company) promptly or sufficiently identify weaknesses in liquidity so that extraordinary corrective actions can be taken. Further monitoring and management systems for liquidity risk which are introduced in the future may not adequately identify liquidity risks, and in addition, such monitoring and management systems may not accurately predict future events. Any of the above situations could lead to difficulty for Banca Carige in obtaining the resources from the market required to meet the liquidity needs, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

In addition, in the days leading up to the launch of the Capital Increase, the Company has experienced a heightened strain on its liquidity position resulting from uncertainty surrounding the launch of the Capital Increase. Any continuation or worsening of strain on the liquidity position could have a material adverse effect on the business, financial condition and results of operations.

Information technology risk is inherent in the services Banca Carige provide

The operations of Banca Carige depend on the correct and adequate functioning of the IT systems Banca Carige use, as well as on their regular maintenance and update. In providing the services and in performing activities relating to corporate, management, accounting and statutory governance, the Banca Carige use both the own and third party IT systems, including to allow the distribution and internal operating structures and software applications through which customers access the services to be integrated.

The Group is exposed to the risk of suffering losses as a result of the inadequacy or malfunction of procedures, or access issues relating to its IT systems, or as a result of being subject to successful cyber-attacks. Among the principal risks relating to the management of the IT systems are the following: (A) internal factors, including (i) system failures and unavailability of the IT systems, which may have an impact on the business activities; (ii) deficiencies in the personnel skills and training methods (which may affect the quality of the activities carried out and lead to the need for Banca Carige to perform greater quality control); (iii) potential material errors, arising from both human error and the malfunctioning of IT systems; (iv) potential negligent conduct and/or wilful misconduct by employees or external collaborators; and/or (B) external factors such as: (i) security breaches in the IT systems as a result of unauthorized accesses to the business network, and (ii) the introduction of viruses in the computers or any other form of unlawful conduct through the use of the internet. Similarly as cyber-attack attempts, similar breaches have become increasingly frequent over the years worldwide and can therefore threaten the protection of the data concerning the Group and its customers, and may affect the integrity of the Group's IT systems as well as the trust of customers and the Group's reputation, which may have an material adverse effect on the Group's business, financial condition and results of operations.

In addition, as the Group has invested resources towards the development of software, upon occurrence of one or more of the aforementioned circumstances, Banca Carige may incur losses due to replacing software, or bearing

costs for it system repairs. In addition, Banca Carige may also be exposed to regulatory sanctions. Complying with regulatory requirements could entail significant costs if Banca Carige need to upgrade the IT systems in order to do so. Furthermore, there is no certainty that the business continuity and disaster recovery plans for internal and external IT systems, and the IT risk management policies will prove sufficient in addressing the risks of suffering losses as a result of any of the above mentioned malfunctioning or access issues relating to the Group's IT systems or any successful cyber-attack, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

In this regard, it should also be noted that, on 2 February 2018, the Board of Directors of Banca Carige approved the project to outsource the Group's IT system to IBM Italia S.p.A. and consequently start the ECB authorisation process. On 27 March the Board of Directors approved entering into the agreements associated with the project for the outsourcing of the Group's IT system to IBM Italia S.p.A., and formally starting the ECB authorisation process.

On 30 May 2018, Banca Carige finalised the closing of the agreement for the outsourcing of the Group's IT system to IBM., the world's premier information infrastructure technology provider. The operation envisaged the establishment of a newco, 81% owned by IBM and 19% owned by Banca Carige.

The development and interpretation of tax legislation may expose Banca Carige to future costs and/or proceedings

The activities are subject to various taxes, including, IRES, IRAP and related surcharges, tax on financial activities, tax on financial transactions, stamp duty and substitutive taxes. The taxation level to which Banca Carige is subject could increase in the future. Changes in tax laws, including potential retrospective measures, could have negative effect on the current business models and may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

In addition, tax laws are complex and subject to subjective interpretations, and Banca Carige is periodically subject to tax audits aimed to assess the compliance with direct and indirect taxes and on the obligations to pay taxes on behalf of other parties. The tax authorities might not agree with the interpretations of tax laws applicable to the ordinary activities and extraordinary transactions. The Group could also have, inadvertently or for reasons beyond its control, failed to fulfil or failed to comply with all the laws and regulations relating to the tax treatment of transactions or financial agreements, even between companies making part of the Group, which could give rise to unfavourable tax consequences and possibly result in significant penalties. In case of objections by the tax authorities on the interpretations, Banca Carige could face long tax proceedings that could result in the payment of sanctions and have a material adverse effect on the Group's results of operations, business and financial condition. In addition, the risk management procedures may be insufficient to ensure full compliance with regard to tax matters, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The Group may face Bank of Italy's sanctions proceedings on money-laundering

From September 2013 to January 2014, the Bank of Italy carried out an inspection on the subsidiary Centro Fiduciario, pursuant to article 47(1) of the Legislative Decree n. 231/2007 ("**Anti-money laundering Decree**"). Following the inspection and subsequent investigations by the Public Prosecutor of Genoa, on 26 August 2015, Centro Fiduciario was charged, as a jointly liable party, with violation of obligations under the Anti-money laundering Legislative Decree relating to reporting suspicious operations, punishable with an administrative fine ranging from Euro 124,654.20 to Euro 4,986,169.30. On 4 April 2018 the Ministry of Economy and Finance ordered Centro Fiduciario , as jointly and severally liable with the manager of Centro Fiduciario in office at the time, the payment of € 900,000.00 as an administrative penalty for the violation of art. 41 of the Anti-Money Laundering Legislative Decree. Against this sanction, Centro Fiduciario has filed an appeal pursuant to art. 22 of Law 24 November 1981 n. 689 and art. 6 of Legislative Decree 1 September 2011 n. 150 before the Civil Court of Rome; the appeal was filed on 4 May 2018.. See "*Regulatory proceedings and litigation —Inspections relating to anti-money laundering — Centro Fiduciario*".

The Italian finance police brought action against the pro tempore directors of the Company's branches and against the Company itself, as severally and jointly liable, for alleged breaches, in the period going from 1 January 2015 to 31 December 2017, of article 41 of the Anti-money laundering Decree, on the grounds of the failure to report a number of transactions deemed suspicious: the alleged breaches are punishable by fine for an amount ranging from 1per cent. (i.e. Euro 35,100.58) to 40per cent. (i.e. Euro 1,408,019.20) of the value of the overall transactions

under examination. See "*Regulatory proceedings and litigation —Inspections relating to anti-money laundering — Banca Carige*".

A negative outcome of any of the above proceedings and/or an increase in the damages sought, or the initiation of new proceedings may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Unfavourable media coverage may affect the reputation of the Group

The Group has faced unfavourable media coverage since the 2013 investigations by the Genoa Public Prosecutor under which the former President of the Company, Giovanni Berneschi was alleged of false social communications on behalf of a company, members or creditors as well as unlawful appropriation the Group assesses reputational risk through Risk Self Assessment ("**RSA**") campaigns, with the aim of investigating the perceived risk exposure of the various risk managers identified in the activities, and by identifying the stakeholders (including customers, Shareholders, bondholders, and employees), within such framework. Such framework may not be successful in identifying all of the elements of the risk to the reputation. In addition, Banca Carige may be the subject of additional unfavourable media coverage, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The reports on the Historical Financial Statements contain emphasis of matter paragraphs.

Emphasis of matter paragraphs are included in financial statements only when a matter is of such importance that it is fundamental to a reader's understanding of the financial statements, in the auditor's judgment.The report on the 2018 half-year condensed consolidated financial statements dated 9 August 2018 contains an emphasis of matter paragraph that draws attention to the Group's specific economic, capital and financial situation which, as at 30 June 2018, was not compliant with the Total Capital Ratio (TCR) required by the European Central Bank (ECB), as specified in the Supervisory Review and Evaluation Process (SREP) Decision of 27 December 2017, and alterations in governance due to multiple resignations in the Board of Directors.

The report on the 2017 Audited Consolidated Financial Statements dated 7 March 2018 contains an emphasis of matter paragraph that draws attention to the disclosure provided by the directors in the report on operations and in the paragraph "Going Concern" of the explanatory notes with reference to the approval by the Board of Directors of the 2017-2020 Business Plan, to the capital strengthening measures and to the liability management exercise already completed and to the further actions in course of execution.

The report on the 2016 Audited Consolidated Financial Statements dated March 6, 2017 contains an emphasis of matter paragraph that draws attention to the disclosure provided in the report on operations and the explanatory notes with reference to the approval by the board of directors, on 28 February 2017, of the 2016-2020 strategic plan update (the "**2016-2020 Strategic Plan Update**"). The directors inform that the 2016 - 2020 Strategic Plan Update included the assessment made about the adequacy of the Group capital position to absorb the impacts arising from the achievement of the targets required by the European Central Bank on 9 December 2016. Further the directors inform that, considering the uncertainties arising from the current scenario, based on the assessments made and subject to the realization of the actions described in the 2016-2020 Strategic Plan Update, principally those aimed to reinforce the capital position, they prepared the consolidated financial statements on a going concern basis.

Potential investors are cautioned to read the Historical Financial Statements with due care in light of the emphasis of matter paragraphs.

Banca Carige acts as originator and purchaser of structured products, in relation to which Banca Carige may have to record write-downs

The Group operates on the market of structured securities as originator and purchaser.

Despite the periodic monitoring of the value of such products, such products may be sold at a value lower than the book value, or, with respect to instruments of the banking portfolio, Banca Carige may be required to record a write-down of such securities in accordance with applicable IAS, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations. See "*Material Agreements - Securitizations 2016-2017*" and *Material Agreements – Securitizations 2018*".

The Group engage in related-party transactions with associates and entities controlled by the management

Over the last two years, and up to the date of the Base Prospectus, the Group entered into relationships with related parties. The inherent risk of related-party transactions is the risk that the proximity of these parties could compromise the objectivity and the impartiality of decisions relating to the granting of loans and other transactions with regard to these parties, with possible distortions in the process for the allocation of resources or the exposure to risks that are not adequately monitored and overseen, as well as potential damage to depositors and Shareholders.

The Bank of Italy has issued requirements to govern the methods for the identification, approval, execution and disclosure to the market of transactions with related-parties established directly or through subsidiaries, and to ensure compliance with the prudential limits for said activities. Over the last two years, Banca Carige has not carried out any significant transaction that do not fall under the exemptions in the related-party regulation. No assurance can be given that Banca Carige will not carry out related-party transactions will not be carried out that could be found to violate the Related Party Regulation and/or other applicable legislation, including as a result of transactions being found not to have been entered into at arm's length. Were these to occur, Banca Carige could be subject to liability which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The introduction of the new accounting principles and the amendment of the applicable accounting principles may have adverse consequences if Banca Carige fail to fully comply with such new principles

IFRS 9

On 24 July 2014 the International Accounting Standard Board (IASB) published the new IFRS 9 "Financial Instruments" accounting principle, which replaces the previous versions published in 2009 and 2010. This principle has been adopted by the European Commission by Regulation no. 2067/2016, and has become effective as of 1 January 2018.

This publication completed the process of reform of IAS 39 which was defined in three phases, "Classification and measurement", "Impairment", "Hedge accounting". The review of macro hedge accounting remains to be completed, and IASB has decided to initiate a separate programme from IFRS 9 for this purpose.

The new IFRS 9 introduces: (i) significant changes to the rules for the classification and measurement of financial assets which will be based on the management method ("**business model**") and on the characteristics of the cash flows of the financial instrument (SPPI criterion—Solely Payments of Principal and Interests) which could involve different classification and measurement methods for financial instruments compared with IAS 39; (ii) a new impairment accounting model based on an expected losses rather than an incurred losses approach as in IAS 39 and on the concept of a lifetime expected loss which could lead to a structural anticipation and increase of the value adjustments, particularly those on receivables; (iii) changes in how to account for changes in "own credit risk", i.e. changes in the fair value of financial liabilities designated under the fair value option which are attributable to changes in the Company's own creditworthiness. The new principle establishes that these changes be recognized in a net equity reserve, rather than in profit or loss, as currently laid down in IAS 39, thus eliminating a source of volatility in profit or loss results; and (iv) amendments involves hedge accounting, changing the rules for the designation of a hedge account and for checking its effectiveness with the aim of guaranteeing a better alignment between the accounting representation of the hedging and the underlying management logics. However, under this principle entities may continue to apply the provisions of IAS 39 on hedge accounting until the IASB completes the project of defining the rules relating to macro-hedging.

The Group has defined the methods for calculating impairment losses on loans based on the new expected loss model, as well as procedures for determining any increase in credit risk so as to correctly allocate the exposures to the three stages recognised by the accounting standard.

In light of the abovementioned IFRS 9, the need to ensure an ongoing compliance with the multiple laws and regulations, and more specifically (taking into account the requirements under the Basel 3 standards) the need to increase the capital base and to meet the liquidity requirements calls for a significant amount of resources, as well as the adoption of complex internal rules and policies that might lead to higher costs and/or lower earnings for Banca Carige and the Group.

The application of the new impairment accounting model based on an expected losses approach, which would cause an increase in the write-downs made to unimpaired assets (specifically receivables from customers), as well as the application of the new rules for the transfer of positions between the different classification stages under the new standard. Greater volatility may be generated in the financial results between the different accounting

periods, due to the dynamic change between the different stages of financial assets recorded in the financial statements.

In addition, the ECB concluded that implementation of IFRS 9 by the Company is only partially consistent with the expectations of the Authority. See "*Regulatory Proceedings and Litigation - Inspections and thematic reviews by the ECB - 2017 Inspections and thematic reviews*".

Any failure to comply, or any legislative and regulatory change including changes to the methods relating to interpretation and/or application of the laws by the competent authorities may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

In addition to the above for IFRS 9, the changes introduced by IFRS 15 "Revenues from contracts with customers" and IFRS 16 "Leases" are highlighted below.

IFRS 15

As of 1 January 2018 the accounting standard IFRS 15 replaced IAS 18 and IAS 11, as well as IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 interpretations

IFRS 15 regulates the principles that a company must have to provide users of financial statements with information regarding the nature, amount, collection timing and uncertainty of revenues and cash flows deriving from a sales contract of goods or services with a customer (financial instruments are excluded).

The Banca Carige Group believes that the accounting settings applied previously are substantially in line with the new regulatory provisions; therefore, no significant impacts associated with the introduction of the new accounting standard emerged from the analyzes conducted.

IFRS 16

It will be applicable from 1 January 2019 and replaces IAS 17 and some interpretations (IFRIC 4; SIC15 and SIC 27).

IFRS 16 introduces a single accounting model for the representation of leasing contracts for the lessee and introduces significant changes to the accounting of leasing transactions in the lessee's financial statements exceeding the current approach of IAS 17 and eliminating the distinction between operating leases and finance leases.

IFRS 16 also introduces greater disclosure required to be included in the explanatory notes to the financial statements.

On the basis of regulatory and / or technological developments and / or the business environment, it is also possible that the Group may have to further revise the operating methods for applying International Accounting Standards in the future, with possible negative impacts, also significant, on the economic situation. financial and/or balance sheet of the Issuer and / or the Group.

Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued

Intervention with respect to the level of capitalisation of banking institutions has had to be further increased in response to the financial markets' crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Group's business, financial condition and results of operations.

The stake in the Atlante Fund may be written down or its value may decrease in certain circumstances

As of the date of this Base Prospectus, Banca Carige is among the subscribers of the following funds:

(b) Atlante Fund, a closed-end alternative investment fund designed to support the recapitalization of Italian banks and to favour the divestment of NPLs (the "**Atlante Fund**"); and

(c) Atlante Fund II, a closed-end alternative investment fund designed to favour the divestment of NPLs (the "**Atlante Fund II**", and jointly with the Atlante Fund, the "**Atlante Funds**"). The Atlante Funds are managed by Quaestio SGR and Cassa depositi e prestiti S.p.A., banks, insurance companies and foundations, in addition to the Company are subscribers to the Atlante Funds.

As of 31 December 2016 and as of 31 December 2017, Banca Carige adjusted the value of the unit holding in the Atlante Fund equal to Euro 5.4 million and Euro 10.6 million, respectively.

If the value of the assets in which the Atlante Fund has invested and/or will invest decreases, *inter alia*, as a result of write-downs, as a result of their transfer at a lower price compared to the purchase price, or because they are replaced with assets that have a higher risk profile or are characterized by a higher capital absorption level (such as types of non-performing loans), and if the units of the Atlante Fund are written down, this could have an effect on the capital and reduce the capital ratio. Any of the above may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

Risks related to Sanctioned Countries

The Issuer has clients and partners who are located in various countries around the world and/or who are active players in markets on a global basis. Some of the countries or territories in which such customers and partners are located and/or otherwise operate are, or may become, subject to comprehensive sanctions adopted by Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, any other agency of the U.S. government, the United Nations, the European Union, Her Majesty's Treasury or the United Kingdom, generally prohibiting all direct or indirect dealings with such countries or territories (Sanctioned Countries).

The Issuer has consistently adopted stringent sanctions compliance procedures to meet its obligations under the laws and regulations that apply to its operations and to ensure that violations of sanctions laws and regulations do not occur. Such procedures include enhanced due diligence on third parties as well as on goods which fall within the scope of import or export restrictions. The Issuer has also hired specialized counsels to provide regular advice on sanctions compliance matters.

As of the date of this Base Prospectus, the Issuer has undertaken and continues to undertake commercial relationships (including both the processing of payments and activities entailing the use of Issuer's own resources, such as bank guarantees, bonds, letters of credit, supplier credits and buyer credits) with counterparties located in Sanctioned Countries or related to the same Sanctioned Countries. Such commercial transactions have all been, and are, carried out in full compliance with sanctions laws and regulations as applicable to Issuer and are not believed to have caused any person or entity to violate any sanctions, nor they are expected to result in the Issuer nor the Banca Carige Group becoming the subject of sanctions. However, should the relevant sanctions be strengthened and/or should new sanctions be adopted, there may be prejudicial effects on these operations as well as on the reputation of the Issuer and/or the Banca Carige Group. This, in turn, could result in negative effects on the capital, financial and economic situation of the Issuer and/or the Banca Carige Group. Furthermore, it cannot be excluded that the Issuer and/or the Banca Carige Group may become subject to boycotting or monitoring actions by non-governmental activist groups seeking to terminate Banca Carige Group's business relationships with its counterparties in, and its operations connected to, Sanctioned Countries.

The relevant revenues generated by the Issuer from business related to Sanctioned Countries (as of the date of this Base Prospectus, Iran and Russia) currently represent a small portion (less than 0,0001%) of the Issuer's total revenues. The Issuer does not maintain any physical presence in Sanctioned Countries.

2. **Factors that may affect the Guarantor's ability to fulfil its obligations under or in connection with the Covered Bonds issued under the Programme**

Guarantor only obliged to pay guaranteed amounts on the Due for Payment Date

The Guarantor has no obligation to pay the guaranteed amounts payable under the Covered Bond Guarantee until service by the Representative of the Covered Bondholders of:

(a) a Notice to Pay on the Guarantor, following the occurrence of an Issuer Event of Default; and

(b) an Acceleration Notice on the Guarantor, following the occurrence of a Guarantor Events of Default.

A Notice to Pay can only be served if an Issuer Event of Default occurs. An Acceleration Notice can only be served if a Guarantor Event of Default occurs.

Following service of a Notice to Pay on the Guarantor (**provided that** (a) an Issuer Event of Default has occurred and (b) no Acceleration Notice has been served) under the terms of the Covered Bond Guarantee, the Guarantor will be obliged to pay guaranteed amounts on the Due for Payment Date. Such payments will be subject to and will be made in accordance with the Post-Issuer Event of Default Priority of Payments. In these circumstances, other than the Guaranteed Amounts, the Guarantor will not be obliged to pay any amount, for example in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds.

Pursuant to the Covered Bond Guarantee, following the occurrence of an Issuer Event of Default and service of a Notice to Pay, but prior to the occurrence of any Guarantor Event of Default, the Guarantor shall substitute the Issuer in every and all obligations of the Issuer towards the Covered Bondholders, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Guarantor on the Due for Payment Date. In consideration of the substitution of the Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders vis-à-vis the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

Furthermore, please note that the above restrictions are provided for by either the MEF Decree or contractual agreements between the parties of the Covered Bond Guarantee, and there is no case-law or other official interpretation on this issue. Therefore, the Issuer cannot exclude that a court might uphold a Covered Bondholder's right to act directly against the Issuer.

Extendable obligations under the Covered Bond Guarantee

With respect to the Series of Covered Bonds in respect of which the Extended Maturity Date is specified as applicable in the relevant Final Terms, if the Guarantor is obliged under the Covered Bond Guarantee to pay a guaranteed amount and has insufficient funds available under the relevant priority of payments to pay such amount on the Extension Determination Date, then the obligation of the Guarantor to pay such guaranteed amounts shall automatically be deferred to the relevant Extended Maturity Date. However, to the extent the Guarantor has sufficient moneys available to pay in part the guaranteed amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make such partial payment in accordance with the relevant Priorities of Payments, as described in Condition 8 (*Redemption and Purchase*) on the relevant Maturity Date and any subsequent CB Payment Date falling prior to the relevant Extended Maturity Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Maturity Date. Interest will continue to accrue and be payable on the unpaid guaranteed amount on the basis set out in the applicable Final Terms or, if not set out therein, Condition 8 (*Redemption and* Purchase), *mutatis mutandis*. In these circumstances, except where the Guarantor has failed to apply money in accordance with the relevant Priorities of Payments in accordance with Condition 8 (*Redemption and Purchase*), failure by the Guarantor to pay the relevant guaranteed amount on the Maturity Date or any subsequent CB Payment Date falling prior to the Extended Maturity Date (or the relevant later date in case of an applicable grace period) shall not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay any guaranteed amount or the balance thereof, as the case may be, on the relevant Extended Maturity Date and/or pay any other amount due under the Covered Bond Guarantee will (subject to any applicable grace period) constitute a Guarantor Event of Default.

No Gross-up for Taxes

Notwithstanding anything to the contrary in this Base Prospectus, if withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature, is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

Limited resources available to the Guarantor

The obligation of the Guarantor to fulfil its obligation under the Covered Bonds Guarantee will be limited recourse to the Available Funds.

The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on the realisable value of the Cover Pool, the amount of principal and interest generated by the Cover Pool and the timing thereof, the proceeds of any Eligible Investments and amounts received from the Swap Counterparties and the Account Banks. The Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If a Guarantor Event of Default occurs, the proceeds of the Cover Pool may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. If the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Coverage Test and the Amortisation Test have been structured to ensure that the outstanding nominal amount of the Cover Pool shall be equal to, or greater than, the nominal amount of the outstanding Covered Bonds taking into account the relevant negative cost of carry. In addition the MEF Decree and the BoI Regulations provide for certain further mandatory tests aimed at ensuring that (a) the net present value of the Cover Pool (net of certain costs) shall be equal to, or greater than, the net present value of the Covered Bonds; and (b) the amount of interests and other revenues generated by the Cover Pool (net of certain costs) shall be equal to, or greater than, the interests and costs due by the Issuer under the Covered Bonds.

However there is no assurance that there will not be a shortfall.

Reliance of the Guarantor on third parties

The Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Guarantor. In particular, but without limitation, each of the Servicers has been (and any Successor Servicer may be) appointed to service the portion of Cover Pool respectively assigned by it and the Asset Monitor has been appointed to monitor compliance with the Mandatory Tests. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof may be affected, or, pending such realisation (if the Cover Pool or any part thereof cannot be sold), the ability of the Guarantor to make payments under the Covered Bond Guarantee may be affected. For instance, if any of the Servicers has failed to adequately administer the Cover Pool, this may lead to higher incidences of non-payment or default by Debtors. The Guarantor, if a Swap Agreement is executed on or after the Issue Date, may also be reliant on the Swap Counterparties to provide it with the funds matching its obligations under the Covered Bond Guarantee.

If a Servicer Termination Event in respect of one or more of the Servicers occurs pursuant to the terms of the Servicing Agreement, then the Guarantor and/or the Representative of the Covered Bondholders will be entitled to terminate the appointment of the relevant Servicer and appoint a Successor Servicer in its place subject to the notification provided for under Article 7-*bis*, paragraph 4 of the Law 130. There can be no assurance that a substitute servicer with sufficient experience of administering the relevant portion of the Cover Pool would be found and would be willing and able to service the relevant portion of the Cover Pool on the terms of the Servicing Agreement. The ability of a Successor Servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a Successor Servicer may affect the realisable value of the relevant portion of the Cover Pool or any part thereof, and/or the ability of the Guarantor to make payments under the Covered Bond Guarantee.

The Representative of the Covered Bondholders is not obliged in any circumstances to act as a Servicer or to monitor the performance by any Servicer of its obligations.

Reliance on Swap Counterparties

To provide a hedge against interest rate risk on the Cover Pool, the Guarantor may enter into the Cover Pool Swap with the Cover Pool Swap Counterparty, on or after the relevant Issue Date. In addition, to provide a hedge against interest rate or currency risks in respect of amounts received under the Cover Pool Swap and certain other amounts to be paid in respect of the Subordinated Loan and Covered Bonds, the Guarantor may enter into one or more Covered Bond Swaps with the Covered Bond Swap Counterparties, on or after the relevant Issue Date.

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap Agreement. A Swap Counterparty is (unless otherwise stated in the relevant Swap Agreement) only obliged to make payments to the Guarantor as long as the Guarantor complies with its payment obligations under the relevant Swap Agreement. In circumstances where non-payment by the Guarantor under a Swap Agreement does not result in a default under that Swap Agreement, the Swap Counterparty may be obliged to make payments to the Guarantor pursuant to the Swap Agreement as if payment had been made by the Guarantor. Any amounts not paid by the Guarantor to a Swap Counterparty may in such circumstances incur additional amounts of interest by the Guarantor, which would rank senior to amounts due on the Covered Bonds. If the Swap Counterparty is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Guarantor on the payment date under the Swap Agreements, the Guarantor will be exposed to changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest. In addition, the Guarantor may hedge only part of the potential risk and, in such circumstances, may have insufficient funds to make payments under the Covered Bonds or the Covered Bond Guarantee.

If a Swap Agreement terminates, then the Guarantor may be obliged to make a termination payment to the relevant Swap Counterparty. There can be no assurance that the Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the Guarantor will be able to enter into a replacement swap agreement, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the Rating Agencies. In addition, the swaps may provide that notwithstanding the swap counterparty ceasing to be assigned the requisite ratings and the failure by the swap counterparty to take the remedial action set out in the relevant swap agreement, the Guarantor may not terminate the swap until a replacement swap counterparty has been found. There can be no assurance that the Guarantor will be able to enter into a replacement swap agreement with a replacement swap counterparty with the requisite ratings.

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment may rank pari passu with (or under certain circumstances ahead of) certain amounts due on the Covered Bonds and with amounts due under the Covered Bond Guarantee. Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Issuer and the Guarantor to meet their respective obligations under the Covered Bonds or the Covered Bond Guarantee.

Limited description of the Cover Pool

Covered Bondholders will not receive detailed statistics or information in relation to the Cover Pool, because it is expected that the constitution of the Cover Pool will frequently change due to, for instance:

(a) the relevant Seller selling further Receivables (or Receivables which are of a type that have not previously been comprised in the Cover Pool to the Guarantor);

(b) the relevant Seller repurchasing certain Receivables in accordance with the Master Transfer Agreement.

However, each claim will be required to meet the Criteria and to conform to the representations and warranties set out in the Warranty and Indemnity Agreement – see "*Description of the Transaction Documents – Warranty and Indemnity Agreement*". In addition, the Mandatory Tests are intended to ensure, *inter alia*, that the ratio of the Guarantor's assets to the Covered Bonds is maintained at a certain minimum level and the Calculation Agent will provide on each Calculation Date a report that will set out, *inter alia*, certain information in relation to the Mandatory Tests.

No due diligence on the Cover Pool

None of the Joint Arrangers, any Dealer, the Issuer, the Guarantor or the Representative of the Covered Bondholders has undertaken or will undertake any investigations, searches or other actions in respect of any of the Eligible Assets or other Receivables. Instead, the Guarantor will rely on the General Criteria and the Specific Criteria and the relevant representations / warranties given by the Sellers in the Warranty and Indemnity Agreement. The remedy provided for in the Warranty and Indemnity Agreement for breach of representation or warranty is for the relevant Seller to indemnify and hold harmless the Guarantor in respect of losses arising from such breach and for the Guarantor to exercise an option right, pursuant to Article 1331 of Italian Civil Code, to retransfer the Receivables in respect of which a breach of the relevant representation or warranty has occurred which were previously assigned to it by the relevant Seller in accordance with the terms and conditions set out in the Warranty and Indemnity Agreement. Such obligations are not guaranteed by nor will be the responsibility of

any person other than the relevant Seller and neither the Guarantor nor the Representative of the Covered Bondholders will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations. However, pursuant to the Cover Pool Administration Agreement the assets which are not Eligible Assets comprised in the Cover Pool are excluded by the calculation of the Test on the Portfolio and in case of breach of the Test due to such exclusion, either the Sellers or, failing the Sellers to do so, the Issuer are obliged to integrate the Cover Pool.

Maintenance of the Cover Pool

Pursuant to the terms of the Master Transfer Agreement, the Sellers have agreed (and the new Additional Seller(s), if any, will agree pursuant to the relevant master transfer agreement) to transfer Subsequent Receivables to the Guarantor and the Guarantor has agreed to purchase Subsequent Receivables in order to ensure that the Cover Pool is in compliance with the Tests. The Initial Receivables purchase price shall be funded through the proceeds of the first advance under the Subordinated Loan Agreement and the Subsequent Receivables purchase price will be funded through (a) any Available Funds available in accordance with the Pre-Issuer Event of Default Principal Priority of Payments in case of a Revolving Assignment; and (b) the proceeds of the Subordinated Loan Agreement in case of an Issuance Assignment and/or an Integration Assignment.

Under the terms of the Cover Pool Administration Agreement, the Sellers and the Issuer have undertaken to ensure that on each Calculation Date the Cover Pool is in compliance with the Tests. If on any Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor shall to any possible extent use the Available Funds to cure the relevant Test or, to the extent the Available Funds are not sufficient to cure the relevant Test, require the Relevant Seller *pro rata* to grant further advances under the Subordinated Loan Agreement for the purposes of funding the purchase of Integration Assets and/or other Eligible Assets, representing an amount sufficient to allow the Tests to be met on the next following Calculation Date. If the Cover Pool is not in compliance with the Tests on the next following Calculation Date, the Representative of the Covered Bondholders will serve a Breach of Test Notice on the Issuer and the Guarantor. The Representative of the Covered Bondholders shall revoke the Breach of Test Notice if on the next following Calculation Date the Tests are subsequently satisfied and without prejudice to the obligation of the Representative of the Covered Bondholders to serve a Breach of Test Notice in the future. If, following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the next Calculation Date, the Representative of the Covered Bondholders will serve a Notice to Pay on the Issuer and the Guarantor.

If the aggregate collateral value of the Cover Pool has not been maintained in accordance with the terms of the Tests, that may affect the realisable value of the Cover Pool or any part thereof (both before and after the occurrence of a Guarantor Event of Default) and/or the ability of the Guarantor to make payments under the Covered Bond Guarantee. However, failure to satisfy the Mandatory Tests and/or the Amortisation Test on any Calculation Date following an Issuer Event of Default will constitute a Guarantor Event of Default, thereby entitling the Representative of the Covered Bondholders to accelerate the Covered Bonds against the Issuer (to the extent not already accelerated against the Issuer) and the Guarantor's obligations under the Covered Bond Guarantee against the Guarantor subject to and in accordance with the Conditions.

Prior to the delivery of Notice to Pay and subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on or about the Initial Issue Date concerning, *inter alia*, (a) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Integration Assets included in the Cover Pool; (b) the calculations performed by the Calculation Agent in respect of the Mandatory Tests; (c) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (d) the effectiveness and adequacy of the risk protection provided by any Swap Agreement that may be entered into in the context of the Programme. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (i) prior to the delivery of Notice to Pay, verify the calculations performed by the Calculation Agent in respect of the Mandatory Tests and the Asset Coverage Test; and (ii) following the delivery of a Notice to Pay, verify the calculations performed by the Calculation Agent in respect of the Amortisation Test. See further "*Description of the Transaction Documents – Asset Monitor Agreement*".

The Representative of the Covered Bondholders shall not be responsible for monitoring compliance with, nor the verification of, the Tests or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.

Sale of Selected Assets following the occurrence of an Issuer Event of Default

If a Notice to Pay is served on the Guarantor, then the Guarantor may sell Selected Assets (selected on a random basis) in order to make payments to the Guarantor's creditors including making payments under the Covered Bond Guarantee, see "*Description of the Transaction Documents – Cover Pool Administration Agreement*".

There is no guarantee that a buyer will be found to acquire Selected Assets at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained for such Selected Assets, which may affect payments under the Covered Bond Guarantee. However, the Selected Assets may not be sold by the Guarantor for less than an amount equal to the Required Outstanding Principal Balance Amount for the relevant Series of Covered Bonds until six months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date in respect of such Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Maturity Date, the Guarantor is obliged to sell the Selected Assets for the best price reasonably available notwithstanding that such price may be less than the Required Outstanding Principal Balance Amount.

Realisation of assets following the occurrence of a Guarantor Event of Default

If a Guarantor Events of Default occurs and an Acceleration Notice is served on the Guarantor, then the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor direct each of the Servicers to sell the Selected Assets respectively assigned by it as quickly as reasonably practicable taking into account the market conditions at that time (see "*Description of the Transaction Documents — Cover Pool Administration Agreement*").

There is no guarantee that the proceeds of realisation of the Cover Pool will be in an amount sufficient to repay all amounts due to creditors (including the Covered Bondholders) under the Covered Bonds and the Transaction Documents. If an Acceleration Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

Factors that may affect the realisable value of the Cover Pool or the ability of the Guarantor to make payments under the Covered Bond Guarantee

Following the occurrence of an Issuer Event of Default, the service of a Notice to Pay on the Issuer and on the Guarantor, the realisable value of Selected Assets comprised in the Cover Pool may be reduced (which may affect the ability of the Guarantor to make payments under the Covered Bond Guarantee) by, *inter alia*:

(a) default by borrowers of amounts due on their Receivables;

(b) changes to the lending criteria of the Sellers;

(c) set-off risks in relation to some types of Receivables in the Cover Pool;

(d) limited recourse to the Guarantor;

(e) possible regulatory changes by the Bank of Italy, Consob and other regulatory authorities;

(f) adverse movement of the interest rate;

(g) unwinding cost related to the hedging structure; and

(h) regulations in Italy that could lead to some terms of the Receivables being unenforceable.

Each of these factors is considered in more detail below. However, it should be noted that the Mandatory Tests and the Criteria are intended to ensure that there will be an adequate amount of Receivables in the Cover Pool to enable the Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of a Notice to Pay on the Issuer and on the Guarantor and accordingly it is expected (although there is no assurance) that Selected Assets could be realised for sufficient values to enable the Guarantor to meet its obligations under the Covered Bond Guarantee.

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such

counterparty (so-called "**flip clauses**"). Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the subordination of payments of Excluded Swap Termination Amounts.

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the US Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Issuer (such as a Swap Counterparty under the Swap Agreement) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priorities of Payments which refers to the ranking of the Swap Counterparties' payment rights in respect of payments of Excluded Swap Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Counterparty, including US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US state). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Issuer to satisfy its obligations under the Covered Bonds.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of payments of Excluded Swap Termination Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating which may be assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

Value of the Cover Pool

The Covered Bond Guarantee granted by the Guarantor in respect of the Covered Bonds will be backed by the Cover Pool and the recourse against the Guarantor will be limited to such assets. Since the economic value of the Cover Pool may increase or decrease, the value of the Guarantor's assets may decrease (for example if there is a general decline in property values). The Sellers make no representation, warranty or guarantee that the value of a real estate asset will remain at the same level as it was on the date of the origination of the related Mortgage Loans or at any other time. If the residential property market in Italy experiences an overall decline in property values, the value of the Mortgage Loan could be significantly reduced and, ultimately, may result in losses to the Covered Bondholders if such security is required to be enforced.

No representations or warranties to be given by the Guarantor or the Sellers if Selected Assets and their related security interests are to be sold

After the service of a Breach of Test Notice or of Notice to Pay on the Guarantor, but prior to service of an Acceleration Notice, the Guarantor may, and following a Notice to Pay shall, sell the Selected Assets and their related security interests included in the Cover Pool, subject to a right of pre-emption granted to the relevant Seller pursuant to the terms of the Master Transfer Agreement and of the Cover Pool Administration Agreement. In respect of any sale of Selected Assets and their related security interests to third parties, however, the Guarantor will not provide any warranties or indemnities in respect of such Selected Assets and related security interests and there is no assurance that any of the Sellers would give or repeat any warranties or representations in respect of the Selected Assets and related security interests originally transferred by it or if it has not consented to the transfer of such warranties or representations. Any representations or warranties previously given by the relevant Seller in respect of the Mortgage Loans respectively assigned by it in the Cover Pool may not have value for a third party purchaser if such Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Assets and related security interests could be adversely affected by the lack of representations and warranties

which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

Clawback of the sales of the Receivables

Assignments executed under Law 130 are subject to revocation on bankruptcy under Article 67 of Royal Decree no. 267 of 16 March 1942 (as amended, the "**Bankruptcy Law**") but only in the event that the declaration of bankruptcy of the relevant Seller is made within three months of the covered bonds transaction (or of the purchase of the Receivables) or, in cases where paragraph 1 of Article 67 applies (e.g. if the payments made or the obligations assumed by the bankrupt party exceed by more than one-fourth the consideration received or promised), within six months of the covered bonds transaction (or of the purchase of the Receivables). In this respect the relevant Seller, in addition to the representation and warranties given pursuant to the Transaction Documents to which is a party, on or about the date of each assignment has undertaken to provide solvency certificates confirming that no insolvency procedures are pending against each of them.

The Additional Sellers are banks part of the Banca Carige Group

The Additional Sellers are Italian principal institutions part of the Banca Carige Group but separate legal entities from the Issuer. The Additional Sellers may be subject to insolvency proceedings under Italian law. Such event would not constitute an Issuer Event of Default in itself. An insolvency of any of the Additional Sellers may affect certain rights and obligations of the Guarantor, for example limiting the duty of the Guarantor to purchase assets from the relevant Additional Seller, or the ability of such Additional Seller to repurchase assets under the Master Transfer Agreement, or to remedy breach of the Test on the Cover Pool as well as to perform the servicing activity of the relevant portfolio. However, it should be noted that pursuant to the Cover Pool Administration Agreement, in case of failure by a Seller to remedy a breach of the Tests, the Issuer shall be obliged to sell sufficient Eligible Assets to the Guarantor in order to remedy such breach.

Default by borrowers in paying amounts due on their Mortgage Loans

Borrowers may default on their obligations due under the Mortgage Loans for a variety of reasons. The Receivables are affected by credit, liquidity and interest rate risks. Various factors influence delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Certain factors may lead to an increase in default by the borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in default by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. In addition, the ability of a borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

The recovery of amounts due in relation to defaulted claims will be subject to the effectiveness of enforcement proceedings in respect of the Receivables which in Italy can take a considerable time depending on the type of action required and where such action is taken and on several other factors, including the following: proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national average; obtaining title deeds from land registries which are in process of computerising their records can take up to two or three years; further time is required if it is necessary to obtain an injunction decree (*decreto ingiuntivo*) and if the relevant debtor raises a defence to or counterclaim in the proceedings; and it takes an average of six to eight years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any real estate asset.

Law No. 302 of 3 August 1998 allowed notaries to conduct certain stages of the enforcement procedures in place of the courts and Law No. 80 of 14 May 2005 has extended such activity to lawyers, certified accountants and fiscal experts enrolled in a special register. Such reforms expected to reduce the length of enforcement proceedings by between two and three years.

Insurance coverage

All Mortgage Loans provide that the relevant real estate assets must be covered by an insurance policy issued by leading insurance companies approved by the Sellers. There can be no assurance that all risks that could affect the

value of the real estate assets are or will be covered by the relevant insurance policy or that, if such risks are covered, the insured losses will be covered in full. Any loss incurred in relation to the real estate assets which is not covered (or which is not covered in full) by the relevant insurance policy could adversely affect the value of the real estate assets and the ability of the relevant Debtor to repay the relevant mortgage loan.

Changes to the lending criteria of the Sellers

Each of the Mortgage Loans originated by the Sellers will have been originated in accordance with their lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by each of the Sellers, but originated by a person other than the relevant Seller (an "**Originator**"), will have been originated in accordance with the lending criteria of such Originator at the time of origination. It is expected that the relevant Seller's or the relevant Originator's, as the case may be, lending criteria will generally consider term of loan, indemnity guarantee policies, status of applicants and credit history. In the event of the sale or transfer of any Loans to the Guarantor, the relevant Seller will warrant that (a) such Mortgage Loans as were originated by it were originated in accordance with such Seller's lending criteria applicable at the time of origination and (b) such Mortgage Loans as were originated by an Originator, were originated in accordance with the relevant Originator's lending criteria applicable at the time of origination. Each of the Sellers retains the right to revise its lending criteria from time to time subject to the terms of the Master Transfer Agreement. An Originator may additionally revise its lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by borrowers and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Covered Bond Guarantee. However, Defaulted Assets in the Cover Pool will be given a zero weighting for the purposes of the calculation of the Mandatory Tests.

Legal risks relating to the Mortgage Loans

The ability of the Guarantor to recover payments of interest and principal from the Mortgage Loans is subject to a number of legal risks. They include the risks set out below.

Set-off risks

The assignment of receivables under Law 130 is governed by Article 58, paragraph 2, 3 and 4, of the Banking Law. According to such provision, such assignment becomes enforceable against the relevant Debtors as of the later of (a) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (b) the date of registration of the notice of assignment in the local Companies' Register. Consequently, the rights of the Guarantor may be subject to the direct rights of the borrowers against the relevant Seller or, as applicable the relevant originator, including rights of set off on claims arising existing prior to notification in the Official Gazette and registration at the Companies' Register. Some of the Mortgage Loans in the Cover Pool may have increased risks of set-off, because the relevant Seller or, as applicable, the relevant originator is required to make payments under them to the borrowers. In addition, the exercise of set-off rights by borrowers may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Covered Bond Guarantee.

Usury Law

The interest payments and other remuneration paid by the Borrowers under the Mortgage Loans are subject to Italian law No. 108 of 7 March 1996, as amended by law decree number 70 of 13 May 2011 (the "**Usury Law**"), which introduced legislation preventing lenders from applying interest rates equal to, or higher than, rates (the "**Usury Rates**") set every three months on the basis of a decree issued by the Italian Treasury (the last such decree having been issued on 27 June 2018). In addition, even where the applicable Usury Rates are not exceeded, interest and other benefits and/or remuneration may be held to be usurious if: (a) they are disproportionate to the amount lent (taking into account the specific situations of the transaction and the average rate usually applied for similar transactions); and (b) the person who paid or agreed to pay them was in financial and economic difficulties. The provision of usurious interest, advantages or remuneration has the same consequences as non compliance with the Usury Rates. In certain judgements issued during 2000, the Italian Supreme Court (Corte di Cassazione) ruled that the Usury Law applied both to loans advanced prior to and after the entry into force of the Usury Law.

The Italian Government, with law decree No. 394 of 29 December 2000 (the "**Usury Law Decree**" and, together with the Usury Law, the "**Usury Regulations**"), converted into law by law No. 24 of 28 February 2001, has established, *inter alia*, that interest is to be deemed usurious only if the interest rate agreed by the parties exceeds the Usury Rate applicable at the time the relevant agreement is reached. The Usury Law Decree also provides that, as an extraordinary measure due to the exceptional fall in interest rates in the years 1998 and 1999, interest

rates due on instalments payable after 2 January 2001 on loans already entered into on the date on which the Usury Law Decree came into force (such date being 31 December 2000) are to be substituted with a lower interest rate fixed in accordance with parameters determined by the Usury Law Decree.

The Italian Constitutional Court has rejected, with decision No. 29/2002 (deposited on 25 February 2002), a constitutional exception raised by the Court of Benevento (2 January 2001) concerning article 1, paragraph 1, of the Usury Law Decree (now reflected in article 1, paragraph 1 of the above mentioned conversion law No. 24 of 28 February 2001). In so doing, it has confirmed the constitutional validity of the provisions of the Usury Law Decree which hold that interest rates may be deemed to be void due to usury only if they infringe Usury Regulations at the time they are agreed between the borrower and the lender and not at the time such rates are actually paid by the borrower.

According to recent court precedents, the remuneration of any given financing must be below the applicable Usury Rates from time to time applicable. Based on this recent evolution of case law on the matter, it might constitute a breach of the Usury Regulations if the remuneration of a financing is lower than the applicable Usury Rates at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rates at any point in time thereafter (see, for instance, Cassazione of 11 January 2013 No. 603). However, it is worth mentioning that, by more recent decisions, the Italian Supreme Court has clearly stated that, in order to establish if the interest rate exceeds the Usury Rate, it has to be considered the interest rate agreed between the parties at the time of the signing of the financing agreement, regardless of the time of the payment of such interest (see, for instance, Cassazione 27 September 2013, No. 22204; Cassazione 25 September 2013, No. 21885; Cassazione 19 October 2017, No. 24675).

In the last years, a number of objection have been raised on the basis of the excess of the usury limit from the sum of the default interest and the compensatory rate, based on the erroneous interpretation under decision of the Italian Supreme Court (*Corte di Cassazione*), No. 350/2013 that the default interest are relevant for the purposes of determining if an interest rate is usurious. Such interpretation has been constantly rejected by the Italian Courts. Other objections raised in the last years are based on the violation of the Usury Law by, for example, the sole default interest exceeding the usury limit or making reference to additional components (such as penalties and insurance policies). In this respect, the Italian Courts have not reached an unanimous position. On 3 July 2013, also the Bank of Italy has confirmed in an official document that default interest rates should be taken into account for the purposes of the Usury Rates and has acknowledged that there is a discrepancy between the methods utilised to determine the remuneration of any given financing (which must include default rates) and the applicable Usury Rates against which the former must be compared.

Compounding of interest (anatocismo)

Pursuant to Article 1283 of the Italian civil code, accrued interest in respect of a monetary claim or receivable may be capitalised after a period of not less than six months only (a) under an agreement subsequent to such accrual or (b) from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian civil code allows derogation from this provision in the event that there are recognised customary practices (*usi*) to the contrary. Banks and financial companies in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice (*uso normativo*). However, a number of recent judgments from Italian courts (including judgments from the Italian Supreme Court (*Corte di Cassazione*) No. 2374/99, No. 2593/2003, No. 21095/2004, No. 4094/2005 and No. 10127/2005) have held that such practices are not *uso normativo.* Consequently, if customers of the relevant Seller were to challenge this practice and such interpretation of the Italian civil code were to be upheld before other courts in the Republic of Italy, there could be a negative effect on the returns generated from the Mortgage Loans.

In this respect, it should be noted that Article 25, paragraph 3, of legislative decree No. 342 of 4 August 1999 ("**Law No. 342**"), enacted by the Italian Government under a delegation granted pursuant to law No. 142 of 19 February 1992, has considered the capitalisation of accrued interest (*anatocismo*) made by banks prior to the date on which it came into force (19 October 1999) to be valid. After such date, the capitalisation of accrued interest is no longer possible upon the terms established by a resolution of the CICR issued on 22 February 2000. Law No. 342 has been challenged and decision No. 425 of 17 October 2000 of the Italian Constitutional Court has declared as unconstitutional under the provisions of Law No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Law No. 342 came into force.

As a consequence thereof, to the extent the Seller(s) were to capitalise interests in violation of the principle stated by article 1283 of the Italian civil code, a Debtor could challenge such practice and this could have a negative effect on the returns generated from the contracts.

Recently, article 31 of law decree No. 91 of 24 June 2014 (the "**Competitività Decree**"), has amended article 120, paragraph 2, of the Consolidated Banking Act by providing that interest shall not accrue on capitalised interests. In addition, on 8 August 2016, the decree no. 343 of 3 August 2016 issued by the Minister of Economy and Finance, in his quality of President of the CICR, implementing article 120, paragraph 2, of the Banking Law, has been published.

However, prospective bondholders should note that under the terms of the Warranty and Indemnity Agreement, the Seller has represented that the Mortgage Loan Agreements have been executed and performed in compliance with the provisions of article 1283 of the Italian civil code and has furthermore undertaken to indemnify the Issuer from and against all damages, loss, claims, liabilities, costs and expenses incurred by it arising from the non-compliance of the terms and conditions of any Mortgage Loan Agreement with the Italian law provisions concerning the capitalisation of accrued interest.

Furthermore there have been two rulings of Italian Courts that have held that the calculations applicable to the instalments under certain mortgage loan agreements that were based upon the amortisation method known as "French amortisation" (i.e. mortgage loans with fixed instalments, made up of an amount of principal (that progressively increases) and an amount of interest (that decreases as repayments are calculated with a specific formula), triggered a violation of the Italian law provisions on the limitations on the compounding of interest (*divieto di anatocismo*). However, it should be pointed out that these were isolated judgements, still under appeal, and more recently various court rulings on the same matter have declared that the "French amortisation" method does not entail an illegal compounding element. However, the Issuer is not able to exclude the risk that in the future other judgments may follow the two isolated decisions described above.

Mortgage Credit Directive

Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (the "**Mortgage Credit Directive**") sets out a common framework for certain aspects of the laws, regulations and administrative provisions of the Member States concerning agreements covering credit for consumers secured by a mortgage or otherwise relating to residential immovable property. The Mortgage Credit Directive provides for, amongst other things:

- standard information in advertising, and standard pre-contractual information;
- adequate explanations to the borrower on the proposed credit agreement and any ancillary service;
- calculation of the annual percentage rate of charge in accordance with a prescribed formula;
- assessment of creditworthiness of the borrower;
- a right of the borrower to make early repayment of the credit agreement; and
- prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The Mortgage Credit Directive came into effect on 20 March 2014.

The Mortgage Credit Directive has been implemented in Italy by way of Legislative Decree no. 72 of 21 April 2016 (the "**Legislative Decree 72**"). Following the implementation of the Mortgage Credit Directive, the Consolidated Banking Law has been amended through the insertion of the new Article 120 *quinquiesdecies*, pursuant to which a consumer and an entity authorised to grant loans in a professional manner in the Republic of Italy who are parties to a mortgage credit agreement may expressly agree, subject to the provisions of Article 2744 of the Italian Civil Code, that, in case of non-payment of eighteen monthly instalments by the relevant debtor, the property of the debtor subject to security or the proceeds deriving from the sale thereof can be transferred to the creditor in discharge of all the outstanding obligations of the debtor vis-à-vis the creditor (even if the value of such property or the amount of such proceeds is lower than the residual debt). In the event that the value of the property of the debtor subject to security or amount of the proceeds deriving from the sale thereof is higher than the residual debt, the debtor will be entitled to receive the excess amount. The value of the property shall be determined by an independent expert chosen by the parties, or, if an agreement on the appointment of the expert is not reached between them, by the president of the competent court (*Presidente del Tribunale competente*).

Given the novelty of this new legislation and the absence of any jurisprudential interpretation, no assurance can be given that Legislative Decree 72 will not adversely affect the ability of the Guarantor to make payments under the Guarantee.

3. Factors which are material for the purpose of assessing the market risks associated with the covered bonds issued under the programme

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(1) has sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement and all the information contained in the applicable Final Terms;

(2) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

(3) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(4) understands thoroughly the terms of the Covered Bonds and is familiar with the behaviour of any relevant indices and financial markets; and

(5) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

U.S. Foreign Account Tax Compliance withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments by a "foreign financial institution", or "**FFI**" (as defined by FATCA) to persons that fail to meet certain certification, reporting or related requirements.

The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Italy on 10 January 2014, ratified by way of Law No. 95 on 18 June 2015 and published in the Official Gazette – general series No. 155, on 7 July 2015 (the "**Italy IGA**"). Under the Italy IGA, as currently in effect, a FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes.

However, certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bond, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bond, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bond, such withholding would not apply prior to 1 January 2019 and Covered Bond issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru**

payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Covered Bonds be required to pay additional amounts as a result of the deduction or withholding of such tax.

Risks related to the structure of a particular issue of Covered Bonds

Covered Bonds issued under the Programme will either be fungible with an existing Series (in which case they will form part of such Series) or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time under the Programme will rank pari passu with each other in all respects and will share equally in the security granted by the Guarantor under the Covered Bond Guarantee. If an Issuer Event of Default and a Guarantor Events of Default occur and result in acceleration, all Covered Bonds of all Series will accelerate at the same time.

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Covered Bonds subject to optional redemption by the Issuer

Covered Bonds which include a redemption option by the Issuer are likely to have a lower market value than similar covered bonds which do not contain an Issuer redemption option. An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Zero Coupon Covered Bonds

The Issuer may issue Covered Bonds which do not pay current interest but are issued at a discount from their nominal value or premium from their principal amount. Such Covered Bonds are characterised by the circumstance that the relevant covered bondholders, instead of benefitting from periodical interest payments, shall be granted an interest income consisting in the difference between the redemption price and the issue price, which difference shall reflect the market interest rate. A holder of a zero coupon covered bond is exposed to the risk that the price of such covered bond falls as a result of changes in the market interest rate. Prices of zero coupon covered bonds are more volatile than prices of fixed rate covered bonds and are likely to respond to a greater degree to market interest rate changes than interest bearing covered bonds with a similar maturity. Generally, the longer the remaining terms of such Covered Bonds, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

Covered Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Covered Bonds) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to Covered Bonds generally

Set out below is a brief description of certain risks relating to the Covered Bonds generally.

Programme Resolutions

Any Programme Resolution to direct the Representative of the Covered Bondholders to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding as set out in the Rules of the Organisation of Covered Bondholders attached to the Conditions and cannot be decided upon at a meeting of Covered Bondholders of a single Series. A Programme Resolution will be binding on all Covered Bondholders including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority.

Amendment to the Transaction Documents

Pursuant to the Rules of Organisation of the Covered Bondholders, the Representative of the Covered Bondholders may, without the consent or sanction of any of the Covered Bondholders, concur with the Issuer and/or the Guarantor and any other relevant parties in making or sanctioning any modifications to the Rules of the Organisation of Covered Bondholders, the Conditions and/or the other Transaction Documents:

(a) provided that in the opinion of the Representative of the Covered Bondholders which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax advisor, Rating Agency or other expert, as described in the Conditions such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

(b) which in the opinion of the Representative of the Covered Bondholders which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax advisor, Rating Agency or other expert, as described in the Conditions are made to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or of a formal, minor or technical nature or are made to comply with mandatory provisions of law.

Covered Bondholders are bound by Extraordinary Resolutions

A meeting of Covered Bondholders may be called to consider matters which affect the rights and interests of Covered Bondholders. These include (but are not limited to): (a) waiving an Issuer Event of Default or a Guarantor Event of Default; (b)appoint and remove the Representative of the Covered Bondholders; (c) approve any modification, abrogation, variation or compromise in respect of (i) the rights of the Representative of the Covered Bondholders, the Issuer, the Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (ii) the Rules of Organisation of the Covered Bondholders, the Conditions or any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Covered Bondholders and/or any other party thereto. Any Extraordinary Resolution passed at such a meeting will bind each Covered Bondholder, irrespective of whether they attended the meeting and whether they voted in favour of the Extraordinary Resolution.

In addition, the Representative of the Covered Bondholders may agree to the modification of the Transaction Documents without consulting Covered Bondholders to correct a manifest error or where such modification (a) is of a formal, minor, administrative or technical nature or (b) in the opinion of the Representative of the Covered Bondholders, is not or will not be materially prejudicial to Covered Bondholders and in any case, only in accordance with the provisions set forth under the Transactions Documents.

It shall also be noted that after the delivery of a Notice to Pay, the protection and exercise of the Covered Bondholders' rights against the Issuer will be exercised by the Guarantor (or the Representative of the Covered Bondholders on its behalf). The rights and powers of the Covered Bondholders may only be exercised in accordance with the Covered Bond Guarantee and the Rules of the Organisation of Covered Bondholders. In

addition, after the delivery of an Acceleration Notice, the protection and exercise of the Covered Bondholders' rights against the Guarantor and the security under the Covered Bond Guarantee is one of the duties of the Representative of the Covered Bondholders. The Conditions limit the ability of each individual Covered Bondholder to commence proceedings against the Guarantor by conferring on the meeting of the Covered Bondholders the power to determine in accordance with the Rules of Organisation of the Covered Bondholders, whether any Covered Bondholder may commence any such individual actions.

Controls over the transaction

The BoI Regulations require that certain controls be performed by the Issuer (see "*Selected aspects of Italian law – Controls over the transaction*"), aimed, *inter alia*, at mitigating the risk that any obligation of the Issuer or the Guarantor under the Covered Bonds is not complied with. Whilst the Issuer believe they have implemented the appropriate policies and controls in compliance with the relevant requirements, investors should note that there is no assurance that such compliance ensures that the aforesaid controls are actually performed and that any failure to properly implement the relevant policies and controls could have an adverse effect on the Issuers' or the Guarantor's ability to perform their obligations under the Covered Bonds.

Limits to Integration

Under the BoI Regulations, the Integration (as defined below), whether through Eligible Assets or through Integration Assets shall be carried out in accordance with the methods, and subject to the limits, set out in the BoI Regulations (see "*Selected aspects of Italian law – Tests set out in the MEF Decree*").

More specifically, under the BoI Regulations, Integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the MEF Decree; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements; or (c) complying with the Integration Assets Limit.

Investors should note that Integration is not allowed in circumstances other than as set out in the BoI Regulations and specified above.

Tax consequences of holding the Covered Bonds

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their tax adviser about their own tax situation.

Base Prospectus to be read together with applicable Final Terms

The terms and conditions of the Covered Bonds and the terms and conditions of the N Covered Bonds included in this Base Prospectus apply to the different types of Covered Bonds which may be issued under the Programme. The *full* terms and conditions applicable to each Series of Covered Bonds can be reviewed by reading the master Terms and Conditions as set out in *full* in this Base Prospectus, which constitute the basis of all Covered Bonds to be offered under the Programme, together with the applicable Final Terms which completes the master Terms and Conditions of the Programme in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Covered Bonds.

Obligations to make payments when due on the Covered Bonds

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations. Consequently, any claim directly against the Issuer in respect of the Covered Bonds will not benefit from any security or other preferential arrangement granted by the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the service on the Guarantor of a Notice to Pay. Failure by the Guarantor to pay amounts due under the Covered Bond Guarantee in respect of any Series or Tranche would constitute a Guarantor Event of Default which would entitle the Representative of the Covered Bondholders to serve an Acceleration Notice and accelerate the obligations of the Guarantor under the Covered Bond Guarantee and entitle the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default.

The Covered Bonds will not represent an obligation or be the responsibility of any of the Joint Arrangers, Dealers, the Representative of the Covered Bondholders or any other party to the Transaction Documents, their officers,

members, directors, employees, security holders or incorporators, other than the Issuer and the Guarantor. The Issuer and the Guarantor will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

Representative of the Covered Bondholders' powers may affect the interests of the Covered Bondholders

In the exercise of its powers, trusts, authorities and discretions the Representative of the Covered Bondholders shall only have regard to the interests of the Covered Bondholders and the other Secured Creditors but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between these interests the Representative of the Covered Bondholders shall have regard solely to the interests of the Covered Bondholders.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Representative of the Covered Bondholders is of the opinion that the interests of the Covered Bondholders of any one or more Series would be materially prejudiced thereby, the Representative of the Covered Bondholders shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 75 per cent. of the principal amount outstanding of Covered Bonds of the relevant Series then outstanding.

The return on an investment in Covered Bonds will be affected by charges incurred by investors

An investor's total return on an investment in any Covered Bonds will be affected by the level of fees charged by the nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds.

Rating of the Covered Bonds

The ratings that may be assigned by the Rating Agencies (and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme) to the Covered Bonds address the expected loss posed to the Covered Bondholders. The expected ratings of the Covered Bonds, if any, will be set out in the relevant Final Terms for each Series of Covered Bonds.

Ratings do not constitute recommendations to buy, sell, or hold any security, nor do they comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of any payments of any security. Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity. Credit ratings are opinions on relative credit quality and not a predictive measure of specific default probability.

Ratings may be changed, qualified, placed on rating watch or withdrawn at any time. A suspension, reduction or withdrawal of the rating can negative affect the market price of the bonds issued.

Any such evaluation may be helpful for the investors in order to assess the credit risk connected to financial instruments, because provides references about the ability of the Issuer to fulfil its obligations. The lower the rating assigned, in accordance with the relevant scale o values, the higher the risk, assessed by the rating agencies, the obligations will not be fulfilled or will be fulfilled only in part or not in time. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**")

on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings referred to in this Prospectus and/or the Final Terms, is set out in relevant section of this Prospectus and will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Covered Bonds are legal investments for it, (b) Covered Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Law 130

The Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. Law 130 was further amended by law decree No. 143 of 23 December 2013 (*Decreto Destinazione Italia*), as converted with amendments into law No. 9 of 21 February 2014, and law decree No. 91 of 24 June 2014 (*Decreto Competitività*), as converted with amendments into law No. 116 of 11 August 2014, which have introduced certain amendments to the Law 130.

As at the date of this Base Prospectus, no interpretation of the application of the Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (a) the MEF Decree setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (b) the BoI Instructions concerning guidelines on the valuation of assets, the procedure for purchasing integration assets and controls required to ensure compliance with the legislation. Consequently, it is possible that such or different authorities may issue further regulations relating to the Law 130 or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

Change of law

The structure of the Programme and, *inter alia*, the issue of the Covered Bonds and the rating which may be assigned to the Covered Bonds upon the relevant issue are based on Italian law, tax and administrative practice in effect at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law and practice (and in the case of the Deeds of Charge and the Swap Agreements the English Law). No assurance can be given that Italian law, tax or administrative practice or its interpretation will not change after the Issue Date of any Series or Tranche or that such change will not adversely impact the structure of the Programme and the treatment of the Covered Bonds. This Base Prospectus will not be updated to reflect any such changes or events.

4. Risk related to the market generally

Market declines and volatility

The results of the Banca Carige Group are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Banca Carige Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Banca Carige Group's debtors and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

Credit and market risk

To the extent that any of the instruments and strategies used by the Banca Carige Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Banca Carige Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Banca Carige Group's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The

Banca Carige Group's financial results also depend upon how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Protracted market declines and reduced liquidity in the markets

In some of the Banca Carige Group's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Banca Carige Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Banca Carige Group using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Banca Carige Group's operating results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Banca Carige Group's securities trading activities and its asset management services, as well as its investments in and sales of products linked to the performance of financial assets.

Limited secondary market

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. If an active or liquid secondary market develops, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Illiquidity may have a severely adverse effect on the market value of Covered Bonds. In addition, Covered Bonds issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Covered Bonds may be adversely affected. In an illiquid market, an investor might not be able to sell its Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons.

Market Price Risk

The market prices of the Covered Bonds depends on various factors, such as changes of interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the relevant type of Covered Bonds. The market price of the Covered Bonds may also be negatively affected by an increase in the Issuer's credit spreads, i.e. the difference between yields on the Issuer's debt and the yield of government bonds or swap rates of similar maturity. The Issuer's credit spreads are mainly based on its perceived creditworthiness but also influenced by other factors such as general market trends as well as supply and demand for such Covered Bonds.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Covered Bonds, (b) the Investor's Currency equivalent value of the principal payable on the Covered Bonds and (c) the Investor's Currency equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Covered Bonds involves the risk that *subsequent* changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

Impact of events which are difficult to anticipate

On 23 June 2016, the United Kingdom voted, in a referendum, to leave European Union (Brexit). On 29 March 2017, the British Prime Minister gave formal notice to the European Council under article 50 of the Treaty on European Union of the intention to withdraw from the European Union, thus triggering the two-year period for withdrawal.

The process of negotiation will determine the future terms of the UK's relationship with the EU. Depending on the terms of the Brexit negotiations, the UK could also lose access to the single EU market and to the global trade agreements negotiated by the EU on behalf of its members. Given the unprecedented nature of a departure from the EU, the timing, terms and process for the United Kingdom's exit, are unknown and cannot be predicted. Regardless of the time scale and the term of the United Kingdom's exit from the European Union, the result of the referendum in June 2016 created significant uncertainties with regard to the political and economic outlook of the United Kingdom and the European Union. The exit of the United Kingdom from the European Union, the possibility that other European Union countries could hold similar referendums to the one held in the United Kingdom and/or call into question their membership of the European Union and the possibility that one or more countries that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency or prolonged periods of uncertainty connected to these eventualities could have significant negative impacts on international markets. These could include increase of financial markets volatility, with possible negative consequences on the asset prices, operating results and capital and/or financial position of the Issuer and/or the Group.

In addition to the above and in consideration of the fact that at the date of this Base Prospectus there is no legal procedure or practice aimed at facilitating the exit of a Member State from the Euro, the consequences of these decisions are exacerbated by the uncertainty regarding the methods through which a Member State could manage its current assets and liabilities denominated in Euros and the exchange rate between the newly adopted currency and the Euro. A collapse of the Eurozone could be accompanied by the deterioration of the economic and financial situation of the European Union and could have a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses and involving considerable changes to financial activities both at market and retail level. Until the terms and timing of the Brexit are clearer, it is not possible to determine the impact that the referendum, the Brexit and/or any related matters may have on the business of the Issuer. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds and/or the market value and/or the liquidity of the Covered Bonds in the secondary market.

The Issuer and the Guarantor believe that the risks described above are the main risks inherent in the holding of Covered Bonds of any Series issued under the Programme but the inability of the Issuer or the Guarantor to pay interest or repay principal on the Covered Bonds of any Series may occur for other reasons and the Issuer and the Guarantor do not represent that the above statements of the risks of holding Covered Bonds are exhaustive. While the various structural elements described in this Base Prospectus are intended to lessen some of the risks for holders of Covered Bonds of any Series, there can be no assurance that these measures will be sufficient or effective to ensure payment to the holders of Covered Bonds of any Series of interest or principal on such Covered Bonds on a timely basis or at all.

GENERAL DESCRIPTION OF THE PROGRAMME

The following *section contains a general description of the Programme and, as such,* ***does not purport to be complete and is qualified in its entirety by the remainder of this*** *Base* ***Prospectus and, in relation to the terms and conditions of any*** *Series or* ***Tranche, the applicable Final Terms****. Prospective purchasers of Covered Bonds should carefully read the information set out elsewhere* ***in*** *this Base Prospectus prior to making an investment decision in respect of the Covered Bonds. In this section, references to a numbered condition are to such condition in "****Terms and Conditions*** *of the Covered Bonds" below.*

1. **PARTIES**

Issuer	Banca Carige S.p.A., a bank incorporated in Italy as a joint stock company (s*ocietà per azioni*) whose registered office is in Genoa, at Via Cassa di Risparmio, No. 15, Italy, registered with the Companies' Register of Genoa under number 03285880104 and registered with the Bank of Italy pursuant to Article 13 of legislative decree No. 385 of 1 September 1993 (the "**Banking Law**") under number 06175, and which is the parent company of the Banca Carige Group (the "**Issuer**" or "**Banca Carige**"). "**Banca Carige Group**" means jointly the banks and the other companies belonging from time to time to the Banca Carige banking group registered with the Bank of Italy pursuant to Article 64 of the Banking Law For a more detailed description of the Issuer, see section "*Description of Banca Carige and the Banca Carige Group*".
Joint Arrangers	NatWest Markets Plc, a public limited company incorporated under the laws of England, acting through its branch at 250 Bishopsgate, London EC2M 4AA, United Kingdom ("**NWM**") and UBS Limited, a company incorporated under the laws of England, with company number 2035362, whose registered address is at 5 Broadgate, London EC2M 2QS, United Kingdom ("**UBS**" and jointly with NWM, the "**Joint Arrangers**").
Dealers	NWM and UBS and any other dealer appointed from time to time in accordance with the Programme Agreement.
Guarantor	Carige Covered Bond S.r.l., a company incorporated in Italy on 3 October 2007 as a limited liability company (*società a responsabilità limitata*) pursuant to Article 7-*bis* of of law No. 130 of 30 April 1999, as amended from time to time (the "**Law 130**"), with a duration until 31 December 2050, whose registered office is in Genoa, Via Cassa di Risparmio, No. 15, Italy, registered with the Companies' Register of Genoa under No. 05887770963 (the "**Guarantor**"). For a more detailed description of the Guarantor, see section "*Description of the Guarantor*".
Sellers	**BANCA CARIGE S.P.A.** (also as successor of Cassa di Risparmio di Savona S.p.A. and Cassa di Risparmio di Carrara S.p.A.). For a more detailed description of Banca Carige, see section "*Description of Banca Carige and the Banca Carige Group*".

	BANCA DEL MONTE DI LUCCA S.P.A., a bank organised as a joint stock company under the laws of the Republic of Italy, belonging to the Banca Carige Group registered with the Bank of Italy pursuant to Article 64 of the Banking Law under number 6175 and subject to the direction and coordination of Banca Carige S.p.A., whose registered office is at Piazza S. Martino 4, Lucca, Italy, registration number with the Lucca Register of Enterprises and VAT number 01459540462, registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 6915 ("**BML**").
Additional Sellers	Any entity (each an "**Additional Seller**"), other than the Sellers, which is part of the Banca Carige Group that will sell Eligible Assets and/or Integration Assets to the Guarantor, subject to satisfaction of certain conditions, and that, for such purpose, shall, *inter alia*, accede to the Master Transfer Agreement by signing an accession letter substantially in the form attached to the Master Transfer Agreement and in accordance with the provisions of the Cover Pool Administration Agreement and the other Transaction Documents.
Servicers	Banca Carige (also as successor of Cassa di Risparmio di Savona S.p.A., Banca Carige Italia and Cassa di Risparmio di Carrara S.p.A.) and BML will act as servicer (each a "**Servicer**") in the context of the Programme and will be responsible for the management and the collection of the Receivables (as defined below) respectively transferred from time to time by each of the Sellers to the Guarantor, pursuant to the terms of the Servicing Agreement. For a more detailed description of the Servicers, see section "*Description of the Sellers*".
Master Servicer	Banca Carige (the "**Master Servicer**") will also act as master servicer pursuant to the Servicing Agreement. For a more detailed description of Banca Carige, see section "*Description of Banca Carige and the Banca Carige Group*".
Additional Servicers	Any entity, other than the Servicers, which is part of the Banca Carige Group that will act as such pursuant to the provisions of the Servicing Agreement and that, for such purpose, shall, *inter alia*, accede to the Servicing Agreement.
Successor Servicer	The party or parties (the "**Successor Servicer**") which will be appointed in order to perform, *inter alia*, the servicing activities performed by the relevant Servicer, and any successor or replacing entity thereto following the occurrence of a Servicer Termination Event (as defined below) (for a more detailed description see "*Description of the Transaction Documents – Servicing Agreement*").
Back-up Servicer Facilitator and Back-up Servicer	Zenith Service S.p.A. a company organised as joint stock company (*società per azioni*) under the laws of the Republic of Italy, whose registered office is at Via Guidubaldo del Monte 61, Milan, Italy and administrative office at Via Gustavo Fara 26, Milan, Italy, enrolled with the Companies Register of Rome under No. 02200990980, and in the general list of financial intermediaries under No. 32819, pursuant to Article 106 of the Banking Law and in the special list of the financial intermediaries under Article 107 of the Banking Law,

	registered capital Euro 2.000.000.000,00 (wholly paid up) (the "**Back-up Servicer Facilitator**" and the "**Back-up Service**").
Liquidity Facility Provider	Banca Carige S.p.A. will act as liquidity facility provider under the Facility Liquidity Agreement (the "**Liquidity Facility Provider**").
Corporate Servicer	Banca Carige will act as corporate servicer under the Corporate Services Agreement (the "**Corporate Servicer**").
Asset Monitor	BDO Italia S.p.A., a company incorporated under the laws of the Republic of Italy, fiscal code, VAT number and enrolment number with the companies' register of Milan no. 07722780967 and enrolled under number 167911 with the register of statutory auditors (*Registro Dei Revisori Legali*) maintained by the Minister of Economy and Finance, having its registered office at Viale Abruzzi, 94, 20131 Milan, in its capacity as asset monitor under the Asset Monitor Agreement (the "**Asset Monitor**").
Cash Manager	BNP Paribas Securities Services Milan Branch, whose registered office is at 3, Rue d'Antin, 75002, Paris, France, acting through its Milan branch with offices at Piazza Lina Bo Bardi 3, 20124 Milan, Italy, will act as cash manager under the Cash Management and Agency Agreement (the "**Cash Manager**").
Investment Manager	Banca Carige will act as investment manager under the Cash Management and Agency Agreement (the "**Investment Manager**"). For a more detailed description of Banca Carige, see section "*Description of Banca Carige and the Banca Carige Group*".
Italian Account Bank	Banca Carige will act as Italian account bank pursuant to the Cash Management and Agency Agreement (the "**Italian Account Bank**"), for the purpose of maintaining and operating the Quota Capital Account and the Expense Account. For a more detailed description of Banca Carige, see section "*Description of Banca Carige and the Banca Carige Group*".
Transaction Bank	BNP Paribas Securities Services Milan Branch, whose registered office is at 3, Rue d'Antin, 75002, Paris, France, acting through its Milan branch with offices at Piazza Lina Bo Bardi 3, 20124 Milan, Italy, will act as transaction bank under the Cash Management and Agency Agreement (the "**Transaction Bank**"), for the purpose of maintaining and operating the Transaction Account, the Investment Account and the Reserve Account.
Account Banks	The Italian Account Bank, the Collateral Account Bank (if any) and the Transaction Bank.
Calculation Agent	Pursuant to the Cash Management and Agency Agreement, Banca Carige will act as calculation agent (the "**Calculation Agent**"). The Calculation Agent will perform certain calculations and conduct certain tests pursuant to the Cash Management and Agency Agreement and the Cover Pool Administration Agreement.

Mortgage Pool Swap Counterparty	Any institution which agrees to act as swap counterparty (the "**Mortgage Pool Swap Counterparty**") to the Guarantor under any Cover Pool swap agreement executed with the Guarantor in order to hedge interest rate risk on the Mortgage Cover Pool (the "**Mortgage Pool Swap**").
Covered Bond Swap Counterparty	Any institution which agrees to act as covered bond swap counterparty (each, a "**Covered Bond Swap Counterparty**") to the Guarantor under any covered bond swap agreement executed with the Guarantor in order to hedge certain interest rate risks, and possibly currency risks, in respect of amounts received by the Guarantor under the Mortgage Pool Swap, the Asset Swap (if any) and certain amounts to be paid in respect of the Subordinated Loan and the Covered Bonds (the "**Covered Bond Swap**").
Asset Swap Counterparty	Any institution which may agree to act as asset swap counterparty (each, an "**Asset Swap Counterparty**") to the Guarantor under any asset swap agreement that may be executed with the Guarantor in order to hedge certain interest rate risks, and possibly currency risks, in respect of amounts received by the Guarantor under the ABS and/or Public Assets (the "**Asset Swap**").
Cover Pool Swap Counterparties	Each Mortgage Pool Swap Counterparty and, as the case may be, each Asset Swap Counterparty.
Swap Counterparties	Each Cover Pool Swap Counterparty and each Covered Bond Swap Counterparty.
Swap Agreements	The Mortgage Pool Swap(s), the Covered Bond Swap(s) and, if any, the Asset Swap(s), each of which is, or will be, documented in accordance with the documentation published by the International Swaps and Derivatives Association Inc. ("**ISDA**"), and is, or will be, subject to: (i) 1992 ISDA Master Agreement with the Schedule thereto ("**ISDA Master Agreement**"); (ii) 1995 ISDA Credit Support Annex (Transfer-English Law) to the Schedule to the ISDA Master Agreement ("**CSA**"); and (iii) the relevant Confirmation(s).
Principal Paying Agent	BNP Paribas Securities Services Milan Branch, whose registered office is at 3, Rue d'Antin, 75002, Paris, France, acting through its Milan branch with offices at Piazza Lina Bo Bardi 3, 20124 Milan, Italy, will act as principal paying agent under the Programme pursuant to the provisions of the Cash Management and Agency Agreement (the "**Principal Paying Agent**").
Italian Paying Agent	Deutsche Bank S.p.A, a bank organised under the laws of Italy, whose registered office is in Milan, at Via Turati, No. 27, Italy, registered with the Companies' Register of Milan under number 01340740156 and registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 3104.7, will act as Italian Paying Agent under the Programme (the "**Italian Paying Agent**").

Luxembourg Listing Agent	Deutsche Bank Luxembourg *Société Anonyme*, a bank organised as *société anonyme* under the laws of Luxembourg, whose registered office is at 2 bd. Konrad Adenauer, L-1115 Luxembourg, will act as Luxembourg listing agent under the Programme (the "**Luxembourg Listing Agent**").
Registrar	Any institution which shall be appointed by the Issuer to act as registrar in respect of the N Covered Bonds under the Programme (the "**Registrar**").
Representative of the Covered Bondholders	Deutsche Trustee Company Limited, a company organised as a limited company under the laws of England and Wales, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, will act as representative of the covered bondholders pursuant to the Programme Agreement and the Rules of the Organisation of Covered Bondholders (the "**Representative of the Covered Bondholders**").
Ownership or control relationships between the principal parties	As of the date of this Base Prospectus, no direct or indirect ownership or control relationships exist between the principal parties described above in this Section, other than the relationship existing between the Issuer (also as Calculation Agent, Investment Manager, Italian Account Bank, Liquidity Facility Provider and Corporate Servicer), the Sellers (also as Servicers and Subordinated Loan Providers) and the Guarantor, all of which belong to the Banca Carige Group. The entities belonging to the Banca Carige Group are subject to the direction and coordination (*direzione e coordinamento*) of the Issuer.
Rating Agencies	Fitch Ratings Limited ("**Fitch**"), and/or Moody's Investors Service Ltd. ("**Moody's**"), and/or DBRS Ratings Limited ("**DBRS**"), or their successors, to the extent that at the relevant time they provide ratings in respect of the then outstanding Covered Bonds and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme (the "**Rating Agencies**"). Whether or not a rating in relation to any Tranche or Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by Fitch and/or Moody's and/or DBRS, each of which is established in the European Union and each of which is registered under the CRA Regulation. As such Fitch and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such CRA Regulation as of the date of this Prospectus.

2. THE COVERED BONDS AND THE PROGRAMME

Description	A covered bond Programme under which Covered Bonds will be issued by the Issuer to Covered Bondholders and guaranteed by the Guarantor.
Programme Amount	Up to Euro 5,000,000,000 (and for this purpose, any Covered Bonds *(Obbligazioni Bancarie Garantite)* denominated in another currency shall be translated into Euro at the date of the

	agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding at any time (the "**Programme Limit**"). The Programme Limit may be increased in accordance with the terms of the Programme Agreement.
Distribution of the Covered Bonds	The Covered Bonds may be distributed on a syndicated or non-syndicated basis, in each case only in accordance with the relevant selling restrictions.
Selling Restrictions	The offer, sale and delivery of the Covered Bonds and the distribution of offering material in certain jurisdictions may be subject to certain selling restrictions. Persons who are in possession of this Base Prospectus are required by the Issuer, the Dealers and the Joint Arrangers to inform themselves about, and to observe, any such restriction. The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, the Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the European Economic Area, including the United Kingdom, the Republic of Ireland, Germany, the Republic of Italy, and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Base Prospectus, see section "*Subscription and Sale*" below.
Specified Currency	Covered Bonds may be issued in such currency or currencies as may be agreed from time to time between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms (each a "**Specified Currency**"), subject to compliance with all applicable legal, regulatory and/or central bank requirements.
Denomination of Covered Bonds	In accordance with the Conditions, the Covered Bonds will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal or regulatory or central bank requirements (see Condition 3 (*Form, Denomination and Title*)). The minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be Euro 100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency). The minimum denomination for N Covered Bonds will be specified in the N Covered Bond Conditions and will be not be less than Euro 200,000.
Issue Price	Covered Bonds may be issued at an issue price which is at par or at a discount to, or at a premium over, par, as specified in the relevant Final Terms (in each case, the "**Issue Price**" for such Series or Tranche).
Issue Date	The date of issue of a Series or Tranche of Covered Bonds, pursuant to, and in accordance with, the Programme Agreement (each, the "**Issue Date**" in relation to such Series or Tranche).

CB Payment Date	The dates specified as such in, or determined in accordance with the provisions of the Conditions and the relevant Final Terms, subject in each case, to the extent provided in the relevant Final Terms, to adjustment in accordance with the applicable Business Day Convention (as defined in the Conditions) (such date, a "**CB Payment Date**").
CB Interest Period	Each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date) ("**CB Interest Period**").
Interest Commencement Date	In relation to any Series or Tranche of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms ("**Interest Commencement Date**").
Form of Covered Bonds	The Covered Bonds will be issued in dematerialised or in registered form (in the case of N Covered Bonds). The Covered Bonds issued in dematerialised form will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli account holders. Each Series or Tranche will be deposited with Monte Titoli on the relevant Issue Date in accordance with the Financial Services Act. Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with (i) the provisions of the Financial Services Act and (ii) the regulation issued by the Bank of Italy and CONSOB on 22 February 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form. The N Covered Bonds will be issued to each holder in the form of N Covered Bond (*Namensschuldverschreibung*), each issued with a minimum denomination indicated in the N Covered Bond Conditions attached thereto as Schedule 1 (which will not be less than Euro 200,000) and the Form of N Covered Bond Assignment Agreement as Schedule 2, together with the execution of the related N Covered Bond Agreement in the form set out herein (each, an "**N Covered Bond Agreement**"), save for the possibility for the Issuer to apply, at its indisputable discretion, a set of legal documentation which is formally different from the N Covered Bonds Conditions and the N Covered Bond Agreement, if agreed with the relevant Dealer in relation to a specific issue of N Covered Bonds. The N Covered Bond (*Namensschuldverschreibung*) (with the N Covered Bond Conditions attached thereto), and the related N Covered Bond Agreement will constitute the Final Terms in respect of each Series of N Covered Bonds. In the case of N Covered Bonds, each reference in the Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or

otherwise provided in the N Covered Bond (*Namensschuldverschreibung*), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement and, as applicable, each other reference to Final Terms in the Prospectus shall be construed and read as a reference to such N Covered Bond (*Namensschuldverschreibung*), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement.

A transfer of N Covered Bonds is deemed to be not effective until the transferee has delivered to the Registrar a duly executed copy of the N Covered Bond Certificate relating to such N Covered Bond along with a duly executed N Covered Bond Assignment Agreement. A transfer can only occur for the minimum denomination indicated in the N Covered Bond Conditions or multiples thereof.

References in this Prospectus to the Conditions or a particularly numbered Condition shall be construed, where relevant (and unless specified otherwise), to include the equivalent Condition in the N Covered Bond Conditions as supplemented by the relevant N Covered Bond Agreement and/or other applicable document.

Types of Covered Bonds

In accordance with the Conditions, the Covered Bonds may be Amortising Covered Bonds, Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms. The Covered Bonds may be Covered Bonds scheduled to be redeemed in full on the Maturity Date and Covered Bonds repayable in one or more instalments or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms. Each Series or tranche shall be comprised of Fixed Rate Covered Bonds only or Floating Rate Covered Bonds only or Amortising Covered Bonds only or Zero Coupon Covered Bonds only or such other Covered Bonds accruing interest on such other basis and at such other rate as may be so specified in the relevant Final Terms only.

Amortising Covered Bonds: Covered Bonds with a predefined amortisation schedule where, in addition to interest, the Issuer will pay, at each Covered Bond Instalment Date (as defined below) a portion of principal up to the relevant Maturity Date (as set out in the applicable Final Terms) in instalments.

Fixed Rate Covered Bonds: fixed interest on the Covered Bonds will be payable in accordance with the relevant Final Terms, on such date as may be agreed between the Issuer and the relevant Dealers and on redemption, and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

Floating Rate Covered Bonds: Floating Rate Covered Bonds will bear interest at a rate determined in accordance with the Conditions and the relevant Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealers for each Series or Tranche of Floating Rate Covered Bonds.

Other provisions in relation to Floating Rate Covered Bonds: Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Covered Bonds in respect of each CB Interest Period, as agreed prior to issue by the Issuer and the relevant Dealers, will be payable on such CB Payment Dates, and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

Zero Coupon Covered Bonds: Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

Issuance in Series

Covered Bonds will be issued in Series, but on different terms from each other, subject to the terms set out in the relevant Final Terms in respect of such Series. Covered Bonds of different Series will not be fungible among themselves. Series may be issued in more than one tranche (each a "**Tranche**") which are fungible among themselves within the Series and are identical in all respects, but having different issue dates, interest commencement dates, issue prices and dates for first interest payments. The Issuer will issue Covered Bonds without the prior consent of the holders of any outstanding Covered Bonds but subject to certain conditions (see "*Conditions Precedent to the Issuance of a new Series or Tranche of Covered Bonds*" below).

Final Terms

Specific final terms will be issued and published in accordance with the generally applicable terms and conditions of the Covered Bonds (the "**Conditions**") prior to the issue of each Series or Tranche detailing certain relevant terms thereof which, for the purposes of that Series or Tranche only, completes the Conditions and the Base Prospectus and must be read in conjunction with the Base Prospectus (such specific final terms, the "**Final Terms**"). The terms and conditions applicable to any particular Series or Tranche are the Conditions as completed by the relevant Final Terms. In the case of N Covered Bonds, each other reference to Final Terms in the Prospectus shall be construed and read as a reference to such N Covered Bond (*Namensschuldverschreibung*), the N Covered Bond Conditions attached thereto and the relevant N Covered Bond Agreement.

Interest on the Covered Bonds

Except for the Zero Coupon Covered Bonds and unless otherwise specified in the Conditions and the relevant Final Terms, the Covered Bonds will be interest-bearing and interest will be calculated on the principal amount outstanding of the relevant Covered Bonds (the "**Principal Amount Outstanding**"). Interest will be calculated on the basis of such Day Count Fraction in accordance with the Conditions and in the relevant Final Terms. Interest may accrue on the Covered Bonds at a fixed rate or a floating rate or on such other basis and at such rate as may be so specified in the relevant Final Terms and the method of calculating interest may vary between

	the Issue Date and the Maturity Date of the relevant Series or Tranche.
Redemption of the Covered Bonds	The applicable Final Terms relating to each Series or Tranche of Covered Bonds will indicate either (a) that the Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified cases, e.g. redemption by instalments if applicable, taxation reasons, or if it becomes unlawful for any Covered Bonds to remain outstanding, or following a Guarantor Event of Default), or (b) that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Representative of Covered Bondholders on behalf of the holders of the Covered Bonds (the "**Covered Bondholders**") and in accordance with the provisions of the Conditions and of the relevant Final Terms, on a date or dates specified prior to such maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealers (as set out in the applicable Final Terms) or (c) that such Covered Bonds will be redeemable at the option of the Covered Bondholders, as provided in Condition 8(h) (*Redemption at the option of Covered Bondholders*). Covered Bonds may be redeemable at par as may be specified in the relevant Final Terms and in any case the redemption amount shall be at least equal to par value. Covered Bonds may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Tax Gross Up and Redemption for taxation reasons	Payments in respect of the Covered Bonds to be made by the Issuer will be made without deduction for or on account of withholding taxes imposed by Italy, subject to the provisions of Condition 10 (*Taxation*). In the event that any such withholding or deduction is to be made, the Issuer will be required to pay additional amounts to cover the amounts so deducted. In such circumstances and **provided that** such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Covered Bonds will be redeemable (in whole, but not in part) at the option of the Issuer. See Condition 8(e) (*Redemption for tax reasons*). The Guarantor will not be liable to pay any additional amount due to taxation reasons following an Issuer Event of Default (as defined below).
Maturity Date	The maturity date for each Series or Tranche (the "**Maturity Date**") will be specified in the relevant Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the currency of the Covered Bonds. Unless previously redeemed as provided in Condition 8 (*Redemption and Purchase*), and subject to any provision regarding the extension of maturity which may be included in the Final Terms, the Covered Bonds of each Series or Tranche will be redeemed at their Principal Amount Outstanding on the relevant Maturity Date.
Extended Maturity Date	The applicable Final Terms relating to each Series or Tranche of Covered Bonds may also provide that the Guarantor's

obligations under the Covered Bond Guarantee to pay Guaranteed Amounts equal to the Final Redemption Amount (as defined below) of the applicable Series or Tranche of Covered Bonds on their Maturity Date may be deferred pursuant to the Conditions (the "**Extended Maturity Date**"). Such deferral will automatically occur, if so stated in the relevant Final Terms, if:

(a) an Issuer Event of Default has occurred; and

(b) the Guarantor has insufficient moneys available (in accordance with the Post-Issuer Event of Default Priority of Payments) to pay in full any amount representing the Guaranteed Amounts corresponding to the amount due (subject to the applicable grace period) in respect of the relevant Series or Tranche of Covered Bond as set out in the relevant Final Terms (the "**Final Redemption Amount**") on the Extension Determination Date.

In these circumstances, to the extent that the Guarantor has sufficient Available Funds (as defined below) to pay in part the Final Redemption Amount in respect of the relevant Series or Tranche of Covered Bonds, the Guarantor shall make on each CB Payment Date according to the relevant Final Terms partial payment of the relevant Final Redemption Amount, in accordance with the Post-Issuer Event of Default Priority of Payments (as defined below), without any preference among the Covered Bonds outstanding, except in respect of maturities of each Series or Tranche.

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, **provided that**, any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Guarantor on any CB Payment Date thereafter according to the relevant Final Terms, up to (and including) the relevant Extended Maturity Date. Interest will continue to accrue and be payable on any unpaid amount up to the Extended Maturity Date in accordance with Condition 8(b) (*Extension of maturity*).

Redemption by instalments

If the Covered Bonds are specified in the relevant Final Terms as being amortising and redeemable in instalments they will be redeemed in such number of instalments, in such amounts ("**Instalment Amounts**") and on such dates as may be specified in or determined in accordance with the relevant Final Terms and upon each partial redemption as provided by the Condition 8(c) (*Redemption by instalments*), the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

Extended Instalment Date

The applicable Final Terms relating to each Series or Tranche of Covered Bonds may also provide that the Guarantor's obligations under the Covered Bond Guarantee to pay Guaranteed Amounts corresponding to an Instalment Amount of the applicable Series or Tranche of Covered Bonds on the relevant Covered Bond Instalment Date may be deferred pursuant to the Conditions (the "**Extended Instalment Date**"). Such deferral will automatically occur, if so stated in the relevant Final Terms, if:

(a) an Issuer Event of Default has occurred; and

(b) the Guarantor has insufficient moneys available (in accordance with the Post-Issuer Event of Default Priority of Payments) to pay the Guaranteed Amounts corresponding to the Instalment Amount in full in respect of the relevant Series or Tranche of Covered Bond as set out in the relevant Final Terms on the Instalment Extension Determination Date.

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Instalment Date, **provided that**, any amount representing the Instalment Amounts due and remaining unpaid after the Instalment Extension Determination Date (as defined below) may be paid by the Guarantor on any CB Payment Date thereafter according to the relevant Final Terms, up to (and including) the relevant Extended Instalment Date. Interest will continue to accrue and be payable on any unpaid amount up to the Extended Instalment Date in accordance with Condition 8(d) (*Extension of principal instalments*).

"**Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling 2 Business Days after the expiry of seven days from (and including) such Covered Bond Instalment Date.

"**Covered Bond Instalment Date**" means a date on which a principal instalment is due on a Series of Covered Bonds as specified in the relevant Final Terms.

Ranking of the Covered Bonds

The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantor and will rank *pari passu* without any preference among themselves, except in respect of maturities of each Series or Tranche, and (save for any applicable statutory provisions) at least equally with all other present and future unsecured, unsubordinated obligations of the Issuer having the same maturity of each Series or Tranche of the Covered Bonds, from time to time outstanding.

Recourse

In accordance with the legal framework established by Law 130 and the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the "**MEF Decree**") and with the terms and conditions of the relevant Transaction Documents (as defined below), the Covered Bondholders will benefit from recourse on the Issuer and limited recourse on the Guarantor. The obligation of the Guarantor under the Covered Bond Guarantee shall be limited recourse to the Available Funds. For a more detailed description, see section "*Credit Structure*".

Provisions of Transaction Documents

The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

Conditions Precedent to the Issuance of a new Series or Tranche of Covered Bonds	The Issuer will be entitled to (but not obliged to) at its option, on any date and without the consent of the holders of the Covered Bonds issued beforehand and of any other creditors of the Guarantor or of the Issuer, issue further Series or Tranche of Covered Bonds other than the first issued Series or Tranche, subject to: (i) satisfaction of the Tests both before and immediately after such further issue of Covered Bonds; and (ii) compliance with the requirements of issuing/assigning banks (*Requisiti delle banche emittenti e/o cedenti*; see Section II, Paragraph 1 of the BoI Regulations, the "**Conditions to the Issue**"); and (iii) no Issuer Event of Default (as defined below) having occurred. The payment obligations under the Covered Bonds issued under all Series shall be cross-collateralised by all the assets included in the Cover Pool, through the Covered Bond Guarantee (as defined below) (see also section "*Ranking of the Covered Bonds*")
Listing and admission to trading	This prospectus has been approved by the CSSF as a base prospectus issued in compliance with the Prospectus Directive. Application has been made for Covered Bonds issued under the Programme other than N Covered Bonds to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Covered Bonds may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealers in relation to the Series or Tranche. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. The N Covered Bonds will not be listed and/or admitted to trading on any market. The CSSF has neither reviewed nor approved the information contained in this Prospectus in relation to any issuance of the Covered Bonds that are not to be publicly offered and not to be admitted to trading on the regulated market of any Stock Exchange in any EU Member State and for which a prospectus is not required in accordance with the Prospectus Directive. The CSSF has neither reviewed nor approved the information contained in this Prospectus in relation to any issuance of the Covered Bonds that are not to be publicly offered and not to be admitted to trading on the regulated market of any Stock Exchange in any EU Member State and for which a prospectus is not required in accordance with the Prospectus Directive.
Settlement	Covered Bonds will be settled through Monte Titoli, Euroclear, Clearstream or any other clearing system as may be specified

in the relevant Final Terms. N Covered Bonds will not be settled through a clearing system.

Governing law

The Covered Bonds and the Transaction Documents will be governed by Italian law, except for the Swap Agreements and the Deeds of Charge, which will be governed by English law.

The N Covered Bonds will be governed by the laws of the Federal Republic of Germany or by whatever law chosen by the Issuer (to be supplemented with the specific provisions required under German law in order for the N Covered Bonds to be a German law registered note (*Namensschuld verschreibung*) **provided that**, in any case, provisions applicable to the Issuer and Cover Pool shall be confirmed to be governed by Italian law.

Ratings

Each Series or Tranche issued under the Programme may or may not be assigned a rating by one or more of the Rating Agencies as specified in the relevant Final Terms on the Issue Date. **A credit rating, if provided, is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant Rating Agency**.

Purchase of the Covered Bonds by the Issuer

The Issuer may at any time purchase any Covered Bonds in the open market or otherwise and at any price. If purchase is made by tender, tenders must be available to all holders of the Series or Tranche which the Issuer intends to buy.

3. COVERED BOND GUARANTEE

Security for the Covered Bonds

In accordance with Law 130, by virtue of the Covered Bond Guarantee, the Covered Bondholders will benefit from a guarantee issued by the Guarantor which will, in turn, hold a portfolio of receivables transferred by the Sellers and Additional Sellers, if any, consisting of Eligible Assets and Integration Assets (as defined below).

The Eligible Assets

The receivables forming part of the Cover Pool may consist of some or all of the following assets: (i) Italian residential and commercial mortgage loans (*mutui ipotecari residenziali e commerciali*) pursuant to Article 2, paragraph 1, lett. (a) and (b), of the MEF Decree (the "**Mortgage Loans**" and, collectively, the "**Mortgage Cover Pool**"); (ii) loans granted to, or guaranteed by, (on the basis of "*guarantees valid for the purpose of credit risk mitigation*" (*garanzie valide ai fini della mitigazione del rischio di credito*), as defined by Article 1, paragraph 1, lett. h) of the MEF Decree), the public entities indicated in Article 2, paragraph 1, lett. (c), of the MEF Decree (including (a) public administrations of Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the "*Standardised Approach*" to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the "*Standardised Approach*" to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight

factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the "*Standardised Approach*" to credit risk measurement (**provided that** such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Guarantor); (iii) securities issued or guaranteed by the public entities referred to under paragraph (ii) above ((ii) and (iii) to be jointly referred to as the "**Public Assets**"); and (iv) securities issued in the framework of securitisations with 95 per cent. of the underlying assets of the same nature as in (i), (ii) and (iii) above (the "**ABS**"). Assets under (i), (ii), (iii) and (iv) are jointly defined as the "**Eligible Assets**".

The Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee issued in the context of the Programme the Guarantor will be obliged to pay Guaranteed Amounts in respect of the Covered Bonds on the relevant Due for Payment Date in accordance with the relevant Priority of Payments (as defined herein).

The obligations of the Guarantor to make payments in respect of the Guaranteed Amounts when due for payment are subject to the conditions that an Issuer Event of Default has occurred and a Notice to Pay has been served by the Representative of the Covered Bondholders on the Issuer and on the Guarantor or, if earlier, a Guarantor Event of Default has occurred and an Acceleration Notice has been served on the Guarantor. The obligations of the Guarantor will accelerate with respect to all Guaranteed Amounts once an Acceleration Notice has been delivered to the Guarantor.

The obligations of the Guarantor under the Covered Bond Guarantee shall constitute a first demand, unconditional and independent guarantee (*garanzia autonoma a prima richiesta*) and certain provisions of the Italian Civil Code relating to non-autonomous personal guarantees (*fidejussioni*), specified in the MEF Decree, shall not apply to the Covered Bond Guarantee. Accordingly, the obligations under the Covered Bond Guarantee shall be direct, unconditional, unsubordinated obligations of the Guarantor, with limited recourse to the Available Funds (as defined below), irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer.

For a more detailed description, see section "*Description of the Transaction Documents – Covered Bond Guarantee*".

4. ISSUER EVENTS OF DEFAULT, GUARANTOR EVENTS OF DEFAULT AND PRIORITIES OF PAYMENTS

Issuer Events of Default

The following events with respect to the Issuer shall constitute "**Issuer Events of Default**":

(i) failure by the Issuer for a period of 15 days or more to pay any principal or redemption amount, or any interest on the Covered Bonds of any Series or Tranche when due; or

(ii) breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any

obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the tests), (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iii) if, following the delivery of a Breach of Test Notice, the Tests (as defined below) are not met at, or prior to, the next Calculation Date unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise; or

(iv) an Insolvency Event of the Issuer; or

(v) an Article 74 Event has occurred (as defined below),

If an Issuer Event of Default occurs, the Representative of the Covered Bondholders will serve a notice (the "**Notice to Pay**") on the Issuer and Guarantor that an Issuer Event of Default has occurred, (specifying, in case of an Article 74 Event, that the Issuer Event of Default may be temporary) unless the Representative of the Covered Bondholders, having exercised its discretion, resolves otherwise or an Extraordinary Resolution is passed resolving otherwise.

Upon the service of a Notice to Pay:

(a) each Series or Tranche of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, **provided that** (A) such events shall not trigger an acceleration against the Guarantor, (B) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer and (C) in case of an Article 74 Event (i) the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period (as defined below) and (ii) upon the end of the Suspension Period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);

(b) the Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in

accordance with the provisions of the Covered Bond Guarantee (See Sections *Covered Bond Guarantee*);

(c) the Mandatory Tests shall continue to be applied and the Amortisation Test shall be also applied;

(d) no further Covered Bonds will be issued,

provided that, in case of an Article 74 Event, the effects listed in items from (a) to (c) above will only apply during the Suspension Period.

Suspension Period means the period of time following a resolution pursuant to Article 74 of the Banking Law is passed in respect of the Issuer (the "**Article 74 Event**"), in which the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the Guaranteed Amounts due and payable within the entire period in which the suspension continues.

The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of a notice to the Issuer, the Guarantor and the Asset Monitor (the "**Article 74 Event Cure Notice**"), informing such parties that the Article 74 Event has been cured.

Guarantor Events of Default

Following an Issuer Event of Default, the following events shall constitute "**Guarantor Events of Default**":

(i) failure by the Guarantor for a period of 15 days or more to pay any amounts due for payment in respect of the Covered Bonds of any Series or Tranche; or

(ii) breach of the Mandatory Tests or the Amortisation Test on any Calculation Date; or

(iii) breach by the Guarantor of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the tests), (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iv) an Insolvency Event of the Guarantor.

If a Guarantor Event of Default occurs, the Representative of the Covered Bondholders shall serve a notice on the Guarantor (the "**Acceleration Notice**") that a Guarantor Event of Default has occurred, unless the Representative of the Covered Bondholders, having exercised its discretion, resolves

otherwise or an Extraordinary Resolution is passed resolving otherwise. In case on conflict between the Representative of the Covered Bondholders and the Extraordinary Resolution passed in a Meeting, the latter will prevail.

Upon the service of the Acceleration Notice, all Covered Bonds will become immediately due and payable by the Guarantor at their Early Redemption Amount, together with any accrued interest and they will rank *pari passu* amongst themselves.

Cross Acceleration

After the delivery of an Acceleration Notice with respect to a Series or Tranche, all Series or Tranche of Covered Bonds then outstanding will cross accelerate at the same time against the Guarantor, **provided that** the Covered Bonds does not otherwise contain a cross default provision and will thus not cross accelerate against the Guarantor in case of an Issuer Event of Default.

Pre-Issuer Event of Default Interest Priority of Payments

On each Guarantor Payment Date, prior to the service of a Notice to Pay, the Guarantor will use Interest Available Funds (as defined below) to make payments or to make provisions towards payments due before the following Guarantor Payment Date in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof any and all taxes due and payable by the Guarantor, to the extent that such sums are not met by utilising the amounts standing to the credit of the Expense Account and to credit the amount necessary to replenish the Expense Account up to the Expense Required Amount;

(ii) *second*, to pay, *pari passu* and *pro rata*: a) according to the respective amounts thereof any Guarantor's documented fees, costs, expenses, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation (the "**Expenses**"), to the extent that such costs and expenses are not met by utilising the amount standing to the credit of the Expense Account; and b) the amounts of interests (if any) accrued on the Purchase Price due to the Sellers on a preceding Transfer Date in accordance with the Master Transfer Agreement;

(iii) *third*, to pay, in the following order any amount due and payable (including fees, costs and expenses) to the extent that these are not due by the Issuer to:

(A) the Representative of the Covered Bondholders;

(B) *pari passu* and *pro rata* according to the respective amounts thereof, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Asset Monitor, the Italian Account Bank, the Collateral Account Bank, the Transaction Bank, the

Investment Manager, the Principal Paying Agent, the Italian Paying Agent, the Registrar (if any), the Servicers, the Back-up Servicer Facilitator and the Back-up Servicer (if any);

(iv) *fourth*, any interest amount due to the Mortgage Pool Swap Counterparty and (if any) the Asset Swap Counterparty (including any termination payment due and payable by the Guarantor, except the Excluded Swap Termination Amount);

(v) *fifth*, *pari passu* and *pro rata*:

(a) interest amounts due to the Covered Bond Swap Counterparties, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the Guarantor except the Excluded Swap Termination Amount);

(b) any Base Interests due and payable on each Guarantor Payment Date to the Sellers pursuant to the terms of the Subordinated Loan Agreement, **provided that** the Tests are satisfied on such Guarantor Payment Date;

(vi) *sixth*, to credit the Moody's Potential Commingling Amount in an account opened in the name of the Guarantor with an Eligible Institution if required pursuant to the provisions of the Cover Pool Administration Agreement;

(vii) *seventh*, to credit to the Reserve Account an amount required to ensure that the Reserve Account is funded up to the Reserve Required Amount, as calculated on the immediately preceding Calculation Date;

(viii) *eight*, upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Transaction Account until such Servicer Termination Event is either remedied or waived by the Representative of the Covered Bondholders or a new servicer is appointed;

(ix) *ninth*, to pay, *pro rata* and *pari passu*, in accordance with the respective amounts thereof any Excluded Swap Termination Amount;

(x) *tenth*, to allocate to the credit of the Principal Available Funds an amount equal to the amounts paid under item (i) of the Pre-Issuer Event of Default Principal Priority of Payments in the preceding Guarantor Payment Dates; and

(xi) *eleventh*, to pay any interest amount due under the Facility Liquidity Agreement, **provided that** no breach of Tests has occurred and is continuing

(xii) *twelfth*, to pay any Premium Interests on the Subordinated Loan, **provided that** no breach of Tests has occurred and is continuing.

(the "**Pre-Issuer Event of Default Interest Priority of Payments**").

For the avoidance of doubt any Swap Collateral Excluded Amounts will be paid to the relevant Swap Counterparty directly and not under the Priority of Payments.

"**Swap Collateral Excluded Amounts**" means equivalent collateral of the same type, nominal value and description as the Swap Collateral received by the Guarantor pursuant to the provisions of the relevant Swap Agreement, which is to be transferred back by the Guarantor to the relevant Swap Counterparty from time to time in accordance with the terms of the relevant Swap Agreement.

"**Guarantor Payment Date**" means the 25th day of each month, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Guarantor Event of Default, each Business Day.

"**Excluded Swap Termination Amount**" means any termination payment due and payable by the Guarantor to a Swap Counterparty, where the Swap Counterparty is the Defaulting Party or the sole Affected Party pursuant to the relevant Swap Agreement.

Pre-Issuer Event of Default Principal Priority of Payments

On each Guarantor Payment Date, prior to the service of a Notice to Pay, the Guarantor will use Principal Available Funds (as defined below) to make payments or to make provisions towards payments due before the following Guarantor Payment Date in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay any amount due and payable under items (i) to (vii) of the Pre-Issuer Event of Default Interest Priority of Payments, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;

(ii) *second*, to acquire Subsequent Receivables of Eligible Assets and/or Integration Assets (other than those funded through the proceeds of the Subordinated Loan);

(iii) *third*, to pay, *pro rata* and *pari passu*:

(A) any principal amounts due or to become due and payable to the relevant Covered Bond Swap Counterparties *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement;

(B) the amounts (in respect of principal) due or to become due and payable under the Facility Liquidity Agreement **provided that** in any

case the Asset Coverage Test and the Mandatory Tests are still satisfied after such payment and/or, where applicable, **provided that** no amounts shall be applied to make a payment in respect of the Facility Liquidity if the principal amounts outstanding under the relevant Series or Tranche of Covered Bonds which have fallen due for payment on such Guarantor Payment Date have not been repaid in full by the Issuer; and

(C) the amounts (in respect of principal) due or to become due and payable under the Subordinated Loan **provided that** in any case the Asset Coverage Test and the Mandatory Tests are still satisfied after such payment and/or, where applicable, **provided that** no amounts shall be applied to make a payment in respect of the Subordinated Loan if the principal amounts outstanding under the relevant Series or Tranche of Covered Bonds which have fallen due for payment on such Guarantor Payment Date have not been repaid in full by the Issuer.

(the "**Pre-Issuer Event of Default Principal Priority of Payments**").

For the avoidance of doubt any Swap Collateral Excluded Amounts will be paid to the relevant Swap Counterparty directly and not under the Priority of Payments.

Interest Available Funds

On each Guarantor Payment Date the "**Interest Available Funds**" shall include:

(a) any interest collected by the Servicers in respect of the Cover Pool and credited into the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date (excluding any amount of interest collected on the Initial Receivables or the Subsequent Receivables which have been included in the calculation of the relevant Purchase Price as at the relevant Transfer Date);

(b) all recoveries in the nature of interest and penalties received by the Servicers and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(c) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the Collection Period preceding the relevant Guarantor Payment Date;

(d) all interest amounts received from the Eligible Investments;

(e) any amounts other than in respect of principal received under the Mortgage Pool Swap (other than any Swap Collateral), **provided that**, prior to the occurrence of a Guarantor Event of Default, any such

amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Covered Bond Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments under the Subordinated Loan Agreement; and **provided further that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received or to be received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(f) any amounts other than in respect of principal received under the Covered Bond Swaps (other than any Swap Collateral), **provided that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of interest due and payable under the Subordinated Loan Agreement or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of interest on the Covered Bonds under the Covered Bond Guarantee, *pro rata* and *pari passu* in respect of each relevant Series or Tranche of Covered Bonds; and **provided further that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(g) any swap termination payments received from a Swap Counterparty under a Swap Agreement, **provided that**, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a Replacement Swap Counterparty to enter into a Replacement Swap Agreement, unless a

Replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;

(h) prior to the service of a Notice to Pay on the Guarantor amounts standing to the credit of the Reserve Fund in excess of the Required Reserve Amount and following the service of a Notice to Pay on the Guarantor, any amounts standing to the credit of the Reserve Account;

(i) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

(j) the Moody's Potential Commingling Amount if such amount has been credited in accordance with the provisions of the Cover Pool Administration Agreement and (i) an Issuer Event of Default has occurred or (ii) the Issuer's short term rating assigned by Moody's has been restored to at least P-1.

"**Reserve Fund**" means any amounts standing to the credit of the Reserve Account up to the Required Reserve Amount.

"**Required Reserve Amount**" means, if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F-1+ by Fitch and P-1 by Moody's and R-1 (High) by DBRS, nil or such other amount as the Issuer shall direct the Guarantor from time to time and otherwise, an amount which will be determined on each Calculation Date and which will be equal to the aggregate amount of (a) one fourth of the annual amount payable under items (ii) and (iii) of the Pre-Issuer Event of Default Interest Priority of Payments; (b) any interest amounts due in the next three months to the Covered Bond Swap Counterparties in respect of each relevant Covered Bond Swap or, if no Covered Bond Swap has been entered into or if it has been entered into with Banca Carige in relation to a Series of Covered Bonds, the interests amounts due in relation to that Series of Covered Bonds in the next three months and (c) Euro 400,000.00.

Principal Available Funds

On each Guarantor Payment Date the "**Principal Available Funds**" shall include:

(a) all principal amounts collected by the Servicers in respect of the Receivables and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(b) all other recoveries in the nature of principal collected by the Servicers and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(c) all proceeds deriving from the sale, if any, of the Receivables;

(d) all amounts in respect of principal (if any) received under any Swap Agreements (other than the Swap Collateral) **provided that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Issuance Advances (**provided that** all principal amounts outstanding under a relevant Series or Tranche of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Covered Bond Guarantee, *pro rata* and *pari passu* in respect of each relevant Series or Tranche of Covered Bonds; and **provided further that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date but prior to the next following Guarantor Payment Date which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Principal Available Funds on such Guarantor Payment Date;

(e) any amounts granted by the Sellers under the Subordinated Loan Agreement and not used to fund the payment of the purchase of any Eligible Assets and/or Integration Asset;

(f) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

(g) any amounts of interest collected on the Initial Receivables or the Subsequent Receivables which have been included in the calculation of the Initial Purchase Price as at the relevant Transfer Date.

(h) any amounts granted by the Liquidity Facility Provider under the Liquidity Facility Agreement.

"**Collection Period**" means each monthly period of each year, commencing on (and including) the first calendar day of each month and ending on (and including) the last calendar day of the same month.

Post-Issuer Event of Default Priority of Payments

On each Guarantor Payment Date, following an Issuer Event of Default and service of a Notice to Pay, but prior to the occurrence of any Guarantor Event of Default, the Guarantor will use the Available Funds, to make payments or to make provisions towards payments due before the following Guarantor Payment Date in the order of priority set out below

(in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;

(ii) *second*, to pay, in the following order, any amount due and payable to:

(A) the Representative of the Covered Bondholders;

(B) *pari passu* and *pro rata* according to the respective amounts thereof, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Asset Monitor, the Italian Account Bank, the Collateral Account Bank (if any), the Investment Manager, the Transaction Bank, the Principal Paying Agent, the Italian Paying Agent, the Cover Pool Manager (if any), the Registrar (if any), the Servicers, the Back-up Servicer Facilitator and the Back-up Servicer (if any);

(iii) *third*, to pay *pro rata* and *pari passu*:

(A) interest payments due to the Swap Counterparties (including any termination payment due and payable by the Guarantor but excluding any Excluded Swap Termination Amount); and

(B) interest due under the Covered Bond Guarantee in respect of each Series or Tranche of Covered Bonds,

(iv) *fourth*, to pay *pro rata* and *pari passu*: a) principal payments due to the Swap Counterparties (including any termination payment due and payable by the Guarantor but excluding any Excluded Swap Termination Amount); and b) principal due under the Covered Bond Guarantee in respect of each Series or Tranche of Covered Bonds;

(v) *fifth* after each Series or Tranche of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series or Tranche of Covered Bonds) to pay *pro rata and pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

(vi) *sixth*, after the Covered Bonds have been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each

outstanding Series or Tranche of Covered Bonds) to pay any amounts outstanding under the Facility Liquidity Agreement;

(vii) *seventh*, after the Covered Bonds have been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series or Tranche of Covered Bonds) any remaining moneys will be applied in and towards repayment in full of amounts outstanding under the Subordinated Loan Agreement.

(the "**Post-Issuer Event of Default Priority of Payments**").

On each Guarantor Payment Date, the "**Available Funds**" shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) the amounts received by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree (the "**Excess Proceeds**") **provided that** the Available Funds do not include the Swap Collateral

Eligible Investments

Any investment denominated in Euro that has a remaining maturity date falling, or which is redeemable at par together with accrued unpaid interest, no later than the earlier of (i) the maturity reported in the table below and (ii) the Liquidation Date immediately preceding the CB Payment Date of the Earliest Maturing Covered Bonds and that is an obligation of a company incorporated in, or a sovereign issuer of, a Qualifying Country (as defined below) and is one or more of the following obligations or securities (including, without limitation, any obligations or securities for which the Representative of the Covered Bondholders or an affiliate of any of them provides services):

(i) direct obligations of any agency or instrumentality of a sovereign of a Qualifying Country, the obligations of which agency or instrumentality are unconditionally and irrevocably guaranteed in full by a Qualifying Country, a "**Qualifying Country**" being a country rated at the time of such investment or contractual commitment providing for such investment in such obligations, at least "AA-" or "F1+" by Fitch and "Aa3" and "P1" by Moody's (or, in the case of investments with a maturity longer than six months "Aaa" and "P1" by Moody's, and, in the case of investments with a maturity longer than 365 days, "AAA" by Fitch) and "AA (low)" or "R-1 (middle)" by DBRS;

(ii) demand deposits (held with an Eligible Institution) and time deposits in, certificates of deposit of and bankers' acceptances issued by any depositary institution or trust company (including, without limitation, the Transaction Bank and the Italian Account Bank **provided that** they qualify as an Eligible Institution) incorporated under the laws of a Qualifying Country and subject to supervision and examination by governmental banking authorities, **provided that** such investments shall have (a) a

minimum rating equal to the ones reported on the following table (**provided that**, in relation to the rating assigned by Fitch, if the relevant issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating);

Maturity	Rating	
	Moody's	Fitch
Less than 365 calendar days	P-1	F1+/AA-
Less than 30 calendar days	P-1	F1/A;

and, (b) with respect to the rating issued by DBRS, a minimum rating equal to the ones reported on the following table;

DBRS A Table: Eligible Investments with a maturity up to 30 days: CB Rating	**Eligible Investment Rating**
AAA	A or R-1(middle)
AA (high)	A or R-1(middle)
AA	A or R-1(middle)
AA (low)	A or R-1(middle)
A (high)	BBB (high) or R-2 (high)
A	BBB or R-2 (middle)
A (low)	BBB (low) or R-2 (low)
BBB (high)	BBB (low) or R-2 (low)
BBB	BBB (low) or R-2 (low)
BBB (low)	BBB (low) or R-2 (low)
BB (high)	BB (high) or R-3
BB	BB or R-4
BB (low)	BB (low) or R-4

(iii) any security rated at least (A) "P-1" by Moody's and "A" and "F1" by Fitch (**provided that**, in relation to the rating assigned by Fitch, if the relevant issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating), if the relevant maturity is up to 30 calendar days, (B) "P-1" by Moody's and "AA-" or "F1+" by Fitch (**provided that**, in relation to the rating assigned by Fitch, if the relevant issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating), if the relevant maturity is up to 365 calendar days (C) "Aaa" by Moody's and "AAA" by Fitch (**provided that**, in relation to the rating assigned by Fitch, if the relevant issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating), if the relevant maturity is greater than 365 days, and (D) rated by DBRS according to the DBRS B Table below, **provided that**, in all cases, the maximum aggregate total exposures in general to classes of

assets with certain ratings by the Ratings Agencies may be limited;

Maximum maturity	CB rated at least AA (low)	CB rated between A (high) and A (low)	CB rated BBB (high) and below
90 days	AA (low) or R-1 (middle)	A (low) or R-1 (low)	BBB (low) or R-2 (middle)
180 days	AA or R-1 (high)	A or R-1 (low)	BBB or R-2 (high)
365 days	AAA or R-1 (high)	A (high) or R-1 (middle)	BBB or R-2 (high)

(iv) any Eligible Asset and/or public entity securities and/or ABS, **provided that**, in all cases, such investments shall from time to time comply with Rating Agencies' criteria;

subject to the rating of the Covered Bonds not being affected, unleveraged repurchase obligations with respect to: (1) commercial paper or other short-term obligations having, at the time of such investment, a credit rating of at least "AA-" or "F1+" by Fitch (**provided that**, in relation to the rating assigned by Fitch, if the relevant issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating) and "Aa3" and "P1" by Moody's and a maturity of not more than 180 days from their date of issuance and, with respect to DBRS, a credit rating of the counterparty according to the DBRS A Table and DBRS B Table above; (2) off-shore money market funds rated, at all times, "AAA/V-1" by Fitch (**provided that**, in relation to the rating assigned by Fitch, if the relevant issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating) and "Aaa/MR1+" by Moody's and, with respect to DBRS, a credit rating of the counterparty according to the DBRS A Table and DBRS B Table above; and (3) any other investment similar to those described in paragraphs (1) and (2) above: (a) **provided that** any such other investment will not affect the rating of the Covered Bonds; and (b) which has the same rating as the investment described in paragraphs (1) and (2) above, **provided that**, in any event, none of the investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time and (y) title to the securities underlying such repurchase transactions (in the period between the execution of the relevant repurchase transactions and their respective maturity) effectively passes (as confirmed by a non qualified legal opinion by a primary standing law firm) to the Issuer and the obligations of the counterparty to such repurchase transactions are not related to the performance of the underlying securities.

(the "**Eligible Investments**").

"**Liquidation Date**"means the date of disinvestment of the Eligible Investments made by the Cash Manager, upon the instructions received by the Investment Manager, in respect of each Collection Period, falling not later that one Business Day prior to the immediately following Calculation Date.

Post-Guarantor Event of Default Priority of Payments

On each Guarantor Payment Date, following a Guarantor Event of Default and service of an Acceleration Notice, the Available Funds will be used to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes;

(ii) *second*, to pay, in the following order, any amount due and payable to:

(A) the Representative of the Covered Bondholders;

(B) *pari passu* and *pro rata* according to the respective amounts thereof, the Servicers, the Cash Manager, the Italian Account Bank, the Collateral Account Bank (if any), the Transaction Bank, the Investment Manager, the Calculation Agent, the Corporate Servicer, the Principal Paying Agent, the Italian Paying Agent, the Asset Monitor, the Cover Pool Manager (if any), the Registrar (if any), the Back-up Servicer Facilitator and the Back-up Servicer (if any);

(iii) *third*, to pay *pro rata* and *pari passu*:

(A) principal and interests due to the Swap Counterparties (including any termination payment due and payable by the Guarantor but excluding any Excluded Swap Termination Amount); and

(B) principal and interests due under the Covered Bond Guarantee in respect of each Series or Tranche of Covered Bonds;

(iv) *fourth*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

(v) *fifth*, to pay any amounts outstanding under the Facility Liquidity Agreement;

(vi) *sixth*, to pay any remaining moneys towards repayment of amounts outstanding under the Subordinated Loan Agreement.

(the "**Post-Guarantor Event of Default Priority of Payments**" and, together with the Pre-Issuer Event of Default Principal Priority of Payments, the Pre-Issuer Event of Default

Interest Priority of Payments, the Post-Issuer Event of Default Priority of Payments, are collectively referred to as the "**Priorities of Payments**").

5. CREATION AND ADMINISTRATION OF THE COVER POOL

Transfer of the Receivables

Pursuant to a master transfer agreement entered into between the Sellers and the Guarantor, dated on 14 November 2008, as subsequently amended (the "**Master Transfer Agreement**"), (a) the Sellers (other than Carige Italia) transferred to the Guarantor an initial portfolio comprising certain Eligible Assets (the "**Initial Receivables**") and (b) the Sellers may assign and transfer further Eligible Assets and/or Integration Assets to the Guarantor from time to time, in the cases and subject to the limits on the transfer of further Eligible Assets and/or Integration Assets referred to below (such Eligible Assets and Integration Assets (other than deposits opened with banks residing in Eligible States) are referred to as the "**Subsequent Receivables**").

The Guarantor may acquire Subsequent Receivables, as the case may be, in order to:

(a) collateralise and allow the issue of further series or tranches of Covered Bonds by the Issuer, subject to the limits to the assignment of further Eligible Assets set forth by the BoI Regulations (*Limiti alla cessione*; see Section II, Paragraph 2 of the BoI Regulations, the "**Limits to the Assignment**") (the "**Issuance Assignment**");

(b) invest the Principal Available Funds, subject to the Limits to the Assignment, **provided that** no Issuer Event of Default or Guarantor Event of Default has occurred (the "**Revolving Assignment**"); or

(c) ensure compliance with the Tests in accordance with the Cover Pool Administration Agreement (the "**Integration Assignment**").

Pursuant to the Master Transfer Agreement, and subject to the conditions provided therein, the Sellers shall be allowed to repurchase Eligible Assets which have been assigned to the Guarantor.

The Eligible Assets and the Integration Assets will be assigned and transferred to the Guarantor without recourse (*pro soluto*) in accordance with the OBG Regulations and subject to the terms and conditions of the Master Transfer Agreement.

Representations and Warranties of the Seller

Under a warranty and indemnity agreement entered into between the Sellers and the Guarantor, dated 14 November 2008, as subsequently amended (the "**Warranty and Indemnity Agreement**"), each of the Sellers has made certain representations and warranties regarding itself and the Receivables including, *inter alia*:

(i) its status, capacity and authority to enter into the Transaction Documents and assume the obligations expressed to be assumed by it therein;

(ii) the legality, validity, binding nature and enforceability of the obligations assumed by it;

(iii) the existence of the Receivables, the absence of any lien attaching the Receivables; subject to the applicable provisions of laws and of the relevant agreements, the full, unconditional, legal title of the Sellers to the Receivables;

(iv) the validity and enforceability, subject to the applicable provisions of laws and of the relevant agreements, against the relevant Debtors of the obligations from which the Receivables arise.

For the purpose hereof:

"**Debtors**" means any person, entity or subject, also different from the beneficiary, who is liable for the payment of amounts due, as principal and interest, in respect of a Receivable.

General Criteria

Each of the receivables deriving from the Mortgage Loans forming part of the Cover Pool shall comply with all of the following criteria (the "**Mortgage Loans General Criteria**"):

Receivables arising from Mortgage Loans:

1. which are, at the relevant Transfer Date, mortgage loans, in respect of which the relevant amount outstanding, added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent. for the residential mortgage loans or 60 per cent. for the commercial mortgage loans, as the case may be, of the value of the property, in accordance with the MEF Decree;

2. which did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati*);

3. which have not been granted to public entities (*enti pubblici*), clerical entities (*enti ecclesiastici*) or public consortium (*consorzi pubblici*);

4. which are not consumer loans (*crediti al consumo*);

5. which are not a *mutuo agrario* pursuant to Articles 43, 44 and 45 of the Banking Law;

6. which are secured by a mortgage created over real estate assets in accordance with applicable laws and regulations, and located in the Republic of Italy;

7. which are originated by (i) Banca Carige or other banks belonging to the Banca Carige Group or (ii) other banks which are not part of the Banca Carige Group which Mortgage Loans have been acquired by Banca Carige either directly or through the purchase of the relevant branches;

8. the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*), such term meaning (i) a first ranking mortgage or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is Banca Carige and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage;

9. in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Art.39, fourth paragraph of the Banking Law;

10. which are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

11. for which at least an instalment inclusive of principal has been paid before the transfer (*i.e.* loans that are not in the pre-amortising phase);

12. which derive from mortgage loan agreements under which the instalments are either paid by debiting bank accounts held with Banca Carige or a branch of Banca Carige or by RID;

13. which, as of the transfer date, did not have any instalment pending for more than 30 days from its due date and in respect of which all other previous instalments falling due before the transfer date have been fully paid;

14. which are governed by Italian law;

15. which have not been granted to individuals that as of the origination date were employees of a bank of the Banca Carige Group;

16. which are denominated in Euro (or disbursed in a different currency and then re-denominated in Euro);

17. in respect of which none of the relevant borrowers or obligors has been served by Banca Carige with a writ of enforcement (*precetto*) or an injunction order (*decreto ingiuntivo*) or entered into an out-of-court settlement following a non payment;

18. which are identified by a SAE code lower than 700;

19. which are not fractioned loans as at the relevant Transfer Date (unless such loans have been subject to assumption of debt ("*accollo*"));

Receivables arising from Public Assets:

Loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c), of the MEF Decree.

Each of the receivables deriving from the ABS forming part of the Cover Pool shall comply with all of the following criteria (the "**ABS General Criteria**"):

Receivables arising from ABS:

Securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, lett. (d), of the MEF Decree.

The Receivables shall also comply with the Specific Criteria.

"**Specific Criteria**" means the criteria for the selection of the Receivables to be included in the portfolios to which such criteria are applied, set forth in Schedule 1 to the Master Transfer Agreement for the Initial Receivables and in the relevant Offer for Subsequent Receivables.

"**General Criteria**" means the Mortgage Loans General Criteria and/or the Public Assets General Criteria and/or the ABS General Criteria.

"**Criteria**" means jointly the General Criteria and the Specific Criteria.

Tests

The Mandatory Tests

In accordance with the Cover Pool Administration Agreement and the provisions of the MEF Decree, for so long as the Covered Bonds remain outstanding, the Sellers and the Issuer shall procure on a continuing basis and for the whole life of the Programme that:

Nominal Value Test

(i) the outstanding aggregate notional amount of the assets comprised in the Cover Pool shall be at least equal to, or higher than, the aggregate notional amount of all outstanding Series or Tranche of Covered Bonds (the "**Nominal Value Test**") **provided that**, prior to the occurrence of an Issuer Event of Default, the Nominal Value Test will always be deemed to be met to the extent that the Asset Coverage Test (as defined below) is met as of the relevant Calculation Date, and following the occurrence of an Issuer Event of Default, such test will be deemed to be met to the extent that the Amortisation Test is met;

Net Present Value Test

(ii) the net present value of the Cover Pool (net of the transaction costs to be borne by the Guarantor including the expected costs of any hedging arrangement entered into in relation to the transaction) shall be at least equal to, or higher than, the net present

value of the outstanding Covered Bonds, also taking into account the payments expected to be received under the hedging arrangements (the "**NPV Test**");

Interest Coverage Test

(iii) the amount of interests and other revenues generated by the assets included in the Cover Pool, net of the costs borne by the Guarantor, shall be at least equal to, or higher than, the interests and costs due by the Issuer under the Covered Bonds, taking also into account the payments to be made or received under any hedging arrangements entered into in relation to the transaction (the "**Interest Coverage Test**"),

(the tests above are jointly defined as the "**Mandatory Tests**" and, together with the Asset Coverage Test and the Amortisation Test described below, collectively, the "**Tests**").

The Asset Coverage Test

Starting from the Issue Date of the first Series or Tranche of Covered Bonds and until the earlier of:

(i) the date on which all Series or Tranches of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Conditions and the relevant Final Terms; and

(ii) the date on which a Notice to Pay is served on the Guarantor as a consequence of an Issuer Event of Default,

the Sellers and the Issuer undertake to procure that on any monthly Calculation Date and/or on any other date which the Tests are to be performed under the Transaction Documents, as the case may be, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds. For a more detailed description, see section "*Credit Structure*".

The Amortisation Test

For so long as the Covered Bonds remain outstanding, the Sellers and the Issuer will ensure that following the occurrence of an Issuer Event of Default, and the service of a Notice to Pay (but prior to the service of an Acceleration Notice following the occurrence of a Guarantor Event of Default), on each Calculation Date and/or on each other day on which the relevant Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement and the other Transaction Documents, as the case may be, the Amortisation Test Aggregate Loan Amount (as defined in the section "*Credit Structure – Tests"*) shall be equal to or higher than the Principal Amount Outstanding of the Covered Bonds (the "**Amortisation Test**").

For a more detailed description, see section "*Credit Structure – Tests*" below.

Compliance with the Tests will be verified by the Calculation Agent on each Calculation Date (with reference to the last day of the immediately preceding Collection Period) and on any other date on which the verification of the Tests is required pursuant to the Transaction Documents. The calculations performed by the Calculation Agent in respect of the Tests will

be tested from time to time by the Asset Monitor in accordance with the provisions of the Asset Monitor Agreement and the Engagement Letter, as the case may be. For a detailed description see section "*Credit Structure – Tests*".

Breach of the Tests

In order to cure the breach of a Mandatory Test and/or Asset Coverage Test:

(a) the Guarantor shall to any possible extent use the Available Funds to cure the relevant Test; or

(b) the Relevant Seller shall sell, as soon as possible upon receipt of the relevant Test Performance Report, sufficient Eligible Assets and/or Integration Assets to the Guarantor, which shall purchase such assets, in accordance with the Master Transfer Agreement, and, to this extent, the Relevant Seller shall grant the funds necessary for payment of the purchase price of the assets to the Guarantor in accordance with the Subordinated Loan Agreement, **provided that** none of the events indicated in Clause 10.2 (*Cause di estinzione dell'Obbligo di Acquisto dal relative Cedente*), paragraph (i) (*Inadempimento di obblighi da parte del Cedente*), paragraph (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), paragraph (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and paragraph (iv) (*Crisi*) of the Master Transfer Agreement (the "**Relevant Events**") has occurred; or

(c) following the occurrence of one of the events indicated in Clause 10.2 (*Cause di estinzione dell'Obbligo di Acquisto dal relativo Cedente*), paragraph (i) (*Inadempimento di obblighi da parte del Cedente*), (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and (iv) (*Crisi*) of the Master Transfer Agreement with respect to the Relevant Seller, or failing the Relevant Seller to cure the Tests in accordance with paragraph (b) above as soon as possible upon receipt of the relevant Test Performance Report, the Issuer shall sell, or shall procure that any other Seller sells, and the Guarantor shall purchase, as soon as possible, Eligible Assets and/or Integration Assets, **provided that** the conditions specified in the Cover Pool Administration Agreement are satisfied;

(d) failing the Relevant Seller or the Issuer to cure the Tests in accordance with (b) and (c) above within the immediately following Calculation Date, or following the occurrence of a Relevant Event with respect to the Seller(s), the Guarantor shall purchase, as soon as possible, sufficient Eligible Assets and/or Integration Assets from the Sellers according to the Master Transfer Agreement, **provided that** the conditions specified in the Cover Pool Administration Agreement are satisfied,

in an aggregate amount sufficient to ensure that the Tests are met as soon as practicable and in any event by the immediately following Calculation Date. Pursuant to the Cover Pool

Administration Agreement (a) the obligation of each of the Sellers to transfer Eligible Assets and/or Integration Assets pursuant to the provisions of paragraph (b) and (c) above, will be limited to, and does not in any case exceed, the relevant percentage on any Calculation Date of Eligible Assets and/or Integration Assets sold by the relevant Seller and (b) notwithstanding such provisions, each of the Sellers will have the right to sell, and the Guarantor shall purchase, Eligible Assets and/or Integration Assets in excess of such Seller *pro rata* percentage, if necessary to ensure that the Tests are met.

"**Relevant Seller**" means the Seller who transferred the portfolio of Eligible Assets/Integration Assets with respect to which a breach of the Tests has occurred.

If the relevant breach is not remedied prior to the immediately following Calculation Date, the Representative of the Covered Bondholders will deliver a notice to the Issuer and the Guarantor (a "**Breach of Test Notice**").

Prior to the occurrence of an Issuer Event of Default, if a Breach of Test Notice has been served and not revoked:

(a) no further series or tranche of Covered Bonds will be issued;

(b) payments under the Subordinated Loan will be effected on the basis of the relevant Priority of Payments; and

(c) the purchase price for any Eligible Assets or Integration Assets to be acquired by the Guarantor shall be paid only using the proceeds of an Integration Advance, except where the breach referred to in the Breach of Test Notice may be cured by using the Interest Available Funds or the Principal Available Funds.

If the Breach of Test Notice is not revoked by the immediately following Calculation Date, then an Issuer Event of Default will occur and the Representative of the Covered Bondholders will serve a Notice to Pay on the Guarantor.

A breach of the Amortisation Test constitutes a Guarantor Event of Default unless the Representative of the Covered Bondholders, having exercised its discretion, resolves otherwise or an Extraordinary Resolution is passed resolving otherwise. In case on conflict between the Representative of the Covered Bondholders and the Extraordinary Resolution passed in a Meeting, the latter will prevail.

Role of the Asset Monitor

The Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer (the "**Engagement Letter**"). The Asset Monitor will also perform the other activities provided under the Asset Monitor Agreement entered into on 1 December 2008, as subsequently amended.

Sale of Receivables following the service of a Breach of Test

After the service of a Breach of Test Notice, but prior to the occurrence of a Guarantor Event of Default, the Guarantor may sell Receivables in accordance with the provisions of the Cover Pool Administration Agreement and the Master Transfer

Notice or the occurrence of an Issuer Event of Default	Agreement, subject to the rights of pre-emption in favour of the relevant Seller to buy such Receivables pursuant to the Master Transfer Agreement. The proceeds from any such sale will be credited to the Transaction Account and applied as set out in the applicable Priority of Payments. Following the delivery of a Notice to Pay (and prior to the occurrence of a Guarantor Event of Default), the Guarantor shall direct the relevant Servicer to sell Receivables in accordance with the provisions of the Cover Pool Administration Agreement, subject to the pre-emption right of the relevant Seller pursuant to the Master Transfer Agreement. The proceeds from any such sale shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

6. THE TRANSACTION DOCUMENTS

Master Transfer Agreement	Pursuant to the Master Transfer Agreement entered into on 14 November 2008, as subsequently amended, the Sellers (other than Carige Italia) assigned and transferred, without recourse (*pro soluto*), to the Guarantor the Initial Receivables, in accordance with Law 130. Pursuant to the Master Transfer Agreement, the Sellers and the Guarantor agreed that the Sellers may assign and transfer Subsequent Receivables to the Guarantor from time to time in the cases and subject to the limits set out in the Master Transfer Agreement (see sections "*The Cover Pool*" and "*Description of the Transaction Documents –Master Transfer Agreement*").
Warranty and Indemnity Agreement	Pursuant to a warranty and indemnity agreement entered into between the Sellers and the Guarantor, dated 14 November 2008, as subsequently amended (the "**Warranty and Indemnity Agreement**"), each of the Sellers has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself and the Receivables and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the Receivables (see section "*Description of the Transaction Documents –Warranty and Indemnity Agreement*").
Subordinated Loan Agreement	Pursuant to a subordinated loan agreement entered into between the Sellers and the Guarantor, dated 14 November 2008, as subsequently amended (the "**Subordinated Loan Agreement**") each of the Sellers granted to the Guarantor a subordinated loan (the "**Subordinated Loan**") with a maximum amount equal to the relevant individual commitment limit as specified in the Subordinated Loan Agreement (each, the "**Individual Commitment Limit**"). Under the provisions of such agreement, each of the Sellers shall make advances to the Guarantor in amounts equal to the relevant price of the Receivables transferred from time to time to the Guarantor, including the Integration Assets transferred in order to prevent a breach of the Tests. Each advance granted pursuant to the Subordinated Loan Agreement shall be identified in (i) a term loan advanced to fund the purchase price of Receivables to be sold in the framework of an Issuance Assignment (the "**Issuance Advance**"); and (ii) a term loan advanced for the purpose of purchasing further Eligible Assets and/or Integration

Assets in the framework of an Integration Assignment (the "**Integration Advance**").

The Issuance Advance shall be remunerated by way of:

(a) the Base Interests (*Interessi Base*); and

(b) the Aggregate Premium Interests (*Interessi Aggiuntivi Aggregati*).

The Integration Advance shall be remunerated only by way of the Aggregate Premium Interests.

The portion of Aggregate Premium Interests to be paid to each of the Sellers (the "**Individual Premium Interests**") will be determined on the basis of the formula to be agreed from time to time by the parties pursuant to the terms of the Subordinated Loan Agreement.

"**Base Interests**" means the interest rate equal to 1 per cent.

The "**Aggregate Premium Interests**" means:

(a) prior to the occurrence of an Issuer Event of Default, an amount equal to the higher between 0 (zero) and the algebraic sum of:

(i) (+) the amounts of interests received or matured in respect of the Cover Pool and the Swap Agreements during the immediately preceding Collection Period;

(ii) (-) the sum of (A) any amount paid or to be paid under items from (i) to (ix) of the Pre-Issuer Event of Default Interest Priority of Payments and (B) any other costs of any nature (if any) attributed on the Guarantor's income statement;

or

(a) following to the occurrence of an Issuer Event of Default, an amount equal to the higher between 0 (zero) and the algebraic sum of:

(i) (+) the amounts of interests received or matured in respect of the Cover Pool and the Swap Agreements during the immediately preceding Collection Period;

(ii) (-) the sum of (A) any amount paid or to be paid in respect of interests under items from (i) to (v) of the Post Issuer Event of Default Priority of Payments and (B) any other costs of any nature (if any) attributed on the Guarantor's income statement;

or

(a) following the occurrence of a Guarantor Event of Default an amount equal to the higher between 0 (zero) and the algebraic sum of:

(i) (+) the amounts of interests received or matured in respect of the Cover Pool and the Swap Agreements during the immediately preceding Collection Period;

(ii) (-) the sum of (A) any amount paid or to be paid in respect of interests under items from (i) to (iv) of the Post Guarantor Event of Default Priority of Payments and (B) any other costs of any nature (if any) attributed on the Guarantor's income statement.

"**Premium Interests**" means, as the case may be, the Individual Premium Interests and/or the Aggregate Premium Interests.

The Premium Interests will be calculated, *pro rata* and *pari passu*, across all advances outstanding under the Subordinated Loan.

(See section "*Description of the Transaction Documents – Subordinated Loan*".)

Servicing Agreement and Collection Policies

Pursuant to the terms of a servicing agreement entered into between the Servicers, the Back-up Servicer Facilitator and the Guarantor, dated 14 November 2008, as subsequently amended (the "**Servicing Agreement**"). Each of the Servicers has agreed to administer and service the Receivables respectively assigned by it (and in relation to Carige Italia, also the claims from the Mortgage Loans that were object of the Contribution), on behalf of the Guarantor. Under the Servicing Agreement, each of the Servicers has agreed to perform certain servicing duties in connection with the Receivables respectively assigned by it, and, in general, each of the Servicers has agreed to be responsible for the management of the Receivables respectively assigned by it and for cash and payment services in accordance with the requirements of the Law 130. In addition, the Master Servicer has agreed to be responsible for verifying the compliance of the transactions with the laws and the Prospectus pursuant to Article 2, paragraph 3(c), and 6-bis of Law 130 and to provide certain monitoring activities in relation to the Receivables transferred from time to time by each of the Sellers to the Guarantor.

Under the Servicing Agreement, the Back-up Servicer Facilitator has agreed to, *inter alia*, support the Guarantor in the process of appointment of the Back-up Servicer.

The Master Servicer has undertaken to prepare and submit monthly reports to the Guarantor, the Corporate Servicer and the Calculation Agent, in the form set out in the Servicing Agreement, containing information as to all the amounts collected from time to time by the Servicers in respect of the Receivables, as principal, interest and/or expenses and any payment of damages (the "**Collections**"), as a result of the activity of each of the Servicers pursuant to the Servicing Agreement during the preceding Collection Period. (See section "*Description of the Transaction Documents – Servicing*

Agreement" and "*Description of the Cover Pool– Collection and Recovery Procedures*").

Back-Up Servicing Agreement

Pursuant to the terms of a Back-Up Servicing Agreement entered into between the Back-Up Servicer, the Servicer and the Issuer dated 23 January 2013, as subsequently amended (the "**Back-Up Servicing Agreement**"). The Back-Up Servicer has agreed to be appointed and act as substitute Servicer. Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer shall substitute the Issuer as Servicer subject to the termination or removal of the appointment of the Servicer under the Servicing Agreement. Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer has represented and warranted, inter alia, that it satisfies the requirements for a substitute servicer provided for by the Servicing Agreement (see sections *"Description of the Transaction Documents – Back-Up Servicing Agreement"*).

Covered Bond Guarantee

The Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds pursuant to an agreement entered into on 1 December 2008 (the "**Covered Bond Guarantee**") and in accordance with the provisions of Law 130 and of the MEF Decree (see sections *"Description of the Transaction Documents – Covered Bond Guarantee).*

Corporate Services Agreement

Pursuant to a corporate services agreement entered into on 1 December 2008 (the "**Corporate Services Agreement**"), the Corporate Servicer has agreed to provide the Guarantor with a number of administrative services, including the keeping of the corporate books and of the accounting and tax registers (see "*Description of the Transaction Documents – Corporate Services Agreement*").

Facility Liquidity Agreement

Pursuant to a facility liquidity agreement entered into on 19 October 2011 between the Liquidity Facility Provider and the Guarantor (the "**Facility Liquidity Agreement**"), the Liquidity Facility Provider granted to the Guarantor a liquidity facility upon the terms and subject to the conditions set out therein (see "*Description of the Transaction Documents – Facility Liquidity Agreement*").

Intercreditor Agreement

Under the terms of an intercreditor agreement dated 1 December 2008, as subsequently amended, entered into among, *inter alios*, the Guarantor, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders) and the other Secured Creditors (as defined below), the "**Intercreditor Agreement**"), the parties agreed that all the Available Funds of the Guarantor will be applied in or towards satisfaction of the Guarantor's payment obligations towards the Covered Bondholders as well as the other Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

"**Secured Creditors**" means the Representative of the Covered Bondholders (on its behalf and on behalf of the Issuer), the Issuer, the Sellers, the Subordinated Loan Providers, the Liquidity Facility Provider, the Servicers, the Corporate Servicer, the Italian Account Bank, the Principal Paying Agent, the Italian Paying Agent, the Calculation Agent, the Luxembourg Listing Agent, the Swap Counterparties, the Cash Manager, the Investment Manager, the Transaction Bank, the

Collateral Account Bank (if any), the Cover Pool Manager (if any), the Back-up Servicer Facilitator, the Back-up Servicer, the Asset Monitor and the Registrar (if any).

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Guarantor Event of Default having occurred, ensure that all the Available Funds are applied in or towards satisfaction of the Guarantor's payment obligations towards the Covered Bondholders as well as the other Secured Creditors, in accordance with the Post-Guarantor Event of Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Guarantor to each of the Covered Bondholders and each of the other Secured Creditors will be limited recourse obligations of the Guarantor. The Secured Creditors will have a claim against the Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents (see "*Description of the Transaction Documents – Intercreditor Agreement*").

Cash Management and Agency Agreement

In accordance with a cash management and agency agreement dated 1 December 2008, as subsequently amended, entered into among, *inter alios*, the Guarantor, the Cash Manager, the Account Banks, the Investment Manager, the Principal Paying Agent, the Italian Paying Agent, the Luxembourg Listing Agent, the Servicers, the Corporate Servicer, the Calculation Agent and the Representative of the Covered Bondholders (the "**Cash Management and Agency Agreement**"), the Account Banks, the Investment Manager, the Cash Manager, the Principal Paying Agent, the Italian Paying Agent, the Luxembourg Listing Agent, the Servicers, the Corporate Servicer and the Calculation Agent agreed to provide the Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts (see "*Description of the Transaction Documents – Cash Management and Agency Agreement*").

Asset Monitor Agreement

In accordance with an asset monitor agreement dated 1 December 2008, as subsequently amended, entered into among the Asset Monitor, the Issuer, the Sellers, the Guarantor and the Representative of Covered Bondholders, (the "**Asset Monitor Agreement**"), the Asset Monitor will conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable on a semi-annual basis, with a view to verifying the compliance by the Guarantor with such tests (see "*Description of the Transaction Documents – Asset Monitor Agreement*").

Cover Pool Administration Agreement

By a Cover Pool administration agreement dated 1 December 2008, as subsequently amended, entered into among, *inter alia*, the Guarantor, the Issuer, the Sellers, the Representative of the Covered Bondholders, the Calculation Agent, and the Asset Monitor (the "**Cover Pool Administration Agreement**"), the Sellers and the Issuer have undertaken certain obligations for the replenishment of the Cover Pool in order to cure a breach of the Tests. (see "*Description of the Transaction Documents – Cover Pool Administration Agreement*").

Quotaholders Agreement	The quotaholders' agreement entered into on 11 April 2008, among the Guarantor, Banca Carige, Stichting Otello (the "**Quotaholders' Agreement**"), contains provisions and undertakings in relation to the management of the Guarantor. In addition, pursuant to the Quotaholders' Agreement, Stichting Otello will grant a call option in favour of Banca Carige to purchase from Stichting Otello, and Banca Carige will grant a put option in favour of Stichting Otello to sell to Banca Carige, the quota of the Issuer quota capital held by Stichting Otello (see "*Description of the Transaction Documents – Quotaholders' Agreement*").
Italian Deed of Pledge	By an Italian deed of pledge executed by the Guarantor on 1 December 2008 (the "**Italian Deed of Pledge**"), as subsequently amended, the Guarantor pledged in favour of the Covered Bondholders and the other Secured Creditors all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is entitled pursuant to, or in relation to, the Transaction Documents (other than the Italian Deed of Pledge, the Swap Agreements and the Deeds of Charge), including the monetary claims and rights relating to the amounts standing to the credit of the Quota Capital Account and the Expense Account (the "**Italian Accounts**") and any other account established by the Guarantor with the Italian Account Bank in accordance with the provisions of the Transaction Documents, but excluding, for avoidance of doubt, the Receivables. (See "*Description of the Transaction Documents – Italian Deed of Pledge*".)
Deed of Charge	By a deed of charge executed by the Guarantor on 1 December 2008 (the "**Deed of Charge**"), the Guarantor assigned by way of security to (or to the extent not assignable charge by way of fixed charge) in favour of the Representative of the Covered Bondholders (acting in its capacity as security trustee for itself and as trustee for the Covered Bondholders and the Secured Creditors, in such capacities, the "**Security Trustee**"), all of its rights in respect of the Swap Agreements (see "*Description of the Transaction Documents – Deed of Charge*").
Programme Agreement	By a programme agreement entered into among the Issuer, the Sellers, the Representative of Covered Bondholders and the Dealers, dated 1 December 2008, as subsequently amended (the "**Programme Agreement**"), the Dealers have been appointed as such. The Programme Agreement contains, *inter alia*, provisions for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series or Tranche (see "*Description of the Transaction Documents – Programme Agreement*").
Subscription Agreement	By a subscription agreement to be entered into on or about the relevant Issue Date among the Issuer and the Dealers who are parties to such subscription agreement (the "**Relevant Dealers**"), the Relevant Dealers will agree to subscribe for the relevant tranche of Covered Bonds and pay the Issue Price subject to the conditions set out therein (the "**Subscription Agreement**") (see "*Description of the Transaction Documents – Subscription Agreement*").

Mortgage Pool Swap	In order to hedge the interest rate risks related to the Mortgage Loans in the Cover Pool, the Guarantor may, from time to time, enter into one or more Mortgage Pool Swaps with the relevant Mortgage Pool Swap Counterparty subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule and Credit Support Annex.
Covered Bond Swap	In order to hedge certain interest rate risks or currency risks, if any, in respect of amounts received by the Guarantor under the Cover Pool and the Swaps and certain amounts to be paid in respect of the Subordinated Loan and the Covered Bonds, the Guarantor will enter into one or more Covered Bond Swaps with the relevant Covered Bond Swap Counterparty on each Issue Date subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule and Credit Support Annex.
Asset Swap	In order to hedge the interest rate risks and, if any, currency risks related to the Public Assets and the ABS in the Cover Pool, the Guarantor may, from time to time, enter into one or more Asset Swaps with the relevant Asset Swap Counterparty (the Asset Swap, and together with the Mortgage Pool Swap, the "**Cover Pool Swap**").
Mandate Agreement	By a mandate agreement to be entered into on 1 December 2008, the Guarantor has conferred an irrevocable mandate to the Representative of Covered Bondholders for the exercise of the rights of the Guarantor under certain circumstances indicated in the Mandate Agreement.
Provisions of Transaction Documents	The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

DESCRIPTION OF BANCA CARIGE AND BANCA CARIGE GROUP

INTRODUCTION

Banca Carige S.p.A. ("**Banca Carige**", "**Carige**", the "**Issuer**", the "**Bank**", the "**Parent Bank**" or the "**Parent Company**") is the largest retail bank in the north western Italian region of Liguria and is the Parent Bank of the Banca Carige group[2] ("**Banca Carige Group**" or the "**Group**").

Banca Carige Group operates in the various sectors of credit and financial intermediation in Italy. The Group operates predominantly in the banking sector, concentrating mainly on retail customers and small and medium-sized enterprises (SMEs). The Group's wide range of banking, financial and related activities include deposit taking, lending, securities trading, leasing, factoring, consumer credit and distribution of life and non-life insurance asset management products through bank branches. The Group is also engaged in fiduciary services activities.

The Bank is registered with the commercial registry of Genova under number 03285880104. The Bank's registered office is at Via Cassa di Risparmio 15, 16123, Genova, Italy. The telephone number of the Bank is +39 010 57 91 and its website is www.gruppocarige.it.

Traditionally, the Group has concentrated on retail customers, consisting of individuals and personal businesses.

GENERAL DESCRIPTION

The following tables set forth Banca Carige Group consolidated financial information as of 30 June 2018 and for the six month period then ended and as of 31 December 2017 and for the year then ended.

The balance sheet figures at 31 December 2017 and the income statement figures for the six month period ended 30 June 2017 are not comparable on a consistent basis respectively with the balance sheet figures at 30 June 2018 and the income statement figures for the six month period ended 30 June 2018 as they have not been restated using layouts and preparation rules required by the fifth update of the Bank of Italy Circular No. 262 / 2005 and do not include the effects deriving from the application of IFRS 9.

Consolidated Balance Sheet

Assets (*in Euro thousand)*

	30 June 2018(1)	31 December 2017(2)
Cash and cash equivalents	282,371	296,581
Financial assets at fair value through profit or loss	179,459	
Financial assets held for trading	1,410	2,453
Other Financial assets mandatorily at fair value	178,049	
Financial assets at fair value through other comprehensive income	939,726	
Financial assets available for sale		2,052,898
Financial assets at amortised cost	19,644,972	
Loans to banks	3,341,991	2,934,607
Loans to customers	16,302,981	15,753,934
Hedging derivatives	20,039	29,581
Equity investments	94,032	98,569
Property and equipment	730,804	738,442
Intangible assets	41,209	35,005
Tax assets	1,930,332	1,950,510
Current	749,702	794,737
Deferred	1,180,630	1,155,773
- of which under law no. 214/2011		527,486
Non-current assets and disposal groups held for sale	617,855	608,077
Other assets	287,967	419,047
Total assets	**24,768,766**	**24,919,704**

(1) 2018 Unaudited Interim Consolidated Financial Statement
(2) 2017 Audited Consolidated Financial Statement

[2] Bank of Italy, matrice dei conti BASTRA1, 31 December 2017.

LIABILITIES AND SHAREHOLDERS' EQUITY *(in Euro thousand)*

	30 June 2018[1]	31 December 2017[2]
Financial liabilities at amortised cost	21,627,403	
Due to banks	4,565,188	4,656,624
Due to customers	13,597,153	12,624,541
Securities issued	3,465,062	3,885,829
Financial liabilities held for trading	839	850
Financial liabilities at fair value through profit and loss	-	348,459
Hedging derivatives	247,455	224,971
Tax liabilities	36,688	16,537
current	23,439	3,557
deferred	13,249	12,980
Liabilities associated with groups of assets held for sale	111,596	193,808
Other liabilities	436,786	474,579
Employee termination indemnities	56,235	59,417
Allowances for risks and charges	237,434	165,240
Commitments and guarantees given	51,723	
post-employment benefits	31,605	34,410
other allowances for risks and charges	154,106	130,830
Valuation reserves	(113,578)	(140,633)
Reserves	(1,333,634)	(684,857)
Share premium reserve	629,578	628,364
Share capital	2,845,857	2,845,857
Treasury shares (-)	(15,572)	(15,572)
Non-controlling interests (+/-)	22,182	24,125
Net Profit (Loss) for the period (+/-)	(20,503)	(388,435)
Total liabilities and shareholders' equity	**24,768,766**	**24,919,704**

(1) 2018 Unaudited Interim Consolidated Financial Statement

(2) 2017 Audited Interest and similar income	199,963	239,358

Consolidated Financial Statement

The following tables set forth Banca Carige Group consolidated financial information as of 31 December 2017 and as of 31 December 2016 (unaudited restated and audited).

For further detail on the restatement, see "Restatement of financial information – Restatement of the Group's financial information as of 31 December 2016 and for the year then ended".

Consolidated Balance Sheet

Assets *in Euro thousand, except for percentages*			**Change**		
	As of 31 December 2017 [1]	**As of 31 December 2016 [2] Unaudited Restated**	**Absolute**	**%**	**As of 31 December , 2016 [3]**
Cash and cash equivalents	296,581	297,410	(829)	(0.3)	297,412
Financial assets held for trading	2,453	7,683	(5,230)	(68.1)	7,683
Financial assets available for sale	2,052,898	2,319,613	(266,715)	(11.5)	2,319,613
Loans to banks	2,934,607	1,892,014	1,042,593	55.1	1,958,763
Loans to customers	15,753,934	17,721,321	(1,967,387)	(11.1)	18,246,327
Hedging derivatives	29,581	39,233	(9,652)	(24.6)	39,233
Equity investments	98,569	94,235	4,334	4.6	94,235
Property and equipment	738,442	739,021	(579)	(0.1)	761,274
Intangible assets	35,005	55,468	(20,463)	(36.9)	56,654
Tax assets	1,950,510	2,059,319	(108,809)	(5.3)	2,063,984
Current	*794,737*	*985,089*	*(190,352)*	*(19.3)*	*985,651*
Deferred	*1,155,773*	*1,074,230*	*81,543*	*7.6*	*1,078,333*
- of which under law no. 214/2011	*527,486*	*613.780*	*(86,294)*	*(14.1)*	*617,758*
Non-current assets held for sale and discontinued operations	608,077	620,902	(12,825)	(2.1)	-

Other assets	419,047	264,785	154,262	58.3	265,826
Total assets	**24,919,704**	**26,111,004**	**(1,191,300)**	**(4.6)**	**26,111,004**

(1) 2017 Audited Consolidated Financial Statement

(2) Unaudited figures restated for a consistent presentation

(3) 2016 Audited Consolidated Financial Statement

Liabilities and shareholders' equity *in Euro thousand, except for percentages*			**Change**		
	As of 31 December, 2017 (1)	**As of 31 December, 2016(2) Unaudited Restated**	**Absolute**	**%**	**As of 31 December, 2016 (3)**
Due to banks	4,656,624	3,468,322	1,188,302	34.3	3,468,322
Due to customers	12,624,541	13,710,208	(1,085,667)	(7.9)	13,710,208
Securities issued	3,885,829	5,218,774	(1,332,945)	(25.5)	5,443,294
Financial liabilities held for trading	850	2,064	(1,214)	(58.8)	2,064
Financial liabilities designated at fair value through profit and loss	348,459	459,198	(110,739)	(24.1)	459,198
Hedging derivatives	224,971	259,037	(34,066)	(13.2)	259,037
Tax liabilities	16,537	20,410	(3,873)	(19.0)	20,464
current	*3,557*	5,864	(2,307)	(39.3)	5,918
deferred	*12,980*	14,546	(1,566)	(10.8)	14,546
Liabilities associated to non-current assets held for sale and discontinued operations	193,308	229,397	(35,589)	(15.5)	-
Other liabilities	474,579	434,094	40,485	9.3	438,198
Employee termination indemnities	59,417	65,383	(5,966)	(9.1)	65,769
Allowances for risks and charges	165,240	105,838	59,402	56.1	106,171
post-employment benefits	*34,410*	37,179	(2,769)	(7.4)	37,179
other allowances	*130,830*	68,659	62,171	90.6	68,992
Valuation reserves	(140,633)	(158,100)	17,467	(11.0)	(158,100)
Reserves	(684,857)	(392,732)	(292,125)	74.4	(392,732)
Share premium reserve	628,364	175,954	452,410	…	175,954
Share capital	2,845,857	2,791,422	54,435	2.0	2,791,422
Treasury shares (-)	(15,572)	(15,572)	-	-	(15,572)
Non-controlling interests (+/-)	24,125	29,044	(4,919)	(16.9)	29,044
Profit (Loss) for the period (+/-)	(388,435)	(291,737)	(96,698)	33.1	(291,737)
Total liabilities and shareholders' equity	**24,919,704**	**26,111,004**	**(1,191,300)**	**(4.6)**	**26,111,004**

(1) 2017 Audited Consolidated Financial Statement

(2) Unaudited figures restated for a consistent presentation

(3) 2016 Audited Consolidated Financial Statement

The following tables set forth our consolidated income statement and our consolidated statement of comprehensive income for the years ended 31 December 2017, and 2016 (unaudited restated and audited).

Consolidated Income Statement

in Euro thousand, except for percentages			**Change**		
	2017 (1)	**2016(2) Unaudited Restated**	**Absolute**	**%**	**2016 (3)**
Interest and similar income	464,312	538,844	(74,532)	(13.8)	580,521
Interest and similar expense	(230,699)	(279,848)	49,149	(17.6)	(281,006)
Net interest income	**233,613**	**258,996**	**(25,383)**	**(9.8)**	**299,515**
Fee and commission income	270,850	274,220	(3,370)	(1.2)	276,730
Fee and commission expense	(31,631)	(34,898)	3,267	(9.4)	(35,675)
Net fee and commission income	**239,219**	**239,322**	**(103)**	**(0.0)**	**241,055**
Dividends and similar income	10,661	14,077	(3,416)	(24.3)	14,077
Net profit (loss) from trading	4,151	18,459	(14,308)	(77.5)	18,459
Net profit (loss) from hedging	(430)	(2,384)	1,954	(82.0)	(2,384)
Profits (losses) on disposal or repurchase of:	(104,309)	48,810	(153,119)	…	48,810
loans	*(321,469)*	*(3)*	*(321,466)*	…	*(3)*
financial assets available for sale	*(7,982)*	*40,302*	*(48,284)*	…	*40,302*

financial liabilities	*225,142*	*8,511*	*216,631*	…	*8,511*
Profits (Losses) on financial assets/liabilities designated at fair value	(1,573)	(3,993)	2,420	(60.6)	(3,993)
Net interest and other banking income	**381,332**	**573,287**	**(191,955)**	**(33.5)**	**615,539**
Net losses/recoveries on impairment of:	(438,724)	(467,917)	29,193	(6.2)	(471,136)
loans	*(427,501)*	*(469,797)*	*42,296*	*(9.0)*	*(473,016)*
financial assets available for sale	*(15,375)*	*(7,563)*	*(7,812)*	…	*(7,563)*
other financial activities	*4,152*	*9,443*	*(5,291)*	*(56.0)*	*9,443*
Net income from banking activities	**(57,392)**	**105,370**	**(162,762)**	**…**	**144,403**
	(57,392)	**105,370**	**(162,762)**	**…**	**144,403**
Administrative expenses:	(622,511)	(572,155)	(50,356)	8.8	(578,180)
personnel expenses	*(358,743)*	*(295,757)*	*(62,986)*	*21.3*	*(296,072)*
other administrative expenses	*(263,768)*	*(276,398)*	*12,630*	*(4.6)*	*(282,108)*
Net provisions for risks and charges	(24,224)	(20,745)	(3,479)	*16.8*	(21,176)
Net adjustments to/ recoveries on property and equipment	(14,661)	(26,468)	11,807	*(44.6)*	(26,501)
Net adjustments to/ recoveries on intangible assets	(36,692)	(24,105)	(12,587)	52.2	(24,617)
Other operating income/expense	71,514	87,919	(16,405)	(18.7)	88,661
Operating expenses	**(626,574)**	**(555,554)**	**(71,020)**	**12.8**	**(561,813)**
Profits (Losses) on investments in associates and companies subject to joint control	9,982	6,596	3,386	51.3	6,596
Impairment on goodwill	-	(19,942)	19,942	(100.0)	(19,942)
Profits (losses) on disposal of investments	85,266	(149)	85,415	…	(149)
Profit (loss) before tax from continuing operations	**(588,718)**	**(463,679)**	**(125,039)**	**27.0**	**(430,905)**
Taxes on income from continuing operations	169,284	142,221	27,063	19.0	134,837
Profit (loss) after tax from continuing operations	**(419,434)**	**(321,458)**	**(97,976)**	**30.5**	**(296,068)**
Profits (loss) after tax from discontinued operations	26,070	25,390	680	2.7	-
Net profit (loss) for the year	**(393,364)**	**(296,068)**	**(97,296)**	**32.9**	**(296,068)**
Non-controlling interests	(4,929)	(4,331)	(598)	13.8	(4,331)
Net profit (loss) for the year attributable to the Parent Company	**(388,435)**	**(291,737)**	**(96,698)**	**33.1**	**(291,737)**

(1) 2017 Audited Consolidated Financial Statement

(2) 2016 Unaudited Restated Consolidated Financial Information

(3) 2016 Audited Consolidated Financial Statement

Consolidated Statement of Comprehensive Income

			Change		
in Euro thousand, except for percentages	**2017 (1)**	**2016(2) Unaudited Restated**	**Absolute**	**%**	**2016 (3)**
Net profit (loss) for the period	**(393,364)**	**(296,068)**	**(97,296)**	**32.9**	**(296,068)**
Other comprehensive income after tax not reversed in profit or loss					
Actuarial profits (losses) on defined benefit plans	(47)	(2,530)	2,483	(98.1)	**2,530**
Share of valuation reserves of equity investments valued at equity	89	62	27	43.5	62
Other comprehensive income after tax reversed in profit or loss					
Cash flow hedges	16,754	18,604	(1,850)	(9.9)	18,604
Financial assets available for sale	681	(20,904)	21,585	…	(20,842)
Non-current assets classified as held for sale	-	62	(62)	(100.0)	-
Total other comprehensive income after tax	**(17,477)**	**(4,706)**	**(12,771)**	**…**	**(4,706)**
Comprehensive income (item 10+130)	**(375,887)**	**(300,774)**	**(75,113)**	**25.0**	(300,774)
Consolidated comprehensive income attributable to non-controlling interests	(4,919)	(4,373)	(546)	12.5	(4,373)
Consolidated comprehensive income attributable to the Parent Company	**(370,968)**	**(296,401)**	**(74,567)**	**25.2**	**(296,401)**

(1) 2017 Audited Consolidated Financial Statement

(2) 2016 Unaudited Restated Consolidated Financial Information

(3) 2016 Audited Consolidated Financial Statement

The following tables set forth our consolidated statement of cash flows for the years ended 31 December 2017 and 2016 (unaudited restated).

Consolidated statement of cash flow

in Euro thousand	2017 (1)	2016 Unaudited Restated (2)
A. OPERATIONS		
1. Cash flow from (used in) operations	**(57,871)**	**22,219**
- interest income received (+)	444,207	527,360
- interest expense paid (-)	(270,479)	(301,076)
- dividend and similar income (+)	10,661	14,077
- net fees and commissions (+/-)	244,146	244,157
- personnel costs (-)	(298,401)	(301,415)
- other costs (-)	(293,308)	(301,828)
- other income (+)	126,418	150,247
- tax and duties (-)	(46,924)	(34,417)
- costs/revenues from groups of assets held for sale after tax (+/-)	*25,809*	25,114
2. Cash flow from (used in) financial assets	**531,067**	**3,748,444**
- financial assets held for trading	5,762	7,879
- financial assets available for sale	246,086	1,486,624
- loans to customers	1,305,468	2,708,551
- loans to banks: on demand	90,478	46,937
- loans to banks: other	(1,217,250)	(700,809)
- other assets	100,523	199,262
3. Cash flow from (used in) financial liabilities	**(951,966)**	**(3,775,596)**
- due to banks: on demand	126,945	(47,472)
- due to banks: other	897,931	649,280
- due to customers	(1,084,565)	(1,821,439)
- securities issued	(975,788)	(1,899,780)
- financial liabilities held for trading	(7,603)	3,135
- financial liabilities designated at fair value	(110,003)	(101,221)
- other liabilities	201,117	(558,099)
Net cash flow from (used in) operations	(478,770)	(4,933)
B. INVESTMENT ACTIVITIES		
1. Cash flow from	**16,400**	**5,569**
- dividends collected on equity investments	5,361	4,959
- sale of property and equipment	11,039	610
2. Cash flow used in	**(31,066)**	**(27,637)**
- purchase of property and equipment	(14,415)	(4,487)
- purchase of intangible assets	(16,651)	(23,149)
- purchase of subsidiaries and business branches	-	(1)
Net cash flow from (used in) investment activities	(14,666)	(22,068)
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	492,608	18
Net cash flow from (used in) funding activities	492,608	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(828)**	**(26,983)**

(1) 2017 Audited Consolidated Financial Statement

(2) 2016 Unaudited Restated Consolidated Financial Information

RECONCILIATION

Item *in Euro thousand*	2017 (1)	2016 Unaudited Restated (2)
Cash and cash equivalents at the beginning of the year	297,412	324,395
Net increase (decrease) in cash and cash equivalents during the year	(828)	(26,983)
Cash and cash equivalents at the end of the year	296,584	297,412

(1) 2017 Audited Consolidated Financial Statement

(2) 2016 Unaudited Restated Consolidated Financial Information

RESTATEMENT OF FINANCIAL INFORMATION

Restatement of the Group's financial information as of and for the period ended 30 June 2017

In connection with the preparation of the 2018 Unaudited Interim Consolidated Financial Statements, the Bank made restatements of the income statement and the cash flow statement for the first half of 2017, classifying Creditis Servizi Finanziari S.p.A. under groups of assets held for sale in accordance with IFRS 5.

Consolidated Income Statement

in Euro thousand	Six months ended 30 June 2017 (1)	IFRS 5	Six months ended 30 June 2017 Restated(2)
Interest and similar income	259,818	(20,460)	239,358
Interest and similar expense	(119,239)	824	(118,415)
Net interest income	**140,579**	**(19,636)**	**120,943**
Fee and commission income	138,676	(1,416)	137,260
Fee and commission expense	(15,488)	351	(15,137)
Net fee and commission income	**123,188**	**(1,065)**	**122,123**
Dividends and similar income	10,625	-	10,625
Net profit (loss) from trading	6,612	-	6,612
Net profit (loss) from hedging	(900)	-	(900)
Profits (losses) on disposal or repurchase of:	2,825	-	2,825
b) financial assets available for sale	1,491	-	1,491
d) financial liabilities	1,334	-	1,334
Profits (losses) on financial assets/liabilities designated at fair value	(456)	-	(456)
Net interest and other banking income	**282,473**	**(20,701)**	**261,772**
Net losses/recoveries on impairment of:	(229,792)	1,366	(228,426)
a) loans	(218,784)	1,366	(217,418)
b) financial assets available for sale	(11,151)	-	(11,151)
d) other financial activities	143	-	143
Net income from banking activities	**52,681**	**(19,335)**	**33,346**
Net income from banking and insurance activities	**52,681**	**(19,335)**	**33,346**
Administrative expenses	(283,834)	2,824	(281,010)
a) personnel expenses	(151,787)	100	(151,687)
b) other administrative expenses	(132,047)	2,724	(129,323)
Net provisions for risks and charges	(17,510)	215	(17,295)
Net adjustments to/recoveries on property and equipment	(7,906)	12	(7,894)
Net adjustments to/recoveries on intangible assets	(11,984)	229	(11,755)
Other operating expense (income)	37,785	(305)	37,480
Operating expenses	**(283,449)**	**2,975**	**(280,474)**
Profits (losses) on equity investments	5,767	-	5,767
Profits (losses) on disposal of investments	31	-	31
Profit (loss) before tax from continuing operations	**(224,970)**	**(16,360)**	**(241,330)**
Taxes on income from continuing operations	66,598	4,034	70,632
Profit (loss) after tax from continuing operations	**(158,372)**	**(12,326)**	**(170,698)**
Profit (loss) after tax from discontinued operations	-	12,326	12,326
Profit (Loss) for the period	**(158,372)**	**-**	**(158,372)**
Non-controlling interests	(3,464)	-	(3,464)
Net profit (loss) for the period attributable to the parent company	**(154,908)**	**-**	**(154,908)**

(1) 2017 Unaudited Interim Consolidated Financial Statement

(2) 2017 Unaudited Restated Interim Consolidated Financial Information

Consolidated statement of cash flows

A. OPERATIONS	Six months ended 30 June 2017[1]	IFRS 5	Six months ended 30 June 2017 restated[2]
1. Cash flow from (used in) operations	**3,246**	**-**	**3,246**
- interest income received (+)	245,589	(19,680)	225,909
- interest expense paid (-)	(132,681)	1,966	(130,715)
- dividends and similar income (+)	10,625	-	10,625
- net fee and commission income (+/-)	127,702	(2,719)	124,983
- personnel expenses (-)	(147,100)	1,573	(145,527)
- net insurance premiums collected	-	-	-
- other insurance revenues and expenses (-)	-	-	-
- other costs (-)	(136,322)	6,903	(129,419)
- other income (+)	64,309	171	64,480
- taxes and duties (-)	(28,876)	4,328	(24,548)
- costs/revenues from groups of assets held for sale after tax (+/-)	-	7,458	7,458
2. Cash flow from (used in) financial assets	**(41,374)**	**-**	**(41,374)**
- financial assets held for trading	2,106	-	2,106
- financial assets designated at fair value	-	-	-
- financial assets available for sale	232,484	-	232,484
- loans to customers	441,002	-	441,002
- loans to banks: on demand	134,294	-	134,294
- loans to banks: other	(824,381)	-	(824,381)
- other assets	(26,879)	-	(26,879)
3. Cash flow from (used in) financial liabilities	**40,667**	**-**	**40,667**
- due to banks: on demand	5,158	-	5,158
- due to banks: other	923,966	-	923,966
- due to customers	(406,195)	-	(406,195)
- securities issued	(828,269)	-	(828,269)
- financial liabilities held for trading	(5,646)	-	(5,646)
- financial liabilities designated at fair value	(11,621)	-	(11,621)
- other liabilities	363,274	-	363,274
Net cash flow from (used in) operations	**2,539**	**-**	**2,539**
B. INVESTMENT ACTIVITIES			
1. Cash flow from	**2,882**	**-**	**2,882**
- sale of equity investments	-	-	-
- dividends collected on equity investments	2,848	-	2,848
- sale/reimbursement of financial assets held to maturity	-	-	-
- sale of property and equipment	34	-	34
- sale of intangible assets	-	-	-
- sales of subsidiaries and business branches	-	-	-
2. Cash flow used in	**(16,250)**	**-**	**(16,250)**
- purchase of equity investments	-	-	-
- purchase of financial assets held to maturity	-	-	-
- purchase of property and equipment	(12,236)	-	(12,236)
- purchase of intangible assets	(4,014)	-	(4,014)
- purchase of subsidiaries and business branches	-	-	-
Net cash flow from (used in) investment activities	**(13,368)**	**-**	**(13,368)**
C. FUNDING ACTIVITIES			
- issue/purchase of treasury shares	-	-	-
- issue/purchase of equity instruments	-	-	-

- dividend distribution and other	-	-	-
Net cash flow from (used in) funding activities	**-**	**-**	**-**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**(10,829)**	**-**	**(10,829)**

(1) *2017 Unaudited Interim Consolidated Financial Statement*

(2) *2017 Unaudited Restated Interim Consolidated Financial Information*

Restatement of the Group's financial information as of 31 December 2016 and for the year then ended

In connection with the preparation of the 2017 Audited Consolidated Financial Statement, the Bank made restatements of certain comparative data related the prior year respect to the data previously presented in the 2016 Audited Consolidated Financial Statement in accordance with the provisions of IFRS5 to take into account the classification as disposal groups (discontinued operations) of the Creditis Servizi Finanziari S.p.A. ("**Creditis**").

Consolidated Income Statement

The following table sets forth the consolidated income statement for our Group for the year ended 31 December 2016, on a historical basis and as restated in accordance with IFRS 5:

in Euro thousand	**2016 (1)**	**IFRS 5**	**2016 Unaudited Restated (2)**
Interest and similar income	580,521	(41,677)	538,844
Interest and similar expense	(281,006)	1,158	(279,848)
Net interest income	**299,515**	**(40,519)**	**258,996**
Fee and commission income	276,730	(2,510)	274,220
Fee and commission expense	(35,675)	777	(34,898)
Net fee and commission income	**241,055**	**(1,733)**	**239,322**
Dividends and similar income	14,077	-	14,077
Net profit (loss) from trading	18,459	-	18,459
Net profit (loss) from hedging	(2,384)	-	(2,384)
Profits (losses) on disposal or repurchase of:	48,810	-	48,810
a) loans	*(3)*	-	*(3)*
b) financial assets available for sale	*40,302*	-	*40,302*
d) financial liabilities	*8,511*	-	*8,511*
Profits (losses) on finacial assets/liabilities designated at fair value	(3,993)	-	(3,993)
Net interest and other banking income	**615,539**	**(42,252)**	**573,287**
Net losses/recoveries on impairment of:	(471,136)	3,219	(467,917)
a) loans	*(473,016)*	*3,219*	*(469,797)*
b) financial assets available for sale	*(7,563)*	-	*(7,563)*
d) other financial transactions	*9,443*	-	*9,443*
Net income from banking activities	**144,403**	**(39,033)**	**105,370**
Net income from banking and insurance activities	**144,403**	**(39,033)**	**105,370**
Administrative expenses:	(578,180)	6,025	(572,155)
a) personnel expenses	*(296,072)*	*315*	*(295,757)*
b) other administrative expenses	*(282,108)*	*5,710*	*(276,398)*
Net provisions for risks and charges	(21,176)	431	(20,745)
Net adjustments to/ recoveries on property and equipment	(26,501)	33	(26,468)
Net adjustments to/ recoveries on intangible assets	(24,617)	512	(24,105)
Other operating income/expense	88,661	(742)	87,919
Operating expenses	**(561,813)**	**6,259**	**(555,554)**
Profits (losses) on investments in associates and companies subject to joint control	6,596	-	6,596
Impairment on goodwill	(19,942)	-	(19,942)
Profits (losses) on disposal of investments	(149)	-	(149)
Profit (loss) before tax from continuing operations	**(430,905)**	**(32,774)**	**(463,679)**
Taxes on income from continuing operations	134,837	7,384	142,221
Profit (loss) after tax from continuing operations	**(296,068)**	**(25,390)**	**(321,458)**
Profit (loss) after tax from discontinued operations	-	25,390	25,390
Net profit (loss) for the year	**(296,068)**	**-**	**(296,068)**

Minority interests	(4,331)	-	(4,331)
Net profit (loss) for the year attributable to the parent company	**(291,737)**	**-**	**(291,737)**

(1) 2016 Audited Consolidated Financial Statement

(2) 2016 Unaudited Restated Consolidated Financial Information

The following table sets forth the consolidated statement of comprehensive income for the Group for the year ended 31 December 2016, on a historical basis and as restated in accordance with IFRS 5:

in Euro thousand	**2016 (1)**	**IFRS 5**	**2016 Unaudited Restated (2)**
Profit (loss) for the year	**(296,068)**	**-**	**(296,068)**
Other comprehensive income after tax not reversed in profit or loss			
Actuarial profits (losses) on defined benefit plans	**2,530**	**-**	**2,530**
Non-current assets classified as held for sale	62	-	62
Other comprehensive income after tax reversed in profit or loss			
Cash flow hedges	18,604	-	18,604
Financial assets available for sale	(20,842)	(62)	(20,904)
Non-current assets classified as held for sale	-	62	62
Total other comprehensive income after tax	**(4,706)**	**-**	**(4,706)**
Comprehensive income (item 10+130)	(300,774)	-	(300,774)
Consolidated comprehensive income attributable to non-controlling interests	(4,373)	-	(4,373)
Consolidated comprehensive income attributable to the parent company	**(296,401)**	**-**	**(296,401)**

(1) 2016 Audited Consolidated Financial Statement

(2) 2016 Unaudited Restated Consolidated Financial Information

The following table sets forth the consolidated statement of cash flow for the Group for the year ended on 31 December 2016, on a historical basis and as restated in accordance with IFRS 5:

Consolidated statement of cash flow

in Euro thousand	**2016 (1)**	**IFRS 5**	**2016 Unaudited Restated (2)**
A. OPERATIONS			
1. Cash flow from (used in) operations	**22,219**	**-**	**22,219**
- interest income received (+)	565,043	(37,683)	527,360
- interest expense paid (-)	(302,235)	1,159	(301,076)
- dividend and similar income (+)	14,077	-	14,077
- net fees and commissions (+/-)	246,314	(2,157)	244,157
- personnel costs (-)	(300,081)	(1,334)	(301,415)
- net insurance premiums collected	-	-	-
- other insurance revenues and expenses (-)	-	-	-
- other costs (-)	(309,917)	8,089	(301,828)
- other income (+)	150,392	(145)	150,247
- tax and duties (-)	(41,374)	6,957	(34,417)
- costs/revenues from groups of assets held for sale after tax (+/-)		25,114	25,114
2. Cash flow from (used in) financial assets	**3,748,444**	**-**	**3,748,444**
- financial assets held for trading	7,879	-	7,879
- financial assets designated at fair value	-	-	-
- financial assets available for sale	1,486,624	-	1,486,624
- loans to customers	2,708,551	-	2,708,551
- loans to banks: on demand	46,937	-	46,937
- loans to banks: other	(700,809)	-	(700,809)
- other assets	199,262	-	199,262
3. Cash flow from (used in) financial liabilities	**(3,775,596)**	**-**	**(3,775,596)**
- due to banks: on demand	(47,472)	-	(47,472)
- due to banks: other	649,280	-	649,280
- due to customers	(1,821,439)	-	(1,821,439)
- securities issued	(1,899,780)	-	(1,899,780)

in Euro thousand	2016 [1]	IFRS 5	2016 Unaudited Restated [2]
- financial liabilities held for trading	3,135	-	3,135
- financial liabilities designated at fair value	(101,221)	-	(101,221)
- other liabilities	(558,099)	-	(558,099)
Net cash flow from (used in) operations	(4,933)	-	(4,933)
B. INVESTMENT ACTIVITIES		-	
1. Cash flow from	**5,569**	**-**	**5,569**
- sale of equity investments - -	-	-	-
- dividends collected on equity investments	4,959	-	4,959
- sale/reimbursement of financial assets held to maturity	-	-	-
- sale of property and equipment	610	-	610
- sale of intangible assets	-	-	-
- sale of subsidiaries and business branches	-	-	-
2. Cash flow used in	**(27,637)**	**-**	**(27,637)**
- purchase of equity investments	-	-	-
- purchase of financial assets held to maturity	-	-	-
- purchase of property and equipment	(4,487)	-	(4,487)
- purchase of intangible assets	(23,149)	-	(23,149)
- purchase of subsidiaries and business branches	(1)	-	(1)
Net cash flow from (used in) investment activities	(22,068)	-	(22,068)
C. FUNDING ACTIVITIES		-	
- issue/purchase of treasury shares	18	-	18
- issue/purchase of equity instruments	-	-	-
- dividend distribution and other purposes	-	-	-
Net cash flow from (used in) funding activities	18	-	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(26,983)**	**-**	**(26,983)**

(1) 2016 Audited Consolidated Financial Statement

(2) 2016 Unaudited Restated Consolidated Financial Information

For further information refer to *"Explanatory Notes—Restatement of prior period accounts in compliance with IFRS 5 "Non-current assets held for sale and discontinued operations"* incorporated by reference in this Base Prospectus.

Balance sheet information

Although IFRS5 does not require the restatement of comparative balance sheet figures, we reported in this Base Prospectus certain comparative balance sheet figures of of 31 December 2016 restated to allow a consistent comparison.

The following table sets forth the consolidated balance sheet information as of 31 December 2016 for our Group on a historical basis and as restated for comparative purposes:

Assets

in Euro thousand	As of 31 December 2016 [1]	Adjustments	As of 31 December 2016 Unaudited Restated [2]
Cash and cash equivalents	297,412	(2)	297,410
Financial assets held for trading	7,683	-	7,683
Financial assets available for sale	2,319,613	-	2,319,613
Loans to banks	1,958,763	(66,749)	1,892,014
Loans to customers	18,246,327	(525,006)	17,721,321
Hedging derivatives	39,233	-	39,233
Equity investments	94,235	-	94,235
Property and equipment	761,274	(22,253)	739,021
Intangible assets	56,654	(1,186)	55,468
Tax assets	2,063,984	(4,665)	2,059,319
current	985,651	(562)	985,089
deferred	1,078,333	(4,103)	1,074,230

- of which under law no. 214/2011	617,758	(3,978)	613,780
Non-current assets held for sale and discontinued operations	-	620,902	620,902
Other assets	265,826	(1,041)	264,785
Total assets	**26,111,004**	**-**	**26,111,004**

(1) 2016 Audited Consolidated Financial Statement

(2) Unaudited figures restated for a consistent presentation

Liabilities and shareholders' equity

in Euro thousand

	As of 31 December 2016 (1)	Adjustments	As of 31 December 2016 Unaudited Restated (2)
Due to banks	3,468,322	-	3,468,322
Due to customers	13,710,208	-	13,710,208
Securities issued	5,443,294	(224,520)	5,218,774
Financial liabilities held for trading	2,064	-	2,064
Financial liabilities designated at fair value through profit and loss	459,198	-	459,198
Hedging derivatives	259,037	-	259,037
Tax liabilities	20,464	(54)	20,410
current	5,918	(54)	5,864
deferred	14,546	-	14,546
Liabilities associated to non-current assets held for sale and discontinued operations	-	229,397	229,397
Other liabilities	438,198	(4,104)	434,094
Employee termination indemnities	65,769	(386)	65,383
Allowances for risks and charges	106,171	(333)	105,838
post-employment benefits	37,179	-	37,179
other allowances	68,992	(333)	68,659
Valuation reserves	(158,100)	-	(158,100)
Reserves	(392,732)	-	(392,732)
Share premium reserve	175,954	-	175,954
Share capital	2,791,422	-	2,791,422
Treasury shares (-)	(15,572)	-	(15,572)
Non-controlling interests (+/-)	29,044	-	29,044
Profit (Loss) for the period (+/-)	(291,737)	-	(291,737)
Total liabilities and shareholders' equity	**26,111,004**	**-**	**26,111,004**

(1) 2016 Audited Consolidated Financial Statement

(2) Unaudited figures restated for a consistent presentation

HISTORY

Origins

The origins of Banca Carige can be traced back to 1483 with the foundation of Monte di Pietà di Genova.

In 1991, pursuant to the so-called 'Amato' Law, which required the separation between ownership and management of the public savings banks (*casse di risparmio*), the Fondazione Carige contributed its banking business into a newly established joint stock company (*società per azioni*), Banca Carige.

In response to the evolution of the competitive environment of the banking system, Banca Carige developed from a local savings bank (*cassa di risparmio*) into a full-service bank listed on the Italian stock exchange through (i) an initial public offering in 1995, several subsequent capital increases between 1990 and 2008, and the issuance of convertible and subordinated loans, and (ii) its development from a regional player into a network with nationwide distribution, through several new openings and through several acquisitions of banks and branch networks outside Liguria (the number of branches of the distribution network increased from 136 branches at the end of 1990 to 503 at 30 June 2018 (529 branches at 31 December 2017).

Over the years, the interest held by the Fondazione Carige gradually decreased and a stable core of Italian and foreign shareholders, as well as a large number of private investors, became part of its shareholder base.

OWNERSHIP STRUCTURE

As at the date hereof, the Issuer's share capital amounts to Euro 2,845,857,461.21 divided into 55,265,881,015 shares without the indication of the nominal value, of which 55,265,855,473 are ordinary registered shares and 25,542 convertible savings shares.

In accordance with article 93 of the Financial Services Act, the Issuer is not currently directly or indirectly controlled by any single shareholder. Pursuant to article 13 of Banca Carige's by-laws, in case a banking foundation is able to exercise the majority of the votes at an ordinary shareholders' meeting, the chairman of the relevant shareholders' meeting, for the purpose of the relevant resolution, shall exclude a number of shares held by such banking foundation equal to the difference plus one between the number of ordinary shares of such foundation and the total amount of ordinary shares of the remaining participants allowed to vote at the time of voting.

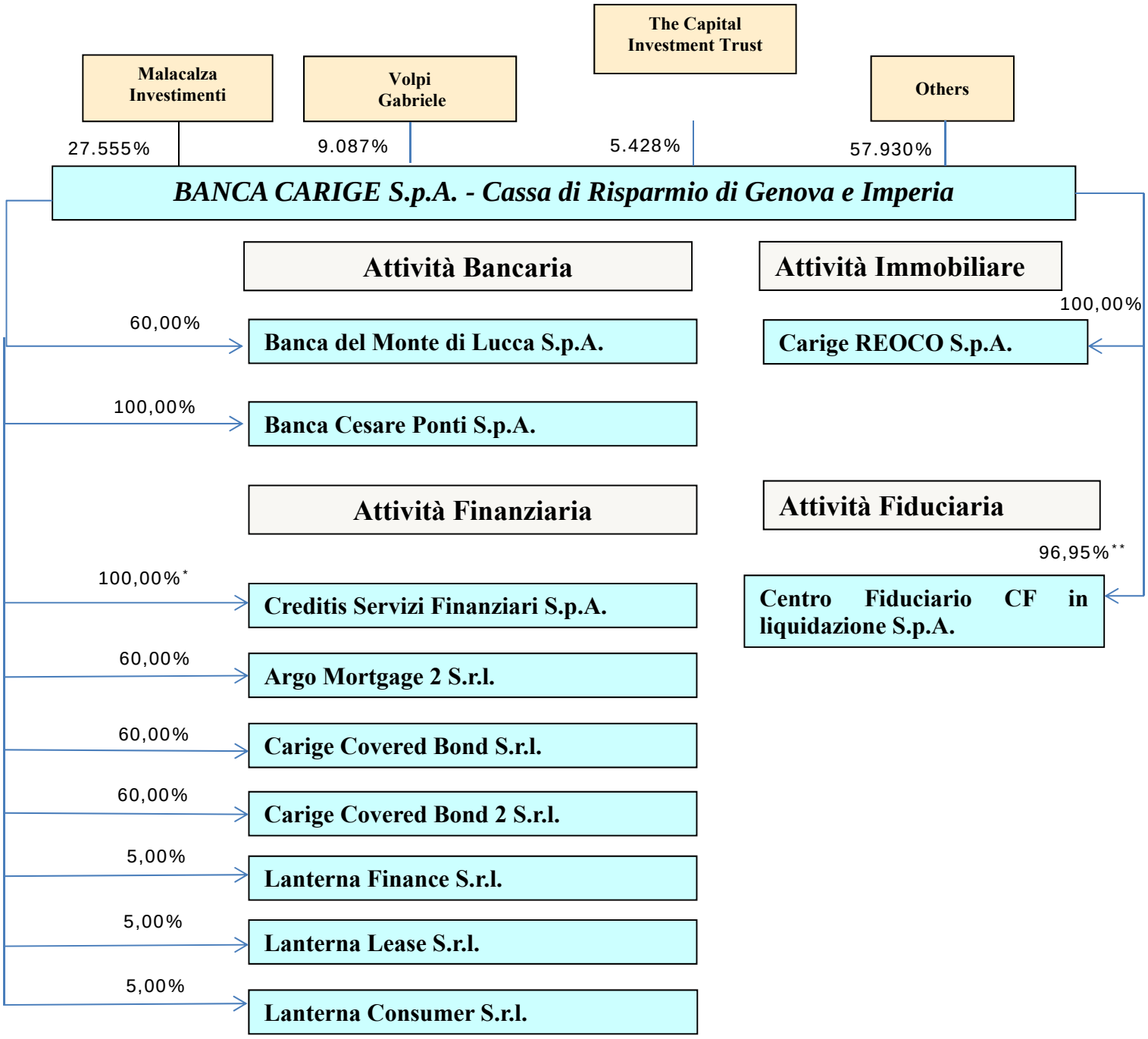
As at the date hereof, according to information available to the Issuer, the following shareholders held, directly or indirectly, more than 5per cent. of Banca Carige's ordinary shares:

Shareholders	Percentage of share capital
Malacalza Investimenti S.r.l.	27.555%
Volpi Gabriele	9.087%
The Capital Investment Trust(*)	5.428%
Others	57.930%

(*) Additional information provided pursuant to Consob Communication no. 0066209 of 2 August 2013
Trust type: irrevocable and discretionary trust with unlimited duration
Incorporation law: Jersey law
Trustee: First Names (Jersey) Limited
Protector: not present
Trustee's powers: full powers
Beneficiaries: Raffaele Mincione, his wife and their descendants, subject to the exercise of the Trustee's discretionary power.
Possible overlaps: the Settlor and Beneficiary of the Trust is the Chairman of the Board of Directors of Time & Life SA, a joint stock company under Luxembourg law wholly owned by the Trust.

BANCA CARIGE GROUP STRUCTURE

The following chart shows the structure of the Banca Carige Group at the date hereof:



* On 6 December 2017 the Company and Chenavari Investment Managers entered into an agreement for the sale to Chenavari Investment Managers of 32,040 shares held by the Company in Creditis, equal to 80.1 per cent. of the share capital of Creditis. At the closing of the transaction, a distribution agreement and other ancillary contracts will be signed.

**On 28 March 2018, the Shareholders' Meeting of the Trustee approved the liquidation of the company, appointing the liquidator.

RATINGS

Carige is rated by the international rating agencies Fitch Ratings Limited ("**Fitch**") and Moody's Investor Service Limited ("**Moody's**").

At the date hereof, the Issuer has the following ratings:

	Short term debt		Long term debt		Date of last revision
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**	
Moody's[(1)]	*NP*	*Not on Watch*	*Caa3*	*RUR Downgrade*	*August 7, 2018*
Fitch[(2)]	*C*		*CCC+*	*Negative*	*October 10, 2018*

(1) According to the Moody's rating scale, obligations rated "Caa" are judged to be of poor standing and are subject to very high credit risk. Issuers rated "NP" or "Not Prime Issuers" do not fall within any of the Prime rating categories.

(2) According to the Fitch rating scale, "CCC" ratings indicates a *substantial credit risk*. Short term "C" rating indicates that capacity for meeting commitments *is solely reliant upon sustained, favorable business or economic developments*.

Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such Fitch and Moody's are included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation as at the date hereof.

STRATEGY

On 13 September 2017, Banca Carige's Board of Directors approved the 2017-2020 Business Plan (the "**2017-2020 Carige Transformation Programme**", "**Business Plan**" or "**Strategic Plan**") whereby the Bank seeks to give effect to the vision of Carige going back to "doing the job of the Retail Bank well" for its core business having regard to asset quality and cost income levels.

The Bank's strategic vision revolves around four key pillars:

- capital strengthening;
- asset quality;
- operating efficiency;
- commercial relaunch.

The first pillar of the Plan, namely the strengthening of the Group's capital structure, will make it possible to restore higher capital ratios than the ECB's current targets as early as by the end of 2017. The initiatives planned to achieve the goal of this pillar, already identified and partly already implemented or being implemented, are the following:

1. capital increase, completed successfully on 22 December 2017 for a total amount of Euro 544.4 million, of which Euro 498 million with rights of option and Euro 46.4 million subscribed by the holders of the securities subject to the liability management exercise (LME);

2. optimization of liabilities through the aforementioned LME transaction which involved the substitution of subordinated securities for a total amount of Euro 510 million nominal value with a new senior security with a nominal value of Euro 188.8 million and the realization of a profit gross of Euro 221.5 million; and

3. asset disposals, including a group of 8 properties that are ready to be valued, including the building located in Via Vittorio Emanuele in Milan, sold on 16 November 2017 for a total of Euro 107.5 million, Creditis (the sale of 80.1 per cent. of the investment on 6 December 2017 for a total of Euro 80.1 million), the branch of business consisting in the merchant in relation to which, on 3 April 2018, the Issuer signed the transfer agreement to Nexi S.p.A. (for which, on 28 September 2018, the definitive agreement was finalized, for a consideration of Euro 25 million, before potential post-closing adjustments), book and the disposal of the NPL management platform for bad loans (for which, on 10 May 2018, the definitive agreement was finalized, for a consideration of Euro 31 million).

The strengthening of asset quality, which is the objective of the second pillar of the Business Plan, will be achieved through a major NPE de-risking and de-leveraging effort, which will see the overall stock of NPEs decline from Euro 7.3 billion as at the end of 2016 to Euro 3.1 billion by the end of 2020 (a much lower value than the target required by the ECB). As at 31 December 2017 the NPL stock reduced by 34.5% compared to 2016.

On 6 December 2017, a binding agreement was signed with Credito Fondiario S.p.A. for the non-recourse assignment of a portfolio of non-performing mortgages and unsecured loans with a gross nominal value at 30 March 2017 equal to approximately Euro 1.2 billion, at a price of about 22.1 per cent., improving with respect to the provisions of Business Plan.

On 27 March 2018 Banca Carige's Board of Directors has approved the Non Performing Exposure (NPE) strategy for the 2018-2020 period (the "**NPE Strategy**") which outlines the key actions designed to reduce the Group's NPE stock level. To this end, as was announced on 9 February 2018 when the FY2017 preliminary results were approved, the Bank has decided to proceed with the disposal of an additional bad loan portfolio for a gross amount of up to Euro 1 billionn, on top of the already-planned disposal of Unlikely-to-Pay exposures (UTPs) for a gross amount of approximately EUR 500 mln, having assessed the accounting treatment of the effects arising from the First Time Adoption (FTA) of IFRS 9.

To give effect to the NPE Strategy, a portfolio of up to Euro 1 billion will be selected out of a total bad loan portfolio of approximately Euro 1.7 billion as at 31 December 2017, which will be disposed of on the market, with senior notes backed by the Italian Government guarantee (GACS). The bad loan disposal transaction is planned to be launched in the second quarter of 2018, with closing and respective accounting and regulatory derecognition to take place by the end of the year.

Out of a UTP portfolio amounting to roughly EUR 3 bn as at 31 December 2017, the Bank is also planning the disposal and write-off of UTP positions for a gross amount of approximately Euro 500 million in 2018 and an additional Euro 200 million in 2019.

On 6 December 2017, a binding agreement was signed with Credito Fondiario S.p.A. for the non-recourse assignment of a portfolio of non-performing mortgages and unsecured loans with a gross nominal value at 30 March 2017 equal to approximately Euro 1.2 billion, at a price of about 22.1 per cent., improving with respect to the provisions of Business Plan.

An ad-hoc action plan is envisaged for UTP exposures with a special focus on large tickets and their workout, with a view to maximising recovery from mortgage loan collaterals thanks to the new REOCO, which will step in for individual transactions traceable to loans classified as bad loans and UTPs and will rely on the contribution of key staff already working in the organisational unit.

The combined actions for capital strengthening and asset quality improvement will enable the Bank to obtain a more balanced financial structure with benefits in terms of both cost of funding and funding mix, which will reverberate positively on the Group's liquidity control.

With reference to the third pillar, i.e. greater operating efficiency, the Business Plan will allow for a comprehensive overhaul of the Group's operating and management model, aimed at filling the operating efficiency gaps with respect to market benchmarks. A number of actions for the rationalisation and simplification of the Head Office structure and Branch Network are therefore planned to be implemented, in the aim to reduce both personnel expenses (through headcount optimisation) and other administrative expenses.

Again with a view to improving operating efficiency, ICT will be managed strategically, including the definition of partnerships with leading industrial operators to guarantee quality, efficiency and support digital development. Finally, the objective of improving efficiency will also be pursued through investments that will be directed towards the development of a new branch/service model, digitalising the Bank's processes and upgrading the infrastructure in use.

Once the capital strengthening, asset quality optimisation and operating efficiency improvement actions are implemented, the Group will be in a position to focus on the last pillar of its Business Plan, i.e. the commercial relaunch.

This objective will be pursued by enhancing the strengths of the Carige Group: market coverage and a focus on small-medium customers (retail, the small business and SMEs).

Over the next few years, the Business Plan will pursue the objective of filling the gap of productivity between the Bank and the market benchmark; to do so, it will be necessary for the Bank to grow in the areas of asset management, loans to the small business segment and mortgage loans to households. In this respect, for an expansion of funding and lending volumes, Branch Managers will be called to play a key role acting as "businessmen in their local market areas" with the primary objective of reinforcing the advisory service for households and the Small Business. For the purpose of product development, the offering for customers will be reviewed by adopting an Open Architecture model aimed at taking advantage of best market offers for highly advanced, sophisticated products, with Core Commercial Banking products continuing to be developed in-house.

The 2017-2020 Carige Transformation Program provides for a summary of the return to a positive economic result starting from 2018 and full compliance with the regulatory limits relating to the capital endowment and the maintenance of adequate liquidity facilities. The implementation of the Business Plan will also allow constant compliance with the limits imposed by the ECB in its supervision of the levels of capitalization, the stock of impaired loans in the financial statements and their coverage ratio.

DESCRIPTION OF THE BUSINESS

Banking Activities

Banking is the Group's primary business line, with the objective of meeting the financial needs of customers. The banking activity business line consists of all types of deposit taking (mainly through current accounts and term deposits), traditional lending (including mortgage, personal and other types of consumer loans offered by Creditis) and associated financial services, including, payment services (including debit, pre-paid and credit cards, wire transfers, payment and collection services), private banking and the distribution of asset management.

Banca Carige is one of the leading banking and credit groups in Italy. Banca Carige operate predominantly in the banking sector, concentrating mainly on retail customers and SMEs. The wide range of banking, financial and related activities include deposit taking, lending securities trading, leasing, factoring, consumer credit activities and distributing asset management products through bank branches. The Group is also engaged in fiduciary services activities.

Geographically, the banking activities focus on the core regions of Northern Italy, in particular in the north western region of Liguria, in which Banca Carige has operated for many years and where Banca Carige has deep roots. As of 31 December 2017, 66.2 per cent. of the branches were located in Northern Italy (in particular, Liguria, Piedmont, Lombardy and Veneto). The Group held a leading position in Liguria, with a market share of 16,15 per cent. of total deposits and of 22,45 per cent. of total loans (Source: Bank of Italy, Matrice dei Conti, update to 31 December 2017 (figures based on customers' residency)).

Banca Cesare Ponti (in Lombardy and Liguria) is the "Private Banking" of the Group, therefore oriented towards the Private customers.

The Group also places insurance products of the companies Amissima Vita and Amissima Assicurazioni and it carries out financial activities in the consumer credit sector through the company Creditis, in asset management through the commercial collaboration with Arca SGR S.p.A., and operates in the real estate business through Carige REOCO S.p.A..

As of 31 December 2017, the personal financial advisory service for higher-profile customers is based on a total of 94 private banking relationship managers and 505 affluent banking relationship managers.

In addition to the personal financial advisory service, the Group provides financial advisory services for businesses, through the network of 184 corporate banking advisors, of whom 4 are advisors for the large corporate segment and 180 for the mid corporate segment (organised into 57 teams) and 324 small business advisors.

For the years ended 31 December 2017 and 2016, Banca Carige generated net interest and other banking income of Euro 381.3 million, and of Euro 573.3 million, respectively. As of 31 December 2017, Banca Carige had total direct deposits of Euro 16,858.8 million, compared with Euro 19,388.2 million as of 31 December 2016, as of 31 December 2017, Banca Carige had total indirect deposits of Euro 21,292.1 million, compared with Euro 21,487.9 thousand as of 31 December 2016, and as of 31 December 2017 total net loans to customers amounted to Euro 15,753.9 million, compared with Euro 17,721.3 million as of 31 December 2016.

As at 31 December 2017, direct deposits amounted to Euro 16,858.8 million decreased by 13% compared to 31 December 2016. As part of this aggregate, due to customers amounted to Euro 12,624.5 million as of 31 December 2017, down by 7.9% compared to 31 December 2016, mainly due to the negative trend in current accounts and demand deposits (Euro 11,141.6 million as of 31 December 2017, down by 5.9% compared to 31 December 2016), recorded above all in the last quarter of the year and attributable to tensions occurring at the time the capital increase was launched, and the reduction of repurchase agreements to zero (Euro 351.2 million in December 2016).

The strategic targets for the 2017-2020 period are set out in the Business Plan, the details of which are summarized below. The Banca Carige Business Plan has four pillars: strengthening of capital, asset quality, operational efficiency and a commercial relaunch. The essential element of the business plan is the operation to strengthen the Group's capital, successfully completed for an amount of Euro 544.4 million, which, as early as the end of 2017, had the aim of re-establishing capital ratios above the current ECB targets. At the same time, Banca Carige has set out a broad strategy to improve the quality of assets with significant action for de-risking and de-leveraging non-performing exposures (NPE). The deleveraging operation is accompanied by a renewed proactive approach to recovering NPLs.

RISK MANAGEMENT

The Company, in accordance with applicable law and regulations and the provisions of the Corporate Governance Code issued by Borsa Italiana in December 2011 of listed companies (the "**Corporate Governance Code**"), has adopted an internal control system ("**ICS**") designed to detect, measure and continually monitor the risks typical of the Company's activities.

The corporate organisational system comprises 5 systems and it is designed and continually monitored to ensure coherence at all times with the supervisory organisational model, i.e. the set of provisions of applicable law and regulations that together govern the processes, procedures and organisational structure: (i) the organisational and corporate governance system; (ii) the operational management system; (iii) the risk measurement and assessment system; (iv) the capital adequacy self-assessment system; and (v) the internal control system.

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

The individual processes making up the corporate organisational system are described in specific regulations which constitute the first level regulatory sources, with further detail provided 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 risk that the processes do not comply with the legislation and supervisory regulations (external rules).

The regulatory framework is therefore designed to: (i) set out, in accordance with applicable laws and regulation, the Company's rules (internal rules) on corporate processes as a whole, including corporate governance and control; (ii) periodically assess the organisational risk of non-compliance of the internal process-governing rules with relative external rules (regulatory compliance), indicating the extent of any deviation from the external rules and the organisational risk of non-compliance of the activities performed in the processes with the relative external rules (operational compliance), indicating the extent of any deviation from the external rules; (iii) ensure the accuracy of the risk assessment by continual verification of compliance of the procedures used to carry out the assessment; (iv) periodically inform the governing bodies of the results of the inspections performed i.e. regarding the organisational risk of regulatory and operational non-compliance of the processes; and (v) take the 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 Company's targets.

In prior years a number of significant measures were taken to qualitatively and quantitatively strengthen the Internal Auditing, Risk Management and Compliance functions of the Company and further activities are in progress to reinforce the supporting information system. Partly in light of the observations made at a Group level by the ECB within the SREP process and further to subsequent inspections, progress was made throughout the year in improvement initiatives aimed at further strengthening risk management and control. During the year, further to a specific request for clarification sent by the Bank of Italy's FIU (Financial Intelligence Unit) in 2015 in relation to the recording of transaction data in the Single Electronic Database (*Archivio Unico Informatico*) and to additional irregularities likewise identified in the course of 2017, the Group continued with the implementation of activities some of which are still underway aimed at improving anti-money laundering controls and related application architecture; in this regard no provisions for risks and charges were made as the requirements set out by IAS 37 do not apply.

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

The Company 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: (i) ongoing line controls (self-assessments) by the organisational units on individual activities performed. These can either be: a) incorporated within the IT procedures supporting the activities or b) performed as back office controls on samples by the head of the organisational unit (hierarchical line control); and (ii) regular controls by individual units on their own procedures (a set of homogeneous activities) over a specific period.

The personnel has a duty to notify management of any procedural irregularities identified in the provision of services or the conduct of transactions, and take initiatives to improve the safeguards against risk.

An operational and organisational monitoring model supported by a special IT application is in place for lending, with a view to ensuring the structured and effective management of any positions that show signs of deterioration and, after an initial 'commercial' management stage, charge dedicated credit specialists with the task of monitoring and guiding the actions of relationship 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 safeguard the Group's receivables. Ratings are one of the tools used to define the level of priority for intervention on positions within the scope of control.

(2) **Compliance Controls and Risk Controls (level 2)**

These controls are designed to verify the company processes' regulatory and operational compliance with the law and regulations, define risk measurement methods, verify compliance with the limits assigned to the various operating units and monitor the achievement of their risk-return targets. They are performed by a number of distinct structures other than production units:

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 to the governing and control bodies of the Company and Group banks.

Compliance performs the compliance risk controls for the Company and the Group companies 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.

In particular, the unit (i) performs the regulatory compliance control process (comparing the internal rules with the external rules) and operational compliance control process (comparing the activities performed as part of company processes with those foreseen by the external rules) and issues a judgement on regulatory and operational compliance based on the extent of any deviations identified by the said controls; (ii) 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 noncompliance risk assessment, and recommends measures to contain or eliminate this risk; and (iii) contributes, through collaboration with the training programs on the applicable regulations, to the dissemination of a corporate culture founded on the principles of honesty, fairness and respect for rules, aimed at preventing illicit and/or non-compliant practices.

Anti-Money Laundering

The Anti-Money Laundering function was set up as part of the Compliance Unit, with the Head of Compliance being also the Head of the Anti-Money Laundering function and the Head of the Anti-Money Laundering office being 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 . The Anti-Money Laundering function operates on behalf of all the Group banks, Centro Fiduciario, and is also authorized to report suspicious transactions for Creditis Servizi Finanziari S.p.A.

The Function'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

The risk management function lies with the Chief Risk Officer's Area which, in accordance with supervisory instructions, has complete independence of judgement and action, is part of the Chief Executive Officer's staff and can report directly, via its Manager who holds the position of Chief Risk Officer (the "**CRO**"), to the governing and control bodies of the Company and the Group companies, which outsource this function to the Company.

In order to both ensure segregation of risk modelling from risk control functions and adaptation of the structure to the ever-growing need for developing an integrated vision of bank-wide risks, partly via the identification of middle management roles, the Chief Risk Officer's area is made up of the Risk Management and Risk Control units and the internal validation and risk engineering offices.

The Risk Management function's tasks include the following assessments: (i) correct recognition and measurement of all risks facing the Group; (ii) capital adequacy (overall capital) in relation to the summation of risks (overall internal capital); (iii) operational compliance of the process followed by the organisational units responsible for credit classification, expected loss determination and debt collection; (iv) compliance with the RAF limits laid down by the board of directors; and (v) operational compliance of the ICAAP and ILAAP processes.

The Chief Risk Officer Area performs its functions for the Company and the Group companies 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.

Ratings Validation

The activity is carried out by the internal validation office, which is part of the Chief Risk Officer staff. For all risks considered relevant under the ICAAP process, the internal validation office examines both risk measurement methods and risk monitoring and management models, together with the relevant IT processes and systems in all cases where such methods were internally developed by the Group.

Ratings validation consists of: (i) an assessment of compliance with regulations (where applicable) and the soundness of internal risk measurement and control systems, which is summarized in a comprehensive validation score; and (ii) risk control as a model and drive for the Group to achieve the best practices in risk measurement and control.

Furthermore, the internal validation office: (i) reports to the Control Bodies and the strategic supervision body on the outcome of validation activities by preparing the annual Validation Report; and (ii) monitors the ICAAP process by stressing both the weaknesses and areas for improvement and reports to the Management and Control Bodies through the ICAAP self-assessment report, relying on the contribution from other relevant operating units where applicable.

Manager responsible for preparing the Company's financial reports (with the support of Accounting Control)

The "*Governance and Control Model for the Administrative/Accounting Processes of the Group*" covers the whole of the Group's operations and sets out the responsibilities of the various organisational units involved in the financial reporting process to provide reasonable certainty of achieving the Company's objectives, namely: (i) effectiveness and efficiency of operations (operations); (ii) reliability of reporting (reporting); and (iii) 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 material impact on the separate 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)**

The Internal Auditing function 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 identify irregular trends, breaches of procedures and regulations, and evaluate the workings of the ICS as a whole.

Internal Audit performs its functions for the Company, Group banks and Group companies, 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.

In particular, Internal Audit: (i) assesses the effectiveness and adequacy of the ICS 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); (ii) carries out annual and multi-year

planning of internal audit activities including controls at the operating units (on-site audits) and remote line controls on the processes followed by the individual units; (iii) assesses the correct execution by the organisational units of line controls on their procedures; (iv) assesses the correct execution by the second level control units of the controls within their remit (risk controls, compliance controls); and (v) 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's audit model which rests on a methodology designed to identify and report 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 ICS.

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: (i) planning activities; (ii) carrying out audits; (iii) assessing risks and controls; (iv) detailed or summary reporting; (v) follow-ups; and (vi) managing resources.

The Company has steering and supervision functions in respect of all risks, primarily via an integrated risk management of Pillar 1 and Pillar 2 risks under the Bank of Italy's supervisory instructions (Circ. No. 285 of 17 December 2013 and following amendments).

The strategy pursued for the Group's banks has over time led to the centralization of numerous functions within the Parent Bank, in particular internal audit, compliance, anti-money laundering, risk management, accounting, finance, planning and control.

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 (and the board of statutory auditors), as well as to the various management committees (Management Committee, Risk Control Committee, Lending Committee, NPE Committee, Commercial Committee, and the Finance and ALM Committee).

The internal control system and its organisation are also discussed in the "Corporate Governance and Ownership Structure Report for 2017" which can be accessed on the website www.gruppocarige.it.

Credit Risk

Credit risk is connected to losses that can be recorded when a party exposed to the Group fails to perform its obligations, both at maturity or subsequently. Credit risk is associated with an unexpected change in creditworthiness of a counterparty, to whom the Group is exposed, generating a corresponding unexpected change in the value of the credit position. A valuation of the amount of possible losses that the Group could incur with respect to its exposure to individual credit risk and the entire loan portfolio may depend on various circumstances, including macroeconomic conditions, performance in specific sectors of the economy, downgrading of individual counterparties, structural and technological changes within debtor companies, a deterioration in the competitive position of borrowers, poor management of debtor companies or counterparties, increasing debt for families, and other external factors such as legal and regulatory requirements.

Internal rating models were developed by the Company based on historical data for the Retail segment (Consumers, Small market players and Small Businesses) and corporate segment (SMEs and Large corporate). The Company also implemented models for determining, at a consolidated level, the probability of default ("**PD**"), loss given default ("**LGD**"), exposure at default ("**EAD**").

In relation to decision-making decentralization, central organisational units have been assigned the task of verifying that assumed risk levels comply with the strategic policies formulated by the board of directors, with regard to counterparty credit ratings and in terms of formal compliance with internal and external codes of conduct.

The Group credit risk measurement, management and monitoring process involves: (i) Credit Risk Management, aimed at the strategic governance of the Group's lending activities, through portfolio quality monitoring based on the analysis of risk indicators from rating sources (PD and LGD) and other aspects of interest, with accurate control of compliance with the limits envisaged in supervisory regulations on risk concentration and capital adequacy with respect to credit risk taken; some specific controls on the loan portfolio were also introduced in line with the supervisory regulations on second level controls falling within the remit of the Risk Control structure; and (ii) activities of an operational nature, to monitor the quality of loans disbursed. Specifically, a tool for the operational monitoring of credit is in place and allows for the various areas of control activities to be combined

with risk indicators developed according to the IRB approach, with a view to improving monitoring efficiency and managing credit with an approach ever more consistent with customer risk profiles. To this end, the monitoring process was strengthened by defining final deadlines for the solution of credit positions showing major performance irregularities, after which, failing normalization, they are classified as non-performing.

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

Market Risk

Market risks involve losses that can be recorded in respect of positions held by the Group following unfavourable changes in market parameters. These fluctuations could be generated by changes in macroeconomic performance and in the national and international financial markets, propensity to invest, monetary and tax policies, liquidity on the global markets, capital availability and cost of capital, interventions by rating agencies, local and international political events, wars and acts of terrorism. Market risks relate both to the trading book and to the banking book.

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

The main sources of price risk are activities carried out on equity-related financial assets, equity funds and equity derivatives.

For operational management purposes, the Company Risk Management function ensures 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 VaR and its breakdown into Interest Rate and Stock Risk factors. Risk Management uses VaR for operational management purposes, with the objective of measuring both the risks associated with financial instruments held in HFT portfolios and the risks associated with financial instruments allocated in available for sale portfolios, monitoring dynamics over time and constantly verifying compliance with the operational limits defined in the Risk Appetite Framework.

The VaR is calculated using a methodology based on a 1 year historical approach, with a 99 per cent. confidence interval and a 10-day holding period. Stress test analyses are also carried out that highlight the impact in terms of both VaR and present value resulting from pre-set shocks that refer to specific past events. Stress scenarios are defined by Risk Management on the basis of particularly severe market conditions, taking into account the actual portfolio composition.

Interest Rate Risk and Price Risk—Banking Book

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

From an equity point of view, the objective of monitoring the interest rate risk in the banking book consists in measuring the impact of variations in interest rates on the 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:

(i) *Duration analysis*: the variation in the economic value of the equity is approximated by applying the duration to aggregates of transactions classified in a time bucket according to the date of expiry or repricing. As at 31 December 2017, this indicator was lower than the 20 per cent. of own funds requirement; and

(ii) *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. As at 31 December 2017, this indicator at a consolidated level was lower than the 15 per cent. of the own funds requirement set as the warning threshold.

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

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

Operational Risk

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

The main sources of operating risk include the instability of operating processes, poor IT security, increasing use of automation, outsourcing of company functions, use of a reduced number of suppliers, changes in strategy, fraud, errors, recruitment, training and retaining the loyalty of personnel, and finally, social and environmental impacts. It is not possible to identify a permanent prevalent source of operational risk: operational risk differs from credit and market risks because this type of risk is not taken on by Group as a result of strategic decisions, but is inherent to its operations.

In order to increase its control on these risks, in 2015 the Group implemented a framework for measuring, managing and monitoring operational risks in line with the best practices in the banking system, which was adopted in the same year by the Company's board of directors; the framework was put in operation between the end of 2015 and the beginning of 2016.

During 2017, the fine-tuning of both processes and measurement models continued. As regards the process of collection of operating losses—Historical data collection ("**HDC**")—some adjustments were made with a view to gradually migrating from the previously in use method of centralized data collection to a decentralized collection as laid down in the ORM Framework with an ever-increasing involvement of all organisational units and, in particular, of the function-holders playing specific roles within the ORM Framework (e.g. ORM coordinator, Risk Owners). Concerning the Risk Self-Assessment ("**RSA**") process, used to investigate the future level of risk perceived by the various Risk Owners identified in the project activities, it is noted that the first RSA campaign on operational, reputational and IT risks was completed, and its results were submitted to the board of directors in the ICAAP 2018 Report.

As regards the measurement and quantification of operational risk, the Standardised Approach was adopted for regulatory purposes (title 3 of CRR), whereas an ad-hoc Operational Risk VaR model was developed to measure internal capital based on the time-series of operational losses registered at Group level.

Finally, a report on loss trends and key events was prepared which is quarterly submitted to the board of directors.

As part of the ORM Framework, appropriate links and synergies were planned to be established with reputational risk monitoring and management (see below: *Reputational risk*) and with the aspects of IT Risk management monitored in the ICT field, in compliance with the provisions of the 15th update of Circular 285 of the Bank of Italy.

As part of the Operational Risk Management processes, the activities for preparing and populating the Italian Operating Loss Database (*Database Italiano Perdite Operative* ("**DIPO**")) established in 2003 by the Italian Banking Association (ABI), and which the Group has supported since its establishment, were suitably integrated.

System risk

The significant developments in banking operations, the increasingly structured new risk scenarios and the need to guarantee essential services to the general public have all emphasized the need to develop disaster recovery

plans for banks in order to guarantee continuity in services. In this context, the Bank of Italy regulations dated 15 July 2004, on business continuity for banks, defined the concept of business continuity management, which "includes all activities necessary to reduce to an acceptable level damages resulting from incidents and catastrophes that directly or indirectly impact an enterprise" through a combination of preventive organisational measures, emergency procedures and rules for a return to business as usual. These regulations were subsequently supplemented by the new supervisory provisions, effective commencing from July 2014.

Furthermore, the Group has defined a Business Continuity and Disaster Recovery Plan designed to identify the actions required to restore the Group's business as usual in the event of a crisis situation.

In light of the need to define standard criteria for process managing (mapping, archiving, use, etc.) and identify suitable methodological and IT solutions, the "Business Process Management" project is being continued and is undergoing continuous updates. In this respect, the Group has adopted a methodological framework for the rationalization and standardization 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 relevant models have been formulated with regard to the processes, risks and checks defined for each operational area of the company.

Liquidity Risk

The aim of the government for operational (short-term) liquidity is to guarantee that the Group is able to meet its expected and unexpected payment obligations over a period of 12 months, without interfering with day-to-day operations. The measurement and monitoring of operational liquidity is carried out daily by means of the operational maturity ladder. The operational maturity ladder provides the temporal breakdown of positive and negative cash flows and of any gap as well as of the counterbalancing capacity to face that gap.

The Group also routinely carries out a stress test of the operational maturity ladder in order to analyse the effect on liquidity of hypothetical but realistic extraordinary crisis scenarios and assess the adequacy of the liquidity buffer held.

The aim of the government for structural liquidity is to guarantee that a proper relationship between assets and liabilities is maintained, establishing limits to the financing of medium-term assets with short-term liabilities and hence the pressure on funding in the short-term.

The measurement and monitoring of medium/long-term liquidity is carried out with the structural maturity ladder, which is based on a model of maturity mismatch and covers a period from on sight to 20 years and beyond. It includes certain or modelled capital flows arising from all balance sheet items.

In this regard, gap ratio parameters were established for maturities over a year, along with related limits to be monitored by the Risk Management Function.

The main parameters used by the Company to assess the liquidity profile are as follows: (i) LCR, which is the parameter of short-term liquidity and corresponds to the ratio between the amount of high quality liquidity assets and total net outflows over the following 30 calendar days. As of January 2016, the parameter was subject to a minimum regulatory requirement of 70 per cent., increased to 80 per cent. in 2017 and due to go up to 100 per cent. in 2018. The ECB has required the Company to maintain at all times, at the consolidated level, a minimum liquidity requirement of 90 per cent. for the LCR till 31 December 2017; and (ii) NSFR, which is a 12-month structural liquidity parameter and corresponds to the ratio between the available and obligatory amounts of stable stock. The parameter will be subject to a minimum regulatory requirement from 2018 onwards (or from a different date to be established at the European level along with technical parameters not yet decided at the date of the Base Prospectus) and, on the basis of agreements within the framework of the Basel Committee, shall be above 100 per cent..

The medium/long-term liquidity management policies of the Group take account of these limits when drafting strategic plans and budgets. Finally, the Group has adopted a Liquidity Contingency Plan (LCP) to protect the Group itself and individual companies from stress situations or crises of various degrees, ensuring operational continuity in the event of a sudden reduction in available liquidity. To anticipate stress or a liquidity crisis, some *warning indicators* (EWI - Early Warning Indicators) are monitored.

At the end of 2016 and as at 31 December 2017 the NSFR was assessed as above 100 per cent..

REGULATORY PROCEEDINGS AND LITIGATION

The Group is currently a party to numerous civil and administrative proceedings arising from the ordinary course of business, as well as some criminal proceedings.

The Group have made provisions in its financial statements to cover liabilities that could arise from legal and arbitration proceedings based on its assessment of the relevant risk and with the assistance of internal and external advisers. Banca Carige believes that such provisions represent a judgment of the potential loss in connection with each proceeding, in compliance with the applicable accounting standards. However, there can be no assurance that the amounts already set aside in these provisions will be sufficient to cover the potential losses fully in connection with such proceedings if the outcome is worse than expected.

The provision the Group made in its consolidated financial statements to cover potential liabilities that could result from pending disputes amounted to Euro 24.5 million as of 31 December 2017 (as compared with 23.4 million as of 31 December 2016), of which Euro 22.6 million set aside related to lawsuits filed against the Company and bankruptcy claw-back actions, in respect of which future expenditure and the length of the dispute settlement process have been estimated, and Euro 1.9 million for labour disputes.

The above provisions included specific amounts set aside in relation to disputes relating to compound interest (*anatocismo*). Such provisions for risks and charges do not include the provisions in relation to the dispute with the Apollo Group. The provision was established with the intent of dealing with any losses caused by pending lawsuits filed against the Company in respect of which, according to IAS 37, it is possible to make a reliable estimate of the potential costs. In many cases there is considerable uncertainty about the possible outcome of the procedures and the extent of any loss. These cases include criminal proceedings, administrative proceedings by the competent supervisory authority or investigators and/or reviews in relation to which the amount of any alleged compensation and/or potential liabilities borne by the Group is not fixed or determinable, due to the application filed, and/or the nature of the proceedings themselves. In such cases, for as long as it is not possible to reliably estimate the outcome, provisions are not made. Where it is possible to reliably estimate the amount of loss and such loss is considered probable, provisions are made in its balance sheet or those of the Group's companies, to the extent deemed appropriate in its judgement, according to the circumstances and in accordance with international accounting principles. The estimate of the obligations that may reasonably arise are based on information available at the date Banca Carige makes the estimates, however, due to the numerous uncertainties arising from legal proceedings, it is sometimes not possible to produce a reliable estimate, including in situations where the process has not been initiated or when there are uncertainties as to the legal and factual circumstances which would render any estimate unreliable. Therefore, any provisions may be insufficient to entirely cover the charges, costs, penalties and requests for damages. See "*Risk Factors—The Group is subject to risks related to legal proceedings and actions of supervisory authorities which could have a material adverse effect on the business, financial condition and results of operations*".

Below is a summary description of the most significant legal and arbitration proceedings.

Civil and arbitration proceedings

Amissima

Proceeding relating to the Distribution Agreement

On 5 June 2015, the Company and Primavera Holdings S.r.l., a company controlled by funds affiliated with Apollo Global Management L.L.C. (together with its subsidiaries, "**Apollo**"), completed an operation in which the Company sold its entire share shareholding in Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A. (the "**Insurance Companies**") to Apollo. The sale was carried out pursuant to a sale and purchase agreement previously entered into by Banca Carige and Apollo on 28 October 2014 (the "**Agreement**"). The purchase price was Euro 310 million. The Agreement also provides that Banca Carige, together with the other banks pertaining to the Group, shall enter into a long-term agreement with Apollo concerning the distribution of life and non-life insurance products (the "**Distribution Agreement**"). The Distribution Agreement will be effective until 31 December 2024 and will be automatically renewable upon expiration, unless terminated by the Insurance Companies with six-month prior notice to be communicated to each distributor.

On 22 November 2016, the Company filed an application for arbitration with the Milan Chamber of Arbitration, seeking a declaration that clauses of the Distribution Agreement entered into with Amissima Vita (formerly

Carige Vita Nuova) relating to the exclusivity obligation, minimum distribution targets and penalties, are null and void, and accordingly that the Agreement is null or ineffective in its entirety.

On 23 December 2016, Amissima Holdings claimed that the application for arbitration filed by the Company, together with its subsidiaries, allegedly constitutes breach of the warranty given by the Company regarding the validity of the agreement for the sale of equity interests in the Insurance Companies and the Distribution Agreement. Amissima Holdings S.r.l., which intervened in the arbitration proceedings pending between its subsidiary Amissima Vita and the Company (and its subsidiaries) on a voluntary basis on 14 March 2017, applied for verification of the validity and effectiveness and the absence of any cause for termination of the Distribution Agreement. Subordinately, in case of possible loss of the arbitration proceedings, Amissima Holding S.r.l has:

(i) entered a claim for damages (preliminarily quantified in the amount of Euro 200 million) with reference to the possible loss by it of the arbitration proceedings, calculated on the basis of amounts payable by the Company under the Distribution Agreement;

(ii) applied for verification of its right to indemnity as provided by the Agreement;

(iii) applied for verification of a connection between the Agreement and the Distribution Agreement; and

(iv) applied for verification that any declaration of the invalidity, ineffectiveness or any other event that involves termination of the Agreement, the consequences of which are not already governed by provisions contained in the Agreement and Distribution Agreement, would involve the invalidity, ineffectiveness and termination of the Agreement.

On 22 May 2017, Amissima Vita sent a letter announcing its withdrawal from the Distribution Agreement as a result of the acceptance of the condition (i) that a ruling on the outcome of the arbitration proceedings found the invalidity of art. 13 of the Distribution Agreement (allegedly prejudicial to Amissima Vita) and (ii) the arbitration procedure or other subsequent procedure has also established the full validity of clause 22.4 of the same agreement (and hence Amissima Vita's right to obtain the corresponding compensation).

Despite the Company is convinced of the foundation of the reasons asserted in the aforementioned disputes and without prejudice to these reasons, as at 31 December 2017, the provisions for risks and charges relating to any liabilities related to the Agreement and the Distribution Agreement with the Apollo Group amounted to approximately Euro 19.7 million.

On 4 May 2018 the Board of Arbitrators issued a judgment (i) rejecting all the claims submitted by the Company and, consequently, submitted by Amissima Holdings and (ii) confirming that the Distribution Agreement remain in full force and effect.

On 21 June 2018 the Bank decided to challenge the arbitral award issued on 4 May 2018 on conclusion of the arbitration proceedings that had been initiated against Amissima Vita S.p.A..

<u>Liability action connected to contractual conditions for the sale of equity interests held in the Insurance Companies.</u>

On 17 June 2016, the Company's board of directors resolved to take action against Mr. Cesare Castelbarco Albani, former Chairman of the Company, Mr. Piero Luigi Montani, former Chief Executive Officer of the Company, and the following affiliates of the Apollo Group: Apollo Management Holdings L.P., Apollo Global Management L.L.C., Apollo Management International L.L.P., Amissima Holdings S.r.l., Amissima Assicurazioni S.p.A. and Amissima Vita S.p.A., to obtain compensation for damages arising from the disposal of the Company's equity investments in the Insurance Companies and other conduct of Apollo Group during its presentation to, and an examination by, the Company's board of directors of the proposal submitted by Apollo on 10 February 2016.

The Company sought an order for damages in an amount equal to Euro 1.25 billion, of which Euro 450 million relate to the disposal of the Insurance Companies and Euro 800 million to conduct by the defendants in the context of presentation to and the examination by the Company's board of directors of the proposal submitted by Apollo on 10 February 2016.

The action in question refers to two events, and the material facts and points of law underlying the legal action are illustrated below.

The first event concerns the disposal of equity interests held by the Company in Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A., and the terms of the agreements for the distribution of insurance products for those

companies, to be entered into by the insurance companies and the Company and other Group companies. During 2014 and with the assistance of advisors, a selection procedure was launched with various parties expressing an interest in the acquisition of the Insurance Companies, following which the non-binding offer submitted by Apollo Management Holdings together with Apollo Global Management L.L.C. and its affiliates (referred to in brief as "**Apollo**") was selected. Individual negotiations continued with this company.

The Insurance Companies were sold to Apollo, following a resolution by the Company's board of directors on 21 October 2014 and the closing took place on 5 June 2015 and concurrently the insurance product distribution agreements with companies in the Group were entered into.

Decisions by the board of directors were based on the recommendation by the Bank of Italy to sell those companies in view of the Insurance Companies' negative economic performance, reputational problems, criminal implications and requisites connected to compliance by the Company with capital requirements.

However, Banca Carige believes that prior to the aforementioned resolution by the Company's board of directors on 21 October 2014, the situation leading to the recommendation by the Bank of Italy had changed due to change in the Insurance Companies' management, which had successfully realized a positive turnaround in management. However, this change in circumstance was not highlighted during the abovementioned board meeting and therefore was not included in the due diligence and the evaluation process conducted by the Company's directors. In particular, there had been a drastic inversion in the trend illustrated in the six-month reports for 2014, showing profits of Euro 19.5 million for Carige Assicurazioni and Euro 25.7 million for Carige Vita Nuova. Banca Carige believes that, on 21 October 2014, the CEO of the Company was presumably made aware of confirmation, in the second six months of the positive trend that would lead, from 31 December 2014, to profits of Euro 27.9 million for Carige Assicurazioni, and Euro 30.8 million for Carige Vita Nuova.

Following this, the Insurance Companies' appeared to have recovered from their negative performance. In fact, having recorded total losses of Euro 140.6 million in 2013, the Insurance Companies registered total profits of Euro 58.7 million in 2014, with an aggregate difference in the economic result for the two financial years of just under Euro 200 million.

On 23 October 2014, two days after the board of directors' resolution on the disposal, the ECB notified the results of the comprehensive assessment, illustrating the need for further capitalization of the Company, approved by the Company's board of directors on 26 October 2014, including a capital increase in an amount no lower than Euro 500 million (an increase which was subsequently proposed and approved in the amount of Euro 850 million). Due to this development in action in order to meet the Bank of Italy's capital requirements issued in August 2013 the need to dispose of equity interests in the Insurance Companies appeared to have been overcome.

In summary, due to the change in membership of the boards of directors and senior managements of the Insurance Companies, the inversion in the management trend for the Insurance Companies and in consequent results and the need to recapitalize the Company, the need to dispose of equity interests, at a price justifiably lower than the equity value of the Insurance Companies (offered by Apollo in the amount of 71 per cent. of the net value of assets) no longer existed.

In relation to the determination of the value of the equity interests in the Insurance Companies, there was insufficient due diligence in the relative assessments, in consideration of the absence of an element consistently used in practice for the sale of equity interests, or rather a fairness opinion certifying the conformity of the sale price with the value of the equity interests. Furthermore, serious insufficiencies in the evaluation and due diligence process were emphasized in relation to the comparative selection of the Apollo offer over and above other offers received by the Company.

The Company therefore believes that, in relation to the sale of equity interests held in the Insurance Companies, there is specific liability on the part of the former Chief Executive Officer Piero Luigi Montani and the former Chairman Cesare Castelbarco, acting together with Apollo Management Holdings L.P., Apollo Global Management L.L.C. and Amissima Holdings S.r.l.

The second event relates to the conduct of affiliates of the Apollo Group between November 2015 and March 2016 which appears to be linked by pursuit of a single goal: the appropriation, at extremely speculative economic conditions, of the Company's assets and of a majority interest in the Company.

The statement of claim identifies the following unlawful conduct: interruption to negotiations for the acquisition of the interest held by the Company in Creditis Servizi Finanziari S.p.A., as a result of unjustified withdrawal by

the Apollo Group; the impact of transactions carried out by the Apollo Group on the Company's liquidity; and the submission of a non-binding offer contemplating the acquisition of NPLs for the Company and the acquisition of a majority equity interest in the Company at conditions functional to Apollo's intensely speculative interest but gravely punitive to the Company and the majority of its Shareholders. Banca Carige believes that due to the procedures and timing of the conduct by Apollo, it interfered with the Company's business, negatively influencing performance in liquidity, attempting to impact free self-determination in business operations and negotiations, with negative effects on the economic reputation of the Company. Equally, the statement of claim identifies elements regarding complicity by the senior management of the Company, and specifically the Chief Executive Officer Piero Luigi Montani, with Apollo.

On 17 June 2016, the Company decided to commence proceedings urgently, with the aim of ending potential negative reputational effects on the Company that as a result of Apollo's non-binding bid for NPLs and a capital increase reserved for Apollo.

In the statement of defense, all of the defendants raised counterclaims seeking damages in the total amount of approximately Euro 300 million and, in any event, sought damages. Amissima Holdings, through a further claim, has sought increased damages in respect of its initial claim, and consequently counterclaims are quantifiable in an amount of approximately Euro 622 million. The defendants have maintained the same amounts referred to above. In relation to such counterclaim, the Company does not believe that the necessary conditions are met for the purposes of a compensation order against it. On 18 January 2018 was held a further hearing for the filing of the claims and at the date of this Base Prospectus Banca Carige is waiting for the final decision.

On 10 March 2017 the Company was served with a petition for an urgent injunction preventing shareholders of Malacalza Investimenti S.r.l. and Fondazione Carige from exercising their voting and participation rights at the Shareholders' meeting called for 28 March 2017. On 24 March the Courts of Genoa dismissed this petition due to lack of grounds.

The Shareholders' meeting held on 28 March 2017 approved the proposal by the Company's board of directors regarding authorization to take liability action against previous directors Piero Montani and Cesare Castelbarco Albani, respectively the Chief Executive Officer and Chairman of the Company at that time.

On 21 June 2017, Amissima Vita served the Company with a statement of claim concerning the challenge to the resolution taken by the Shareholders' meeting on 28 March 2017 relating to this liability action, since it was taken with the casting vote of quotaholders of Malacalza Investimenti S.r.l. and Fondazione Carige, against whom Amissima Vita had sought a prohibition on participation in the Shareholders' meeting on 28 March 2017.

On 20 October 2017, the Company submitted its defense. The judge awarded the parties the time limits to submit statements pursuant to article 183, paragraph 6, of the Italian code of civil procedures.

The date of the next hearing was set for 19 December 2018.

Additional labour disputes with Amissima

At the date of this Base Prospectus, an application for arbitration is pending, submitted on 10 July 2017 by Amissima Holdings S.r.l. to the Milan Chamber of Arbitration. The claim concerns reimbursement by the Company, as a result of clauses in the agreement for the disposal of the Insurance Companies, of amounts paid by Amissima to two managers who have retired (a claim of around Euro 907,000) as additional allowances provided by the company labour agreement, which represented a supplement for termination, provided by the applicable national collective labour agreements.

On 8 August 2017, the Company has filed its defense and appointed its arbitrator. On 13 September 2017 the arbitration committee was constituted with the appointment of the third arbitrator. On 27 October 2017, the first hearing of the arbitration committee was held and the second pleadings have been filed. Following the completion of oral arguments by the parties, the Arbitration Tribunal set the hearing of 14 June 2018 for the production of the arbitral award concerning the arbitration, as well as for the final pleadings. Banca Carige has set aside provisions in its reserve for risks and charges of Euro 907,085 in relation to such proceeding.

Following the completion of oral arguments by the parties, the Arbitration Tribunal set the hearing of 14 June 2018 for the production of the arbitral award concerning the arbitration, as well as for the final pleadings

After the investigation phase, the Board set the deadlines for the filing of the final statements and the counter pleadings, being, respectively, 20 September 2018 and 22 October 2018. In the event that the parties request it, the hearing will be held on 8 November 2018 while the deadline for the filing of the award will be 28 February 2019.

Criminal proceedings

To the knowledge of the Company, following criminal investigations initiated by the Public Prosecutor of Genoa, formal criminal proceedings have been initiated against the former President of the Company, Giovanni Berneschi, in relation to false social communications on behalf of a company, members or creditors as well as unlawful appropriation. The facts of the case are, in part, taken from the findings of CONSOB and the Bank of Italy on the outcome of inspections relating *inter alia* to the regularity of the granting of loans and the overall management of creditors as well as the compliance of the internal organisational models inherent in the assignment and management of trusts and the preparation of financial statements in line with legislation.

As such offences under Legislative Decree 231/01 are considered severe, the Company was entered in the register of suspects for administrative offence for offences of false corporate communications to the detriment of the company, its Shareholders or creditors and revocation. Irrespective of any evaluation of the allegations on the merits, a financial penalty applicable to the most severe abusive penalty treatment applicable to the Company for the alleged offences are estimated at no more than Euro 2 million.

Almost all acts of this proceeding were subsequently transferred to the Public Prosecutor of Rome. For the remaining facts that remained the responsibility of the Public Prosecutor of Genoa, the case file was filed in January 2017.

To the knowledge of the Company, at the date of this Base Prospectus, proceedings are still pending before the Public Prosecutor of Rome, in the context of which certain claims relate to the crimes of obstructing supervisory activities and market manipulation. These accusations relate to the Company's board of directors in office at the date of the events for both alleged crimes, while the offence of obstructing supervisory activities relates to the former general manger and other managers of the Company. The Company is under investigation pursuant to Legislative Decree 231/01, for offences committed in its interest or benefit in relation to regulatory offences. As far as the Company is aware, the disputed events were in part revealed from findings by the Bank of Italy and CONSOB following inspections carried out by those Authorities.

The proceedings pending before the Public Prosecutor of Rome are at the subsequent phase following closure of the preliminary investigations and the Public Prosecutor will decide whether to request a committal for trial, so that the preliminary hearing can be scheduled during which the Judge for Preliminary Investigations has not yet decided on the formulation of any filing request, or alternatively, whether to request a committal for trial.

Charges relating to obstructing supervisory activities originate from false communications regarding: i) the valuation of amounts receivable with respect to certain groups of loans; ii) the valuation of equity interests held in the Bank of Italy, by Carige Assicurazioni and Carige Vita Nuova; and iii) the valuation and determination of goodwill relating to CGUs (cash generating units—subsidiaries, networks of branches outside Liguria and insurance companies).

The offence (market manipulation) is charged in relation to the diffusion of false information through a press release dated 25 February 2013, which reported that "*At the meeting on March 19, when the 2012 draft budget was approved, the board of directors considered it possible to arrive at a proposal to distribute an adequate cash dividend to shareholders...*", the allegation being that this statement was such as to affect significantly the trust placed by the public in the Company's financial stability.

The offence is punishable by an administrative fine up to Euro 1,349,100.

The abovementioned offences provide for the confiscation of the proceeds of the crime. The determination of the amount of the proceeds that could be confiscated is uncertain.

The order to make payment of the fine and of confiscation of the proceeds will become irrevocable following the three proceedings (not less than five years from the date of this Base Prospectus).

There is a further criminal proceeding pending before the Courts of Genoa and Milan, in which the Company has initiated a civil party against the defendants (including the former Chairman of the board of directors, Giovanni

Berneschi) accusing them of fraud-based crime and money laundering, in relation to the management of the Insurance Companies then part of the Group. This trial ended on 22 February 2016, with a sentence of conviction. This proceeding ended on 22 February 2016, with a sentence of conviction. The defendants appealed against the sentence and on 2 November 2017 the notice of hearing for the hearing before the Court of Appeal of Genoa was notified for 20 December 2017. The first hearing was set, with the sole purpose of establishing and prepare the calendar of subsequent hearings. At the hearing of 26 March 2018, the Court rejected the objections raised by the defense, including that relating to the territorial incompetence presented in the aforementioned proceedings by the defense of one of the defendants.

On 4 May 2018 the preliminary hearing took place. The Bank of Italy (for Article 2638 of the Civil Code), Consob (for Article 2638 of the Civil Code) and Codacons (for both indictments that are also for the crime of bank bribery pursuant to art. 2637 of the Civil Code) were established against the only defendants natural persons. Seven shareholders brought a civil action also against the Bank. *The next hearing is scheduled for 5, 12 and 26 October 2018*.

Following the judgment of the Court of First Instance, the Bank has proposed a liability action against Giovanni Berneschi before the Civil Court of Genoa. All defendants have challenged the first instance sentence

Finally, there are further criminal proceedings pending before the Courts of Genoa concerning the crimes of obstructing supervisory functions, money-laundering and complicity in the evasion of income taxes, for which the Company's former chairman, Mr. Giovanni Berneschi, is indicted, together with three seconded employees of the Company with management duties at Centro Fiduciario, and Centro Fiduciario itself. At the hearings held on 7 December 2016 and 9 December 2016, the Judge for the Preliminary Hearing delivered a "no case to answer" judgement with respect to Mr. Giovanni Berneschi and the three employees of Centro Fiduciario, as well as for Centro Fiduciario, in respect of some charges, providing that Mr. Giovanni Berneschi and the other defendants should be committed for trial for the crimes of money laundering, failure to submit tax returns, fraudulent conveyance and abetting. Following the preliminary hearing, Centro Fiduciario settled its position for the remaining charge pursuant to Legislative Decree 231/01, by way of out-of-court settlement with an administrative fine of Euro 400,000.

CONSOB proceedings pursuant to article 157(2) of the Consolidated Financial Act

As disclosed in the press release dated 9 January 2015, CONSOB filed a claim against the Company, initiating civil proceedings before the Court of Genoa, to have the Court declare the Shareholders' meeting resolution dated 30 April 2014 approving the Company's financial statements as of 31 December 2013 null and void, for failure to comply with the rules governing the preparation thereof and, in particular, with the accounting principles IAS 1, 8 and 36, as well as to ascertain the non-compliance of the Company's consolidated financial statements as of 31 December 2013, with the aforementioned Accounting Standards.

In its statement of claim, CONSOB argued that the Company had not properly implemented the observations expressed by CONSOB in its Ruling No.18758 dated 10 January 2014, concerning the impairment of goodwill and equity interests held in the banking and insurance subsidiaries for and as of the year ended 31 December 2012. According to CONSOB the alleged violation resulted in a violation of the accrual principle.

The Company entered an appearance in proceedings, with a statement of defense filed within the deadlines, before the Courts of Genoa, challenging the adverse party arguments, claims and allegations.

The court-appointed expert witness, Professor Mario Massari, filed his final report in March 2017, whereby he upheld CONSOB's findings relating to projections, which were allegedly not prepared by the Company on the basis of reasonable and supportable assumptions as required by IAS 36(33)(a), consequently holding that the financial statements were not compliant with IAS 8 and IAS 36. In particular, the Expert Witness' conclusion was that: "*the opening balances of the non-consolidated and consolidated financial statements as of December 31, 2013 of Banca Carige, relating to the goodwill for the banking CGUs (cash generating units), and corresponding to the relative closing balances in the financial statements as of December 31, 2012, do not comply with IAS 8. Said conclusion is based, in particular, on the finding of non-compliance with IAS 36 of the valuations for impairment purposes of the CGUs and bank subsidiaries in the financial statements as of December 31, 2012*".

In relation to Professor Mario Massari's conclusions illustrated above, for the purpose of reaching a settlement with CONSOB, and providing a fully accurate overview of information, the Company has decided to acknowledge

the error referring to the plan projections made by the Company's management in March 2013, which, despite a significant deterioration in the macroeconomic and financial indicators, were not adequately restated in accordance with the indications in the business plan dated May 2012.

The Company, supported by the formal opinion of Professor Mario Massari, has deemed a reformulation of the 2013-2022 plan forecasts impracticable, since albeit being technically feasible in theory, it would lead to results devoid of any acceptable credibility, given that it would require taking into account the historical prospective and information, including internal to the company, referring to the specific time and context in which the management that drew up the relevant plan was operating.

More specifically, since the assumptions underlying the plan forecasts and the parameters selected for valuation make up a single system, it would be incorrect to amend any input or parameter without reconsidering all other inputs and parameters as well. In order to determine which part of the impairment of consolidated goodwill for the banking subsidiary CGUs in September 2013 should have been carried out in the 2012 financial year, it would be necessary to reformulate the plan forecasts made at the time as well as the entire valuation, which would involve a new estimate of the different valuation parameters upon the market data, logic and expectations of that time.

Furthermore, the goodwill subject to the above dispute was fully impaired in the interim report as of 30 September 2013, and consequently, even if it would have been possible to restate the opening balances for the 2013 Financial Statements, this would not have had any effects on the closing balances for the same financial year and any subsequent years.

In light of the above, the opening balances for the 2013 financial statements cannot be restated in any credible manner and that, therefore, the case at hand falls under the scope of application of paragraphs 50-53 of IAS 8, which provides for rectification of the error exclusively by means of the disclosure of information.

CONSOB has held that the relevant disclosure, included in the financial statements, together with the acknowledgement of the error and the new resolutions approving the financial statements and consolidated financial statements as of 31 December 2013, are sufficient to re-establish a correct overview of information, and will therefore result in the discontinuance of the aforementioned claim. At present, the Judge has adjourned the hearing and therefore the proceedings have not formally ended, but are expected to end, according to communications between the law firms involved, once the financial statements are newly approved in compliance with the terms agreed upon with CONSOB, such as to deem the correct overview of information effectively restored.

On 3 August 2017. the Company's board of directors resolved to initiate the process aimed at putting an end to the action challenging the resolutions approving the Company's financial statements and consolidated financial statements for the year 2013 and, subject to the revocation of the resolution approving the Company's draft financial statements and consolidated financial statements as of 31 December 2013, approved the Company's draft financial statements and consolidated financial statements as of 31 December 2013.

Accordingly, the Company called a Shareholders' meeting on 28 September 2017 in which the Shareholders, following the revocation of the approval resolution dated 30 April 2014, newly approved the 2013 financial statements of the Company and acknowledged the consolidated financial statements as of 31 December 2013, solely to the extent of the supplementary disclosure made in accordance with accounting standard IAS 8, while maintaining the rest of the contents unchanged.

The procedure was completed on 27 March 2018, ex articles 309 and 181, 1 paragraph, Code of Civil Procedure.

"Further supervisory action by CONSOB relating to the concentration of securities issued by the Company in portfolios held by retail customers

On 1 July 2016, in relation to overall supervision of the provision of investment services by the Company, CONSOB requested the following clarifications pursuant to article 8, (1) of the Consolidated Financial Act: (i) for the required concentration controls in the context of evaluation of the adequacy of customer investments, possible confirmation that this control currently concerns debt securities, illustration of the reasons underlying that choice and an indication of the next steps to be taken for the purpose of evaluating total issuer risk; (ii) confirmation that procedures for the calculation of credit risk adopted by the Company enable it to recognize correlations between the different instruments in a customer portfolio, supplementing the concentration control; and (iii) the number of customers who hold financial products issued by the Company and their relative counter-value, suitably divided into concentration classes for those products, according to wealth bands relative to those customers and customer profiles assigned to them for the evaluation of the adequacy/appropriateness of investments, with separate evidence of that data for subordinated notes.

In a note dated 29 July 2016, the Company provided the requested information, confirming that the concentration control in the context of evaluation of the adequacy of customer investments is limited to debt securities alone, with exclusion from that control of bonds issued by the Italian government and other supranational bodies. In particular, the Company specified that concentration is associated with issuer risk (evaluated separately through the credit risk indicator), further strengthening adequacy controls on issuers of bonds (default risk). The note also specified that procedures for the calculation of credit risk adopted by the Company allow it to recognize correlations existing between various issuers, within a customer portfolio. The calculation mechanisms in fact take account of the level of diversification in the portfolio. Total credit risk for the portfolio is therefore the final result obtained following an evaluation of the risks inherent in individual financial instruments in that portfolio and those inherent in correlations/decorrelations present in that portfolio. The effect of correlations/decorrelations between financial instruments included in a portfolio, acts also on the measurement of market risk, calculated for all categories of financial instruments and enabling the Company to supplement the concentration control. In the note dated 29 July 2016, the Company also mentioned the upcoming introduction of a new concentration control for highly complex financial instruments, in order to ensure greater customer protection, in accordance with CONSOB communication on the distribution of complex financial products to retail customers. This control commenced on 1 February 2017.

CONSOB Communication of 23 February 2018 pursuant to Article 6-bis, paragraph 4, letter a) of the TUF

On 23 February 2018, in relation to the overall supervisory evidence and in particular to the results of the previous inspections carried out, CONSOB requested some further details regarding the following profiles: (i) *budget* and commercial policies; (ii) the model of assessments of the adequacy and appropriateness of the transactions; (iii) the model of advisory services; (iv) the subordinated bonds of Banca Carige held by customers; (v) 2017 share capital increase operation. CONSOB also requested, with reference to the first four profiles mentioned above specific reflections on the consistency of the controls prepared with the new relevant provisions dictated by MiFID2. Finally, specific comments and assessments were requested from the compliance function of the Issuer's Board of Statutory Auditors. On 27 March 2018, the Issuer forwarded the requested information to CONSOB together with the contributions of the compliance function and the Board of Statutory Auditors.

Inspections relating to anti-money laundering

Centro Fiduciario

From 19 September, 2013 to 14 January 2014, the Bank of Italy carried out an inspection on the subsidiary Centro Fiduciario.

Following these inspections, by notice of 25 March, 2014, served on 31 March, 2014, the Financial Intelligence Unit of the Bank of Italy charged the manager of Centro Fiduciario in office at the time of the challenged facts and Centro Fiduciario (jointly and severally liable) with the alleged violation of the obligations to report suspicious operations (pursuant to anti-money laundering regulations), in relation to a fiduciary mandate for the management of liquidity amounting to, in the aggregate, Euro 700,000, entered into on 22 December 2011. In particular, according to the Bank of Italy, the examination of the documentation at Centro Fiduciario reveals that the fiduciary mandate, following its opening, was not subject to either evaluation or monitoring by the Company.

Following the above inspections and subsequent investigations by the Public Prosecutor of Genoa in proceedings on 26 August 2015 Centro Fiduciario was further charged, as a jointly liable party, relating to reporting suspicious operations, punishable with an administrative fine ranging from Euro 124,654.20 to Euro 4,986,169.30 in

consideration of the value of the disputed transaction, equal to Euro 12,465,423.40 (of which Banca Carige would be liable for a maximum amount of Euro 4,834,091, as Banca Carige hold a 96.95 per cent. stake in Centro Fiduciario).

Furthermore, considering that Centro Fiduciario may not have the financial and capital reserves necessary to cover any charges arising out of the measure in question, on 27 January 2016 the Company's board of directors resolved, in relation to charges relating to the unreported transaction in the amount of Euro 12,465,423.4, to undertake, within the limits of its equity interest in that company, any future obligation to pay an administrative fine.

On 4 April 2018 the Ministry of Economy and Finance ordered Centro Fiduciario S.p.A., as jointly and severally liable with the manager of Centro Fiduciario in office at the time, the payment of € 900,000.00 as an administrative penalty for the violation of art. 41 of the Anti-Money Laundering Legislative Decree. Against this sanction, Centro Fiduciario S.p.A. has filed an appeal pursuant to art. 22 of Law 24 November 1981 n. 689 and art. 6 of Legislative Decree 1 September 2011 n. 150 before the Civil Court of Rome; the appeal was filed on 4 May 2018.

Banca Carige

Between 1 January 2015 and 31 December 2017 the *Guardia di Finanza* charged the managers of branches of the Company and the Company itself (jointly and severally liable) with violation of article 41 of the Anti-Money Laundering Legislative Decree for failure to report certain suspicious operations: pursuant to article 57 of the Anti-Money Laundering Legislative Decree, effective at the date of events, the disputed violations are punishable by means of a fine ranging from 1 per cent. (i.e. Euro 35,100.58) to 40 per cent. (i.e. Euro 1,408,019.20) of the value of all disputed transactions. With reference to the above-mentioned charges, within the term of 30 days of the date of notification of the report, the Company filed its defense brief with the Ministry of Economy and Finance. Pursuant to applicable laws, the Ministry of Economy and Finance shall notify any penalty within five years of the date on which it notified the charges to the persons responsible for the violations.

Inspections and sanction proceedings by the Bank of Italy

During the second six months of 2016, the Bank of Italy conducted an inspection of the sale of insurance policies combined with financing provided to consumers. On 28 April 2017 the Authority notified the outcome of the inspection which found that there was adequate consistency between practice for the Company and applicable regulations. It did however identify certain critical aspects relating to management of pre-contractual documents and internal controls.

On 30 May 2017, the Issuer identified the aforementioned communication providing a detail of the initiatives taken to overcome the criticality.

Finally, it should be noted that, starting from March 2018, the Bank of Italy has started an inspection of the Company concerning:

- compliance with legislation on the fight against money laundering;

- suitability of the organisational structures to produce correct reports on TEGM (Average Global Effective Rate) and to prevent the risks related to breaches of the Usury Law.

Tax Proceedings

Banca Carige

On 28 February 2014 the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office, notified the Company with a measure whereby it levied a higher amount of registration tax (in addition to fines and interest) with reference to a deed for the purchase of a company business from Banca del Monte dei Paschi di Siena in 2010.

The order is based on the redetermination of the value of goodwill in a greater amount than the value indicated by the parties in that deed. In particular the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office re-determined the goodwill value from Euro 102,461,722 to Euro 140,167,758 and consequently applied greater registration tax in the amount of Euro 455,116 plus fines in an equal amount and interest. The Company promptly filed an appeal.

The Provincial Tax Commission of Genoa filed decision No. 399/1/2016 on 16 February 2016, in which it upheld the appeal in full, ordering the Agency to refund legal costs for the proceedings. The Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office has appealed this decision. The proceedings are currently pending second-level trial. Banca Carige has not made any provisions in the financial statements for this matter.

Merger of Cassa di Risparmio di Carrara into Banca Carige

With reference to the acquisition of the business branch during 2010 by Banca del Monte dei Paschi in Siena, on March 3, 2014 the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office served a settlement and correction notice on the merged company Cassa di Risparmio di Carrara (and to Banca del Monte dei Paschi di Siena S.p.A.) whereby the Tax Controls Office levied a higher amount of registration tax (in addition to fines and interest) with reference to the deed of purchase of the company business signed by the Company in 2010.

The Tax Authority re-determined the goodwill in question from Euro 13,642,160 to Euro 18,925,041 and requested the payment of additional registration tax for a value of Euro 77,248, in addition to fines for the same amount and interest.

The Company promptly filed an appeal.

On 28 January 2016 the Provincial Tax Commission of Genoa deposited judgement No. 282/1/2016 which upheld the Company's appeal in its entirety and ordered the Agency to refund the legal costs. The Tax Authority, has appealed this decision.

The proceedings are currently pending second-level trial. Banca Carige has not made any provisions in the financial statements for this matter.

Merger of Banca Carige Italia into Banca Carige

In relation to the tax risk profiles relating to the legal challenge brought by CONSOB, it is important to note that on 29 December 2016, as a result of a previous inquiry by the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office on Banca Carige Italia S.p.A., the Company, in its capacity as the merging company of Banca Carige Italia, was served a notice of assessment containing two findings. The first relates to the redetermination of a tax credit from the conversion of deferred tax assets for 2013 (reducing it by approximately Euro 205 million); the second is about Euro 2.1 million additional tax (IRES—corporate income tax) payable resulting from partial non-acceptance of relief connected with the Economic Growth Stimulus.

Both of these findings are a consequence of objections raised by the Agency against the results of the impairment test on goodwill conducted by Banca Carige Italia during preparation of its financial statements for the year 2012. In particular, in the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office's opinion, Banca Carige Italia should have partially impaired its previously recognized goodwill by Euro 771.6 million and would thus not have had the possibility to fiscally align it in its entirety as it did. That lesser tax alignment, calculated using the nominal tax rates IRES and IRAP applied to the goodwill value, would have resulted in a lower recognizable amount of alignment-related DTAs and, consequently, in a lower amount convertible into tax credit, upon occurrence of the legally required conditions (as was the case in 2013). In quantitative terms, the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office's ascertainment was reflected in partial non-acceptance of the tax credit arising from conversion of deferred tax assets by the aforementioned amount of approximately Euro 205 million. However, in relation to the foregoing finding, the notice of assessment clarifies that, after settlement of the specific claim, the Company (in its capacity as the merging company of Banca Carige Italia) would be entitled to a pro-rata reimbursement (equal to approximately Euro 99.9 million) of the higher amount of substitute tax paid at that time for the tax alignment of goodwill recognized in 2012 and partly not accepted during the ascertainment. The second reported finding conceptually stems from the same objections raised against the results of the afore-mentioned impairment test. According to arguments provided by the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office in its ascertainment, the financial year 2012, due to the afore-mentioned impairment and its effects on deferred tax assets, should have closed with a loss for the period instead of posting a profit which was allocated to a reserve and thus caused an increase in what is known as the ACE (Economic Growth Stimulus) base. For this finding alone, sanctions were imposed for an amount equal to 90 per cent. of the ascertained higher amount of corporate income tax (IRES).

The Company, supported by the qualified opinions of highly reputed independent experts who, on several occasions, expressed a preliminary judgement of correctness and compliance of the Company's impairment testing conduct with the international accounting principles IAS/IFRS, also with the support of its legal advisors, believes

that the findings presented in the foregoing notice of assessment may be objected to in many respects and, therefore, contested the tax claims before the Provincial Tax Commission of Genoa on 23 February 2017 seeking their annulment.

Finally, at the hearing held on 14 June 2017, the parties jointly applied for and obtained an adjournment in the trial to 18 October 2017, 2017 followed by another on 20 December 2017 and on 12 February 2018, in order to explore the possibility of reaching an agreement, also in consideration of developments in civil litigation with CONSOB but the search for an agreement was not successful. The Company still upholds considerations made upon preparing the consolidated financial statements at 31 December 2016 and that led it to hold that the conditions for making specific provisions for that litigation were not existing. Banca Carige has not made any provisions in the financial statements for this matter.

On 28 December 2017, the Revenue Agency delivered the report of findings with final outcome of the audit started on 27 November 2017 against the incorporated company Banca Carige Italia for the purposes of direct taxes and IRAP for the period tax 2014.

The amounts disputed amount to Euro 0.7 million, respectively, for the disclaimer of the DTA credit, Euro 10.7 million for the ACE deduction *(Aiuto alla Crescita Economica - Economic Growth Aid - corresponding to Euro 2.9 million in IRES tax)* and Euro 6.8 million in higher value of production for IRAP purposes (corresponding to Euro 0,4 million of IRAP tax).

The parties did not find an agreement. On 23 April 2018 the discussion hearing was held before the tax court.

Banca del Monte di Lucca

On March 7, 2014 the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office served a settlement and correction notice to Banca del Monte di Lucca (and to Banca del Monte dei Paschi di Siena S.p.A.) levying the principal registration tax (in addition to fines and interest) with reference to the deed of purchase of a company business signed by the Company in 2010.

The settlement and correction notice in question is based on the redetermination of goodwill to an amount that is greater than the amount indicated by the parties in the afore-mentioned deed of purchase. In particular, the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office re-determined the goodwill in question from Euro 9,210,173 to Euro 12,861,460. As a result of such redetermination the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office requested payment of a higher principal registration tax equal to Euro 53,257, in addition to fines for the same amount and interest.

The appeal lodged with the Provincial Tax Commission of Genoa was entirely upheld with the annulment of the claim and an order for the Agency to refund legal costs. This judgment was appealed against and the proceedings is now pending second-level trial. Banca Carige has not made any provisions in the financial statements for this matter.

Inspections and thematic reviews by the ECB

2016 Inspections and thematic reviews

Activities to be carried out by 10 July 2017 relating to the management of NPLs and involving remuneration policies have been completed, while certain refinements of internal regulations on the strategy for the management of NPLs and second level controls are pending completion.

Supervisory activities concerned the quality of the non-financial companies and personal businesses loan portfolio, with a focus on NPLs (NPL) and performing loans in the worst internal rating classes.

An examination of positions highlighted a deficit in provisions of Euro 348 million, for exposure selected on a judgmental basis by the inspection team, and a further Euro 64 million arising from the impact on portions of the banking book subject to random statistical sampling.

The inspection team revealed further weaknesses in the organisational structures and internal control systems. There were 16 findings revealed by the ECB which are divided into 10 intervention areas containing 28 recommendations.

The 10 intervention areas include: (i) 3 maturing on 30 September 2017, concerning the provisions process, the monitoring process and Internal Audit activities; and (ii) 7 maturing on 31 December 2017, concerning the organisational structure (risk profile and strategies, organisational structure and resources, risk control) pricing policy (pricing and lending process), NPL management (credit policies and recovery process), risk classification process, internal risk assessment model (provisions process and credit policy) management of collateral (provisions process and policy), validation of data quality (examination of positions and data integrity validation).

On 5 April 2017, the Company submitted to the ECB the plan for remediation activities currently being implemented. The plan is periodically monitored.

2017 Inspections and thematic reviews

On 7 April 2017, the ECB sent Banca Carige a communication entitled "*Remarks on the qualitative valuation of NPLs*". In this communication, the ECB highlighted the following parameters for the Company: an NPL ratio (NPLs as a percentage of the total loan portfolio) of 29.4 per cent. as of 30 June 2016 compared to a European average of 5.4 per cent., and a Net Adjusted Texas Ratio of 177 per cent. as at 30 September 2016, higher than the one recommended by the ECB.

The same communication illustrates the weaknesses of the Issuer identified by the ECB with particular reference to:

- NPL management strategy;
- governance and operational structure in NPL management;
- procedures for identifying positions classified as forbearance;
- classification of NPLs;
- valuation process of provisions;
- assessment of guarantees.

Carige replied to this communication on 9 May 2017 illustrating the planned actions and recalling the document called "*Strategic Plan for NPL Reduction*" approved by the Issuer's Board of Directors on 28 February 2017 and presented to the ECB summarizing the lines for the management of the NPL portfolio and the achievement of the quantitative targets set by the ECB on the portfolio exposure targets and hedging levels.

The main elements of the NPL management strategy are contained in the Business Plan.

In the Business Plan, Banca Carige has outlined corrective actions intended to address these weaknesses, including the reduction of NPLs to achieve the quantitative objectives set by the ECB in relation to the target exposure of the portfolio and levels of coverage.

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On 17 August 2017 the draft results of and on 17 October 2017, Banca Carige received the final results of the thematic review of IFRS 9 relating to activities conducted by the ECB between 2 December 2016 and 31 March 2017. On the basis of findings and information collected in the first quarter 2017, the ECB concluded that implementation of IFRS 9 by the Company is only partially consistent with the expectations of the Authority. The ECB identified significant weaknesses in relation to involvement of the board of directors, parallel execution of the IFRS 9 project, failings in IFRS 9 internal policies and procedures and, in particular, in relation to definition of the business model and the SPPI (solely payments of principal and interest) test and the definition of default. Further the ECB established that it is fundamental for the Group to equip itself with IT systems capable of managing and systematically evaluating more significant volumes of information that the new accounting standard requires.

The deadline for interventions is three, six and nine months following the date of receipt of the final results. On 16 February 2018, Banca Carige sent the update of the implementation status of the planned activities. On 16 March 2018, the ECB sent the draft of its Recommendations relating to the second part of the thematic analysis on IFRS9. Banca Carige sent its comments on 30 March 2018.

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On 6 October 2017, ECB launched an inspection on Data quality and reporting. The inspection ended on 29 December, 2017. Banca Carige received the final report of the inspection on 16 May 2018 and on 3 August 2018 the ECB sent the Recommendations.

On 31 October 2017, Banca Carige received a letter from the ECB in relation to the 2017 SREP, in which they highlighted several weaknesses and points of attention in relation to the Group and on 27 December 2017, Banca Carige received the final letter from the ECB in relation to the 2017 SREP.

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Finally, on 2 February 2018 ECB advanced to Banca Carige the outcome of the on-site inspection on the Capital position calculation adequacy performed between 27 February and 19 July 2017.

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With reference to the thematic review of profitability and the business model, at the date of this Prospectus the Company is waiting for the results.

2018 Inspections and thematic reviews

On 15 February 2018, the Company received a notification from ECB concerning an on-site inspection with the purpose of assessing the Credit Risk and Counterparty Risk started on April 2018. The inspection ended on 3 August 2018. The analysis and preliminary results provided by the inspectors are being completed. The scope of the inspection was the Corporate and SME Corporate loan portfolio. More specifically, the inspection team carried out a credit file review on a sample of approximately 300 Corporate and SME Corporate credit exposures for a gross exposure of approximately EUR 3.5 billion, of which approximately 150 positions classified as performing or past due for an amount of approximately EUR 1.1 billion, approximately 120 exposures classified as UTPs for an amount of EUR 2 bn and approximately 30 positions classsified as bad loans for an amount of approximately EUR 0.4 billion.With reference to the exposures analysed and classified as non-performing exposures (mainly UTPs), their average coverage as at 30 June 2018 was approximately 38%. Preliminary results are being discussed with the relevant corporate units; discussions show that, at the present stage of analysis, the requests made by the inspection team are essentially a consequence of the adoption of different valuation methods (haircut of collateral, recovery times, etc.) compared to those currently used by the Bank.

MATERIAL AGREEMENTS

Sale of the shareholding in Amissima Vita (formerly Carige Vita Nuova) and Amissima Assicurazioni (formerly Carige Assicurazioni) and the related distribution agreement

On 5 June 2015, the Company and Primavera Holdings S.r.l., a company controlled by funds affiliated with Apollo Global Management L.L.C. (together with its subsidiaries, "**Apollo**"), completed an operation in which the Company sold its entire share shareholding in Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A. (the "**Insurance Companies**") to Apollo. The sale was carried out pursuant to a sale and purchase agreement previously entered into by Banca Carige and Apollo on 28 October 2014 (the "**Agreement**"). The purchase price was Euro 310 million. The Agreement also provides that Banca Carige, together with the other banks pertaining to the Group, shall enter into a long-term agreement with Apollo concerning the distribution of life and non-life insurance products (the "**Distribution Agreement**"). The Distribution Agreement will be effective until 31 December 2024 and will be automatically renewable upon expiration, unless terminated by the Insurance Companies with six-month prior notice to be communicated to each distributor (the Issuer and the Group banks, with the exception of Banca Cesare Ponti, and Creditis. Together the "**Distributors**").

The Agreement contained a number of representations and warranties in favour of Apollo, which Banca Carige gave as of the date of the Agreement and the closing date. Any breach or inaccuracy of the representations and warranties Banca Carige provided may lead to possible indemnification obligations for Banca Carige, predominantly in relation to reserves set aside for claims against Amissima Assicurazioni, and the lawsuits pending against the Insurance Companies. The indemnity has certain limitations, including an overall cap on the indemnity of 32 per cent. of the purchase price (approximately Euro 99 million). See "*Risk Factors—The Group is subject to risks related to legal proceedings and actions of supervisory authorities which could have a material adverse effect on the business, financial condition and results of operations*".

Distribution Agreement

In the context of the sale of the Insurance Companies, Banca Carige and the Distributors entered into the Distribution Agreement

The Distribution Agreement provides:

(i) for the non-life segment, that the Company guarantees, for the duration of the Distribution Agreement, that the Distributors distribute the products of Amissima Assicurazioni in Italy for an amount not lower than 75 per cent. of the insurance distribution generated on an aggregate basis by such Distributors (to be calculated in terms of gross premiums) (with a tolerance threshold of up to 70 per cent.); and

(ii) for the life insurance segment, for the duration of the Distribution Agreement, the distribution on an exclusive basis of Amissima Vita's products by the Distributors, who may not distribute insurance products of third parties in a percentage exceeding 2 per cent. (with a tolerance threshold of 5 per cent.) of the insurance distribution generated on an aggregate basis by the Distributors (to be calculated in terms of gross premiums) (with the exception of certain products). In addition, Banca Carige has agreed to procure that the distribution of Amissima Vita's products will not fail to meet the minimum targets provided under the Distribution Agreement, amounting to 30 per cent. of the targets provided under the Distribution Agreement, for three consecutive years.

In case of breach of the obligations related to the distribution of products under (i) and (ii) above, the Insurance Companies will be entitled, on the satisfaction of certain conditions, to terminate the Distribution Agreement and to the payment by Banca Carige of a penalty or damages, decreasing over the 10 years period of Distribution Agreement whose amount may not in any case exceed: (i) Euro 200 million as to life insurance products; and (ii) Euro 10 million as to non-life insurance products. In any case, the aggregate amount of such damages or penalties may not exceed Euro 200 million.

As to life insurance products, a set-off mechanism of the commission generated from the distribution of the insurance products is provided for the first period of the Distribution Agreement (*i.e.* until 31 December 2024). This set-off will be calculated and paid on annual basis in relation to the credit or debit matured by Banca Carige based on the comparison between the performances and the targets provided under the distribution plan. Such mechanism applies only in case of the underperformance greater than 10 per cent. of the targets. The penalties to be paid are increasing and proportioned to the spread between the performance and the targets but may not in any

case exceed Euro 20 million (Euro 16 million as to traditional products and Euro 4 million as to the unit-linked products).

In any case, the amounts owed by Banca Carige due to the above-mentioned set-off mechanisms and/or penalties and/or damages may not exceed in the aggregate Euro 200 million.

In the context of the Agreement, the Company granted to the purchaser a five-year senior revolving loan in the amount of Euro 77,523,935.00, which is guaranteed by a share pledge over the Insurance Companies' shares. The loan was to be used for the payment of the purchase price of the Companies, for payment of interest on an annual basis, and for repayment of the principal amount on the fifth anniversary of the Agreement.

Other than as indicated above, the Agreement and the Distribution Agreement do not contain other withdrawal and/or termination provisions.

Banca Carige monitors on an ongoing basis, including for management purposes, the trend in production of the life insurance segment, in relation to both Class I and Class III policies. Over the course of 2015 (the first year relevant for purposes of the Distribution Agreement), the production targets were exceeded for both Class I and Class III policies. This led to a surplus that may be used to offset any future under-performance.

In 2016, Banca Carige achieved the targets for net production of Class I policies, while Banca Carige did not achieve those for Class III policies. This led to the accrual of penalties totalling Euro 4 million, which were partially offset by a surplus of Euro 0.5 million accrued by the Company in 2015.

Over the course of 2017, for Class I products, the trend in the distribution business and the sales network's focus on the placement of pension products, carried out strictly in compliance with the relevant legal framework and in line with the customers' actual economic requirements, has led Banca Carige to believe that the Company will be in a position to honour the related commercial targets contained in the Distribution Agreement.

For Class III products, a deviation from the targets has emerged. However, Banca Carige intend to pursue the commercial commitments undertaken, and Banca Carige is of the view that Banca Carige will be in a position to achieve the related commercial targets by the end of the year.

Warranty and Indemnity provisions contained in the Agreement

The Agreement contains a number of warranties and indemnities. In particular, indemnities are envisaged with reference to the following circumstances: (i) certain policies, if liquidations of claims occur in an amount exceeding the reserves set aside as of the date of reference provided under the sale agreement (30 June 2014) or additional provisions set aside referring to the same reserves; and (ii) specific legal proceedings, if the final outlays exceed the provisions set aside existing as 30 June 2014.

Legal proceedings initiated by Banca Carige

On 17 June 2016, the board of directors approved a resolution to commence legal action against Mr. Cesare Castelbarco Albani, former Chairman of the Company, Mr. Piero Montani, former Chief Executive Officer of the Company, and some affiliates of the Apollo Group (Apollo Management Holdings L.P., Apollo Global Management L.L.C., Apollo Management International L.L.P., Amissima Holdings S.r.l., Amissima Assicurazioni S.p.A., and Amissima Vita S.p.A.) to obtain compensation for damages arising from the disposal of the Company's equity investments in the Insurance Companies and other conducts subsequently held by the same group. The Shareholders' meeting held on March 28, 2017 approved the proposal by the Company's board of directors regarding authorization to take liability action against previous directors Piero Montani and Cesare Castelbarco Albani. See "*Regulatory proceedings and litigation—Amissima*".

In the management's opinion, over the period from 2014 – 2016 and in the context of the sale of the Insurance Companies, certain companies of the group headed by Apollo in, benefited from negligent conduct attributable to some of Banca Carige's directors at the time, causing damage to the Company. In response, the defendants filed counterclaims with regard to which we, on the advice of Banca Carige legal counsel, are of the view that conditions have not been met for a judgment against Banca Carige.

For further information, see "*Risk Factors—The Group is subject to risks related to legal proceedings and actions of supervisory authorities which could have a material adverse effect on the business, financial condition and results of operations*".

Sale of NPLs

On 28 April 2017, the board of directors approved the sale of a portfolio of NPLs amounting to approximately Euro 938.3 million, to a securitization vehicle, using the Italian Government Guarantee Scheme (GACS) for the senior tranche.

On 30 May 2017, the board of directors authorized the abovementioned sale and approved the authorization process required by law to obtain the Italian State guarantee (GACS) on the senior tranche and sell the mezzanine and junior notes of the securitization.

On 16 June 2017, the Group transferred a portfolio of non-performing loans, for a gross sum of Euro 938.3 million as of the cut-off date of 31 August 2016, to a special-purpose securitization vehicle, which on 5 July 2017 issued three different classes of notes (senior, mezzanine and junior).

The securitization transaction was structured with the initial subscription by the selling banks (the Company, Banca Cesare Ponti and Banca del Monte di Lucca) of all of the senior, mezzanine and junior notes at their nominal value of approximately Euro 309.7 million (equal to approximately 33 per cent. of the gross value of the loans sold) and the subsequent sale on the market to institutional investors of only the mezzanine and junior tranches. The senior tranche, for which the MEF has issued, through a decree dated August 9, 2017, the guarantee of the Italian state pursuant to Draft Law No. 18 of February 14, 2016, converted with amendment into Law No. 49 of April 8, 2016 (known as "GACS"), will be maintained in the selling banks' portfolio.

* * * * *

On 6 December 2017, the Company entered into an agreement for the sale of NPLs with Bramito SPV S.r.l., a special purpose entity incorporated by Credito Fondiario S.p.A. pursuant to Law No. 130 of 30 April 1999 (as amended) (the "**Securitization Law**"), concerning the non-recourse sale for consideration of a portfolio of NPLs valued at Euro 1.2 billion, together with mortgages, collateral and other ancillary rights, in accordance with articles 4 and 7.1 of the Securitization Law (the "**NPL Portfolio Sale Agreement**"). The price for the sale is equal to Euro 265,5 million. The transfer of the NPLs is conditional upon payment of the purchase price, which was paid on 27 December 2017.

The Company made representations and warranties relating to the NPLs and has undertaken indemnity obligations consistent with terms and conditions normally applied to transactions of this type.

In addition, the NPL Portfolio Sale Agreement also includes an indemnity clause granted by the Company relating to indemnity obligations in the case of (i) a breach by the Company of its representations and warranties under the NPL Portfolio Sale Agreement and (ii) the absence of fundamental characteristics of certain loans of this NPL portfolio, as identified in the NPL Portfolio Sale Agreement. In the case of point (ii), the Company's indemnity obligations are capped at 22.5 per cent. of the purchase price of the disposal of the NPL portfolio.

In addition, the NPL Portfolio Sale Agreement provides that the Company shall be exclusively liable, and shall reimburse Bramito SPV S.r.l. for any expenses related to claims for damages, revocatory actions and/or any restitutory actions accounted for prior to and including 31 March 2017.

Bramito SPV S.r.l.'s obligation to pay the purchase price is conditional upon (i) the entering into by the Company and Credito Fondiario S.p.A. a sub-servicing agreement pursuant to which the Company shall agree to continue to carry out its activities regarding the recovery and management of the NPL portfolio subject of the disposal until the sale of the Recovery Platform (as defined below) from the Company to Credito Fondiario S.p.A. has been completed and (ii) the completion of the requirements under article 7.1 of the Securitization Law. As of the date of this Base Prospectus, the aforementioned sub-servicing agreement has not been finalized.

On 6 December 2017, the Company entered into a preliminary sale agreement with Credito Fondiario S.p.A. for the sale of a business unit comprising of a set of assets and legal relationships, and organised for the provision of loan recovery and management services, principally relating to positions classified as "non-performing" (the "**Recovery Platform**").

The parties shall enter, within the tenth business day following the date of fulfilment or waiver by the entitled parties of the last condition precedent (indicated below), or any other date that may be agreed in writing between the parties (the "**Execution Date**"), into a final agreement relating to the disposal of the Recovery Platform.

Credito Fondiario S.p.A. shall obtain possession, retention and full availability of the Recovery Platform, commencing from the first day of the month following the Execution Date (the "**Effective Date**").

The price payable for the sale and purchase of the Recovery Platform is fixed at Euro 31,000,000, which shall be paid in a lump sum on the Execution Date. This price shall be subject to adjustment, in the form of an increase and/or decrease, by an amount corresponding to the spread between the net value for the business unit at the date of the reference balance sheet (as at 30 September 2017) and the net book value of the business unit at the Effective Date.

On the Execution Date, at the same time as the signing of the final agreement for the transfer of the Recovery Platform, the parties shall enter into a servicing agreement for the provision by Credito Fondiario S.p.A. in favour of the Company of services for the management and recovery of loans primarily classified as "non-performing", in accordance with Bank of Italy Circular No. 272/2008 (Data Reporting Model).

The Company's indemnity obligations are capped at 10 per cent. of the purchase price of the Recovery Platform.

In addition, the parties have agreed to negotiate in good faith from the date of the entering into the preliminary sale agreement regarding the Recovery Platform and the Execution Date the terms and conditions governing the servicing of the Group's unlikely to pay loans.

Sale of the shareholding in Creditis

On 6 December 2017 the Company and Chenavari Investment Managers entered into an agreement for the sale to Chenavari Investment Managers of 32,040 shares held by the Company in Creditis Servizi Finanziari S.p.A. ("**Creditis**"), equal to 80.1 per cent. of the share capital of Creditis (the "**Creditis Sale Agreement**"). In particular, the Creditis Sale Agreement provides for the following:

(i) the total purchase price payable by Chenavari Investment Managers to the Company is equal to Euro 80,100,000, with no price adjustments. Of this purchase price, on the closing date, Chenavari Investment Managers shall pay an amount equal to Euro 50.1 million in cash and transfer the remaining unconditional amount equal to Euro 30 million into an escrow account. The latter funds shall be released (i) in a first tranche in 2019 conditional upon the Company meeting the SREP capital requirements on 30 June 2019 (and if, as of 31 December 2019, these SREP requirements are still not met, the first tranche of Euro 15 million will in any case be released to the Company on 31 December 2022), and (ii) in a second tranche of Euro 15 million on 31 December 2021 save for any potential payment obligations assumed by the Company pursuant to the earn-in mechanism referred to below or as a result of breaches of the Distribution Agreement (as defined below).

(ii) in particular, the agreement provides for an earn-in/earn-out mechanism where the Company shall pay to Chenavari Investment Managers (or vice versa) an amount equal to the underperformance (overperformance, as applicable, and in both cases to be valued as a percentage of the goodwill paid by the Buyer) of the Group's distribution network in executing the Distribution Agreement (as referred to below), compared to the distribution volumes set out in Creditis' business plan, with a floor and a ceiling of 15 per cent.. The determination of the amount to be paid shall be made as at 31 December 2019 and 31 December 2021;

(iii) Chenavari Investment Managers shall have an American call option exercisable from the third year of the distribution agreement for the entire ten-year duration of the same on the remaining shares (equal to 19.9 per cent. of the share capital of Creditis) that the Company will continue to hold. The price shall be equal to the sale price (pro rata), increased by 9 per cent. of the annual cost of carry, including any dividends potentially paid by Creditis; and

(iv) in addition to the provisions set forth in sub-paragraph (iii) above, the Company and Chenavari Investment Managers shall enter into a shareholders' agreement regarding the rights governing transfer of shares and ownership structure of Creditis held by the Company as a minority shareholder of Creditis.

The obligation of the parties to reach the closing of the Creditis Sales Agreement is subject to certain conditions precedent, including: (i) obtaining the authorizations required by the relevant Authorities; (ii) the subscription of the capital increase for an amount equal to at least Euro 500 million; and (iii) the absence of any material adverse effects. The deadline for the fulfilment of the conditions precedent is set at 31 July 2018 that may be extended by

a further 4 months, upon request of each party, in the event that none of the conditions precedent occur by 31 July 2018.

At the date of this Prospectus the Parties are awaiting the authorizations required by the relevant Authorities.

Pursuant to the Creditis Sale Agreement, the Company made representations and warranties and has undertaken indemnity obligations consistent with terms and conditions normally applicable in such transactions. The minimum value of claims under the indemnity is equal to Euro 250,000 and the indemnity is capped at 20 per cent. of the purchase price.

Chenavari Investment Managers' purchase of the Creditis shares held by the Company also envisages that upon the closing of the transaction, the Company, Banca Cesare Ponti S.p.A. and Banca del Monte di Lucca S.p.A. – on one side – and Creditis – on the other – enter into a distribution agreement (the "**Distribution Agreement**") setting forth, *inter alia*, Creditis' prohibition to serve other banking networks in the geographical areas where the Group has a significant presence (depending on the Group's share of the relevant markets) and the obligations of the Company, Banca Cesare Ponti S.p.A. and Banca del Monte di Lucca S.p.A. to distribute within Italy the Creditis products over a period of 10 years. The Distribution Agreement envisages mutual exclusivity obligations between the parties; in particular, Creditis's products shall not be distributed by other banks in the territories where the Group's distribution network has a significant market share.

The Distribution Agreement also envisages that, in the event of significant underperformance compared to the provisions of Creditis' business plan (approximately 50 per cent. lower in terms of volumes) in the first three years of the Distribution Agreement, to be measured for the three-year period and subsequently on a biennial basis. The Company may remedy such significant underperformance without penalties by achieving volumes of at least 85 per cent. of the levels provided for in Creditis' business plan over a period of 5 years by the end of the fifth or tenth year of the Distribution Agreement. The earn-in provisions on the one hand and the significant underperformance on the other hand are alternative measures and not cumulative. For clarity, the earn-in mechanisms may involve the payment of a maximum amount equal to 75 per cent. of goodwill (which is equal to approximately Euro 40 million as the difference between the amount paid and the tangible equity of the company) and are not cumulative with other penalties due in case of significant underperformance which, overall, will not exceed the amount equal to the goodwill.

In the case of such significant underperformance: (i) Creditis' exclusivity obligation shall no longer be effective; (ii) the Company shall pay penalties to Creditis.

The penalties shall also be due in the event of a change in control of the Company in favour of a financial group or of a sponsor. The amount of the applicable penalties will however be limited to the value of the aforementioned goodwill.

Securitizations 2016-2017

Over the course of the six month period ended June 30, 2016, also in order to fulfill the liquidity needs and collateral over the medium term and pursuing a strategy consisting of the diversification of sources of funding for the Group, Banca Carige concluded two securitization transactions.

The first transaction was concluded by the subsidiary Creditis which sold a portfolio comprised of "non-doubtful" personal loans and loans backed by assignments of one-fifth of the borrower's salary or pension in the total amount of Euro 434.6 million to a special purpose vehicle established pursuant to Law 130/99 called Lanterna Consumer S.r.l. which issued the ABS securities described in the following table.

Title	Category	Amount Euro /million	Expiry	Margin on Interpolated Euribor 3/6 months
CLASS A1	Senior	158.4	January 2041	Bps 90
CLASS A2	Senior	158.4	January 2041	Bps 90
CLASS Z	Junior	117.9	January 2041	—
Total		**434.7**		

The two tranches of Senior Class notes were placed with institutional investors that do not belong to the Group, while the Junior Class notes were subscribed by the subsidiary Creditis.

In addition, in the first half of 2017, Creditis sold to Lanterna Consumer S.r.l. an additional receivables portfolio, again comprised of "non-doubtful" personal loans and loans backed by assignments of one-fifth of the borrower's salary or pension in the total amount of Euro 147.7 million; in connection with such sale, Lanterna Consumer S.r.l. issued additional classes of ABS securities as described in the following table.

Title	Category	Amount Euro /million	Expiry	Margin on Interpolated Euribor 3/6 months
CLASS A3	Senior	73.5	January 2041	Bps 115
CLASS A4	Senior	73.5	January 2041	Bps 115
CLASS Z	Junior	0.8	January 2041	—
Total		**147.8**		

The second transaction concerned the sale of a portfolio of "non-doubtful" financial leasing agreements for a total amount of Euro 277 million, originated by the Company, to a special purpose vehicle established pursuant to Law 130/99 called Lanterna Lease S.r.l. which issued the ABS securities described in the following table.

Title	Category	Amount Euro /million	Expiry	Margin on Interpolated Euribor 3/6 months
CLASS A	Senior	120.0	January 2051	Bps 105
CLASS Z	Junior	157.0	January 2051	—
Total		**277.0**		

The Senior Class notes were placed with institutional investors not belonging to the Group while the Junior Class notes were subscribed by the Company.

On the basis of the characteristics of the two securitization transactions, the receivables sold in the three sales were not cancelled since both the Company and Creditis have retained essentially all risks and benefits of the assets sold, in accordance with IAS 39.

Sale of the shareholding in CartaSi

On 18 January 2016, the Company sold its entire shareholding in CartaSi S.p.A. (which represented 0.237 per cent. of the share capital) to Istituto Centrale delle Banche Popolari Italiane S.p.A., for the total price of Euro 2,999,250 (Euro 13.33 per share). The sale generated a gross capital gain of Euro 2,370,950.

Disposal of the Milan Property

The disposal of the Milan Property is based on the preliminary sale contract between the Issuer and Antirion SGR S.p.A., signed 31 October 2017 and the final contract signed on 16 November 2017, which provide for the sale of the Milan Property for a total amount of Euro 107.5 million, of which Euro 106.0 million for the building and Euro 1.5 million for a portion of an area of Piazzetta Pattari as public service area for pedestrian transit (the "**Pattari Area**"). The total price of Euro 107.5 million was 10 per cent. paid at the date of signing of the completion of the preliminary contract and, for the remainder of 90 per cent., on 16 November 2017, the date of signing of the final contract. On 28 January 2018, the release of 90 per cent. of the total price was completed.

For the remaining portfolio of valuable properties, the marketing process is expected to be completed in 2018.

.**Sale of the merchant book business**

On 30 May 2018, Banca Carige announced to have finalised the closing of the agreement for the Merchant Acquiring business disposal to Nexi Payments S.p.A. (“Nexi”). On 28 September 2018, the definitive agreement was finalized, for a consideration of up to approximately EUR 25 mln (before potential post-closing adjustments), is a further step in the Bank's strengthening process.

The Bank and Nexi have entered into a ten-year partnership agreement for the distribution of services associated with the Merchant Acquiring Business through the Carige Group’s distribution network, which is expected to generate up to EUR 15 mln in fees and commissions linked to the achievement of specific sales targets.

Deal with IBM for partnered management of Group IT

On 30 May 2018, Banca Carige announced to have finalised the closing of the agreement for the outsourcing of the Group’s IT system to IBM, the world’s premier information infrastructure technology provider. In accordance with the agreement, the IT structure, including 134 FTEs, will be transferred to a Newco, 81% owned by IBM and 19% owned by Banca Carige. The transaction consideration for Banca Carige amounts to Euro 10.7 million, with an estimated positive impact of approximately Euro 40 million on the TCO ("Total Cost of Ownership") over the time horizon of the 2017-2020 Business Plan."

Securitization 2018

During the first half of 2018, Carige completed another securitization transaction concerned the sale to Lanterna Finance S.r.l., of a portfolio of mortgage and unsecured trade receivables for a total of Euro 411.3 million and the issue of two classes of ABS securities for a total amount of Euro 413.0 million.

The Senior Class notes were placed with institutional investors not belonging to the Group while the Junior Class notes were subscribed by the Company."

MANAGEMENT AND EMPLOYEES

Management

General

The Issuer is managed by the Board of Directors which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one chief executive officer. The chairman and the deputy chairman are appointed by the shareholders' meeting pursuant to the Issuer's by-laws. The Board of Directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires the Issuer to have a board of statutory auditors which functions as a supervisory body.

Board of Directors

Members of the Board of Directors

The board of directors is responsible for the ordinary and extraordinary management of the Company.

The board of directors is elected by the Company's Shareholders at a general meeting for a three-year term, unless a shorter term is fixed upon appointment, and individual directors may be re-elected following the expiration of their terms of office.

Under the Company's by-laws, the board of directors may consist of eleven to eighteen directors.

As of the date of this Base Prospectus, the board of directors is composed by the following eleven members appointed by the Shareholders meeting on 20 September 2018:

Name	*Position*	*Place and date of birth*
Pietro Modiano	*Chairman*	*Milan, November 3, 1951*
Lucrezia Reichlin (2)	*Vice Chairman*	*Rome, August 14, 1954*
Fabio Innocenzi (1)	*Chief Executive Officer (1)*	*Verona, March 25, 1961*
Stefano Lunardi (2)	*Director*	*Genoa, December 23, 1971*
Salvatore Bragantini (2)	*Director*	*Imola (BO), September 17, 1943*
Francesca Balzani	*Director*	*Genoa, October 31, 1966*
Lucia Calvosa (2)	*Director*	*Rome, June 26, 1961*
Raffaele Mincione (2)	*Director*	*Pomezia (RM), January 10, 1965*
Bruno Pavesi (2)	*Director*	*Milan, May 5, 1941*
Luisa Marina Pasotti (2)	*Director*	*Gallarate, August 6, 1961*
Giulio Gallazzi (2)	*Director*	*Bologna, January 8, 1964*

(1) The Chief Executive Officer was appointed on 21 September 2018 with powers effective as of 25 September 2018.
(2) The Director meets independence requirement pursuant to article 18 of Banca Carige by-laws (which specifies relevant requirements under article 148(3) of the Consolidated Financial Act and the Code of Self-Regulation for listed companies), pursuant to article 147-*ter*(4) of the Consolidated Financial Act.

The board of directors may appoint one or more general managers or co-general managers.

The business address for each of the foregoing directors is the registered office of the Company (Via Cassa di Risparmio 15, Genoa, Italy).

All Board members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence (in the latter case applicable only to the independent directors).

The following table sets forth the offices held on the boards of directors or on the boards of statutory auditors of other companies by each of the members of the board of directors' incumbent as of the date of this Base Prospectus.

Name	*Position*	*Company Office and/or Stake in the Company*
Pietro Modiano	*Chairman*	*SEA S.p.A.*
	Chairman	*Carlo Tassara S.p.A.*
Lucrezia Reichlin	*Chairman*	*Now-Casting Economics Ltd*
	Chairman	*Ortygia business education platform*
	Director	*Ageas Insurance Group*
	Director	*Eurobank Ergasias SA*
	Director	*Messaggerie Italiane S.p.A.*
	Director	*Space4 S.p.A.*

Fabio Innocenzi	*Chairman*	*AIPB Associazione Italiana Private Banking*
Stefano Lunardi	*Deputy Chairman*	*Banca Cesare Ponti S.p.A.*
	Director	*Banca del Monte di Lucca S.p.A.*
	Standing Auditor and Quotaholders	*BEINTOO S.p.A.*
	Standing Auditor	*C.I.F.A. S.p.A.*
	Chairman of the board of statutory auditors	*Casasco e Nardi S.p.A.*
	Standing Auditor	*ERG Eolica Basilicata S.p.A.*
	Standing Auditor	*ERG Eolica Campania S.p.A.*
	Standing Auditor	*ERG Eolica San Cireo S.p.A.*
	Standing Auditor	*ERG Power S.r.l.*
	Chairman of the board of statutory auditors	*Ego Trade S.p.A.*
	Standing Auditor	*GA.MA. S.p.A.*
	Liquidator	*Kopernico S.r.l. in liquidazione*
	Liquidator	*Egadi Cosmesi Naturale S.r.l.*
	Standing Auditor	*Il Quadrifoglio S.p.A.*
	Revisore dei Conti	*Villa Serena S.p.A.*
	Quotaholder	*Studio Lunardi & Dupont*
	Quotaholder	*WLF S.r.l.*
	Quotaholder	*Immobiliare Macaggi S.r.l.*
	Chairman of the board of statutory auditors	*Supermercato24 S.p.A.*
	Chairman of the board of statutory auditors	*EcoEridania S.p.A.*
	Chairman of the board of statutory auditors	*Mengozzi S.p.A.*
Salvatore Bragantini	*Director*	*SEA S.p.A.*
	Director	*Università degli Studi di Milano*
	Chairman	*Indaco Ventures SGR*
Francesca Balzani	*Director*	*Banca Cesare Ponti S.p.A.*
	Director	*Inwit S.p.A.*
Lucia Calvosa	*Director*	*Editoriale Il Fatto S.p.A.*
	Director	*Spazio Teatro NO'HMA Teresa Pomodoro*
Raffaele Mincione	*Chairman*	*Fiber 4.0 S.p.A.*
	Director	*WRM Capital AG, Zug*
	Chairman	*WRM Reinsurance AG, Zug*
	Chairman	*WRM Capital Asset Management S. a r.l.*
	Chairman	*Time and Life S.A.*
	Director	*WRM Capinvest LTD.*
Bruno Pavesi	*Chairman*	*Ariston Cavi S.p.A.*
	Director	*SIT S.p.A.*
	Director	*Fondazione Accademia Teatro alla Scala*
	Director	*Università Luigi Bocconi*
	Director	*ITLS – Mumbay International School of Business*
	Director	*Egea S.p.A.*
Luisa Marina Pasotti	*Director*	*CARIGE Reoco S.p.A.*
	Standing Auditor	*Santa Benessere & Social S.p.A.*
	Chairman of the board of statutory auditors	*MGM Lines S.p.A.*
	Standing Auditor	*Società Editoriale Varesina S.p.A.*
	Chairman of the board of statutory auditors	*Marelli & Pozzi S.p.A.*
	Auditor	*Fondazione del Varesotto per l'Ambiente, il Territorio e la Coesione Sociale*
	Quotaholder	*Giuliana S.r.l.*
	Quotaholder	*Ebano S.r.l.*
	Quotaholder	*Mediterranee S.r.l.*
	Quotaholder	*City Motel S.r.l.*
	Quotaholder	*Rovere S.r.l.*
	Quotaholder	*B.B.C. S.r.l. in liquidazione*
	Quotaholder	*Luigi Pasotti S.a.s. in liquidazione*
Giulio Gallazzi	*Sole Director*	*Incitatus S.r.l.*
	Sole Director	*Social Housing Italia S.r.l.*
	Chairman and General Manager	*SRI Group – NPV Europe S.r.l.*
	Chairman	*SRI Group Italia S.r.l.*
	Vice President	*Ternienergia S.p.A.*
	Sole Director	*GCFC Capital S.r.l.*
	Sole Director	*PHT S.r.l.*
	Liquidator	*Smeralda S.r.l. in liquidazione*
	Quotaholder and Liquidator	*Headquarter S.r.l. in liquidazione*
	Chairman and General Manager	*SRI Global Ltd*
	Chairman and General Manager	*SRI Capital Advisers Ltd*
	Chairman and General Manager	*SRI America Sa de C.V.*

	Chairman and General Manager	*SRI Group NPV China Co. Ltd*
	Director	*Mediaset S.p.A.*
	Director	*Hept Co Ltd*

* * * * *

Senior Management

The following table sets out the name and title of each of the senior managers of the Company and the Group and their place and date of birth and the date on which they started working with the Group:

Name	Position	Place and date of birth	Start Date
Gabriele Delmonte	Chief Lending Officer	Parma, May 18, 1961	May 11, 1993
Gianluca Guaitani	Chief Commercial Officer	Milan, December 19, 1969	January 19, 2017
Paolo Sacco	Chief Operating Officer	Genoa, July 4. 1969	April 16, 1993
Andrea Soro	Chief Financial Officer	Genoa, May 31, 1967	July 4, 2017
Mauro Mangani	Manager responsible for preparing the financial statements	Genoa, March 27, 1974	February 3, 2016

The senior manager of the Group holding positions in another company outside the Group are:

Name	Company	Assignment
Paolo Sacco	Dock Joined in Tech S.r.l.	Director
	Abi Lab – Centro di Ricerca e Innovazione per la Banca	Steering Committee Member
Andrea Soro	Dock Joined in Tech S.r.l.	Director
Mauro Mangani	Fondo Interbancario di Tutela dei Depositi	Director

The Senior Management do not have any conflicts or potential conflicts of interest between their duties to Banca Carige and their private interests or other duties.

Board of Statutory Auditors

Pursuant to article 26 of the Company's by-laws, the board of statutory auditors is comprised of three standing auditors and two alternate auditors appointed at a Shareholders' meeting.

All of the members of the board of statutory auditors have the required level of independence, integrity and professionalism required by the Corporate Governance Code.

The Company's board of statutory auditors is in charge of monitoring Company's management and its compliance with laws, regulations and by-laws, assessing and monitoring the adequacy of the Company's organization, internal controls, administrative, accounting systems and disclosure procedures, independence of the auditors and financial reporting procedures and of reporting any irregularities to CONSOB, the Bank of Italy and the Shareholders' meetings called to approve the Group's financial statements.

Without prejudice to its obligations to the Bank of Italy, the board of statutory auditors reports to the chairman of the board of directors, the board of directors, the Executive Committee, the CEO and the general manager, if appointed. The board of statutory auditors must report on any gaps or irregularities discovered, request the implementation of appropriate corrective measures and verifies their effectiveness over time.

The following table sets forth the current members of the Company's board of statutory auditors and their respective place and date of birth:

Name	Position	Place and date of birth
Carlo Lazzarini	Chairman	Milan, July 24, 1966
Stefania Bettoni	Statutory Auditor	Brescia, February 3, 1969
Giancarlo Strada	Statutory Auditor	Genoa, January 13, 1955
Stefano Chisoli	Alternate Auditor	Milan, October 8, 1962
Fiorenza dalla Rizza	Alternate Auditor	Milan, September 30, 1961

The business address for each of the members of statutory auditors is the registered office of the Company (Via Cassa di Risparmio, 15, Genoa, Italy).

All Statutory Audit Committee members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence; and are all registered as auditors.

The following table indicates the capital of companies and partnerships of which the members of the board of statutory auditors are members of the management, guidance or control bodies, shareholders or holders of a "qualified" shareholding in the case of listed companies.

Name	Company	Position	Status
Carlo Lazzarini	Banca Cesare Ponti S.p.A.	Chairman of Statutary Auditors	Ongoing
	CARIGE Reoco S.p.A.	Chairman of Statutary Auditors	Ongoing
	ADC Group S.r.l.	Statutory Auditor	Ongoing
	Alicros S.p.A.	Chairman of Statutary Auditors	Ongoing
	Autostradale S.r.l.	Statutory Auditor	Ongoing
	Axa Im Italia Sim S.p.A.	Chairman of Statutary Auditors	Ongoing
	BCS S.p.A.	Statutory Auditor	Ongoing
	Bea Ingranaggi S.p.A.	Statutory Auditor	Ongoing
	Cosmocal S.p.A.	Statutory Auditor	Ongoing
	Energy S.r.l.	Chairman	Ongoing
	FBS Real Estate S.p.A.	Statutory Auditor	Ongoing
	FBS S.p.A.	Director	Ongoing
	Fin-Set Finanziaria Settentrionale S.p.A.	Chairman of Statutary Auditors	Ongoing
	Fly S.p.A.	Statutory Auditor	Ongoing
	Grifols Italia S.p.A.	Statutory Auditor	Ongoing
	Imeas S.p.A.	Statutory Auditor	Ongoing
	Immobiliare Edifara S.r.l.	Statutory Auditor	Ongoing
	Immobiliare Manin S.p.A.	Chairman of Statutary Auditors	Ongoing
	Manuli Rubber Industries S.p.A.	Statutory Auditor	Ongoing
	Miba S.r.l.	Statutory Auditor	Ongoing
	Midea Italia S.r.l.	Statutory Auditor	Ongoing
	Monitor S.r.l., in liquidation	Chairman of Statutary Auditors	Ongoing
	Pietro Carnaghi S.p.A.	Statutory Auditor	Ongoing
	Rivers Properties and Consulting S.A.	Director	Ongoing
	Rotorsim S.r.l.	Statutory Auditor	Ongoing
	Secondo Mona S.p.A.	Chairman of Statutary Auditors	Ongoing
	Schober Italia S.r.l.	Statutory Auditor	Ongoing
	Sicerp S.p.A.	Chairman of Statutary Auditors	Ongoing
	Star Fly S.r.l.	Statutory Auditor	Ongoing
	Star Società Trasporti Automobilistici Regionali S.p.A.	Statutory Auditor	Ongoing
	Stie S.p.A.	Statutory Auditor	Ongoing
	Tacchi Giacomo e Figli S.p.A.	Statutory Auditor	Ongoing
	Vial S.r.l.	Sole Director	Ongoing
Giancarlo Strada	Carige REOCO S.p.A.	Statutory Auditor	Ongoing
	Centro Fiduciario CF in Liquidazione S.p.A.S.p.A.	Statutory Auditor	Ongoing
	Azimut Financial Insurance S.p.A.	Statutory Auditor	Ongoing
	Compagnia Impresa Lavoratori Portuali S.r.l.	Statutory Auditor	Ongoing
	Fondazione Azimut	Auditor	Ongoing
	G.I.P. 2.0 S.p.A.	Statutory Auditor	Ongoing
	Green Hunter Group S.p.A.	Chairman of Statutary Auditors	Ongoing
	Green Hunter S.p.A.	Chairman of Statutary Auditors	Ongoing
	Logtainer S.r.l.	Chairman of Statutary Auditors	Ongoing
	Porto Turistico Internazionale di Rapallo S.p.A.	Statutory Auditor	Ongoing
	Portosole—Club Nautico Internazionale Sanremo S.p.A.	Statutory Auditor	Ongoing
	QUI! Financial Services S.p.A.	Statutory Auditor	Ongoing
	RB Marinas S.r.l.	Statutory Auditor	Ongoing
	T.P.E. Trading per l'Energia S.p.A.	Chairman of Statutary Auditors	Ongoing
	Yarpa Investimenti Soc. Gestione del Risparmio S.p.A.	Chairman of Statutary Auditors	Ongoing

Name	Company	Position	Status
	Yarpa S.p.A.	Chairman of Statutary Auditors	Ongoing
	YLF S.p.A.	Chairman of Statutary Auditors	Ongoing
Stefania Bettoni	Programma 101 S.p.A.	Chairman of Statutary Auditors	Ongoing
	S12 S.p.A.	Chairman of Statutary Auditors	Ongoing
	Eprice S.p.A.	Statutory Auditor	Ongoing
	Essilor S.p.A.	Statutory Auditor	Ongoing
	Immobiliare Automobile Club di Milano S.p.A.	Statutory Auditor	Ongoing
	Fiocchi Munizioni S.p.A.	Statutory Auditor	Ongoing
	Bieffe Medital S.p.A.	Statutory Auditor	Ongoing
	ENI S.p.A.	Alternate Auditor	Ongoing
Stefano Chisoli	Aria S.p.A.	Statutory Auditor	Ongoing
	Made Italia S.p.A.	Statutory Auditor	Ongoing
	Rivers Properties and Consulting S.A.	Chairman of the Board of Statutory Auditors	Ongoing
	AC Spezia S.p.A.	Chairman of the Board of Statutory Auditors	Ongoing
	Event Beach S.r.l.	Chairman of the Board of Statutory Auditors	Ongoing
	Strike 9 S.r.l.	Chairman of the Board of Statutory Auditors	Ongoing
	Ocean & Oil International Partners LTD	Chairman of the Board of Statutory Auditors	Ongoing
	Tubular Technical Services Limited	Chairman of the Board of Statutory Auditors	Ongoing
	Pipe Coaters Nigeria Limited	Chairman of the Board of Statutory Auditors	Ongoing
	MGM Lines S.r.l.	Chairman of the Board of Statutory Auditors	Ongoing
	CFC Rijeka	Supervisory Committee	Ongoing
	Rochester Holding SA	Chairman of the Board of Statutory Auditors	Ongoing
	Recina Invest SA	Director	Ongoing
	White Fairy Holding SA	Director	Ongoing
	White Fairy Resort Holding SA	Director	Ongoing
	Stichting Social Sport	Director	Ongoing
	Compania Financiera Lonestar	B Director	Ongoing
	Strike 9 S.r.l.	Partner	Ongoing
Fiorenza Dalla Rizza	Cooperativa Aurora I	Chairman of the Board of Statutory Auditors	Ongoing
	Società Cooperativa Edilizia Cosenz 2005	Chairman of the Board of Statutory Auditors	Ongoing
	Azimut Financial Insurance S.p.A.	Statutory Auditor	Ongoing
	Le Corti di Monticello Soc. Coop.	Chairman of the Board of Statutory Auditors	Ongoing
	Società Cooperativa Il Fontanile	Chairman of the Board of Statutory Auditors	Ongoing
	O.T.E. Spedizioni Internazionali S.r.l.	Auditor	Ongoing

Committees

The Banca Carige's by-laws provide for an Executive Committee. The Banca Carige's board of directors may establish additional committees within its authority and powers, also specialized committees, with preparatory and advisory duties, and set out the relevant rules for the functioning of the committees. The activities of the committees shall be documented in the relevant minutes.

As of the date of this Base Prospectus, other than the Executive Committee, the following committees have been established the Credit Committee, the Risks Committee, the Remuneration Committee and the Nomination Committee.

Executive Committee

Pursuant to article 25 of our by-laws, the Executive Committee is appointed by the board of directors, which determines the number of members, the term of office and the powers. The Executive Committee is comprised of the CEO, if appointed, as automatic member, and two to four other members.

The board of directors appointed the Executive Committee at the meeting held on 4 April 2016. Each elected member to the Executive Committee's term of office will expire at the Shareholders' meeting for the approval of the financial statements as at 31 December 2018.

The following delegated powers have been granted to the Executive Committee by the Board of Directors, pursuant to article 21, paragraph 1, of the Company's by-laws:

(a) powers to pass resolutions on the concession, renewal, increase, reduction, confirmation, removal and suspension of credit lines and loans in general in all forms, pertaining both to the Group and treasury and cash services, reserving to the exclusive competence of the board of directors, resolutions on credit lines for amounts exceeding Euro 50,000,000, including powers on: (i) the purchase of real estate properties related to credit recovery activities, with a duty to obtain the prior mandatory opinion of the chief operating officer, up to the limit of Euro 5,000,000 (it is necessary to refer to the purchase value of the real estate property net of transfer costs); and (ii) authorization to sell assets deriving from leasing transactions, regardless of the accounting effects, and without prejudice to the commencement of legal proceedings for the recovery of any excess sum, including expenses and interest up to a limit of Euro 5,000,000. The individual bodies remain entitled to revoke unexposed caps at the client's request and to revoke or suspend on an urgent basis, with subsequent notification to the competent body, for the credit lines revoked;

(b) powers to pass resolutions on transactions involving listed equity instruments and equity-related derivative instruments if the "net position" of the Company (as defined in the Regulatory Instructions for Banks), exceeds: (i) 1 per cent. of the capital of the company forming the subject matter of the transaction; (ii) Euro 25,000,000 (without prejudice to the general manager's powers in all other situations); and (iii) for transactions involving private equity funds in an amount exceeding Euro 10,000,000 (in this type of transaction, powers up to the amount of Euro 10,000,000 are granted to the general manager and for transactions up to Euro 5,000,000 to the head of finance). The exercise of such powers may take place up to the maximum VaR limit annually approved by the board of directors with reference to the Company's finance activities;

(c) general powers to pass resolutions on matters related to expenses (or losses or, in any case, lack of collections for the Company), or on revenues, without any limits on amounts in accordance with the general provisions of the budget resolved by the board of directors, in all matters concerning the administrative and operational management; all subject to a maximum limit of Euro 5,000,000, in managing the Company's real estate assets (purchase and sale of real estate properties) in the context of ordinary management activities and with the chief operating officer's prior mandatory opinion and with mandatory opinion of the responsible of Supply Chain and Real Estate;

(d) powers to pass resolutions on the management of shareholdings, including determinations on the purchase and sale of the same, whether or not to exercise the pre-emption right or option right over shares or quotas in subsidiaries, subject to the board of directors' exclusive competence to purchase and sell significant shareholdings (i.e. shareholdings that allow for the exercise of control within the meaning set forth in article 2359 of the Italian Civil Code or that represent an investment exceeding 10 per cent. of the Company's regulatory capital), pursuant to article 20, paragraph 2 of the Company's By-laws, and for the execution of Shareholders' agreements, the purchase or sale of a significant shareholding, concerns a listed company or concerning, in the Company's view, on matters on the agenda of shareholders' meetings of companies in which the Company holds a significant shareholding;

(e) general powers to pass resolutions on miscellaneous matters such as: (i) the management of human resources (excluding the powers reserved to the board of directors under article 20 of our by-laws on the adoption of possible withdrawal initiatives, pursuant to articles 2118 and 2119 of the Italian Civil Code against executives in the organisational positions of chief officer and general counsel and those reserved to the CEO); (ii) management of treasuries, securities portfolios, use of derivative financial instruments and exchange activities; (iii) the day-to-day management that is not of strategic importance nor capable of being precisely quantified, including the right to accept inheritance related to donations in favour of the Company; (iv) to make determinations on lawsuits to which the Company is part, as claimant or defendant, without limits on amount or in lawsuits having an indeterminate value; and (v) to order the

opening, transfer, closure and definition of positioning of the Group's bank desks in the context of the general banking desk plan approved by resolution by the board of directors; and

(f) powers to pass resolutions, subject to the limits on powers as delegated above, for transactions that entail (pursuant to article 136 of the TUB) the direct or indirect undertaking of obligations of any nature toward the Company by members of top management of the Company, in compliance with the procedural methods provided under the above-mentioned legal framework,

with a right to sub-delegate the powers necessary for the perfection and performance of resolutions passed under the powers delegated described above, with the exception of the powers to pass the resolutions referred to in point (f) above to executives, mid-level managers and, on an exceptional basis to other employees of the Company, executives and mid-level managers of other companies of the Group, provided that it is done on a contractual basis and always in compliance with and following the internal corporate procedures on the disbursement of loans.

The foregoing remains, in any case, subject to the powers of the board of directors, excluding matters already reserved to Committees established within the board of directors.

Credit Committee

On 20 February 2014, the board of directors established the Credit Committee effective from March 3, 2014. One or two members of the board of directors and members of corporate management make up the Credit Committee and hold delegated powers to pass resolutions on credit lines. The Credit Committee provides support to the corporate bodies in management of the Group's credit risk management; the Credit Committee assists in defining the Group's credit and lending policy, assumption of credit risk and control of credit risk by performing prepositive, verification, intervention, deliberative and reporting/disclosure activities.

Committees with advisory functions established within the board of directors

In compliance with the provisions of supervision in the organisation and corporate governance of banks and with code of self-regulation, the board of directors of the Company has established a Risks Committee and the Remuneration Committee, in addition to the Nomination Committee, and adopted relevant organisational regulations. The following is a description of the composition and of powers of the Risks Committee, the Remuneration Committee and the Nomination Committee.

Risks Committee

The Risks Committee, established within the board of directors, supports the board of directors on matters regarding controls and risks. These regulations issued by the Bank of Italy set out: (i) the operational characteristics and strategies of the Company and the Group; (ii) the areas of activity and the types of economic reports, including those involving assumptions of risky assets in relation to which may arise conflicts of interest; (iii) the levels of risk propensity consistent with our strategic profile and the organisational characteristics of the Group; (iv) organisational processes designed to identify and assess the transactions in each phase of the relationship with our subjects; and (v) the control processes adapted to ensure the correct measurement and management of risks assumed toward subjects connected and to verify the correct drafting and application of internal policies.

The Risks Committee is composed of non-executive directors, the majority of whom are independent, including the members chosen by the minority Shareholders. The board of directors, when appointing the members of the committee, also establishes their number (which may vary in a range from three to five) taking into account the complexity of the relevant office. The members of the committee shall be chosen among individuals that have the professional expertise to carry out the office. In particular, they shall have the required expertise in risks governance and management in order to be able to examine and monitor the positions and strategies adopted on this subject by the competent corporate bodies.

The Risks Committee appoints from among its independent members its chairman, who coordinates the committee's activities.

In performing its role on related parties and related entities, the Risks Committee is comprised of at least three independent members who are not related or by three members who are not related, the majority of whom must be independent, in compliance with the requirements provided under the applicable legal framework and the internal rules on related party and related entity procedures.

If, with reference to a given transaction, at least two unrelated independent directors are not present, the transaction may be approved with the unbinding reasoned opinion of the unrelated independent directors who are present on the board of directors or, in their absence, on the board of statutory auditors.

The current members of the Risks Committee are *Stefano Lunardi (recommended as Chair), Salvatore Bragantini, Luisa Marina Pasotti, Bruno Pavesi and Lucrezia Reichlin*.

At least one member of the board of statutory auditors and one representative of the Company and Group Corporate Affairs Office, who is responsible for drafting the minutes, attends the Risks Committee meetings.

The Chairman is entitled to invite other representatives and heads of company departments and to the Risks Committee meetings.

The Risks Committee discloses the details of each of its meetings to the directors at the following board of directors' meeting.

In particular, the Risks Committee: (i) provides its assessments and formulates opinions to the board of directors on compliance with the principles applicable to the internal controls system and corporate organisation and with the requirements that must be fulfilled by the corporate control functions. In this context, the Risks Committee brings to the board of directors' attention any weaknesses and corrective actions to be taken; (ii) in collaboration with the Nomination Committee, identifies and proposes the persons in charge of the corporate control functions and the executive in charge of the drafting of corporate accounting documents, and the requisites (experience and professional qualifications) that such figures must possess; (iii) expresses an opinion on the remuneration of the person in charge of the internal audit function, in line with corporate policies; (iv) assesses the correct use of accounting standards for the drafting of annual stand-alone and consolidated financial statements, and to such end, coordinates with the executive in charge of the drafting of accounting documents and with the control body; (v) verifies that the corporate control functions follow the indications and guidelines of the board of directors and assists them in drafting the documentation for the coordination of control functions (bodies, committees, control functions and the Supervisory Committee); (vi) contributes, through assessments and opinions, toward defining corporate policy on the outsourcing of important operational functions and/or control functions; and (vii) in relation to its risk management and control function, the Committee provides support to the board of directors under the strategic guidelines and risk governance policies in the Risk Appetite Framework.

The Committee performs assessment-based and prepositive activities the enable the board of directors to define and approve:

(a) risk objectives (risk appetite), in line with the strategic plan and business model;

(b) the maximum risk that may be assumed (risk capacity) with reference to the Company's technical capacities, while honouring regulatory requirements and other measures taken by the regulatory authorities;

(c) the overall risk, and specific risk by individual type, that may be assumed for purposes of achieving the objectives set in the above-mentioned plan (risk appetite and propensity toward risk);

(d) the tolerance threshold (the maximum deviance from the risk appetite that may be tolerated is referred to as risk tolerance) for operating in conditions of stress within the maximum limit of risk that may be assumed:

  (i) defining operating risk limits, taking into account risk appetite which may be established for each type of risk, business unit, business line, product line and customer category;

  (ii) reviewing plans of action prepared in the event that risk tolerance is exceeded;

  (iii) assessing the criteria for determining adequacy of capital to fully cover business risks in current, forward-looking and stress scenarios and adequacy of liquidity to cover liquidity risk in current, forward-looking and stress scenarios;

  (iv) in relation to its tasks on related parties, performs the requisite regulatory process;

  (v) assesses the effectiveness of the scenarios and analyses set out in the Business Continuity and Disaster Recovery Plan and in its subsequent updates and provides reasoned opinion which is submitted to the board of directors;

  (vi) assesses and expresses a reasoned opinion on the current state of recovery, for its subsequent representation to the board of directors; and

(vii) assesses and expresses a reasoned opinion, on the basis of the disclosure provided by the Executive Committee and the Risk Control Committee, the current conditions for the closure of the state of recovery, for its subsequent representation to the board of directors; and

(e) supports, through its adequate review activities, the assessments and decisions of the board of directors on the management of risks deriving from adverse events that have been brought to the board of directors' attention and expresses to the board of directors, at least on an annual basis: (i) an opinion on the adequacy and the effectiveness of the internal control and risk management system in relation to the characteristics of the Company and the Group, and the relevant risk appetite; and (ii) an opinion on the adequacy of the characteristics, described in the corporate governance report, of the internal control system and the methods followed to coordinate the persons involved and the risk management methods followed.

The Risks Committee also verifies: (i) at least on a half-yearly basis, the legal and regulatory process followed by the Risks Committee incorporated in the Risks Committee rules and, in such manner, verifies the adequacy of the individual members to perform their role and the maintenance of the professional qualifications and expertise required. The verification process is carried out in accordance with the rules governing the self-assessment process followed by bodies and committees formed within boards of directors; (ii) at least on a half-yearly basis, the level of compliance with the principles adopted for the definition of internal controls and the corporate organisation system established under the legal and regulatory framework; (iii) at least on a half-yearly basis, the level of compliance with the control function requirements established under the legal and regulatory framework and by the board of directors; (iv) at least on an annual basis, the plans of activities (including the audit plan) and the reports drafted by corporate control functions before they are submitted to the board of directors for approval. The Risks Committee may request the control functions, to the extent that they within their remit, to carry out verifications in specific operating areas; (v) examines the periodic reports concerning the assessment of the internal control and risk management system and those of particular importance prepared by the control functions; (vi) at least on a quarterly basis, the correct implementation of risk governance and management strategies, policies and the Risk Appetite Framework; (vii) on a continuous basis, policies and processes for the assessment of the Company's business operations and the verification that prices and conditions of transactions with customers are in line with the Company's business model and risk management strategies; (viii) at least on an annual basis, without prejudice to the responsibilities of the Remuneration Committee, the incentives underlying the Company's remuneration and incentive system are in line with the Risk Appetite Framework; (ix) the correct application of the criteria for the measurement and assessment of risks and the ICAAP report to be submitted to the board of directors, in order to verify its adequacy with respect to the general guidelines set by the board of directors, before the report is sent to the Bank of Italy; and (x) the correct application of the criteria for the measurement and assessment of liquidity risk and the ILAAP report to be submitted to the board of directors, in order to verify its adequacy with respect to the general guidelines set by the board of directors.

The Risks Committee periodically informs the board of directors, the board of statutory auditors and the Supervisory Committee, pursuant to Legislative Decree 231/01, on the activities it performs, taking into account the information it receives from the operating and control functions. In practice, the Risks Committee reports to the board of directors at least on a half-yearly basis and, generally on the occasion of the approval of the annual and half-yearly financial reports, on the activities performed and adequacy of the Internal Control and Risk Management System.

However, the Risks Committee may report orally or in writing to the board of directors and to the board of statutory auditors through the chairman on an *ad hoc* basis if necessary.

The Committee manages the relationships with the director in charge of the Internal Control and Risk Management System, where appointed, the board of statutory auditors, the certified auditor or auditing firm and the established Supervisory Committee (pursuant to Legislative Decree 231/01) for the performance of activities considered of mutual interest, honouring the specific areas of competence of each.

In performing its functions, the Risks Committee has the power to acquire the corporate information and functions necessary to perform its tasks, and to avail itself of external consultants and is endowed with an adequate autonomous financial budget.

Remuneration Committee

The Remuneration Committee, established within the board of directors, supports the board of directors on matters regarding policies and practices relating to remuneration and incentives of personnel.

The Remuneration Committee is composed of non-executive directors, the majority of whom are independent, including the members chosen by the minority Shareholders. The board of directors, when appointing the members of the committee, also establishes their number (which may vary in a range from three to five) taking into account the complexity of the relevant office. The members of the committee must have the professional experience required for this office. At least one member of the committee must have an adequate expertise, to be assessed by the board of directors, on matters regarding policies and practices relating to remuneration and incentives and, in particular, in relation to risk, capital and liquidity management in order to ensure that the incentives related to the remuneration system are consistent with the application of such policies and practices. The statutory auditors may attend the committee's meetings. The Remuneration Committee appoints among its independent members its chairman, who coordinates the committee's works.

The chairman (who is appointed by the members of the committee) may invite other representatives and heads of the corporate functions as well as external consultants to attend the meetings, provided that they are not in conflict with the items of the agenda related to remuneration policies.

The current members of the Remuneration Committee are Giulio Gallazzi (recommended as Chair), Salvatore Bragantini and Lucrezia Reichlin.

The Remuneration Committee (on the basis of information sent by the CEO, the board of statutory auditors, the board and executive committees, corporate departments and, in particular, the competent control) supports the board of directors in the drafting of remuneration and incentive policies for the Group's personnel, ensuring that such policies are consistent with the Group's long-term goals and overall corporate governance and internal controls structure.

The Remuneration Committee collaborates with the other committees formed within the board of directors and, in particular, with the Risks Committee which examines whether the incentives envisaged in the remuneration system take into account capital and liquidity risks. The committee provides the Risks Committee with the information flows necessary to verify that incentives underlying the Company's remuneration and incentive system are consistent with the Risk Appetite Framework.

The Remuneration Committee may exchange views with the corporate functions in charge of liquidity risk and capital risk. In order to perform its tasks effectively and responsibly, the Remuneration Committee has access to corporate information and has the necessary financial resources to ensure its operational autonomy.

The Remuneration Committee provides recommendations and opinions to the board of directors on the matter of remuneration. In particular, the committee, based on the documentation prepared by the competent corporate functions: (i) proposes the additional compensation, in addition to that set by the Shareholders' meeting, for the chairman, the deputy chairman, the CEO, the members of the Executive Committee and of the committees within the board of directors; (ii) proposes the compensation of personnel whose remuneration and incentive systems are decided by the Company's board of directors; (iii) proposes the criteria for the determination of the remuneration policies for the Group's personnel, financial agents, insurance agents and financial planners who are not party to subordinated employment relationships; (iv) proposes the criteria for the determination of any "incentive bonus" for each of the categories of the Group's personnel; (v) assesses the scenarios and analyses resulting from the application of the process for the identification of the most important personnel and expressing an opinion in such regard to be submitted to the board of directors; (vi) proposes the criteria for the determination, with reference to the Group's most important personnel, of disbursements assigned on an exceptional basis to newly hired personnel only for the first year of their employment ("welcome bonus"), and of the compensation granted in the event of early cessation of employment; (vii) assists in establishing the criteria for Group's most important personnel's compensation; (viii) makes recommendations on the use of other personnel incentive systems based upon financial instruments (for example, stock options). Specifically, the Remuneration Committee formulates proposals on the incentive system deemed most advisable, monitoring its development and application over time; and (ix) for other members of the Group formulates proposals on the remuneration of directors, CEO, general manager and executives with strategic responsibilities vested with particular mandates.

The Remuneration Committee verifies: (i) at least on a half-yearly basis, the process it follows with respect to legal and regulatory requirements and the adequacy of the individual members to perform their roles. This process is performed in accordance with the rules governing the process of self-assessment of bodies and Committees formed within the board of directors; (ii) the correct application of the rules on the remuneration of persons in charge of corporate control functions, working closely with the board of statutory auditors; and (iii) the achievement of the performance objectives for the disbursement of the incentive plans' bonus schemes and other

conditions of the compensation disbursement for each category of the Group's personnel and availing itself of the information received from the competent corporate functions.

The Remuneration Committee periodically informs the board of directors and the board of statutory auditors on its activities, in accordance with the rules governing the management information flow process, taking into account the information received from the operational and control functions. The Remuneration Committee also provides updates on its activities to the Shareholders' meeting.

Nomination Committee

The Nomination Committee, established within the board of directors, supports the board of directors on matters regarding nominations.

The Nomination Committee is composed of non-executive directors, the majority of whom are independent, including the members chosen by the minority Shareholders. The board of directors, when appointing the members of the committee, also establishes their number (which may vary in a range from three to five) taking into account the complexity of the relevant office. The members of the committee must have the professional experience required for this office. The statutory auditors may attend the committee's meetings.

The chairman of the board of statutory auditors (or another statutory auditor designated by the chairman) attends the committee meetings and other representatives in charge of corporate functions and external consultants may attend upon the chairman's invitation if their attendance is necessary to clarify items on the agenda, provided that there is no conflict with the items on the agenda concerning the appointments to corporate offices. A representative of the corporate and Group affairs office, who is responsible for preparing the meeting minutes, also attends the Nomination Committee meetings. Reports on each meeting are provided to the board of directors at its next meeting.

The chairman calls the Appointment Committee's meetings with the frequency necessary to ensure an effective performance of the mandate granted to the committee. The Nomination Committee meets whenever it may be necessary in light of the functions assigned to it and, in particular, prior to meetings of the board of directors whose agenda includes matters pertaining to the Nomination Committee's activities.

The Nomination Committee supports (on the basis of information sent by the CEO, the board of statutory auditors, the Committees established within the board of directors and other executive committees, corporate functions and, in particular, the competent control functions) the board of directors in appointing members to the board of directors. The committee has access to all corporate information provided by the competent corporate departments in its decision-making process, and also avail itself of external consultants who may be invited to attend the meetings where deemed necessary by the chairman.

Lucrezia Reichlin (recommended as Chair), Francesca Balzani, Lucia Calvosa, Luisa Marina Pasotti and Bruno Pavesi make up the Nomination Committee as of the date of the Base Prospectus.

The Nomination Committee makes proposals and supports the board of directors on the appointment of the directors. In particular, the committee supports the board of directors in:

(a) the identification of its optimal qualitative and quantitative composition relating to the objectives and size of the Company and the Group. In particular, the committee proposes the number of members of the board of directors, taking into account the limits under our by-laws, the operational size of the Group and the complexity of the Company's organisational structure. The committee considers the management and operational characteristics of each company comprising the Group and the requisite degree of diversification of directors in terms of age, gender, geographical origin and professional experience to encourage different interpretations and dialogue on issues on the agenda and the effective management of risks in the Company's business areas; and

(b) the verification of the optimal qualitative and quantitative composition matches the effective composition resulting from the appointment process.

The Committee supports the board of directors in determining:

(i) the number of non-executive directors present on any committee within the board of directors and scope of their mandates, with a view to balance the number of executive directors and managers present on the board of directors;

(ii) the minimum number of independent directors required by law and regulation present on the board of directors and on committees within the board of directors in order to facilitate deliberation and contain the risk of possible conflicts of interests;

(iii) a target quota for gender representation and developing strategies to meet the target, without prejudice to the legal obligations imposed upon listed companies. The target quota, the plan and its implementation are rendered public in the context of the disclosure which the Company is required to make in accordance with the Third Tier (pursuant to article 435 of the CRR);

(iv) the number of roles undertaken by directors of other companies, in accordance with the applicable laws and regulations and taking into account the level of involvement required from them in the context of the Group's ordinary operations;

(v) the required professional profile for candidates when appointing and co-opting directors. The committee, following an in-depth and formalized review, must express: (a) its view *ex ante* on the legal, technical, administrative and economic expertise that the candidates must have in order to ensure the proper performance of their duties and responsibilities; (b) an opinion on the suitability of candidates who, based upon a preliminary analysis, the board of directors has appointed to office. The results of such analyses conducted by the committee to support the board of directors, if the appointment of the directors falls under the competence of the Shareholders' meeting, must be brought to the Shareholders' attention in order to enable them to select the candidates for the directorship, taking into account the determined profession qualifications candidates must have;

(vi) an opinion on any requests by the Shareholders who recommend candidates;

(vii) the process of self-assessment of the bodies. The Nomination Committee supports the chairman of the board of directors in identifying the persons to be placed in charge of the self-assessment process;

(viii) the verification of the suitability characteristics (integrity, professional qualifications, independence) for the performance of a mandate, pursuant to article 26 of the Consolidated Banking Act;

(ix) the appointment and removal of the CEO and/or general manager;

(x) the designation of the corporate officers (directors and statutory auditors) of the companies of the Group;

(xi) any replacements of the members of the Executive Committee or the committees established within the board of directors;

(xii) the plan to form the Nomination Committee and the board of directors in its entirety; and

(xiii) the plan of succession of the CEO or general manager, in accordance with the rules established under the regulatory provisions on corporate governance.

In addition, the Nomination Committee collaborates with the Risks Committee to identify and appoint the persons in charge of corporate control functions and the executive in charge of drafting corporate accounting documents.

The Nomination Committee supports the corporate bodies during their self-assessments and verifies: (i) at least on a half-yearly basis, compliance of its and other corporate bodies' processes under the laws and regulations incorporated in the Company's by-laws. In this way, the Nomination Committee verifies the competency of individual members to perform their roles. This verification is carried out in accordance with the rules governing the self-assessment of the bodies and committees formed within the board of directors; (ii) that corporate officers meet the requirements imposed under the applicable laws and regulations, before and after their appointment; and (iii) that candidates for the role of director carry the required qualities (professional qualifications, expertise and experience).

Organisation and management model pursuant to Legislative Decree 231/01 and the Supervisory Committee

The Company's board of directors approved the "*Organisation and management models of Banca Carige S.p.A.—Cassa di Risparmio di Genova e Imperia, pursuant to Legislative Decree 231/2001*" (the "**Model**"). The Model sets out the organisation and management framework of the Company (delegated powers, rules governing services, codes of conduct, etc.), examines possible criminal offences, identifying each (or for each group of similar offences) of the areas at risk and provides specific preventative measures.

The Model aims to prevent the commission, in the Company's interest, by top-level officers, executives or employees of criminal offences deemed significant under the relevant legal framework and is updated from time to time in order to adapt to any changes in applicable legislation.

The Company's Supervisory Committee, established pursuant to Legislative Decree 231/01, oversees the functioning, updating and compliance with the Model. In performing its duties, assigned on an exclusive basis in order to ensure greater impartiality in its opinion and assessment, the Supervisory Body holds specific powers of initiative and control. The Supervisory Committee, as a structure dedicated to overseeing the Model, must monitor its implementation on a continuous basis.

The Supervisory Committee was appointed by the board of directors at the meeting held on 10 May 2016, having a term coinciding with that of the board of directors (and therefore under the date of approval of the financial statements as at 31 December 2018) and until the appointment of a new Supervisory Committee.

As of the date of the Base Prospectus, the Supervisory Committee is composed of Professor Adalberto Alberici as Chairman, an expert on banking and finance, Mr. Massimo Leandro Boggio, an expert in criminal law (who does not act and has not acted as defence counsel on behalf of the Company or its officers or executives) and the *pro tempore* head of the Company's internal audit function.

The Supervisory Committee also oversees the revision of the organisation and management models and makes specific reports, where necessary, to the board of directors.

The Supervisory Committee must also propose and verify the most suitable initiatives for raising awareness within the Company's Bodies, the personnel and suppliers of goods and services with a view to fostering knowledge of and compliance with the Company's Code of Ethics and Organisation and management models.

The Supervisory Committee has autonomous powers of verification in accordance with the independence principle. The Supervisory Committee avails itself of the internal audit function and assigns it, where deemed useful or necessary, general or specific mandates to conduct verifications on its behalf.

Due to its mandate to be autonomous and independent, the Company's Supervisory Committee reports exclusively to the Company's board of directors and one of the board of directors' staff unit. However, the Supervisory Committee is completely detached and independent from other hierarchical reporting lines.

Each employee and collaborator must report to the Supervisory Committee non-anonymously in writing any perceived breach of the Company's Code of Ethics or the organisation and management models. Confidentiality of the procedure and the rights of the person allegedly in violation must be ensured. The Supervisory Committee must hear from the alleged person before any specific determinations are made against them.

The Supervisory Committee advises the board of directors on proposed revisions to the Code of Ethics.

The Supervisory Committee informs in a timely manner the competent corporate bodies or functions and, where appropriate, the board of directors its discovery of any breaches of the Code of Ethics and/or of the organisation and management models. In addition, the Supervisory Committee will highlight any reports received in view of any sanctioning measures solicited from the Company and in accordance with procedures provided by law and/or contract.

The Supervisory Committee reports directly to the board of directors in half-yearly reports in view of the board of directors' meetings of January and July of each year. The failure to draft a half-yearly report gives rise to the automatic cessation of the body.

The Supervisory Committee, through its chairman, may report, either in writing or orally, and/or through its delegated member of the Supervisory Committee, to the board of directors and/or the board of statutory auditors where deemed necessary and whenever deemed useful.

Conflict of interests

As of the date of this Base Prospectus, certain members of the board of directors, the board of statutory auditors of the Company hold, directly or indirectly, ordinary shares in the Company and/or hold corporate roles in companies that hold a shareholding in the Company.

Since the members of the Board of Directors and the Board of Statutory Auditors have been recently appointed as specified under Section "*Recent Developments*" and no information is currently available to the Issuer in relation to the newly appointed members' number of shares held directly or indirectly in the Bank, the Issuer is not currently able to determine if a potential or actual conflict of interest exists between any duties to the Issuer and any such member of the Board of Directors, or of the Board of Statutory Auditors or any of the principal managers of the Issuer and their private interests and or other duties held within the Issuer or the Group.

In this regard, in cases of resolution upon, or performance of, transactions that may present conflicts of interest and/or transactions with related parties or associated persons, must comply with applicable laws, internal regulations adopted in accordance with sectoral regulation and Code of Self-Regulation.

In particular:

- pursuant to article 2391 of the Italian Civil Code, directors are obliged to notify fellow directors and the board of statutory auditors of any interest that they may have, on their own behalf or on behalf of a third party, in a specific company transaction, specifying the nature, terms, origin and scope; the Board of Directors' resolution shall adequately explain reasons and advantages of transaction;

- pursuant to article 2391-*bis* of the Italian Civil Code, the CONSOB's regulation concerning related party transactions and the Bank of Italy's regulation concerning associated persons, the Issuer adopted an internal regulation on transactions with related parties and associated persons, updated on 22 July 2013. The said regulation provides for: (a) procedures aimed at ensuring transparency and formal and substantial fairness of related party transactions, pursuant to relevant CONSOB Regulation; and (b) procedures aimed at ensuring integrity of decisional processes in the context of transactions with associated persons, pursuant to the Bank of Italy circular concerning the "Risk activities and conflicts of interest with associated persons";

- the Issuer has also approved, pursuant to the Bank of Italy's regulation concerning associated persons, the document known as "Internal policies concerning controls on risk activities and conflicts of interest with associated persons", which determines: (a) in relation to operational features and the Issuer's and Group's strategies, sectors and types of economic relations, not limited to those relations implying assumption of risk, which may present conflicts of interest; (b) risk appetite degrees consistent with strategic profile and organisational features of the Issuer and the Group; (c) organisational processes for identifying and recording the associated persons and determining and quantifying relevant transactions at each stage of the relation; (d) control processes aimed at ensuring the correct determination and management of risks assumed towards the associated persons and verifying the correctness of framework and actual implementation of internal policies; and

- the Issuer adopted, pursuant to article 136 of the Banking Law, a specific procedure for the approval of transactions implying obligations for the Issuer's officers: this procedure is currently being used by the banks of the Group for resolutions on transaction involving their directors, statutory auditors and general managers, and creating obligations of any nature whatsoever, direct or indirect, of the aforementioned persons towards the respective companies direct or indirect, of the aforementioned persons towards the respective companies.

Board of Directors

Under the Company's by-laws the annual amount of compensation to be paid to the individual directors is determined by the Shareholders' meeting and includes a fixed component assigned to the directors, including a compensation token for attendance at meetings of the board of directors and Committees.

The board of directors, at the Remuneration Committee's proposal, and after consulting the board of statutory auditors, may establish additional compensation in favour of directors with particular roles, including the chairman, the deputy chairmen, the CEO, the members of the Executive Committee and the additional committees within the board of directors. In relation to committees, additional compensation may be granted to the chairman of the committee.

The amount of the chairman's compensation may not exceed the fixed remuneration received by the CEO and general manager.

Non-executive directors may only receive fixed remuneration.

The CEO may receive a variable component of additional compensation governed by the provisions of individual contracts and must be in line with applicable provisions of law and the Company's current remuneration policies.

Individual directors are awarded attendance tokens for each board meeting and Executive Committee meeting they attend. If more than one committee meeting or board meeting occurs on the same day, only one attendance token per day will be granted.

Directors may receive reimbursement for expenses incurred in relation to their role. The reimbursements are made on a lump-sum basis and calculated on the basis of parameters such as the frequency of meetings and the distance from the director's domicile to the Registered Office.

The Company's remuneration policies are submitted to the Shareholders' meeting for review on an annual basis. The ordinary Shareholders' meeting on 29 March 2018 approved the Group's remuneration policy for 2018, the related implementing procedures and the criteria for the determination of compensation agreed in the event of early termination or early cessation of employment. Limits on compensation, in terms of years of fixed remuneration and the maximum fiscal amount, would also fall under these criteria.

External Auditors

The Issuer's annual financial statements, in accordance with applicable law and regulations, must be audited by external auditors appointed by the shareholders. The external auditors, among other things, examine the Issuer's annual financial statements and issue an opinion regarding whether the Issuer's annual financial statements comply with the Italian regulations governing their preparation (i.e., whether they are clearly stated and give a true and fair view of the financial position and results of the Issuer and the Group). Their opinion is made available to the Issuer's shareholders prior to the annual general shareholders' meeting.

The shareholders' meeting of the Issuer held on 29 April 2011 resolved to appoint EY as external auditor for the period 2012-2020. The engagement of EY will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2020.

RECENT DEVELOPMENTS

2017-2020 Business Plan Banca Carige's Transformation Programme

On 14 September 2017 Banca Carige's Board of Directors has approved the Business Plan.

The new Business Plan seeks to give effect to the vision of Carige going back to "doing the job of the Retail Bank well" for its core business (customers, geographies, products), leaving its past legacy behind, particularly in terms of asset quality and cost income levels.

The Group's new strategic vision revisits all the areas of the Bank and is set to strengthen its capital base and increase profitability, by taking advantage of a number of significant relaunch opportunities and leveraging the good potential for a recovery of productivity and its strong local roots.

The new strategic vision rests on four main pillars: capital strengthening, asset quality, operating efficiency and commercial relaunch.

A fundamental element of the Plan is the comprehensive effort to strengthen the Group's capital structure which will make it possible to restore higher capital ratios than the ECB's current targets as early as by the end of 2017.

In parallel, the Bank has defined a comprehensive strategy to strengthen asset quality through a major effort of de-risking and de-leveraging of non performing exposures (NPEs). The extensive clean-up of non-performing exposures, which will see the total stock decreasing from EUR 7.3 bn at the end of 2016 to EUR 3.1 bn by the end of the Plan period (far below the targets required by the Supervisory Authority), will be coupled with a de-risking and deleveraging strategy, in addition to a more stringent discipline for new loans.

Deleveraging will be flanked by a revised proactive approach in non-performing loan collection activities through a new management model, the main pillars of which are the set up of the NPE Unit, the outsourcing of small-ticket UTPs and pre non-performing loans (Past Due), and new debt collection strategies based on the transformation of assets, in order to maximize recovery from mortgage loan collaterals thanks to the REOCO.

These actions will allow the Group to significantly reduce the total NPE stock (-54%) from Euro 7.3 billion at the end of 2016 to Euro 3.4 billion by 2018 (Euro 3.1 billion in 2020, -58% from 2016) and below the ECB’s targets (Euro 3.7 billion in 2019). The Net NPE ratio will therefore decrease from 21.9% to 8.1% in line with market best practices. The coverage ratio for the NPE aggregate (including write-offs) is expected to increase by over 8 p.p. over the Business Plan period, from 49.7% in 2016 to 57.8% in 2020 mainly on the back of provisions taken for the UTP portfolio. The cost of risk will therefore be back to sustainable levels of approximately 55 bps by 2020 (270 bps as at 31 December 2017; an extra 204 bps derived from Euro 2.1 billion bad loan disposal).

The combined actions for capital strengthening and asset quality improvement will reinforce the Bank's current financial structure with benefits in terms of cost of funding and the funding mix, which will enable a further strengthening of liquidity control, in the presence of fully adequate ratios.

Within the scope of the measures designed to accelerate the Group's turnaround, specific actions are envisaged for each individual area in view of a comprehensive overhaul of the operating and management model aimed at filling the operating efficiency gaps with respect to market benchmark.

Around Euro 100 million worth of investments in the Group's business turnaround and evolution throughout the Plan period will be directed towards the development of a new branch model centred on the role of the Branch Manager, the digitalisation of processes and human resources (performance management and skills), and the ongoing upgrading of infrastructures, thus ensuring compliance with regulatory requirements.

Wealth Management will instead fully unlock the value of the Banca Cesare Ponti brand.

A return to profit (Euro 25 million) is expected as of 2018, which will be consolidating up to a profit of Euro 146 million in 2020 (6.5% ROTE).

Disposal of bad loans and bad loan management platform

On 6 December 2017, Banca Carige entered into a binding agreement with Credito Fondiario S.p.A., a specialised player in the NPL investment and servicing market, for the non-recourse disposal of a portfolio of mortgage and signature bad loans for a gross nominal value of approximately Euro1.2 billion as at 30 March 2017.

The consideration for the transaction is Euro 265.5 million, corresponding to a sale price equal to approximately 22.1 per cent. of the portfolio gross book value (GBV), higher than anticipated in the Business Plan approved on 13 September 2017.

The transaction will raise Banca Carige's total bad loan disposal volume as of the second half of the year to approximately Euro 2.2 billion. The disposal fits within the de-risking Programme included in the Business Plan, which targets an overall NPL stock level of approximately Euro 3.1 billion by 2020.

The closing of the deal was completed in the same month of December 2017.

Banca Carige additionally announces that it has signed a binding agreement with Credito Fondiario for the disposal of the branch of business consisting in the bad loan management platform in addition to a multi-year servicing agreement.

The consideration for the transaction is Euro 31 million, again with more positive effects than anticipated in the Business Plan. The transaction is aimed at improving debt collection performance by leveraging the industrial partnership with Credito Fondiario, to ensure higher quality standards in line with best market practices.

The transaction was finalized on 10 May 2018.

Creditis sold to Chenavari Investment Managers

Banca Carige also announces that on 6 December 2017 it entered into a binding agreement with Chenavari Investment Managers for the disposal of an 80.1 per cent. shareholding in the consumer credit company, Creditis Servizi Finanziari S.p.A. ("**Creditis**"), along with a distribution agreement and other transaction ancillary agreements.

The consideration for the transaction is Euro 80.1 million, on economic terms essentially in line with those anticipated in the Business Plan approved on 13 September 2017; the closing of the deal is expected by the end of 2018 and is subject to the approval of the regulatory authorities.

Capital increase

On 28 September 2017, the extraordinary shareholders' meeting, having acknowledged the authorisation received from the European Central Bank, resolved to vest the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, with the power to increase the share capital by an aggregate amount of up to Euro 560 million of which up to Euro 500 million with inclusion of rights of option and up to Euro 60 million with exclusion or limitation of the rights of option possibly to be reserved for holders of subordinated financial instruments included in the scope of a liability management exercise ("**LME transaction**"), vesting the Board of Directors with the authority to determine the procedures, terms and conditions for the capital increase.

On 29 September 2017, the Board of Directors resolved upon the terms and conditions of the LME transaction which consists in: (i) an Exchange Offer (the "**Offer**"), and (ii) a consent solicitation for the substitution of subordinated notes – for an aggregate nominal amount of Euro 510 million – with new senior notes issued under the Bank's EMTN programme, with 100 per cent. issue price, 5-year maturity, 5 per cent. fixed rate annual coupon.

The exchange price - with prices equal to 30 per cent. for the Tier 1 notes and 70 per cent. for the Tier 2 notes (if tendered within 7 business days from the launch of the LME transaction) – will be increased, exclusively in the case of Tier 2 notes, by the interest accrued on such notes from the last coupon payment date to the relevant LME settlement date, which shall in any case remain subject to the successful completion of the capital increase.

The Board of Directors, in execution of its delegated powers to implement the capital increase, may possibly reserve a tranche of the capital increase for one or more categories of investors taking part to the LME transaction for an amount of up to Euro 60 million.

The subordinated notes included in the LME are identified in the following table:

Notes	Issuer	Series	ISIN	Aggregate Outstanding amount (Euro)
Tier1	Banca Carige S.p.A.	416 - Euro 160 million 8.338% "Perpetual Tier I Junior Subordinated Notes due 2018"	XS0400411681	160,000,000
Tier II	Banca Carige S.p.A.	525 - Euro 200 million 7.321% "Lower Tier II Subordinated Notes due 2020"	XS0570270370	200,000,000
Tier II	Banca Carige S.p.A.	511 - Euro 50 million 5.7% "Lower Tier II Subordinated Notes due 2020"	XS0542283097	50,000,000
Tier II	Banca Carige S.p.A.	389 - Euro 100 million floating rate "Lower Tier II Subordinated Notes due 2018"	XS0372143296	100,000,000

With regard to the capital increase transaction, the Board of Directors of Banca Carige, at its meeting of 15 November 2017, resolved:

- with reference to the rights issue:

  (1) to issue up to 49,810,870,500 new ordinary shares with no indication of par value and having regular dividend entitlement, to be offered on option to the holders of the Bank's ordinary and/or savings shares;

  (2) to set the allotment ratio at 60 new shares for every ordinary and/or savings share held;

  (3) to set the issue price for each new ordinary share at Euro 0.01.

The total subscription amount of the rights issue will therefore be a maximum of Euro 498,108,705.

- with reference to the tranche reserved for holders of subordinated financial instruments:

  (1) to issue up to 6,000,000,000 new ordinary shares with no indication of par value and having regular dividend entitlement. The total subscription amount of the reserved tranche will therefore be a maximum of Euro 60,000,000.

On 22 December 2017 Banca Carige announced that the capital increase (inclusive of the reserved tranche) was subscribed for a total amount of Euro 544,356,998.40 (of which Euro 54,435,699.84 as share capital and Euro 489,921,298.56 as share premium) through the issue of 54,435,699,840 new Banca Carige ordinary shares, in excess of the ECB's target of Euro 500,000,000 to be achieved by the end of 2017. The capital increase fits within the Group's capital strengthening plan for an amount of over Euro 1 billion which was announced on 14 September 2017.

On the same date, as part of the LME transaction, the 4,638,000,000 new ordinary shares arising from the reserved tranche were settled for a total amount of Euro 46,380,000 and the new senior notes with an overall par value of Euro 188,807,000 were delivered.

As at 31 December 2017, Banca Carige's new share capital therefore amounts to Euro 2,845,857,461.21, divided into 55,265,855,473 ordinary shares and 25,542 savings shares, with no indication of par value.

Trade Union Agreement

On 18 December 2017, Banca Carige S.p.A. announced that it reached an agreement with the national and corporate trade-union representations on the methods for addressing the impacts of the 2017-2020 Business Plan.

The agreement signed envisages in the first place the use of the solidarity allowance mechanism for the banking sector (*Fondo di Solidarietà*) for 490 voluntary redundancies which, together with the confirmed retirement incentives, allow to manage the staff redundancies expected.

Banca Carige's Board of Directors approves Group IT System outsourcing and 2018 budget

On 2 February 2018 Banca Carige's Board of Directors discussed about several items on the agenda, including the IT outsourcing, 2018 Budget and CEO Report on the letter which was sent to the Board of Directors by the shareholder, Malacalza Investimenti Srl.

The Board of Directors approved the project to outsource the Group's IT system to IBM Italia S.p.A., and consequently start the ECB authorisation process; it also approved the guidelines for the 2018 Budget, with a focus on the Bank's business as usual to revert to profitability. The Business Plan targets were confirmed and special attention will be given to reducing the cost/income ratio, as a major objective to be pursued in the next three years.

Board of Directors approves parent company's Draft Separate and Group Consolidated Financial Statements as at 31 December 2017

On 6 March 2018 the Board of Directors of Banca Carige approved the Draft Bank Separate and Group Consolidated Financial Statements for the year ending 31 December 2017, the annual Corporate Governance and Ownership Structure Report for 2017 pursuant to art. 123-bis of the Financial Services Act, as well as the Group's 2017 Non-Financial Report pursuant to Law Decree no. 254/2016.

A loss of Euro 388.4 million was posted for the year 2017 - as against the amount of Euro 380.5 million reported in the preliminary results approved and disclosed to the market on 9 February 2018- due to the recognition of additional provisions on non-performing exposures classified as bad loans for an amount of approximately Euro 11.0 million before tax.

As at 31 December 2017, the phased-in CET1 ratio and Total Capital Ratio were 12.4% and 12.6% respectively.

The introduction of the new accounting principle IFRS9 "Financial Instruments"

With reference to the new classification, measurement and impairment rules for financial instruments introduced by IFRS 9, the Group has defined the methods for calculating impairment losses on loans based on the new expected loss model, as well as procedures for determining any increase in credit risk so as to correctly allocate the exposures to the three stages recognised by the accounting standard.

Transition to IFRS 9 shows the following impacts on prudential ratios and own funds due to the Classification & Measurement requirements and the Impairment model based on expected losses:

- a negative impact on CET 1 of EUR 422.4 mln on a “fully loaded” basis and EUR 89.8 mln based on the application of the phase-in regime (mitigating the impact over 5 years);

- a negative impact on total own funds of EUR 421.6 mln on a “fully loaded” basis and EUR 88.9 thousand based on the application of the phase-in regime;

- a negative impact on RWAs of EUR 501.9 mln on a “fully loaded” basis and EUR 139.3 mln based on the application of the phase-in regime;

- an impact on the CET 1 capital ratio of -174 bps on a "fully loaded” basis and +25 bps based on the application of the phase-in regime;

- an impact on the Total capital ratio of -173 bps on a "fully loaded” basis and +25 bps based on the application of the phase-in regime. Following the adoption of the phase-in regime provided for in Regulation (EU) 2017/2395 of the European Parliament and of the Council ("First Time Adoption"), which allows for the impact of impairment of loans on own funds to be diluted over a period of 5 years, the impact of the new rules on the 2018 CET1 ratio is estimated at +12 bps.

Banca Cesare Ponti

On 20 February and 6 March 2018, the Board of Directors of Banca Carige approved the restructuring of the organizational structure of Banca Cesare Ponti. On 29 June 2018, the Bank announced the appointment of Mr. Michele Ungaro as General Manager of Banca Cesare Ponti S.p.A.

The ownership structure

On 6 March 2018 the Board of Directors of Banca Carige acknowledged the letter dated 23 February 2018 from Mr. Raffaele Mincione, in his capacity as Chairman of Time & Life S.A., the new shareholder of the Bank with a stake of 5.428% acquired through POP 12 Sarl, wherein he stated that, given the recent reorganisation of the bank's shareholding structure, his company should in his opinion be represented in the Bank's Board of Directors.

Considering that the conditions are not there for currently accepting the new shareholder's request for representation in its current composition, the Board of Directors has nonetheless reasserted its commitment and proneness towards fulfilling the interests of all stakeholders of the Bank in its changing shareholding structure over time.

NPE Strategy

On 27 March 2018 Banca Carige's Board of Directors has approved the Non Performing Exposure (NPE) strategy for the 2018-2020 period (the "**NPE Strategy**") which outlines the key actions designed to reduce the Group's NPE stock level. To this end the Bank has decided to proceed with the disposal of an additional bad loan portfolio for a gross amount of up to Euro 1 billion, on top of the already-planned disposal of Unlikely-to-Pay exposures (UTPs) for a gross amount of approximately Euro 500 million, having assessed the accounting treatment of the effects arising from the First Time Adoption (FTA) of IFRS 9.

To give effect to the NPE Strategy, a portfolio of up to Euro 1 billion will be selected out of a total bad loan portfolio of approximately Euro 1.7 billion as at 31 December 2017, which will be disposed of on the market, with senior notes backed by the Italian Government guarantee (GACS). The bad loan disposal transaction is planned to be launched in the second quarter of 2018, with closing and respective accounting and regulatory derecognition to take place by the end of the year.

Out of a UTP portfolio amounting to roughly Euro 3 billion as at 31 December 2017, the Bank is also planning the disposal and write-off of UTP positions for a gross amount of approximately Euro 500 million in 2018 and an additional Euro 200 million in 2019.

On 21 June 2018, during the meeting of the Board of Directors, the Bank provided an update on the progress achieved in the de-risking process. In particular, it was represented to the Board that, with respect to the planned derecognition of a non-performing portfolio of up to Euro 1 billion, the activities for the GACS-backed securitisation to be carried out are about to be completed. As for the downsizing of the unlikely-to-pay (UTP) portfolio, the Board of Directors approved two disposal transactions for an amount of approximately Euro 50 million.
On 7 August 2018, the Board of Directors of Banca Carige examined the binding offers received for a UTP portfolio of up to Euro 400 million in GBV and resolved to grant Bain Capital Credit, LP a period of exclusivity until 15 October 2018 with explicit reference to the fact that the approval of this proposal is referred to the Board of Directors whose composition will be determined by the Shareholders' Meeting of 20 September 2018.
Furthermore, the Board of Directors approved the content of the response to the ECB letter notified to the Bank on 20 July 2018 by making observations which, as provided for in the regulation, should be sent to the Supervisory Authority under the conditions and within the time limits it has set.

The winding up of Centro Fiduciario S.p.A.

On 28 March 2018 the Shareholders' Meeting of Centro Fiduciario CF S.p.A. resolved to wind up the company, appointing a receiver. It was no longer in the Parent Company's interest to continue operating in the trust services sector.
29 March 2018 - Shareholders' meeting

On 29 March 2018 the Shareholders' Meeting has approved the 2017 separate financial statements of the Parent Company, Banca Carige S.p.A., resolving that the net loss of Euro 385,985,007.85 be carried forward and acknowledged the Group consolidated financial statements as at 31 December 2017 (with a loss of Euro 388,435 thousand attributable to the Parent Company).

The Shareholders' Meeting also resolved to fill the vacancies in the Board of Statutory Auditors, pursuant to art. 2401 of the Civil Code and in compliance with the provisions of art. 26 of the Articles of Association, appointing Ms. Francesca De Gregori as Standing Auditor and Ms. Fiorenza Dalla Rizza as Alternate Auditor, with their term of office expiring on the same date as for the other members of the Board of Statutory Auditors, namely on occasion of the Shareholders' Meeting which will be convened for the approval of the financial statements as at 31 December 2019.

In compliance with statutory and supervisory regulations in force, the Shareholders' Meeting thus acknowledged the disclosure of the remuneration policies implemented in 2017 for the Company's directors, employees or collaborators not bound by an employment relationship, and approved the 2018 Group remuneration policies and related implementation procedures, as well as equity-based compensation plans and the criteria for determining the compensation to be agreed in the event of early termination of the employment relationship or early termination of office, including the limits to the number of years of fixed salary and the maximum amount that can be paid under such criteria.

Having examined the reasoned proposal of the Board of Statutory Auditors, the Shareholders' Meeting - in accordance with the terms and requests for integration submitted by the Auditing Firm EY S.p.A. on 8 February 2018 - resolved to revise the man hours and fees defined in their terms of engagement for the statutory auditing of the Separate and Consolidated Financial Statements.

Sale of the merchant book business

On 30 May 2018, Banca Carige announced to have finalised the closing of the agreement for the Merchant Acquiring business disposal to Nexi Payments S.p.A. ("Nexi"). On 28 September 2018, the definitive agreement was finalized, for a consideration of up to approximately EUR 25 mln (before potential post-closing adjustments), is a further step in the Bank's strengthening process.

The Bank and Nexi have entered into a ten-year partnership agreement for the distribution of services associated with the Merchant Acquiring Business through the Carige Group's distribution network, which is expected to generate up to EUR 15 mln in fees and commissions linked to the achievement of specific sales targets.

Consolidated results as at 31 March 2018

On 11 May 2018 Banca Carige's Board of Directors approved the Group's consolidated results as at 31 March 2018 (see the press release dated 11 May 2018 and entitled "*Consolidated Results as at 31 March 2018*" incorporated by reference in the Base Prospectus through this Supplement).

Closing of the deal with IBM for partnered management of Group IT

On 30 May 2018 Banca Carige announced to have finalised the closing of the agreement for the outsourcing of the Group's IT system to IBM, the world's premier information infrastructure technology provider. In accordance with the agreement, the IT structure, including 134 FTEs, will be transferred to a Newco, 81% owned by IBM and 19% owned by Banca Carige. The transaction consideration for Banca Carige amounts to Euro 10.7 million, with an estimated positive impact of approximately Euro 40 million on the TCO ("Total Cost of Ownership") over the time horizon of the 2017-2020 Business Plan.

Resignation of certain Members of the Board of Directors

On 25 June 2018, the Chairman, Mr. Giuseppe Tesauro, tendered his resignation with immediate effect from his office of Director and Chairman of the Board of the Directors of the Company. The resignation was explained in terms of divergences concerning the governance and management of Banca Carige. Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana S.p.A., the outgoing Chairman, Mr. Tesauro: (i) was a non-executive Director; (ii) was not beneficiary of any power of attorney; (iii) to the Company's knowledge, does not own any shares of the Company; (iv) was not a member of any of the committees set up within the Board of Directors; and (v) is not entitled to any compensation or benefits upon termination of office.

On 27 June 2018, Mr. Stefano Lunardi, Member of the Board of Directors and Member of the Risk Committee, tendered his resignation with effect as of the same date, by motivating his decision with his dissent and discord with the Company's governing body about both the management and governance. Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana S.p.A., Mr. Lunardi: (i) was an independent and non-executive Director; (ii) was not beneficiary of any power of attorney; and (iii) is not entitled to any compensation or benefit upon termination of office. Pursuant to the same article, it should also be noted that, to the Bank's knowledge based on the communications from the person concerned, the latest information available regarding the Company's shares held by Mr. Lunardi are as at 31 December 2017 and are contained in the Remuneration Report published on the corporate website, under the Governance - Shareholders' Meetings section.

On 6 July 2018, Ms. Francesca Balzani, Member of the Board of Directors and Member of the Risk Committee, tendered her resignation with effect as of the date of the Shareholders' Meeting to be called to appoint the new Chairman, by motivating her decision with divergences concerning the Bank's governance.

Furthermore, on 2 August 2018, Ms. Francesca Balzani decided to bring forward to 1 August 2018 the full effect of the resignation she had tendered by letter dated 6 July 2018, whereby she had indicated that her resignation would become effective as of the Shareholders' Meeting called to appoint a new Chair.

Ms. Balzani motivated her decision by reiterating the divergences concerning the Bank's governance.

Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana S.p.A., Ms. Balzani: (i) is an independent and non-executive Director; (ii) is not the beneficiary of any powers of attorney; (iii) to the Company's knowledge, does not own any shares of the Company; and (iv) is not entitled to any compensation or benefits upon termination of office.

On 16 July 2017 Mr. Vittorio Malacalza, Member of the Board of Directors, tendered her resignation *"with immediate effect from the time of my replacement by the soon to be convened Shareholders' Meeting, whatever method of appointment of the new Deputy Chairman will be concretely applicable, depending on whether the whole Board needs to be renewed or not",* stating that his decision was motivated by disagreements and divergences with the governing body of the Company as to the Bank's management and governance vision, with reference made, inter alia, to the considerations contained in the resignation letters of former Chairman, Mr. Giuseppe Tesauro, former Director, Mr. Stefano Lunardi, and Director, Ms. Francesca Balzani.

Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana, Mr. Malacalza: (i) was a non-executive Director; (ii) was not the beneficiary of any delegated powers; (iii) was not a member of any of the committees set up within the Board of Directors; and (iv) is not entitled to any compensation or benefits following termination of office.

On 6 August 2018, Ms Ilaria Queirolo, Member of the Board of Directors and Member of the Remuneration Committee, tendered her resignation with immediate effect. The resignation was tendered in light of the events the Bank has experienced over the last few months and particularly the manifest tensions within the Board of Directors and irremediable divergences on the Bank's management which should have been addressed with a commitment capable of best safeguarding the interests of the Bank. The approval of the Half-Year Report and the convening of the Shareholders' Meeting made it possible for Prof. Queirolo to resign with immediate effect.

Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by *Borsa Italiana*, Ms. Queirolo: (i) was an independent and non-executive Director; (ii) was not the beneficiary of any powers of attorney; (iii) to the Company's knowledge, does not own any shares of the Company; and (iv) is not entitled to any compensation or benefits upon termination of office.

On 8 August 2018, Ms Lucia Venuti, Member of the Board of Directors and Member of the Appointment Committee, has tendered her resignation with immediate effect, motivating her decision with the events that have unfolded in recent weeks, with particular reference to the resignation of other Board members including the Chairman, and the requests to dismiss the Board of Directors submitted by two shareholders, following which she could no longer work with the serenity required.

In her message, Ms. Venuti stated that, for reasons of responsibility towards the Bank, she decided to resign after the approval of the Half-Year Report and the determination of the date of the next Shareholders' Meeting.

Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by *Borsa Italiana*, Ms. Venuti: (i) was an independent and nonexecutive Director; (ii) was not the beneficiary of any powers of attorney; and (iii) is not entitled to any compensation or benefit upon termination of office. Pursuant to the same article, , to the Bank's knowledge, based on communications from the person concerned, the latest information available regarding the Company's shares held by Ms. Venuti refers to 31 December 2017 and is contained in the Remuneration Report published on the corporate website, in the Governance - Shareholders' Meetings section.

On 10 August 2018, Mr. Massimo Pezzolo, Member of the Board of Directors, Member of the Risk Committee and Member of the Appointment Committee, tendered his resignation with immediate effect.

Mr. Pezzolo motivated his decision on the grounds that his mandate had been fulfilled with the approval of the Half-Year Report as at 30 June 2018, the convening of the Ordinary Shareholders' Meeting and the approval of the response to the ECB letter notified to the Bank on 20 July 2018.

Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by *Borsa Italiana*, Mr. Massimo Pezzolo: (i) was a non-executive Director; (ii) was not the beneficiary of any powers of attorney; (iii) to the Company's knowledge, does not own any shares of the Company; and (iv) is not entitled to any compensation or benefit upon termination of office.

On 23 August 2018 Mr. Giuseppe Pericu, lawyer and Professor, Member of the Board of Directors and Chairman of the Appointment Committee, has irrevocably tendered his resignation with immediate effect; his motivation being that, after two long years in which many challenges were faced in the hope of reinvigorating and relaunching the Bank, Mr. Pericu considers it opportune to resign from office in order for all shareholders to be unhindered in defining, by the deadlines and on the terms considered most appropriate, the future of Banca Carige.

Pursuant to article IA.2.6.7 of the Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana, Prof. Pericu: (i) was an independent and non-executive Director; (ii) was not the beneficiary of any powers of attorney; and (iii) is not entitled to any compensation or benefit following termination of office. Pursuant to the same article, to the Bank's knowledge, based on communications from the person concerned, the latest information available regarding the Company's shares held by Prof. Pericu refers to 31 December 2017 and is contained in the Remuneration Report published on the corporate website, in the Governance - Shareholders' Meetings section.

Following the resignation of Mr. Giuseppe Pericu the Board of Directors has lost its majority.
Consequently, pursuant to articles 2385 and 2386 of the Italian Civil Code and art. 18, para. 12, of the Articles of Association, the entire Board shall be deemed dismissed.

The European Central Bank decision

1. On 20 July 2018 the European Central Bank notified a draft decision establishing "*that the Supervised Entity shall hold a Shareholder Meeting with the purpose of appointing a new Chair of the Board of Directors at the latest by 30 September 2018*;"

The request arises from the assessment that: "*A fully functional governance structure is in particular crucial at this point in time, in light of the substantial strategic transformation of the Supervised Entity that is needed to ensure compliance with supervisory requirements in a sustainable manner." and "The Supervised Entity's internal governance is not fully functional and represents a material source of operational and reputational risk. The functioning of the management board has been hindered over time by a high turnover; since 2014, the Supervised Entity's executive management was handed over to three different CEOs. Among the fifteen original members of the current Board of Directors, appointed in March 2016, ten have resigned – mostly due to internal divergences between the Supervised Entity's management and the main shareholders' representatives. The ECB has taken a number of measures to highlight the importance of a well-functioning Board of Directors and encourage the Supervised Entity to take action in this regard.". "Nevertheless, following the recent resignation of Mr Giuseppe Tesauro, the Board of Directors has not promptly decided on a timeline for the appointment of a new Chair." and "It is the assessment of the ECB that in the current context, a strong leadership is particularly critical to overcome existing differences and align the Board of Directors behind the necessary strategic decisions. This is also pivotal to facilitate the prompt adoption of mitigating measures should execution risks materialise*.".

2. The ECB has reached the conclusion "*not to approve the updated CCP submitted by Supervised Entity on 22 June 2018*."

In this regard, the ECB noted that "*The Supervised Entity has been in breach of the Overall Capital Requirement (OCR) of 13.125% since 1 January 2018. In the first quarter of 2018, the Supervised Entity's Total Capital Ratio was 12.23%, 89 basis points below the OCR*.". "*The Tier 2 issuance forms the cornerstone of the updated CCP. Due to idiosyncratic and market factors, the Supervised Entity's Tier 2 issuance attempts have proven unsuccessful*".

The ECB further observed that: "*In the CCP submitted on 18 April 2018, a number of RWAs (Risk Weighted Assets) reduction measures (disposal of non-core assets, including real-estate assets, a stake in Autofiori and the disposal of the Banca d'Italia shareholding) were planned to be executed by June 2018. None of the measures was executed by the initial timeline, and the updated CCP postponed the expected execution by one trimester*.".

3. The ECB has decided "*the Supervised Entity shall present to the ECB at the latest by 30 November 2018 a plan, approved by the Board of Directors, to restore and ensure in a sustainable manner compliance with capital requirements at the latest by 31 December 2018. This plan should assess all options including a business combination*.".

"*If a business combination solution is pursued in order to ensure in a sustainable manner compliance with capital requirements, the ECB will set a new date as of which at the latest compliance with all capital requirements shall be achieved in order to reflect the needs of such business combination transaction.*"

On 14 September 2018 the European Central Bank notified the final decision, confirming the content communicated in advance in the draft decision of 20 July, whereby the ECB has resolved:

1. not to approve the Capital Conservation Plan (CCP) submitted by the Supervised Entity on 22 June 2018;

2. that the Supervised Entity shall present to the ECB, at the latest, by 30 November 2018 a plan, approved by the Board of Directors, to restore and ensure in a sustainable manner compliance with capital requirements at the latest by 31 December 2018. This plan should particularly assess the option of a business combination.

If a business combination solution is pursued in order to ensure in a sustainable manner compliance with capital requirements, the ECB will set a new date as of which at the latest compliance with all capital requirements shall be achieved in order to reflect the needs of such business combination transaction.

Consolidated results as at 30 June 2018

On 3 August 2018, Banca Carige's Board of Directors has approved the Group's consolidated results as at 30 June 2018. The Group closes the six-month reporting period confirming the turnaround shown in the first quarter of 2018, providing continuity to the strategic actions identified in the 2017-2020 Business Plan:

- growth in in both direct and indirect funding;
- the revived sales and distribution effort placed its focus on high-yield funding;
- growth in lending, especially in the household and SME target segments;
- cost management discipline, with costs on a structural downtrend;
- cost of credit in line with Plan forecasts on the back of intense de-risking*;*
- on-track execution of one-off transactions in the Plan.

Net of one-off effects from past legacy, the six-month 2018 result is thus at operating break-even (+ Euro 20.2 million) and in line with Plan forecasts. One-off effects traceable to losses on loans granted before 2014 which were sold or written off in the second quarter of 2018 (Euro 17.6 million) and higher provisions on risks and charges for indemnities and penalties claimed by Amissima (Euro 23.1 million) lead to a net accounting result of - Euro 20.5 million (vs. a net result of - Euro 154.9 million in the same period of 2017). Items attributable to the agreement entered into with Amissima, prudentially provisioned for in the 2016-2018 period amount in total to roughly Euro 67.0 million.

Convocation of the ordinary shareholders' meeting

On 3 August 2018 the Board of Directors decided to convene, in one call for 20 September 2018, the Ordinary Shareholders' Meeting to resolve upon:

(i) Proposals received by the shareholders POP 12 S.à.r.l. and Malacalza Investimenti S.r.l., pursuant to art. 2367 of the Italian Civil Code;

(ii) Fill the vacancies in the Board of Directors, appointing the Chair and Deputy Chair in particular, pursuant to art. 2364, para. 1(2) of the Italian Civil Code and art. 18, para. 11, of the Articles of Association, should the foregoing proposals not be approved;

(iii) Fill the vacancies in the Board of Statutory Auditors, pursuant to art. 2401 of the Italian Civil Code and art. 26 of the Articles of Association.

On 23 August 2018 Banca Carige S.p.A. informs that, on 16 August 2018, it received a communication under art. 126 bis of the Financial Services Act from the shareholder Malacalza Investimenti S.r.l., requesting that the following item be added to the Shareholders' Meeting agenda scheduled for 20 September 2018: "*Appointment of a new Board of Directors (subject to prior determination of both the number of Board members -pursuant to Article 18 of the Articles of Association- and the remuneration of Directors), should the entire Board of Directors be deemed to have lapsed pursuant to Article 18.12 of the Articles of Association as a result of resignations or other circumstances for termination of office*".
The Company has acknowledged the request: the Board of Directors will consider adding the item to the Shareholder' Meeting agenda by the prescribed deadlines, namely at least fifteen days prior to the date set for the Shareholders' Meeting.

On 3 September 2018 the agenda of the Shareholders' Meeting to be held on 20 September 2018, be supplemented as was requested by the shareholder Malacalza Investimenti S.r.l. with a new item 5 reading as follows:

"*5) Appointment of a new Board of Directors subject to prior determination of both the number of Board members -pursuant to Article 18 of the Articles of Association- and the remuneration of Directors, should the entire Board of Directors be deemed to have dismissed pursuant to Article 18.12 of the Articles of Association as a result of resignations or other circumstances for termination of office*".

Having the Board of Directors lapsed, previous agenda items 1, 2 and 3 will neither be discussed nor put to vote. In relation to the above, the Shareholders' Meeting will therefore be called to only resolve upon item 4 of the agenda on filling of vacancies in the Board of Statutory Auditors and upon item 5 of the agenda as supplemented, on the appointment of the entire Board of Directors, having the former Board of Directors in office dismissed, subject to prior determination of both the number of Board members and the remuneration of Directors.

On 13 September 2018 Banca Carige received a communication from the Bank of Italy, addressing the shareholders Spininvest S.r.l., Compania Financiera Lonestar S.A. and POP 12 S.à r.l. and reading as follows:
"*Re.: Banca Carige S.p.A. - Shareholders' Agreement on the exercise of voting rights for the election of governing bodies.*"

By a note dated 29 August, this Institution was notified of a Shareholders' Agreement entered into, on 25 August 2018 by the following three shareholders of Banca Carige: Pop 12 S.à.r.l., Compania Financiera Lonestar S.A. and Spininvest S.r.l..
The holdings of the shareholders who are parties to the Shareholders' Agreement jointly amount to 15.198% of the share capital of Banca Carige S.p.A., in excess of the 10% threshold which –pursuant to art. 22 et seq. of Directive 2013/36/EU (CRDIV), as transposed into art. 19 et seq. of Legislative Decree no. 385/1993 (Consolidated Law on Banking, TUB) and art. 15 of decree no. 675 of 27 July 2011 issued by the Chair of the Inter-ministerial Committee for Credit and Savings ("Comitato Interministeriale per il Credito e il Risparmio" - CICR) requires starting the authorisation process which is governed by the foregoing provisions.
Pursuant to art. 4(1)(c) of Regulation (EU) no. 1024/2013 of 15 October 2013, the task of adopting the relevant measure in this respect is conferred on the European Central Bank on a proposal from the Bank of Italy, in accordance with the procedures set out in art. 15 of the foregoing Regulation and art. 85 et seq. of Regulation (EU) no. 468/2014 of the European Central Bank of 16 April 2014.
In relation to the above, in agreement with the European Central Bank, the participants in the Shareholders' Agreement are urged to send the application for authorisation in relation to their joint shareholding in Banca Carige's share capital to this Institution within 15 days from receiving this note, together with all documents necessary to prove they meet the requirements set forth in the foregoing regulations.
If the application for authorisation is not submitted by the said deadline, this Institution will initiate the administrative procedure as of right.

The Bank of Italy notes that, pursuant to art. 24 of the Consolidated Law on Banking, in the absence of an authorisation, voting rights and other rights entitling to exert an influence on the Company cannot be exercised for a shareholding that equals or exceeds, as a whole, the aforementioned threshold of 10% of the share capital of Banca Carige."

Downgrade by rating agency Moody's

On 7 August 2018, Moody's downgraded the baseline credit assessment (BCA) of Banca Carige S.p.A. to Caa2 from caa1, its long-term issuer rating to Caa3 from Caa2 and its long-term deposit rating to Caa1 from B3. Moody's also placed all of Carige's long-term ratings and assessments under review for further downgrade. The ratings were downgraded in light of the recent corporate governance tensions which in Moody's view are an impediment to the bank's effective restructuring. The downgrade and review for further downgrade also reflect

the heightened risk that Carige could be placed in resolution following the European Central Bank's rejection of the bank's capital conservation plan (CCP). The long-term counterparty risk ratings (CRRs) were downgraded by two notches to B3 and placed on review for further downgrade.

Ordinary shareholders' meeting of 20 September 2018

The ordinary Shareholders' Meeting of Banca Carige, held on 20 September 2018, appointed a new eleven members Board of Directors, its Chair and Deputy Chair for the 2018- 2020 three-year period, with term of office expiring on the date of the Shareholders' Meeting which will be held to approve the Financial Statements for the period ending 31 December 2020, on the basis of four lists submitted by the shareholders pursuant to art. 18 of the Articles of Association and in accordance with the provisions of the same article on compliance with gender balance.
In particular:

- the following Directors were appointed from the list submitted by the shareholder Malacalza Investimenti S.r.l., which was voted by the majority of the shareholders attending the meeting (16,888,404,288 votes, corresponding to 52.59% of the shares admitted to voting and 30.56% of total share capital):
  - Pietro Modiano, Chair, who declared that he meets the independence requirements set outby article 18, para. 4, of the Articles of Association, which is reflective of the requirements provided for by art. 148, para. 3, of the Consolidated Financial Act and the Italian Corporate Governance Code for listed companies (the "requirement of independence");
  - Lucrezia Reichlin, Deputy Chair, who, upon submission of the list, declared that she meets the requirement of independence;
  - Fabio Innocenzi;
  - Stefano Lunardi, who, upon submission of the list, declared that he meets the requirement of independence;
  - Salvatore Bragantini, who, upon submission of the list, declared that he meets the requirement of independence;
  - Francesca Balzani; and
  - Lucia Calvosa, who, upon submission of the list, declared that she meets the requirement of independence;
- the following Directors were appointed from the list submitted by the shareholder POP 12 S.à.r.l (with 9,268,650,912 votes, corresponding to 28.86% of the shares admitted to voting and 16.77% of total share capital):
  - Raffaele Mincione, who, upon submission of the list, declared that he meets the requirement of independence;
  - Bruno Pavesi, who, upon submission of the list, declared that he meets the requirement of independence; and
  - Luisa Marina Pasotti, who, upon submission of the list, declared that she meets the requirement of independence ;
- the following Directors were appointed (with 4,896,036,215 votes, corresponding to 15.25% of the shares admitted to voting and 8.86% of total share capital) from the list submitted by the shareholders Alleanza Assicurazioni S.p.A., Generali Italia S.p.A., Intesa Sanpaolo Vita S.p.A., Planetarium Fund Anthilia Silver, who declared that no relationships of affiliation under article 147-ter, para. 3, of the Consolidated Financial Act and article 144-quinquies of the Consob Issuers' Regulation, including in light of the provisions set out by Consob Communication No. DEM/9017893 of 26/2/2009 or significant relationships exist with the shareholders owning a relative majority interest in Banca Carige S.p.A.:
  - Giulio Gallazzi who, upon submission of the list, declared that he meets the requirement of independence .

The Shareholders' Meeting also filled the vacancies in the Board of Statutory Auditors, pursuant to art. 2401 of the Civil Code and in compliance with the provisions of art. 26 of the Articles of Association, by appointing Ms. Stefania Bettoni as Standing Auditor, with term of office expiring on the same date as for the other members of the Board of Statutory Auditors, namely on occasion of the Shareholders' Meeting which will be convened for the approval of the Financial Statements for the year ending 31 December 2019. The curriculum vitae certifying that the newly-appointed Auditor meets the requirements of professional competence, integrity and independence has been made available to the public on the Group's website www.gruppocarige.it under "Shareholders Meetings" in the "Governance" section. Following this appointment, Ms. Fiorenza Dalla Rizza will return to serving as an Alternate Auditor.

Bank's corporate governance

On 21 September 2018, Banca Carige's Board of Directors approved the following resolutions concerning the Bank's corporate governance:

- appointment of Fabio Innocenzi as Chief Executive Officer, with powers effective as of 25 September 2018.
- appointment of the following members of the Board-internal Committees:

- Risk Committee: Stefano Lunardi (recommended as Chair), Salvatore Bragantini, Luisa Marina Pasotti, Bruno Pavesi and Lucrezia Reichlin;
- Nomination and Governance Committee: Lucrezia Reichlin (recommended as Chair), Francesca Balzani, Lucia Calvosa, Luisa Marina Pasotti and Bruno Pavesi; and
- Remuneration Committee: Giulio Gallazzi (recommended as Chair), Salvatore Bragantini and Lucrezia Reichlin.

Downgrade by rating agency Fitch

On 10 October 2018, Fitch downgraded the Banca Carige Long-Term Issuer Default Rating (IDR) to 'CCC+' from 'B-' and the bank's Viability Rating (VR) to 'ccc+' from 'b-'. The ratings have been placed on Rating Watch Negative (RWN).
The downgrade reflects Fitch's view that the bank's failure is a real possibility because they believe that it will be challenging for the bank to strengthen its capital, which could ultimately lead to regulatory intervention. The bank currently does not meet its Pillar 2 requirement for total capital and plans to issue Tier 2 debt to reach it, which is likely to be difficult in the changed market conditions for Italian banks. Carige's largest shareholder has stated it would support the bank but has not made a firm commitment to subscribe to the entire Euro 200 million of Tier 2 debt the bank plans to issue.

Recent Resolutions adopted by the Board of Directors

On 11 October 2018, the Board of Directors of Banca Carige S.p.a. adopted resolutions and reaffirmed the process for the execution of the initiatives aimed at the Bank's de-risking and capital strengthening, in line with the constructive dialogue established with the Regulators and in the interest of all of the Bank's stakeholders.
As part of the execution of the Bank's NPE Strategy, and thus creating the conditions for the Bank to broadly deliver on the ECB's decision of December 2016 concerning the maximum amount of gross NPLs to be held by the end of 2018, the Board of Directors entrusted the CEO, Mr. Fabio Innocenzi, with the mandate of formalising the agreement with Bain Capital Credit LP for the disposal of a UTP portfolio of up to EUR 400 million in Gross Book Value, within the framework of the exclusive negotiations announced on 7 August 2018, which will allow the Bank to bring the NPE amount below the ECB's end-2018 target of EUR 4.6 billion.
Without prejudice to the deadline of 30 November 2018 for submission of the Capital Conservation Plan (for which no derogation was requested), the Board of Directors additionally vested the CEO with the powers to prepare an action plan to ensure compliance with the parameters of the Overall Capital Requirement by the end of the year, irrespective of today's market conditions. The appropriate terms and procedures for filling this gap are currently being examined, as is the definition of the guarantees necessary to ensure execution in any case by 31 December 2018. The Board of Directors will meet before the end of the month to adopt resolutions in this regard.
The Bank intends to evaluate all options for an operational turnaround and, at one of its next meetings, the Board will consider identifying an investment bank to explore potential business combinations.

OVERVIEW OF FINANCIAL INFORMATION OF BANCA CARIGE GROUP

Financial data included below has been derived from our 2018 Unaudited Interim Consolidated Financial Statements our 2017 Audited Consolidated Financial Statements and our 2016 Unaudited Restated Consolidated Financial Information.

In particular, Banca Carige restated certain comparative data related to 2016 with respect to the data previously presented in the 2016 Audited Consolidated Financial Statement in accordance with the provisions of IFRS 5 to take into account the classification as disposal groups (discontinued operations) of Creditis Servizi Finanziari S.p.A. ("**Creditis**"). This Base Prospectus hereto includes a statement of reconciliation between the 2016 Audited Consolidated Financial Statements and the 2016 Unaudited Restated Consolidated Financial Information, presented as comparative to the 2017 Audited Consolidated Financial Statements. For further details on the restatement, refer to the 2017 Consolidated Financial Statements ("*Explanatory Notes—Restatement of prior period accounts in compliance with IFRS 5 (Non-current assets held for sale and discontinued operations)*") incorporated by reference in this Base Prospectus".

Moreover, although IFRS 5 does not require the restatement of comparative balance sheet figures, Banca Carige reported in this Base Prospectus certain comparative balance sheet figures as of 31 December 2016 restated to allow a consistent comparison. Banca Carige described the nature of the restatements and presented the reconciliation among the historical comparative audited balance sheet as of 31 December 2016 included in the 2016 Audited Consolidated Financial Statement and in the 2017 Audited Consolidated Financial Statement (as comparative financial data) and the unaudited balance sheet figures restated presented in this Base Prospectus. See "*Restatement of our financial information as of 31 December 2016*".

Because of the restatements made to our financial information, prospective investors may find it difficult to make comparisons between our different sets of financial information. You should read the following summary consolidated financial and other information in conjunction with the information contained in "*The description of Banca Carige and Banca Carige Group*" and our 2017 Audited Consolidated Financial Statements and the related notes thereto appearing elsewhere in this Base Prospectus. For additional information see "*Risk Factors. Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Covered Bonds issued under the Programme - The Base Prospectus contains restated and reclassified financial statements, and it may be difficult for an investor to compare between the various financial periods for which data is presented herein".*

The following tables set forth Banca Carige summary consolidated financial information for the years ended 31 December 2017 and 2016 (unaudited restated).

	For the year ended 31 December		2017 / 2016	
	2017	2016 Unaudited Restated[(1)]	Change	%
	(in Euro thousand, except for percentages)			
Net Interest Income	233,613	258,996	(25,383)	(9.8)
Net fee and commission income	239,219	239,322	(103)	(0.0)
Net interest and other banking income	381,332	573,287	(191,955)	(33.5)
Net losses on impairment of loans, financial assets available-for-sale, other financial activities	(438,724)	(467,917)	29,193	(6.2)
Net income from banking and insurance activities	(57,392)	105,370	(162,762)	…
Operating expenses	(626,574)	(555,554)	(71,020)	12.8
Loss before tax from continuing operations	(588,718)	(463,679)	(125,039)	27.0
Loss after tax from continuing operations	(419,434)	(321,458)	(97,976)	30.5
Profit after tax from discontinued operations	26,070	25,390	680	2.7
Net Loss for the year	(393,364)	(296,068)	(97,296)	32.9
Net Loss for the year attributable to the Parent Company	(388,435)	(291,737)	(96,698)	33.1

(1) 2016 Unaudited Restated Consolidated Financial Information

For the year 2017, the Parent Company's share of loss for the year amounts to Euro 388.4 million, as against the Euro 291.7 million loss posted for the year 2016.

Compared to the same period of the previous year, the performance reflects negative trends in net interest income and net fees and commissions, in addition to an increase in operating expenses.

For the year 2017, in addition, Carige recorded loan loss provisions of Euro 427.5 million and losses deriving from the disposals of loans amounting to Euro 321.5 million.

Net interest and other banking income therefore fell, despite Euro 221.5 million gross profit deriving from the LME transaction, also due to the effect of losses from the sale of receivables, mainly connected to the two transactions carried out by the Group during the year (the first, through the securitisation of a portfolio of non-performing loans of approximately Euro 940 million, the second through the non-recourse assignment of a portfolio of mortgage and unsecured exposures classified as bad loans for an amount of approximately Euro 1.2 billion) which led to a total loss of Euro 308 million.

The Group's profit and loss account also shows higher operating costs compared to those recorded in the previous financial year, due to the impact of non-recurring items related to staff costs of Euro 61.5 million (of which Euro 50 million to provisions for the Solidarity Fund provision) attributable to the trade union agreement reached in December (in addition, the item had benefited in 2016 of non-current positive components for Euro 19.3 million), as well as the costs closely related to the one-off transactions required for implementing the Group's Business Plans for an amount of 10.4 million and the write-down of Euro 15 million worth of intangible assets.

Lastly, the loss for the year was partly offset by the capital gain (for Euro 85 million) posted after the Milan property was sold.

More specifically for the year 2017, net interest income amounted to Euro 233.6 million, down 9.8% in the year, as it was weighed down by a negative interest rate effect associated with market rates continuing their downward trend, and a reduction in funding and lending volumes.

Interest and similar income stood at Euro 464.3 million for the year 2017 (decrease of 13.8% compared to the year 2016), mainly weighed down by the reduction in interest on loans to customers, whilst interest and similar expense totalled Euro 230.7 million for the year 2017 down 17.6% compared to the year 2016. The reduction in interest expense is specifically attributable to debt securities in issue and loans to customers.

Net fees and commissions income amounted to Euro 239.2 million for the year 2017 essentially stable compared to the year 2016. Fee and commission income stood at Euro 270.9 million, down 1.2% compared to December 2016 primarily on the back of the trends in fees for maintaining and managing current accounts. Fee and commission expense decreased to Euro 31.6 million for the year 2017 (decreased 9.4% compared to the year 2016), primarily as a result of trends in commissions for guarantees received (Euro 1.6 million compared with Euro 6.8 million in December 2016).

For the year 2017, operating expenses stood at Euro 626.6 million, with respect to Euro 555.6 million as at December 2016 (+12.8%). Other net operating income stood at Euro 71.5 million for the year 2017 (Euro 87.9 million in December 2016); the 18.7% gap is mainly attributable to the reduction in items relating to the recovery of tax and credit facility application fees, which are partly offset by the corresponding cost item "indirect taxes".

In light of the considerations above and having regard to gains on both equity investments and disposal of investments for an aggregate amount of Euro 95.2 million for the year 2017, loss before tax from continuing operations was a negative Euro 588.7 million, as against a negative result of Euro 463.7 million in December 2016.

Tax recovery totalled Euro 169.3 million for the year 2017, higer than in December 2016 when it totalled Euro 142.2 million.

Profit after tax from discontinued operations amounted to Euro 26.1 million for the year 2017 and represents the contribution to the consolidated financial accounts for the year 2017 attributable to the subsidiary Creditis.

Net of the non-controlling interests' share of loss for the year, the Parent Company's share of loss for the year 2017 amounted to a negative Euro 388.4 million, compared to a loss of Euro 291.7 million in December 2016.

Including the income components directly booked to equity, the Parent Company’s share of total comprehensive income was a negative Euro 371 million for the year 2017.

The following tables set forth Banca Carige summary of consolidated balance sheets as of 31 December 2017 and 2016 (unaudited restated).

	As of 31 December		2017 / 2016	
	2017	2016 Unaudited Restated[(1)]	Change	%
	(in Euro thousand, except for percentages)			
Total assets	24,919,704	26,111,004	(1,191,300)	(4.6)
Direct deposits	16,858,829	19,388,180	(2,529,351)	(13.0)
Due to banks	4,656,624	3,468,322	1,188,302	34.3
Loans to customers[(a)]	17,734,030	21,161,797	(3,427,767)	(16.2)
Loans to Banks[(b)]	2,938,895	1,894,508	1,044,387	55.1
Securities portfolio[(c)]	2,298,638	2,326,682	(28,044)	(1.2)
Group's share capital and reserves	2,244,724	2,109,235	135,489	6.4

[(1)] Unaudited figures restated for a consistent presentation.
[(a)] Gross of value adjustments (for Euro 2,224,346 thousand as of 31 December 2017 and for Euro 3,440,980 thousand as of 31 December 2016) and net of debt securities classified as L&R (for Euro 244,250 thousand as of 31 December 2017 and for Euro 504 thousand as of 31 December 2016).
[(b)] Gross of value adjustments (for Euro 4,288 thousand as of 31 December 2017 and for Euro 7,813 thousand as of 31 December 2016) and net of debt securities classified as L&R (zero as of 31 December 2017 and for Euro 5,319 thousand as of 31 December 2016).
[(c)] Balance sheet items 20 (net of derivatives), 40, 60 (only for L&Rs) and 70 (only for L&Rs) are included in the aggregate.

Net of the equity investment in the Bank of Italy, Italian government bonds represent 83.9% of the total Securities portfolio.

The following tables set forth Banca Carige summary of consolidated cash flow statement for the year ended 31 December 2017 and 2016 (unaudited restated).

	For the year ended 31 December	
(in Euro thousand)	2017	2016 Unaudited Restated[(1)]
Net cash flow used in operating activities	(478,770)	(4,933)
Net cash flow used in investing activities	(14,666)	(22,068)
Net cash flow from funding activities	492,608	18
Net decrease in cash and cash equivalents during the period	(828)	(26,983)

(1) 2016 Unaudited Restated Consolidated Financial Information.

The following tables set forth a breakdown of Banca Carige direct deposits and net interbank as of 31 December 2017 and 31 December 2016 (unaudited restated).

(in Euro thousand, except for percentages)	As of 31 December 2017	As of 31 December 2016 Unaudited Restated[(1)]	Change	%
Current account and demand deposits	11,141,642	11,841,106	(699,464)	(5.9)
Repurchase agreements	-	351,226	(351,226)	(100.0)
Term deposits	1,313,280	1,344,401	(31,121)	(2.3)
Loans	4,021	5,085	(1,064)	(20.9)
other payables	165,598	168,390	(2,792)	(1.7)
Due to customers	**12,624,541**	**13,710,208**	**(1,085,667)**	**(7.9)**
Bonds	3,884,698	5,215,698	(1,331,000)	(25.5)
other securities	1,131	3,076	(1,945)	(63.2)
Securities issued	**3,885,829**	**5,218,774**	**(1,332,945)**	**(25.5)**
Bonds	348,459	459,198	(110,739)	(24.1)
Liabilities designated at fair value through profit and loss	348,459	459,198	(110,739)	(24.1)
Direct deposits	**16,858,829**	**19,388,180**	**(2,529,351)**	**(13.0)**

(in Euro thousand, except for percentages)	As of 31 December 2017	As of 31 December 2016 Unaudited Restated[(1)]	Change	%
Due to banks	4,656,624	3,468,322	1,188,302	34.3
Loans to banks[(*)]	2,934,607	1,886,695	1,047,912	55.5
Net interbank	(1,722,017)	(1,581,627)	(140,390)	8.9

[(1)] Unaudited figures restated for a consistent presentation.
[(*)] Net of debt securities classified as L&R amounting to 5,319 thousand at 31 December 2016.

Direct deposits decreased by 13% compared to December 2016, to Euro 16,858.8 million as of December 2017. As part of this aggregate, due to customers amounted to Euro 12,624.5 million as of 31 December 2017, down by 7.9% compared to 31 December 2016, mainly due to the negative trend in current accounts and demand deposits (Euro 11,141.6 million as of 31 December 2017, decreased by 5.9% compared to 31 December 2016), recorded above all in the last quarter of the year and attributable to the tensions occurring at the time the capital increase was launched, and the reduction of repurchase agreements to zero (Euro 351.2 million in December 2016).

Securities issued, almost entirely consisting in bonds to customers, totalled Euro 3,885.8 million as of 31 December 2017 (decrease of 25.5% compared to December 2016), mainly affected by Euro 1.3 billion in senior bonds and Euro 20 million of a Lower Tier 2 subordinated bond series coming to maturity in 2017, in addition to the LME transaction completed at the end of December 2017 by substituting subordinated bonds for an aggregate nominal amount of Euro 510 million with new senior securities with a nominal amount of Euro 188.8 million.

More specifically, direct retail funding, for a total amount of Euro 13,985.5 million as of 31 December 2017, was down by 11% in the year, whereas institutional funding (Euro 2,873.4 million) was down 21.8%.

With regard to the average term to maturity, short-term funding totalled Euro 11,964.3 million (Euro 13,124.2 million as at December 2016), accounting for 71% of total funding (67.7% as at December 2016), whilst medium-to-long term funding totalled Euro 4,894.5 million (Euro 6,263.9 million as at December 2016), accounting for 29% of total funding (32.3% as at December 2016).

Amounts due to banks amounted to Euro 4,656.6 million, up from Euro 3,468.3 million in December 2016, due to the effect of the last tranche of the TLTRO II programme underwritten in March 2017 for an amount of Euro 500 million and repurchase agreements entered into for an amount of Euro 746.9 million following the initiatives implemented to rationalise the Group's funding needs.

Loans to banks, net of debt securities classified as L&R and gross of adjustments for an amount of Euro 4.3 million as of 31 December 2017, totalled Euro 2,938.9 million, up from Euro 1,894.5 million at the beginning of the year; 89.9% of this aggregate was accounted for by short-term loans.

The net interbank position (difference between loans to banks, net of debt securities classified as L&R and due to banks) showed a debt exposure of Euro 1,722.0 million as of 31 December 2017, as compared to Euro 1,581.6 million in December 2016.

Net of the institutional component, direct deposits at December 31, 2017 amounted to Euro 14.0 million (Euro 15.7 million at December 31, 2016) of which Euro 11.8 million for short-term and Euro 2.2 million for medium-long term (Euro 12.6 million and Euro 3.1 million at December 31, 2016 respectively).

Funding from customers (retail and corporate) recorded a negative trend especially in the last quarter of the 2017 due to the tensions that occurred when the capital increase was launched and for the cancellation of repurchase agreements.

In relation to the above, the cost of funding for the Issuer, understood as average rate on average deposit amount, is equal to 1.12% at December 31, 2016 and 1.03% at December 31, 2017.

The following tables set forth the breakdown of Banca Carige loan portfolio by category for the years ended 31 December 2017 and 2016 (unaudited restated):

(in Euro thousand)	As of 31 December 2017[1]					
	Gross exposure	%	Value adjustment	Net exposure	%	Coverage Ratio %
	(a)		(b)	(a-b)		(b/a)
Total non-performing loans	**4,785,588**	**27.0**	**2,145,354**	**2,640,234**	**17.0**	**44.8**
Bad loans	1,677,882	9.5	1,077,590	600,292	3.9	64.2
Unlikely to pay	3,026,986	17.1	1,053,270	1,973,716	12.7	34.8
Past due loans	80,720	0.5	14,494	66,226	0.4	18.0
Performing loans(*)	**12,948,442**	**73.0**	**78,992**	**12,869,450**	83.0	**0.6**
Total loans to customers(*)	**17,734,030**	**100.0**	**2,224,346**	**15,509,684**	**100.0**	**12.5**

(1) Figures reclassified from 2017 Audited Consolidated Financial Statement.

(*) Net of debt securities classified as L&R amounting to Euro 244,250 thousand.

(in Euro thousand)	As of 31 December 2016 Unaudited restated (1)					
	Gross exposure	%	Value adjustment	Net exposure	%	Coverage Ratio %
	(a)		(b)	(a-b)		(b/a)
Total non-performing loans	**7,309,036**	**34.5**	**3,310,315**	**3,998,721**	**22.6**	**45.3**
Bad loans	3,704,673	17.5	2,329,733	1,374,940	7.8	62.9
Unlikely to pay	3,485,770	16.5	961,893	2,523,877	14.2	27.6
Past due loans	118,593	0.6	18,689	99,904	0.6	15.8
Performing loans(*)	**13,852,761**	**65.5**	**130,665**	**13,722,096**	**77.4**	**0.9**
Total loans to customers(*)	**21,161,797**	**100.0**	**3,440,980**	**17,720,817**	**100.0**	**16.3**

(1) Figures reclassified from unaudited figures restated for a consistent presentation.

(*) Net of debt securities classified as L&R, amounting to Euro 504 thousand.

With reference to the gross NPE ratio of the main peers, the level stands at 17.7% (9.6% net NPE ratio)[3].

Furthermore it should be noted that:

- Coverage Ratio NPE, including write-offs, is equal to 46,7% in 2016 and to 47,7% in 2017;
- Coverage Ratio bad loans, including write-offs, is equal to 64,6% in 2016 and to 68,8% in 2017; and
- Coverage Ratio UTP, including write-offs, is equal to 27,7% in 2016 and to 35,1% in 2017.

Gross non-performing loans to customers on-balance-sheet amounted to Euro 4,785.6 million as of 31 December 2017, down by 34.5% compared to the levels as at December 2016; this change is attributable for about Euro 2.2 billion to the aforementioned transactions for the sale or securitisation of non-performing loan portfolios during the year. Because of this, the corresponding incidence of gross non-performing loans to customers on total gross loans to customers ("gross NPE ratio") decreased from 34.5% in 2016 to 27% in 2017.

In particular, gross bad loans to customers amounted to Euro 1,677.9 million as of 31 December 2017, down by 54.7% compared to 31 December 2016 (mainly, as a result of the aforementioned de-risking transactions) and represent 9.5% of the reference aggregate.

Gross unlikely to pay exposure amounted to Euro 3,027 million, decreasing by 13.2%.

Past due loans, also consisting entirely in loans to customers, totalled Euro 80.7 million, decreasing from Euro 118.6 million as at December 2016.

3 Source: 3Q17 reports UCG, ISP, MPS, UBI, BBPM, BPER, Credem, POPSO and Creval.

The percentage coverage of non-performing loans to customers is of 44.8% compared to 45.3% recorded at the end of 2016; in particular, bad loans show a coverage of 64.2%, (68.8% including write-offs), unlikely to pay loans of 34.8% (35.1% inclusive of write-offs) and past-due loans of 18%, values that guarantee full compliance with the coverage targets set by the ECB.

Non-performing signature loans amounted to Euro 96.4 million, down by 11.3% compared to December 2016, and were written down by 21.7%.

In 2017 there was a significant reduction (Euro 2,523.4 million) of non performing exposure (NPE) mainly due to the sale of these assets. In particular, against a growth of 3.2% in the fourth quarter of 2016 (on a quarterly basis), there was a reduction of 11,9% in the third quarter and 24.2% in the fourth quarter of 2017 (- 5.1% net of the sale to Bramito SPV of non-performing loans portfolio of Euro 1.2 billion).

In 2017, the NPE positions returned to performing status amounted to Euro 364.9 million (Euro 430.1 million at 31 December 2016 of which 276.6 million in the fourth quarter) while the new positions classified as non performing amounted to Euro 534.3 million in 2017 (Euro 70 million traceable to a single name), while in 2016 they amounted to Euro 998.9 million, of which 644.3 million in the fourth quarter (Euro 500 million traceable to a single position).

* * * * *

The following tables set forth Banca Carige consolidated financial statement and Banca Carige consolidated statement of comprehensive income for the six month periods ended 30 June 2018 and 2017 (unaudited restated) and for the years ended 31 Decembre 2017 and 2016 (unaudited restated).

The balance sheet figures as at 31 December 2017 and the economic data at 30 June 2017 are not comparable on a consistent basis respectively with the balance sheet figures as at 30 June 2018 and the economic data at 30 June 2018 as they have not been restated using layouts and preparation rules required by the fifth update of the Bank of Italy Circular No. 262 / 2005 and do not include the effects deriving from the application of IFRS 9.

ASSETS *(EUR/000)*

	30 June 2018[(1)]	**31 December 2017[(2)]**
Cash and cash equivalents	282,371	296,581
Financial assets at fair value through profit or loss	179,459	
Financial assets held for trading	1,410	2,453
Other Financial assets mandatorily at fair value	178,049	
Financial assets at fair value through other comprehensive income	939,726	
Financial assets available for sale		2,052,898
Financial assets at amortised cost	19,644,972	
Loans to banks	3,341,991	2,934,607
Loans to customers	16,302,981	15,753,934
Hedging derivatives	20,039	29,581
Equity investments	94,032	98,569
Property and equipment	730,804	738,442
Intangible assets	41,209	35,005
Tax assets	1,930,332	1,950,510
Current	749,702	794,737
Deferred	1,180,630	1,155,773
- of which under law no. 214/2011		527,486
Non-current assets and disposal groups held for sale	617,855	608,077
Other assets	287,967	419,047
Total assets	**24,768,766**	**24,919,704**

(1) 2018 UnauditedInterim Consolidated Financial Statement
(2) 2017 Audited Consolidated Financial Statement

LIABILITIES AND SHAREHOLDERS' EQUITY (in Euro thousand)

	30 June 2018[(1)]	**31 December 2017[(2)]**
Financial liabilities at amortised cost	21,627,403	

Due to banks	4,565,188	4,656,624
Due to customers	13,597,153	12,624,541
Securities issued	3,465,062	3,885,829
Financial liabilities held for trading	839	850
Financial liabilities at fair value through profit and loss	-	348,459
Hedging derivatives	247,455	224,971
Tax liabilities	36,688	16,537
current	23,439	3,557
deferred	13,249	12,980
Liabilities associated with groups of assets held for sale	111,596	193,808
Other liabilities	436,786	474,579
Employee termination indemnities	56,235	59,417
Allowances for risks and charges	237,434	165,240
Commitments and guarantees given	51,723	
post-employment benefits	31,605	34,410
other allowances for risks and charges	154,106	130,830
Valuation reserves	(113,578)	(140,633)
Reserves	(1,333,634)	(684,857)
Share premium reserve	629,578	628,364
Share capital	2,845,857	2,845,857
Treasury shares (-)	(15,572)	(15,572)
Non-controlling interests (+/-)	22,182	24,125
Net Profit (Loss) for the period (+/-)	(20,503)	(388,435)
Total liabilities and shareholders' equity	**24,768,766**	**24,919,704**

(1) 2018 Unaudited Interim Consolidated Financial Statement
(2) 2017 Audited Consolidated Financial Statement

CONSOLIDATED INCOME STATEMENT (in Euro thousand)

In connection with the preparation of the 2018 Unaudited Interim Consolidated Financial Statements, the Bank made restatements of the income statement and the cash flow statement for the first half of 2017, following classification of Creditis Servizi Finanziari S.p.A. under groups of assets held for sale.

For further detail on the restatement, see "Restatement of financial information – Restatement of the Group's financial information as of and for the period ended 30 June 2017".

	Six months ended	
	30 June 2018[(1)]	**30 June 2017 Restated [(2)]**
Interest and similar income	199,963	239,358
o.w.: interest income calculated using the effective interest method	196,124	
Interest and similar expense	(90,714)	(118,415)
Net interest income	**109,249**	**120,943**
Fee and commission income	135,165	137,260
Fee and commission expense	(14,752)	(15,137)
Net fee and commission income	**120,413**	**122,123**
Dividends and similar income	10,454	10,625
Net profit (loss) from trading	546	6,612
Net profit (loss) from hedging	778	(900)
Profits (losses) on disposal or repurchase of:	(18,262)	2,825
financial assets at amortization cost	(19,882)	
financial assets at fair value through other comprehensive income	1,039	
financial assets available for sale		1,491
financial liabilities	581	1,334
Profits (Losses) on financial assets/liabilities at fair value through profit or loss	(3,943)	(456)
Other financial assets mandatorily at fair value	*(3,943)*	
Net interest and other banking income	**219,235**	**261,772**
Net losses/recoveries on impairment of:	(39,672)	(228,426)
financial assets at amortization cost	(39,662)	
loans		(217,418)
financial assets at fair value through other comprehensive income	(10)	
financial assets available for sale		(11,151)
other financial activities		143

Gains (losses) due to modifications not resulting in derecognition	(1,272)	
Net income from banking activities	**178,291**	**33,346**
Net income from financial and insurance activities	**178,291**	**33,346**
Administrative expenses:	(264,437)	(281,010)
personnel expenses	(145,355)	(151,687)
other administrative expenses	(119,082)	(129,323)
Net provisions for risks and charges	(27,198)	(17,295)
a) *commitments and guarantees given*	*(37)*	
b) other net provisions	*(27,161)*	
Net adjustments to/ recoveries on property and equipment	(6,312)	(7,894)
Net adjustments to/ recoveries on intangible assets	(2,876)	(11,755)
Other operating income/expense	30,696	37,480
Operating expenses	**(270,127)**	**(280,474)**
Profits (Losses) on equity investments	4,257	5,767
Profits (losses) on disposal of investments	33,864	31
Profit (loss) before tax from continuing operations	**(53,715)**	**(241,330)**
Taxes on income from continuing operations	18,568	70,632
Profit (loss) after tax from continuing operations	**(35,147)**	**(170,698)**
Profits (loss) after tax from discontinued operations	14,954	12,326
Net profit (loss) for the period	**(20,193)**	**(158,372)**
Non-controlling interests	310	(3,464)
Net profit (loss) for the period attributable to the Parent Company	**(20,503)**	**(154,908)**

(1) 2018 Unaudited Interim Consolidated Financial Statement

(2) 2017 Unaudited Restated Interim Consolidated Financial Information

At 30 June 2018, the Parent Company's share of profit (loss) for the period amounted to a negative Euro 20.5 million in the income statement, as against the Euro 154.9 million loss posted in June 2017.

More specifically, Net Interest Income amounted to Euro 109.2 million (Euro 120.9 million as at June 2017). In particular, Net Interest Income from customers totalled Euro 189.5 million, whereas Net Interest Income from banks was a negative -EUR 3.1 million. Interest income stood at Euro 200 million and interest expense totalled Euro 90.7 million.It should be noted that, pursuant to the provisions set forth by Bank of Italy Circular no. 262, as from 1 January 2018 Interest revenue includes the effects regulated by IFRS 9 (paragraph 5.4.1), according to which, in the case of credit-impaired financial assets, interest income is calculated by applying the amortised cost to the net carrying amount, rather than to the gross carrying amount. The interest rate previously calculated on the gross carrying amount under item 10 and written down for the portion that is not expected to be recovered under item 130 a), is now in fact to be calculated directly on an amount deducted of value adjustments, with Income Statement item 10 thus being used only to recognise the interest expected to be recovered. Discounting-related reversals (i.e. arising from the time value of money), which were likewise determined with reference to the valuation of impaired financial assets, are similarly recognised under item 10 and no longer under item 130 a). This new method of calculation and presentation has a negative impact of Euro 6.7 million on Net Interest Income.

Moreover, the foregoing update to Bank of Italy Circular no. 262 specifies that the spreads or margins accrued over interest rate risk hedging derivatives are to be recognised under “Interest and similar income” or “Interest and similar expense”, depending on the sign (positive or negative) of the interestrelated cash flow that is modified by the derivatives.

Net fees and commissions amounted to Euro 120.4 million, down 1.4% compared to June 2017. Fee and commission income stood at Euro 135.2 million, down 1.5% compared to June 2017, primarily on the back of the trends in fees for maintaining and managing current accounts. Fee and commission expense decreased to Euro 14.8 million (-2.5%), mainly as a result of trends in commissions for guarantees received (EUR 120 thousand compared with Euro 1.5 million in June 2017).

Net gains (losses) from disposal/repurchase of financial assets and liabilities1 amounted to a positive Euro 9.5 million.

More specifically, dividends, mainly traceable to the stake held in the Bank of Italy, totalled Euro 10.5 million (EUR 10.6 million in June 2017); net profit (loss) from trading amounted to a positive Euro 546 thousand (EUR 6.6 million in June 2017) and net profit (loss) from hedging was a positive Euro 778 thousand (as compared to a negative Euro 900 thousand in 2017).

Losses on disposal of financial assets at amortised cost amounted to Euro 19.9 million and are traceable to an exchange of positions classified as bad loans under the contractual agreements entered into with Credito Fondiario

in December 2017. Net profit (loss) from financial assets and liabilities at fair value through profit or loss amounted to a negative Euro 3.9 million, and is mainly attributable to the valuation of loans to customers that failed the Solely Payments of Principal and Interests (SPPI) Test and were mandatorily classified under this category. Net interest and other banking income thus totalled Euro 219.2 million (EUR 261.8 million in June 2017). With regard to net credit risk adjustments, net provisions totalled Euro 39.7 million, as against Euro 228.6 million in June 2017[4].

Net income from banking activities therefore stood at Euro 178.3 million (EUR 33.3 million in June 2017).

Operating expenses totalled Euro 270.1 million (EUR 280.5 million in June 2017). More specifically:

- personnel expenses amounted to Euro 145.4 million, down 4.2% from June 2017; the decrease is largely accounted for by the headcount reduction during the year due to both the company turnaround and the disposal of branches of business;

- other administrative expenses totalled Euro 119.1 million, down 7.9% and are inclusive of Euro 11.5 million in contributions to the National Resolution Fund (EUR 7.5 million as at June 2017), as well as Euro 6.9 million worth of DTA charges (EUR 6.9 million as at June 2017).

Net provisions for risks and charges amounted to Euro 27.2 million, of which Euro 32.3 million worth of provisions for risks associated to the Insurance Companies' sales agreement (for more information, please see "Disposal of Insurance Companies – Guarantees and Commitments" in the "Accounting Policies" Section).

Net adjustments to/recoveries on property and equipment and intangible assets amounted to Euro 9.2 million (EUR 19.6 million in June 2017) and benefited from a reduction in amortisation due to the sale -via the transfer and subsequent disposal of the controlling interest- of the ICT branch of business comprising IT hardware and base software, and the recalculation of the useful life for amortisation purposes of the application software that was not transferred but is the object of a specific contractual agreement entered into with the IT partner for the entire term of the outsourcing agreement, as described in more detail in the section relating to the key events, to which reference is made.

Other net operating income stood at Euro 30.7 million (EUR 37.5 million as at June 2017); the 18.1% gap is mainly attributable to the reduction in other operating income, which includes lower amounts recovered for litigation expenses (in 2017 two bad loan disposals were finalised, which made it possible to reduce both the exposures and the recovery of the associated legal expenses).

In light of the considerations above and having regard to gains on both equity investments and disposal of investments (relating to the disposal of the bad loan management platform and IT outsourcing, described in greater detail in the Half-Year Report section 'Key events in the first half of 2018') for an aggregate amount of Euro 38.1 million, the profit (loss) before tax from continuing operations was a negative Euro 53.7 million (as against a negative Euro 241.3 million in June 2017). Considering the Euro 18.6 million worth of tax recoveries and the Euro 15 million worth of profit from discontinued operations, the loss for the period amounted to Euro 20.2 million.

Net of the non-controlling interests' share of loss for the period, the Parent Company's share of profit (loss) for the period amounted to a negative Euro 20.5 million (-EUR 154.9 million in June 2017). Including the income components directly booked to equity, the Parent Company's share of total comprehensive income was a negative Euro 17.1 million.

Alternative Performance Measures

In order to facilitate the understanding of economic and financial performance of the Group, the directors have identified some Alternative Performance Measures ("**APMs**").

[4] With regard to the effects deriving from the new provisions set forth in the updates to Bank of Italy Circular no. 262 and the new methods for calculating the interest rate on credit-impaired financial assets at amortised cost pursuant to IFRS 9, reference should be made to the comments made to item 10 above. Moreover, as of this year, net provisions for commitments and guarantees given are posted under item "Net provisions for risks and charges" rather than under item "Net value adjustments".

These measures facilitate the directors in identifying operational trends and take about investment decisions, resource allocation and other operational decisions.

Pursuant to the ESMA's guidelines dated October 5, 2015 (entered into force on July 3, 2016), an APM should be understood as a financial measure of historical or future performance, financial position or cash flows, other than a financial measure defined or specified in the specific financial reporting framework. These measures are usually derived from, or based on, the financial statements prepared in accordance with applicable financial reporting rules, most of the time by adding or subtracting amounts from the data contained in the financial statements, but are not themselves prepared in accordance with IFRS or applicable financial reporting rules.

With reference to the interpretation of these APM attention is drawn to the matters illustrated below:

(i) these indicators are constructed exclusively from the Group's historical data and is not indicative of the future performance of the Group;

(ii) the APM are not required by IFRS and, although derived from the Issuer's consolidated financial statements are not audited;

(iii) these financial measures should not be seen as a substitute for measures defined according to the IFRS;

(iv) investors should therefore not place undue reliance on APMs and read these APMs together with the Group's financial information from the Issuer's consolidated financial statements for the year period 2016 -2017 and for the six months ended 30 June 2018 - 2017;

(v) It is to be noted that, since not all companies calculate APM in the same manner, these are not always comparable to measurements used by other companies; and

(vi) APM used by the Group are processed with continuity and consistency of definition and representation for all periods for which financial information included in this Base Prospectus.

The APMs below were selected and represented in the Prospectus because the Group believes that:

- Cost income is one of the key indicators of a bank's operating efficiency (the owner the value, the more efficient the bank) and help to illustrate trends in our operating performance.

- ROE and ROE Adjusted[5] are indicators of most interest to shareholders as it allows to evaluate the profitability of risk capital.

- Net Bad loans / Net Loans[6] to customers is a measure of a key asset solvency indicator for the financial community in the rating of bank shares.

The APM reported below are presented in the 2017 Audited Consolidated Financial Statements.

The following tables set forth the Group's profitability, productivity and efficiency ratios for the year ended 31 December 2017 and 31 December 2016 (unaudited restated):

	Note	2017(*)	2016(*) Unaudited Restated
Cost/Income *Ratio*	(1)	98.5%	89.2%
ROE	(2)	-14.8%	-12.2%
ROE Adjusted	(3)	-14.0%	-11.4%

(*) Analysis prepared by the Company.

5 ROE and ROE Adjusted - ROE is the ratio between the net loss for the year and the shareholders' equity net of loss for the year whereas ROE Adjusted is the ratio between the net loss for the year and the shareholders' equity net of valuation reserves and loss for the year.

6 Bad loans: a loan which is unlikely to be paid back because the customer is in a state of insolvency (even if not legally ascertained) or in similar situations.

	Note	2017	2016 Unaudited Restated(1)
Net Bad loans / Net loans to costumers	(4)	3.9%	7.8%

(1) 2016 unaudited figures restated for a consistent presentation.

Note (1) Cost Income Ratio

The Cost / Income ratio, calculated as the ratio between operating expenses and net operating income, is one of the main indicators of the Bank's and the Group's management efficiency; the lower the value expressed by this indicator, the greater the efficiency.

The following table shows the reconciliation of operating expenses and total net operating income (reclassified figures) with the related balance sheet data:

	For the year ended 31 December (*)	
	(in Euro thousand)	
	2017	**2016 Unaudited Restated**
Other administrative expenses	(263,768)	(276,398)
Expenses related to the extraordinary transaction carried out to implement the Group business plan	10,402	1,598
Recovery of taxes	46,167	49,030
Contribution to the National Resolution Fund and FITD	18,273	35,598
DTA charges	13,891	13,874
Personnel expenses	(358,743)	(295,757)
Personal expenses - Severance	61,483	(19,371)
Value adjustments/write-backs:		
-Property and equipment	(14,661)	(26,468)
- Property and equipment (equipment)	-	6,695
-Intangible assets	(36,692)	(24,105)
-Intangible assets (software)	14,934	-
A. Total operating expenses	**(508,714)**	**(535,304)**
Net Interest Income	233,613	258,996
Net fee and commission income	239,219	239,322
Other operating income	71,514	87,919
Recovery of taxes	(46,167)	(49,030)
Dividends and similar income	10,661	14,077
Net profit (loss) from trading	4,151	18,459
Net profit (loss) from hedging	(430)	(2,384)
Profits (losses) on disposal or repurchase of:		
-*Financial assets available for sale*	(7,982)	40,302
-*Financial liabilities*	225,142	8,511
Profit (losses) on financial assets/liabilities designated at *fair value*	(1,573)	(3,993)
Non-core trading - LME	(221,522)	(12,100)
Losses on disposal of the equity investment in three banks held by the FITD voluntary scheme	9,870	-
B. Total net operating income	**516,496**	**600,079**
A/B *Cost Income Ratio*	**-98.5%**	**-89.2%**

(*) Analysis prepared by the Company.

Note (2) ROE

ROE is the ratio between the net loss for the year and the shareholders' equity net of loss for the year.

(in Euro thousand)	For the year ended 31 December(*) 2017	2016 Unaudited Restated (1)
A. Loss attributable to the Parent Company	(388,435)	(291,737)
B. Group Shareholders' Equity	2,244,724	2,109,235
C. Group Shareholders' Equity net of Loss attributable to the Parent Company (B - A)	2,633,159	2,400,972
A/C ROE	(14.8)%	(12.2)%

(*) Analysis prepared by the Company.

(1) 2016 unaudited figures restated for a consistent presentation.

Note (3) ROE Adjusted

ROE is the ratio between the net loss for the year and the shareholders' equity net of valuation reserves and loss for the year.

(in Euro thousand)	For the year ended 31 December(*) 2017	2016 Unaudited Restated (1)
A. Loss attributable to the Parent Company	(388,435)	(291,737)
B. Group Shareholders' Equity	2,244,724	2,109,235
C. Valuation Reserves	(140,633)	(158,100)
D. Group Shareholders' Equity net of Loss attributable to the Parent Company and of Valuation Reserves (B - C - A)	2,773,792	2,559,072
A/D ROE Adjusted	(14.0)%	(11.4)%

(*) Analysis prepared by the Company.

(1) 2016 unaudited figures restated for a consistent presentation.

Note (4) Net Bad loans / Net loans to customers

Net Bad loans / net loans to customers is the ratio between the net bad loans to customers and the total loans to customers (item 70 of the Balance Sheet net of debt securities classified as L&R).

(in Euro thousand)	As of 31 December 2017	As of 31 December 2016 Unaudited Restated(*)
A. Bad Loans	600,292	1,374,940
B. Net Loans to Customers	15,753,934	17,721,321
C. Debt securities classified as Loans & Receivable	244,250	504
D. Loans to Customers net of Debt securities classified as L&R (B - C)	15,509,684	17,720,817
A/D Bad Loans / Loans to Customers	**3.9%**	**7.8%**

(*) 2016 unaudited figures restated for a consistent presentation.

* * * * *

As at 30 June 2018, Banca Carige has the following APMs levels

	*As of 30 June 2018**	***2017****	**2016 Unaudited Restated***
Cost/Income Ratio	*90.2%*	*98.5%*	*89.2%*
ROE	*(1.0)%*	*(14.8)%*	*(12.2)%*
ROE Adjusted	*(1.0)%*	*(14.0)%*	*(11.4)%*
Net Bad Loans / Nei loans to customers	*3.1%*	3.9%	*7.8%(1)*

(*) Analysis prepared by the Company. Reported below are the reference values for the calculation method of selected APMs:

- Cost income ratio: ratio of core operating expenses (Income Statement items 190 (former 180), 210 and 220 (former 200 and 210) net of tax recoveries under item 230 (former 220), contributions to the Single Resolution Fund and Deposit Guarantee Scheme, DTA fees, non-core administrative expenses and non-recurring net adjustments to/recoveries on property and equipment and intangible assets) to net core operating income (Income Statement items 30, 60, 70, 80, 90, 100 (excluding 100(a)) and 110 (for the securities component only) net of non-recurring items and 230 (former 220) net of tax recoveries);

- ROE: ratio of Net Profit (Loss) for the period attributable to the Parent Company (Income Statement item 350 (former 340)) to the Group's share capital and reserves (Balance Sheet Liabilities items 120, 150, 160, 170 and 180 (former 140, 170, 180, 190 and 200)

- Adjusted ROE: ratio of Net Profit (Loss) for the period attributable to the Parent Company (Income Statement item 350 (former 340)) to the Group's share capital and reserves net of valuation reserves (Balance Sheet Liabilities items 150, 160, 170 and 180 (former 170, 180, 190 and 200)

- Bad loans to total loans: ratio calculated as Net balance-sheet bad loans to customers divided by Net loans to customers (Balance Sheet item 40(a) (former 70) net of debt securities at amortised cost).

(1) 2016 unaudited figures restated for a consistent presentation

Cost/Income Ratio

The following table shows the reconciliation of operating expenses and total net operating income (reclassified figures) at the date of 30 June 2018:

	30 June 2018
Other administrative expenses	(119,082)
Expenses related to the extraordinary transaction carried out to implement the Group business plan	3,838
Recovery of taxes	22,321
Contribution to the National Resolution Fund and FITD	11,510
DTA charges	6,933
Personnel expenses	(145,355)
Personal expenses - Severance	1,000
Value adjustments/write-backs:	
-Property and equipment	(6,312)
- Property and equipment (equipment)	-
-Intangible assets	(2,876)
-Intangible assets (software)	-
A. Total operating expenses	(228,023)

Net Interest Income	109,249
Net fee and commission income	120,413
Other operating income	30,696
Recovery of taxes	(22,321)
Dividends and similar income	10,454
Net profit (loss) from trading	546
Net profit (loss) from hedging	778
Profits (losses) on disposal or repurchase of:	
-Financial assets at fair value through other comprehensive income	1,039
-Financial liabilities	581
Profit (losses) on financial assets/liabilities at *fair value* through profit or loss (securities component)	1,398
Non-core trading	-
B. Total net operating income	252,833
A/B *Cost Income Ratio*	90.2%

(*) Analysis prepared by the Company.

ROE

(in Euro thousand)	**30 June 2018**
A. Loss attributable to the Parent Company	(20,503)
B. Group Shareholders' Equity	1,992,148
C. Group Shareholders' Equity net of Loss attributable to the Parent Company (B - A)	2,012,651
A/C ROE	(1,0%)

(*) Analysis prepared by the Company.

ROE Adjusted

(in Euro thousand)	**30 June 2018**
A. Loss attributable to the Parent Company	(20,503)
B. Group Shareholders' Equity	1,992,148
C. Valuation Reserves	(113,578)
D. Group Shareholders' Equity net of Loss attributable to the Parent Company and of Valuation Reserves (B - C - A)	2,126,229
A/D ROE Adjusted	(1,0%)

(*) Analysis prepared by the Company.

Net Bad loans / Net loans to customers

(in Euro thousand)	**As of June 30 2018**
A. Bad Loans	471,884
B. Net Loans to Customers	16,302,981
C. Debt securities classified as Loans & Receivable	1,131,971
D. Loans to Customers net of Debt securities classified as L&R (B - C)	**15,171,010**
A/D Bad Loans / Loans to Customers	**3,1%**

(*) Analysis prepared by the Company.

* * * * *

Other Information

Liquidity Measures

The following table sets forth the Company's liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and loan-to-deposit ratio as of the indicated dates.

	Regulatory Requirement 2017	As of 31 December 2017	As of 31 December 2016[(1)]
LCR[(*)]	80%	156%	124%
NSFR	—	> 100%	> 100%

(*) SREP Decision 2017 required to maintain at all times and on a consolidated basis a minimum liquidity coverage ratio of 90%.

(1) 2016 Audited Consolidated Financial Statement

(in Euro thousand)	As of 31 December 2017	As of 31 December 2016 Unaudited Restated[(1)]
A. Loans to customers[(*)]	15,509,684	17,720,817
B. Direct Deposits [(2)]	16,858,829	19,388,180
A/B Loan to Deposit Ratio	92.0%	91.4%

(1) 2016 unaudited figures restated for a consistent presentation.

(*) Net of debt securities classified as L&R (for Euro 244,250 thousand as of 31 December 2017 and for Euro 504 thousand as of 31 December 2016).

(2) Balance Sheet items 20, 30 and 50 are included in the aggregate.

With reference to the Unencumbered Cash and Available Collateral, it should be noted that, as of 31 December 2017, the cash component amounted to Euro 0.8 million and other eligible assets amounted to Euro 1.1 million (Euro 0.6 million and Euro 1.3 million at December 31, 2016 respectively).

The following table sets forth the Company's liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and loan-to-deposit ratio as at 30 June 2018.

	Regulatory Requirement 2018	As of 30 June 2018
LCR	100%	155%
NSFR	—	> 100%

(in Euro thousand)	As of 30 June 2018[(*)]
A. Loans to customers	15,171,010
B. Direct Deposits	17,062,215
A/B Loan to Deposit Ratio	88,9%

(*) The Loans to customers considered net of debt securities at amortised cost amounting to EUR 1,131,971 thousand. Direct Deposits are Items 10 b) (Due to Customers), 10 c) (securities issued) and 30 (Financial Liabilities at fair value through profit or loss) of Balance Sheet liabilities.

Other information

Own Funds

The following table sets forth the Group's Own Funds as of 31 December 2017 and as of 31 December 2016 (unaudited restated).

(in Euro thousand)	As of 31 December 2017 Bis III p.i.	As of 31 December 2016 Bis III p.i.
Common Equity Tier 1	1,902,156	1.942.445
Tier 1	1,904,157	2,040,169
Tier 2 Capital	28,084	317,739
Own Funds	**1,932,240**	**2,357,908**
RWAs	**15,329,671**	**17,028,774**

(in Euro thousand)	As of 31 December 2017 Bis III p.i.	As of 31 December 2016 Bis III p.i.
CET 1 *Ratio*	12.4%	11.4 %
Tier 1 Capital Ratio	12.4%	12.0 %
Total Capital Ratio	12.6%	13.8 %

As of 31 December 2017, the Group had a phased-in Total Capital Ratio of 12.4%, a phased-in Tier I Ratio of 12.4% and a phased-in Common Equity Tier 1 Ratio of 12.6%, higher than the minimum regulatory levels.

The CET1 Ratio is higher than both the regulatory limits and the 9% minimum threshold required by the ECB under the SREP process for 2017, as the Pillar 2 Guidance threshold of 11.25%.

The TCR is higher than the regulatory limit and the 12.5% minimum threshold required by the ECB under the SREP process for 2017.

(in Euro thousand)	As of 31 December 2017	As of 31 December 2016
A. Common Equity Tier 1 (CET 1) prior to the application of prudential filters	2,258,572	**2,120,523**
Of which CET 1 instruments subject to grandfathering/transitional adjustments	13,852	11,379
B. CET1 prudential filters (+/-)	**87,117**	**80,190**
C. CET1 gross of deduction and effects from transitional adjustments (A+/-B)	**2,345,689**	**2,200,713**
D. Items to be deducted from CET1	(549,895)	**(407,399)**
E. Transitional adjustments – Effect on CET1 (+/-), including minority interest subject to transitional adjustments	**106,368**	**149,131**
F. Total Common Equity Tier 1 capital (CET1) (C-D+/-E)	**1,902,162**	**1,942,445**
G. Additional Tier 1 Capital (AT1) gross of deductions and effects from transitional adjustments	427	96,091
Of which AT1 instruments subject to grandfathering/transitional adjustments	426	96,000
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional adjustments	**1,575**	**1,633**
L. Total Additional Tier 1 capital (AT1) (G-H+/-I)	**2,002**	**97,724**
M. Tier 2 Capital (T2) gross of deductions and effects from transitional adjustments	26,837	316,305
Of which T2 instruments subject to grandfathering/transitional adjustments	26,837	64,000

(in Euro thousand)	As of 31 December 2017	As of 31 December 2016
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional adjustments	1,249	1,434
P. Total Tier 2 capital (T2) (M-N+/-O)	**28,086**	**317,739**
Q. Total own funds (F+L+P)	**1,932,250**	**2,357,908**

The following table sets forth the Group's Own Funds as of 30 June 2018.

(in Euro thousand)	As of 30 June 2018 Bis III p.i. (*)
Common Equity Tier 1	**1,777,539**
Tier 1	**1,780,038**
Tier 2 Capital	**15,187**
Own Funds	**1,795,226**
RWAs	**14,975,794**

(in Euro thousand)	As of 30 June, 2018 Bis III p.i.
CET 1 Ratio	**11.9%**
Tier 1 Capital Ratio	**11.9%**
Total Capital Ratio	**12.0%**

Capital Adequacy

The following table set forth Group's capital adequacy level as of 31 December 2017 and 2016 (unaudited restated) according to the regulatory framework in force at those dates.

	Unweighted amounts		Weighted amounts / requirements	
(in Euro thousands)	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
A. RISK ASSETS				
A.1 Credit and counterparty risk	26,395,455	27,376,508	14,291,741	15,915,609
1. Standardised	26,350,540	27,368,814	14,224,368	15,914,070
2. Internal rating-based (IRB) approach[(1)]				
2.1 Foundation				
2.2 Advanced				
3. Securitisation	44,915	7,694	67,373	1,539
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty			1,143,339	1,273,249
B.2 Credit valuation adjustment risk			194	570
B.3 Settlement risk				—
B.4 Market risk			148	260
1. Standardised			148	260

(in Euro thousands)	Unweighted amounts		Weighted amounts / requirements	
	As of 31 December 2017	**As of 31 December 2016**	**As of 31 December 2017**	**As of 31 December 2016**
2. Internal models				—
3. Concentration risk				—
B.5 Operational risk			82,693	87,685
1. Foundation approach				—
2. Standardised			82,693	87,685
3. Advanced				—
B.6 Other calculation elements				—
B.7 Total prudential requirements(2)			1,226,374	1,362,302
C. RISK ASSETS AND REGULATORY CAPITAL RATIO				
C.1 Risk-weighted assets			15,329,671	17,028,774
C.2 Common Equity Tier 1 capital / Risk Weighted Assets (CET1 *capital ratio*)			12,4%	11.4%
C.3 Tier 1 capital / Risk Weighted Assets (Tier 1 *capital ratio*)			12,4%	12.0%
C.4 Total Own Funds / Risk Weighted Assets (*Total capital ratio*)			12,6%	13.8%

(1) Exposures in Equity instruments are included.

(2) Basel 3 regulations do not provide for a 25% discount on capital requirements for banks belonging to banking groups.

DESCRIPTION OF THE SELLERS

Banca del Monte di Lucca S.p.A.

Overview

Banca del Monte di Lucca S.p.A. (BML) is a *società per azioni* (joint-stock company) incorporated under Italian law, registered with the Company Register of Lucca with tax code and VAT number No. 01459540462 and enrolled with the Register of Banks under No 5127 (ABI code 6915.3); the company belongs to the Banca Carige Group registered with the Bank of Italy under No. 6175.4 and is subject to supervision and coordination of the Parent Bank; BML is also a member of the Interbank Guarantee Fund and of the Interbanking Fund for the Protection of Deposits.

BML Head Office is in Lucca (Italy) – Piazza S. Martino, 4.

Pursuant to Article 3 of its by-laws, the bank shall be in operation until 31 December 2100, subject to extension.

The origins of BML go back to 1489 with the foundation of Monte di Pietà di Lucca. The Bank was established in its current form in 1992, following the enactment of the Amato Law in 1990, which required separation between the ownership and business of the former public savings banks. In 2001 it entered in the Banca Carige Group.

Together with the standard activities of credit and consumers' funding, BML offers to its clients a full range of products and services like asset management, bank assurance and consumer credit.

During its history, the bank has been characterized by strong territorial roots; the 100 per cent. of its branches is located in Tuscany.

BML core business

BML, whose customer base is made up of individuals and small-to-medium sized enterprises, operates as credit intermediary offering:

- granting of credit, such as current account credit lines, advances with recourse (*pro-solvendo*) advances against invoices, securities and goods, commercial and financial discount, loans, promissory loans, import and export loans, personal loans;

- raising and management of savings, such as the opening of current accounts and savings deposit accounts, execution of repurchase agreement transactions, issue of bonds and deposit certificates, the opening and administration of securities dossiers, collection of orders on securities and currencies; and

- collection and payment and electronic money services, such as transfer of funds in Italy and abroad, negotiation of bills, cheques and other payment instruments, issue and negotiation of credit and debit cards, installation and activation of POS terminals and supply of payment services for those active in commerce.

BML also places with customers the products and services chiefly provided by the Group companies, within the scope of the following activities:

- parabanking, such as consumer credit (Creditis);

- asset management, such as mutual investment funds, hedge funds, and managed portfolios (ARCA SGR); and

- bank assurance, such as pension funds, life (Amissima Vita) and non life insurance products (Amissima Assicurazioni).

This traditional distribution system is also integrated by the Group's electronic services, such as internet banking and phone banking, and by external sales channels (specialised networks).

BML has also delegated to the Parent Company the activity of managing the treasury and the own securities portfolio, as well as the trading activity on the stocks and currencies markets.

There were 20 branches in the BML network as at 31 December 2017.

Majority Shareholder

BML's majority Shareholder is Banca Carige.

DESCRIPTION OF THE GUARANTOR

The Guarantor has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds

The Guarantor was incorporated in the Republic of Italy on 3 October 2007 as a limited liability company incorporated under Law 130, with VAT number, Fiscal Code number and registration number with the Genoa Register of Enterprises No. 05887770963. The Guarantor modified its corporate object by the resolution of the meeting of the Guarantor Quotaholders held on 11 April 2008. On 21 July 2008, the Bank of Italy has authorised the purchase by the Issuer of up to 60 per cent. of the quota capital of the Guarantor. The Guarantor was initially incorporated under the name "Holborn Finance S.r.l." and changed its name into "Carige Covered Bond S.r.l." by the resolution of the meeting of the Guarantor Quotaholders held on 24 September 2008.

The Guarantor has a duration until 31 December 2050 (period that could be extended subject to resolution by an Extraordinary Meeting).

On 8 May 2015, the ministerial decree No. 53/2015 (the "**Decree 53/2015**") issued by the Ministry of Economy and Finance, has been published in the Official Gazette of the Republic of Italy. The Decree 53/2015 provides for the implementation of Articles 106, paragraph 3, 112, paragraph 3, and 114 of the Banking Law and Article 7-ter, paragraph 1-*bis* of the Law 130 and came into force on 23 May 2015, repealing the Decree No. 29/2009. Pursuant to Article 7 of the Decree 53/2015, the assignee companies which guarantee covered bonds, belonging to a banking group as defined by Article 60 of the Banking Law, as Carige Covered Bond S.r.l., will no longer have to register in the general register held by the Bank of Italy pursuant to Article 106 of the Banking Law.

Therefore, Carige Covered Bond S.r.l. is no longer registered in the general register held by the Bank of Italy pursuant to Article 106 of the Banking Law.

The Guarantor has its registered office at Genoa, Via Cassa di Risparmio, No. 15, Italy and the telephone number of the registered office is +390105794204.

The authorised, issued and paid in quota capital of the Guarantor is Euro 10,000.

Business Overview

The exclusive purpose of the Guarantor is to purchase from banks (belonging either to the Banca Carige Group or to other banking groups), against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-*bis* of Law 130 and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities.

Within the limits allowed by the provisions of Law 130, the Guarantor can carry out the ancillary transactions for purposes of the performance of the guarantee and the successful conclusion of the issue of banking covered bonds in which it participates or, however, auxiliary to the aim of its purpose, as well as the re-investment in other financial activities of the assets deriving from the management of the credits and the securities purchased, but not immediately invested for the satisfaction of the Covered Bondholders' rights.

Since the date of its incorporation, the Guarantor has not engaged and will not engage in any business other than the covered bond programme established in December 2016, purchase of the Receivables from the Sellers and the issue of the Covered Bond Guarantee securing the payment obligations of the Issuer under the Covered Bonds issued under the Programme.

The Guarantor will covenant to observe, *inter alia*, those restrictions which are detailed in the Intercreditor Agreement.

OBG3 Programme

Without prejudice to the contents of the present Base Prospectus regarding the description of the Programme (see "*General description of the Programme*" pag. 68 ss.), it should be noted that, in December 2016, the Issuer has established a covered bond Programme (the "**OBG3 Programme**") in compliance with Article 7-*bis* of Law 130 and the relevant implementing provisions, for the issuance of up to Euro 3,000,000,000 of covered bonds, in the

context of which Carige Covered Bond S.r.l. granted a first demand guarantee for the benefit of the holders of such covered bonds.

The Guarantor was established as a multi-purpose vehicle and accordingly it may participate to both the Programme and the OBG3 Programme.

Administrative, Management and Supervisory Bodies

The directors of the Guarantor are:

- Mr. Federico Illuzzi, who is an independent accountant in Genoa, Via San Vincenzo, 2, as Chairman;
- Mr. Emilio Gatto, who is an independent accountant in Genoa, Via Ippolito d'Aste, 8; and
- Mr. Gianluca Caniato, who is a manager (*dirigente*) of the Issuer.

Board of Statutory Auditors

The Board of Statutory Auditors is composed of a chairman, two statutory auditors and two alternate auditors, who serve for a term of three business years, with authority and obligations dictated by law.

The current members of the Board of Statutory Auditors are as follows:

Name	Title
Francesco Isoppi	Chairman
Gianfranco Picco	Statutory Auditor
Maddalena Costa	Statutory Auditor
Stefano Lunardi	Alternate Statutory Auditor
Remo Dominici	Alternate Statutory Auditor

Pursuant to legislative decree No. 39 of 2010 the Board of Statutory Auditors in office at the date of this Base Prospectus was appointed by the ordinary shareholders' meeting of 7 June 2016 and until the approval of the financial statements as at and for the year ended 31 December 2018.

Independent Auditors

The financial statements of the Guarantor as of and for the years ended December 31, 2017 and December 31, 2016, an English translation of which is incorporated by reference in this Base Prospectus, have been audited by EY, independent auditors. Upon the motivated proposal put forward by the Board of Statutory Auditors, the shareholders' meeting of 27 July 2011 conferred EY S.p.A. the task of carrying out the legal audit of the accounts for the nine-year period 2012-2020, pursuant to Decree No. 39.

EY is authorized and regulated by the Italian Ministry of Economy and Finance (the MEF) and registered under No 70945 on the special register of auditing firms held by the MEF. The registered office of EY is at via Po, 32, 00198 Rome, Italy.

The EY report on the financial statements of the Guarantor as of and for the year ended December 31, 2017, issued on March 6, 2018, an English translation of which is incorporated by reference herein, contains the following emphasis of matter paragraph:

"*We draw attention to the "Preparation Criteria" section of the explanatory notes to the financial statements where the Directors states that the Company has the sole purpose of acquiring loans through funding pursuant to Law n. 130/1999, in connection with covered bonds transactions. As described by the Directors, the Company has recorded the acquired receivables and the other transactions connected with the covered bonds in the explanatory notes to the financial statements consistent with the provisions of Law n. 130/1999 according to which the receivables involved in each securitisation are in all respect separated from the assets of the Company and from those related to other securitisations. Our opinion is not qualified in respect of the above matter.* "

The EY report on the financial statements of the Guarantor as of and for the year ended December 31, 2016, issued on March 6, 2017, an English translation of which is incorporated by reference herein, contains the following emphasis of matter paragraph:

"*Without qualify our opinion, we draw attention to the explanatory notes to the financial statements where it is stated that the Company has the sole purpose of acquiring loans through funding pursuant to Law n. 130/1999, in connection with covered bonds transactions. As described by the Directors, the Company has recorded the acquired receivables and the other transactions connected with the covered bonds in the explanatory notes to the financial statements consistent with the provisions of Law n. 130/1999 according to which the receivables involved in each securitisation are in all respect separated from the assets of the Company and from those related to other securitisations.*"

Conflicts of interest

There are no potential conflicts of interest between the duties of the members of the Board of Directors or of the Board of Statutory Auditors and their private interests or other duties.

Quotaholders

The Guarantor is a limited liability company having its capital divided into quotas. The Quotaholders of the Guarantor are as follows:

- Banca Carige 60 per cent. of the quota capital;
- Stichting Otello 40 per cent. of the quota capital.

The Guarantor is subject to the activity of direction and coordination, pursuant to Article 2497 of the Italian Civil Code, of Banca Carige.

The Quotaholders' Agreement

In the context of the Programme the Quotaholders entered into a Quotaholder's Agreement (as extended in the context of the OBG3 Programme) whereby the Quotaholders agreed to provide certain corporate management services for the Guarantor in the context of the Programme and the OBG3 Programme.

The Quotaholders' Agreement (as extended in the context of the OBG3 Programme) contains *inter alia* a call option in favour of Banca Carige to purchase from Stichting Otello and a put option in favour of Stichting Otello to sell to Banca Carige, the quota of the Guarantor held by Stichting Otello and provisions in relation to the management of the Guarantor. Each option may only be exercised from the day on which all the Covered Bonds issued in the context of the Programme and of the OBG3 Programme have been redeemed in full or cancelled.

In addition the Quotaholders' Agreement provides that no Quotaholder of the Guarantor will approve the payments of any dividends or any repayment or return of capital by the Guarantor prior to the date on which all amounts of principal and interest on the Covered Bonds issued in the context of the Programme and of the OBG3 Programme and any amount due to the other Secured Creditors have been paid in full.

Please also see section "*Description of the Transaction Documents – Quotaholders' Agreement*" below.

No material litigation

During the 12 months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor is the Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effects on the Guarantor's financial position or profitability.

Financial Information concerning the Guarantor's Assets and Liabilities, Financial Position, and Profits and Losses

The financial information of Carige Covered Bond S.r.l. derive from the statutory financial statements of the Guarantor as at and for the years ended 31 December 2016 and 2017, prepared in accordance with Italian accounting principles. Such financial statements are incorporated by reference into this Base Prospectus. See "*Documents Incorporated by Reference*".

Capitalisation and Indebtedness Statement

The capitalisation of the Guarantor as at the date of this Base Prospectus is as follows:

- *Quota capital Issued and authorised*

Banca Carige has a quota of Euro 6,000.00 and Stichting Otello has a quota of Euro 4,000.00 each fully paid up.

- *Total capitalisation and indebtedness*

Save for the indebtedness relating to the OBG3 Programme, the foregoing and for the Covered Bond Guarantee and the Subordinated loan in accordance with the Subordinated Loan Agreement, at the date of this document, the Guarantor has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

DESCRIPTION OF THE ASSET MONITOR

The BoI Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Covered Bond Guarantee.

Pursuant to the BoI Regulations, the asset monitor must be an independent auditor, enrolled with the register of statutory auditors (*Registro Dei Revisori Legali*) maintained by the Minister of Economy and Finance and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the statutory auditors of the Issuer.

Pursuant to an engagement letter, the Issuer has appointed BDO Italia S.p.A. (formerly Mazars S.p.A.), a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94 - 20131 Milano, Italy, fully paid-up share capital of Euro 1.000.000, fiscal code and enrolment with the companies register of Milan No. 07722780967and enrolled under No. 167911 with the Register of Statutory Auditors (*Registro dei Revisori Legali*) maintained by the Minister of Economy and Finance, pursuant to article 161 of the Financial Law (the "**Asset Monitor**") in order to perform, with reference to the period prior to the occurrence of an Issuer Event of Default and subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, (a) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Integration Assets included in the Cover Pool; (b) the calculations performed by the Calculation Agent in respect of the Mandatory Tests; (c) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (d) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme. The engagement letter is in line with the provisions of the BoI Regulations in relation to the reports to be prepared and submitted by the Asset Monitor also to the board of directors and the board of statutory auditors of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

Asset Monitor Agreement

Pursuant to an asset monitor agreement entered into between, *inter alios*, the Guarantor and the Representative of the Covered Bondholders, dated 1 December 2008, as subsequently amended (the "**Asset Monitor Agreement**"), the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Calculation Agent to the Asset Monitor, to conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable on a semi-annual basis or more frequently in certain circumstances with a view to verifying the compliance of the Cover Pool with such tests.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Calculation Agent for the purpose of conducting such tests is true and correct and not misleading in any material respect, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information. The results of the tests conducted by the Asset Monitor will be delivered to the Calculation Agent, the Guarantor, the Issuer, the Servicers, the Representative of the Covered Bondholders and the Rating Agencies.

The Guarantor may, at any time, but subject to the prior written consent of the Representative of the Covered Bondholders, terminate the appointment of the Asset Monitor by giving at least 3 (three) months' prior written notice to the Asset Monitor, **provided that** such termination may not be effected unless and until a substitute asset monitor has been found by the Guarantor (such substitute asset monitor to be approved by the Representative of the Covered Bondholders unless the substitute is an appropriate professional adviser of national standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign by giving at least 6 (six) months' prior written notice to the Issuer, the Guarantor, the Servicers, the Calculation Agent and the Representative of the Covered Bondholders (with a copy to the Rating Agencies), **provided that** such resignation will not take effect unless and until a substitute asset monitor has been found by the Guarantor (such substitute asset monitor to be approved by the Representative of the Covered Bondholders unless the substitute is an appropriate professional adviser of national standing

(including an accountancy firm) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

If a substitute asset monitor has not been found by the Guarantor within 4 (four) months of the notice of termination by the Guarantor or the notice of resignation by the Asset Monitor, the Asset Monitor shall be released from its obligations under the agreement.

The Asset Monitor has undertaken that, during the period starting on the date of the written resignation notice and ending on the date falling four months later, it will co-operate in good faith with the Issuer and/or the Guarantor in order to find a substitute Asset Monitor.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor and the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor.

The Asset Monitor Agreement is governed by Italian law.

DESCRIPTION OF THE COVER POOL – COLLECTION AND RECOVERY PROCEDURES

The Cover Pool consists of (i) the Initial Receivables, originated by the Sellers and transferred to the Guarantor according to the Master Transfer Agreement, which, in turn, consists of receivables arising from Mortgage Loans only (the initial portfolio is composed of mortgage loans backed by Italian residential assets. Each Mortgage Loan in the portfolio has been selected in accordance with the Mortgage Loan General Criteria described in the Prospectus and the Specific Criteria that for the initial portfolio are attached to the Master Transfer Agreement), and will include (ii) any Subsequent Receivables comprising Eligible Assets, which may consist of residential or commercial mortgage loans and/or Integration Assets, assigned from time to time to the Guarantor by the Sellers in accordance with the terms of the Master Transfer Agreement. The Initial Receivables and any Subsequent Receivables, respectively, comply and will comply with the requirements of Article 7 *bis* of the Law 130.

The Cover Pool should have characteristics that demonstrate capacity to produce funds to service any amounts due and payable on the Covered Bonds since the Mandatory Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds, as more fully described under Section "*Credit Structure*").

As at the date of 30 June 2018, each Mortgage Loan from which the Eligible Assets arise matures between 31 July 2018 (inclusive) and 31 July 2049 (inclusive).

The composition of the Cover Pool will be dynamic over the life of the Programme. In particular, assets comprised in the Cover Pool will change over time as a result, *inter alia*, of the purchase of any Subsequent Receivables and the repurchase of any Receivables in each case in accordance with the terms of the Master Transfer Agreement.

As at the date of this Base Prospectus, the Receivables consist of Mortgage Loans transferred by the Sellers to the Guarantor in accordance with the terms of the Master Transfer Agreement, as more fully described under "*Description of the Transaction Documents – Master Transfer Agreement*".

For the purposes hereof:

"**ABS**" means securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, lett. (d) of the MEF Decree.

"**Eligible Assets**" means the Mortgage Loans, the Public Assets and the ABS.

"**Initial Receivables**" means the first portfolio of Eligible Assets transferred by the Sellers to the Guarantor pursuant to the Master Transfer Agreement.

"**Mortgage Loans**" means Italian residential and commercial mortgage loans (*mutui ipotecari residenziali e commerciali*) pursuant to Article 2, paragraph 1, lett. (a) and (b), of the MEF Decree.

"**Public Assets**" means loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c), of the MEF Decree.

"**Receivables**" means collectively the Initial Receivables and any other Subsequent Receivables which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Transfer Agreement.

"**Subsequent Receivables**" means the further portfolios of Eligible Assets and/or Integration Assets, transferred by each of the Sellers to the Guarantor pursuant to the Master Transfer Agreement (other than deposits with banks residing in Eligible States pursuant to Article 2, para. 3, of the MEF Decree).

The Receivables transferred and to be transferred from time to time to the Guarantor pursuant to the Master Transfer Agreement will meet the following criteria on each relevant Transfer Date:

1. **The Mortgage Loans** General **Criteria**

Receivables arising from Mortgage Loans:

1. which are at relevant Transfer Date mortgage loans, in respect of which the relevant amount outstanding, added to the principal amount outstanding of any higher ranking mortgage loans

secured by the same property, does not exceed 80 per cent. for the residential mortgage loans or 60 per cent. for the commercial mortgage loans, as the case may be, of the value of the property, in accordance with the MEF Decree;

2. which did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati*);

3. which have not been granted to public entities (*enti pubblici*), clerical entities (*enti ecclesiastici*) or public consortium (*consorzi pubblici*);

4. which are not consumer loans (*crediti al consumo*);

5. which are not a *mutuo agrario* pursuant to Articles 43, 44 and 45 of the Banking Law;

6. which are secured by a mortgage created over real estate assets in accordance with applicable laws and regulations, and located in the Republic of Italy;

7. which are originated by (i) Banca Carige or other banks belonging to the Banca Carige Group or (ii) other banks which are not part of the Banca Carige Group which Mortgage Loans have been acquired by Banca Carige either directly or through the purchase of the relevant branches;

8. the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*), such term meaning (i) a first ranking mortgage or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is Banca Carige and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage;

9. in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Art. 39, fourth paragraph of the Banking Law;

10. which are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

11. for which at least an instalment inclusive of principal has been paid before the transfer (*i.e.* loans that are not in the pre-amortising phase);

12. which derive from mortgage loan agreements under which the Instalments are either paid by debiting bank accounts held with Banca Carige, or a branch of Banca Carige, or by RID;

13. which, as of the transfer date, did not have any instalment pending for more than 30 days from its due date and in respect of which all other previous instalments falling due before the transfer date have been fully paid;

14. which are governed by Italian law;

15. which have not been granted to individuals that as of the origination date were employees of a bank of the Carige Group;

16. which are denominated in Euro (or disbursed in a different currency and then re-denominated in Euro);

17. in respect of which none of the relevant borrowers or obligors has been served by Banca Carige with a writ of enforcement (*precetto*) or an injunction order (*decreto ingiuntivo*) or entered into an out of court settlement following a non payment;

18. which are identified by a SAE code lower than 700;

19. which are not fractioned loans as at the relevant Transfer Date (unless such loans have been subject to assumption of debt ("*accollo*")).

2. **The Public Assets General Criteria**

Receivables arising from Public Assets:

Loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c) of the MEF Decree.

3. **The ABS General Criteria**

Receivables arising from ABS:

Securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, lett. (d) of the MEF Decree.

"**General Criteria**" means the Mortgage Loans General Criteria and/or the Public Assets General Criteria and/or the ABS General Criteria.

"**Specific Criteria**" means the criteria for the selection of the Receivables to be included in the portfolios to which such criteria are applied, set forth in Schedule 1 to the Master Transfer Agreement for the Initial Receivables and in the relevant Offer for the Subsequent Receivables.

"**Criteria**" means jointly the General Criteria and the Specific Criteria.

4. **The Credit Policies**

Business sources

Mortgage loans granted by the Sellers are originated from direct channel, principally through their branches and as well as through their financial consultants and online channels.

Loan application process

The first step in the process aimed at assessing loan application includes all the activities necessary to learn and understand the customers'/ potential customers' needs. This activity of origination is carried out, with the same procedures, by each Seller.

The credit process is made up of different stages, some of which are common to all types of loans, whilst others are specific according to the type of loan. Control settings and valuations are based on the Group's models and procedures, in order to limit the lending process through a strict risk/reward requirement valuation which involves the analysis of the available information. For this reason the length of the process varies from borrower to borrower.

The origination of the loan is carried out in constant contact with the customer. An initial interview with the customer/ potential customer is carried out to identify his/ its particular financial needs and to offer the best financial product (type of loan, amount, maturity, form).

The customer/ potential customer can choose fixed or variable rates, with embedded alternative solutions:

- interest rate risk hedging (capped residential mortgages),
- the possibility to set a payment still benefiting from variable rate (constant repayment mortgage with variable maturity),
- fixed/variable/mixed mortgage.

The reference rate for fixed rate loan is IRS of the same maturity. Since 2009 variable rate changed from Euribor 6-month to Euribor 3-month.

Drafting the application

If the information collected during the interview produces a positive assessment, the branch will accept the loan application, duly completed and subscribed by each subject participating in the loan as borrower or guarantor, also in order to obtain authorisation for the processing of personal data - with specific reference to forwarding of the same to external Credit Bureaux (Crif) as required by the Privacy Law.

During the application preparation process, information assessed concerns:

- personal master data,
- social/demographic data,
- income details,
- records in public archives (protests, prejudicial recordings),
- contracts present on External Credit Bureaux (Crif),
- evidence of delinquent accounts with Risk Sorting House ("*Centrale Rischi*"),
- other dealings with the Seller/ Group (evidence of Global Position).

Entering of said information into the system is carried out both manually and by querying other data-bases.

In particular, main inputs come from acquisition of:

- information taken from the application form filled in and submitted by the customer/ potential customer,
- information on "global position with the Seller" arising from the sum total of debt positions (*i.e.* "aggregate global position"),
- information on "Group Global Position" arising from the sum total of the debt position provided by the other Group Companies,
- information provided by external Bureaux (Crif).

The valuation of the information is made to verify the borrower's earning capacity, financial stability and financial ability to repay the loan in order to decide whether the borrower is creditworthy.

With particular reference to the commercial mortgages, the minimum required documentation includes:

Type of Information	Documentation Required
Personal (Borrowers, guarantor)	Certified copy of Memorandum of association
	Certified copy of Article of association
	Certificate from Chamber of Commerce
Income (Borrowers, guarantor)	Last two Annual Reports and accounting situation Documentation on any additional income source for the borrower and guarantors
Property	Plan of Property
	Land Registry Certificate (*Ufficio Tecnico Erariale / Nuovo Catasto Edilizio Urbano*)
	Deed of conveyance
	Preliminary deed of sale and purchase of the property
	Insurance policy
	Additional documents in the event of an inheritance also require

Type of Information	Documentation Required
	Property valuation - for mortgages that exceed the amount of Euro 3 million is required the Bank's Technical Office approval

Rating calculations

Different rating models have been implemented within Carige to specifically assess the credit risk associated with each relevant class of borrower. Each type of borrower is separately credit-scored based on the applicable specific model. Internal rating models cover the risk associated to almost 90 per cent of the exposure of Group credit portfolio.

Technical assessment of the mortgaged property

The mortgaged property is for residential and commercial use and located in Italy.

Cadastral categories for property types for which loans are admissible are as follows:

- **A** Units for use as dwelling or similar;
- **B** Units as collective accommodation (barracks, boarding schools, etc.);
- **C** Units for commercial use (together with residential units can be financed as appurtenances, apart from land plots and associated urban areas such as for basements, attics, garages and car parking slots, enclosed or non-enclosed porches);
- **D** Units for particular use (cinemas, theatres, factories etc.);
- Group A (dwellings) includes the following categories:
- **A/1** high quality dwellings;
- **A/2** civil dwellings;
- **A/3** economic dwellings;
- **A/4** common dwellings;
- **A/5** low quality dwellings;
- **A/6** rural dwellings;
- **A/7** detached houses;
- **A/8** villas;
- **A/9** castles and historical-artistic buildings;
- **A/10** offices and private studios;
- **A/11** houses and dwellings typical of the area.

Before 2008 the assessments of the market value of properties under Euro 130 thousand were not carried out externally; if the relevant lending body was not able to carry out an assessment or if deemed it necessary, such entity could still request an external appraiser for carrying out that assessment.

For residential properties with a value exceeding Euro 130 thousand the assessment of the market value was carried out by an external appraiser; for non residential properties or in case of mortgages to non individuals/private borrowers, the assessment of the market value was carried out by an external appraiser.

Since 2008 the assessment of the market value of the mortgaged property inclusive of all its appurtenances if any, can be performed through external independent appraisers. Carige maintained a panel of Approved Surveyors who can be accepted to provide property valuation. All accepted Surveyors must be Chartered and Members of the Approved Surveyors ("**Elenco Periti di Fiducia**") and their performance is monitored by Carige which periodically reviews the composition of the panel. Each appraiser is allocated to a specific case by the Network Manager, with no discretion by the borrower.

Since 2011, the Banca Carige Group has complied with the ABI guidelines for the correct and consistent evaluation process of the pledged property. From 2014, the Group has allocated to a network of appraisers managed by an independent company the appraisals on property as collateral for loans with the following characteristics:

- residential mortgage to private customers;
- commercial mortgage with a maximum amount of funding amounting to Euro 3 million; and
- building loans with a maximum amount of funding amounting to Euro 300 thousand.

All the assessments of the market value are based on a full physical inspection, completed and certified by photographic evidence which is included and archived with all the loan documentation. The technical report must contain an accurate description of the property and of the local property market.

After receiving the assessment of the market value by the branch, a review is carried out to verify that this report contains indications of the intrinsic value of the property (cost of construction and reconstruction), the prudent appraisal value ("**valore cauzionale**"), the market value and the method used for calculating such values.

If the amount of the loan is higher than Euro 3 million, the property appraisal is performed by skilled appraisers and checked by the Manager of the Technical Department of the Bank and confirmed every year.

The value of all property constituting mortgage collateral is updated at least annually with a centralised process and the use of an index (distributed by Nomisma).

Note

In particular circumstances it is possible to take as guarantee a property other than the one subject of the specific loan transaction, or in addition to it, when current conditions and/or the value of the property to be mortgaged are not such as to provide adequate capital guarantee for loan issuance.

Decision, Stipulation and Loan Issuance

Banca Carige Group has independently identified stricter management rules, designed to further weaken an excessive level of risk concentration.

These rules are reflected in lower maximum limits of risk for corporate group against the Banking Group. It is a detection limit of risk Banking Group up to 120 million euro, with a sub-limit for each bank as follows:

	Concentration limits (€)	**Group concentration limit (€)**
Banca Carige Spa	90 millions	
Banca del Monte di Lucca Spa	4 millions	
Banca Cesare Ponti Spa	0.5 millions	120 millions

Each file processed is submitted to the judgment (granted\rejected) of a decision-making body, whose selection is based on the decision-making policy in force at the Seller.

Credit limits for lending bodies and officers of Carige for each loan (corporate and large corporate) are defined in function of expected loss and with a maximum, as below:

	EL[(1)]	Max amount (Euro) "Mutuo fondiario"	Max amount (Euro) "Mutuo edilizio e Mutuo fondiario a s.a.i."	Max amount (Euro) "Mutuo di liquiditá"
Branch Manager	l%	200,000	0	0
Senior Branch Manager	1.2%	300,000	0	0
Corporate Lending Analyst	13%	3,000,000	500,000	1,000,000
Chief Lending Officer [(2)]	30%	8,000,000	8,000,000	8,000,000
Lending Committee [(3)]	[(5)]	8,000,000 -50,000,000	8,000,000 -50,000,000	8,000,000 -50,000,000
Executive Committee [(4)]	[(5)]	8,000,000 -50,000,000	8,000,000 -50,000,000	8,000,000 -50,000,000
Board of Directors	-	Over 50,000,000	Over 50,000,000	Over 50,000,000

(1) The percentage limit is obtained: Total e EL amount/Total risk (direct, indirect, of the group) amount

(2) Delegated to Retail Lending Manager

(3) Lending Committee is composed of Chief Lending Officer as a President, Chief Commercial Officer as a Vice President, Banca Carige Vice President, Credit Policy and Credit Monitoring Manager, Corporate Lending Manager, Retail Lending Manager, NPL Manager and Credit Recovery Manager

(4) Executive Committee is composed of Carige CEO, Carige President and Carige Vice President as ex-officio member, three members elected by the Board of Directors and Board of Statutory Auditors members

(5) Lending Committee: expected loss < Euro 500,000, Executive Committee: expected loss > 500,000

Furthermore, credit limits for retail sector are defined in function of expected loss and with a maximum risk, as below:

		Max amount (Euro) "Mutuo fondiario"	Max amount (Euro) "Mutuo edilizio e Mutuo fondiario a s.a.l."		Max amount (Euro) "Mutuo di liquiditá"
	EL[(1)]	Households	Small Business and POE	Small Business and POE	Small Business and POE
Branch Manager	1%	360,000	200,000	0	0
Senior Branch Manager	1.2%	400,000	300,000	0	0
Area Manager	13%	2,400,000		500,000	1,000,000
Retail Lending Analyst	5%		500,000	0	100,000
Chief Lending Officer[(2)]	30%	8,000,000	8,000,000	8,000,000	8,000,000
Lending Committee [(3)]	[(5)]	8,000,000 - 50,000,000	8,000,000 - 50,000,000	8,000,000 - 50,000,000	8,000,000 - 50,000,000
Executive Committee [(4)]	[(5)]	8,000,000 - 50,000,000	8,000,000 - 50,000,000	8,000,000 - 50,000,000	8,000,000 - 50,000,000
Board of Directors	--	Over 50,000,000	Over 50,000,000	Over 50,000,000	Over 50,000,000

(1) The percentage limit is obtained: Total e EL amount/Total risk (direct, indirect, of the group) amount

(2) Delegated to Retail Le/ding Manager

(3) Lending Committee is composed of Chief Lending Officer as a President, Chief Commercial Officer as a Vice President, Carige Vice President, Credit Policy and Credit Monitoring Manager, Corporate Lending Manager, Retail Lending Manager, NPL Manager and Credit Recovery Manager

(4) Executive Committee is composed of Carige CEO, Carige President and Carige Vice President as ex-officio member, three members elected by the Board of Directors and Board of Statutory Auditors members

(5) Lending Committee: expected loss < € 500,000, Executive Committee: expected loss > € 500.000

The other Sellers besides Carige have different limited decisional powers.

These rigorous limits are set to allow loan officers with higher responsibilities to deal with more complex applications.

Once issuance of the loan has been approved, the Seller will prepare documents to stipulate the agreement.

5. Carige Collection policies

Performing loans

In most cases payments of instalments under the mortgage loans are made via direct debit of the current accounts of the mortgagors held with Carige; the remainings are settled by SDD from other banks.

Management of arrears

Carige monitors the payments made by its clients under the mortgage loans on a continuous basis.

Once Carige determines that payment has not been made, the borrower will automatically receive a standard letter. If the unpaid instalment is not settled, the branch will informally contact the borrower in order to resolve the situation and to obtain knowledge about the client's financial situation.

Classification policies

The classification policies of mortgage loans follow the criteria set by Carige from time to time, such criteria also reflecting the relevant provisions issued by the Bank of Italy. Carige classifies loans into five categories:

(a) Receivables in bonis (loans which are not in arrears);

(b) Receivables in Arrears: comprise the loans past due and / or overdrawn at the reference date of the report are past due by more than 90 days although inclusive of one or more lines of credit to be granted ("**forborne exposure**"). The expired or status must be of a continuing nature.

Loans past due are subject to automatic classification as to their determination not recur company valuations but automatic procedural.

(c) Likely Default (*Inadempienza Probabile*): with effect 1/1/2015 the definition of impaired financial assets was changed. As a result of regulatory intervention were three categories of non-performing assets: non-performing loans, likely defaults, past due and /or overdrawn exposures. The categories of problem loans, substandard loans and restructured loans were suppressed.

In particular, it was introduced a new definition of likely default ("unlikely to pay"): a classification in that category is above all the result of the judgment of the bank about the improbability, without recourse to actions such as realising guarantees, the obligor is in full (principal and /or interest) to its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid. It is not, therefore, need to wait for explicit symptom of abnormality (failure to repay), where there are elements which imply a risk situation of the debtor (for example, may only be necessary to a crisis in the industry in which the debtor). The complex of cash and "off balance sheet" to a same borrower who pays the above situation is called "probable failure" unless it fulfills the criteria for the classification of the debtor among the non-performing loans.

(d) *Defaulted Receivables (Crediti in sofferenza)* (loans where the debtor is in serious and long term difficulty or is insolvent even if not ascertained by a court).

Carige classifies a loan as Defaulted Receivables in all cases where the client is:

(i) in serious and long term economic and financial difficulty;

(ii) insolvent (even if not ascertained by a court); or

(iii) subject to insolvency or liquidation proceedings (*concordato preventivo*, *amministrazione straordinaria*, *fallimento* and *liquidazione coatta amministrativa*).

Mortgage loans (*mutui ipotecari*) are classified as *in sofferenza* in all cases where:

(1) a payment injunction has been served on the debtor; or

(2) action has been commenced in enforcement proceedings brought by third parties; or

(3) the borrower is subject to insolvency proceedings.

On 20 January 2015, the definition of non-performing financial assets in the regulations relating to separate and consolidated supervisory reporting[7] were amended in order to align them to the new notions of Non-Performing Exposures and Forbearance introduced by the implementing technical standards relating to the harmonised consolidated supervisory statistical reports defined by the European Banking Authority approved by the European Commission on 9 January 2015 (the Implementing Technical Standards, "**ITS**").

The changes apply from 1 January 2015 with the exception of the provisions regarding Forborne performing exposures which apply from 1 July 2015.

According to the Bank of Italy, for supervisory statistical reporting purposes, non-performing financial assets are divided into the categories of bad loans, unlikely to pay and past due loans and/or in excess of limits; the sum of these categories corresponds to the aggregate Non-Performing Exposures of the ITS.

The category of "exposures subject to concessions" was also introduced, a definition which coincides with that of "exposures subject to tolerance measures" present in the consolidated supervisory statistical reports (circular No. 115 Section I "*FINREP*").

The notion of substandard exposures and restructured exposures was cancelled.

Included under the scope of application of the new categories of non-performing financial assets are on balance sheet financial assets (loans and debt securities) and "off-balance sheet financial assets" (guarantees issued, irrevocable and revocable commitments to supply funds) other than financial instruments allocated in the accounting portfolio "*Financial assets held for trading*" and derivative contracts. For the purpose of classifying financial assets among non-performing assets, the existence of any (real or personal) guarantees established to safeguard the assets is disregarded.

Included under the scope of application of the new categories of "exposures subject to concessions" are on-balance sheet financial assets (loans and debt securities) and "off-balance sheet financial assets" (irrevocable and revocable commitments to supply funds) other than financial instruments allocated in the accounting portfolio "*Financial assets held for trading*", guarantees issued and derivative contracts.

The main characteristics of unlikely to pay loans, the new definition of past due assets and/or in excess of limits and exposures subject to concessions are listed below.

Likely Defaults (Unlikely to pay loans)

Credit exposures, other than bad loans, for which the bank judges that the borrower will be unlikely to repay his/her credit obligations in full (principal and/or interest) without recourse to actions such as the enforcement of the guarantees. Exposures to retail subjects can be classified in the category of unlikely to pay loans at the level of single transactions, rather than individual borrowers, **provided that** the bank evaluates that the conditions for classifying a collection of exposures to the same borrower do not exist.

Receivables in Arrears (Past due loans and/or in excess of limits)

Exposures, other than those classified under bad loans or Likely Defaults, which, at the reporting date, are overdue and/or in excess of limits by more than 90 days and exceed a pre-set materiality threshold. Exposures overdue and/or in excess of limits can, alternatively, be calculated with regard to the individual borrower or - for exposures to retail subjects only - to the single transaction. Consistent with the requirements of the ITS, in the case of individual borrowers there is a materiality threshold which refers to the share overdue and/or in excess of limits. Pending harmonisation of the materiality threshold at European level, the existing national threshold, equal to 5% of the greater of the two following values, is confirmed:

(1) average of the share overdue and/or in excess of limits over the entire exposure measured on a daily basis in the latest previous quarter;

[7] The new provisions are contained in the 7th update of circular No. 272 "Accounting Matrix", in the 13th update of circular No. 217 "*Manual for completing Supervisory Reports for Financial Intermediaries, Payment Institutes and IMEL*" and in the 20th update of circular No. 115 "*Instructions for completing Supervisory Reports on a consolidated basis*".

(2) share overdue and/or in excess of limits over the entire exposure as at the reporting date.

For the purpose of determining the amount of the exposure overdue and/or in excess of limits the overdue positions and the existing loans in excess of limits for several lines of credit can be offset with existing margins available on other lines of credit granted to the same borrower, while in the case of the single transaction approach there is a mechanism, called the pulling effect, based on which, if the past due single exposure is equal to or more than a certain threshold, all exposures to said retail borrower are considered as overdue and/or in excess of limits. In line with the ITS, the pulling effect is triggered if the entire amount of the balance sheet exposures overdue and/or in excess of limits by more than 90 days in relation to the entirety of balance sheet exposures to said borrower is equal to or more than 20%.

Exposures subject to concessions

Exposures subject to concessions (forbearance) include:

(A) exposures subject to non-performing concessions, which correspond to "Non-performing exposures with forbearance measures" in the ITS. These exposures, depending on the individual cases, represent bad loans, Likely Defaults or exposures that are overdue and/or in excess of limits; they do not therefore form a separate category of non-performing assets;

(B) other exposures subject to concessions, which correspond to "Non-performing exposures with forbearance measures" in the ITS.

With reference to the categories of Likely Defaults and Receivables in Arrears, the Banca Carige Group had adopted the definition of "borrower default" with regard to the borrowers' total obligations for all segments of customers.

With reference to the manage of the non performing loans, it should be noted that, on 21 December 2017, the Issuer signed with Credito Fondiario S.p.A. a binding agreement for the sale of the business segment relating to the management platform for impaired loans together with the signing of a multi-year servicing contract. The definitive agreement for the sale of the bad credit management platform to Credito Fondiario was finalized on 10 May 2018,

6. The Network Banks

Management is of the view that local presence guarantees more accurate interpretation of trends on the ground, faster decision-making and encourages and improves customer loyalty and the management of credit risk. As a consequence, the identities and brand names of individual local banks are enhanced. The network banks operate in their original local markets with the objective of consolidating and broadening customer relations and maximising the economic value and the quality of the services they provide at local level.

The network banks use services and instruments and offer services and products, made available by the Parent Bank and the other product companies of the Group.

As part of the Group's Rules and Procedures, special Directives have been issued for credit risk control purposes, and such Directives also impose operating limits.

In particular, in the case of credit line applications which exceed the limits established from time to time by the Parent Bank, the Banks belonging to the Banca Carige Group must obtain a preliminary mandatory, non-binding opinion from the Parent Bank.

The operating modalities applicable to credit risk management matters are substantially the same for all of the Banks belonging to the Group.

6.1 *BML Collection policies*

Performing loans

In most cases payments of instalments under the mortgage loans are made via direct debit of the current accounts of the mortgagors held with BML; or are settled by SSD from other banks.

Management of arrears

BML monitors the payments made by its clients under the mortgage loans on a continuous basis.

Once BML determines that payment has not been made, the borrower will automatically receive a standard letter. If the unpaid instalment is not settled, the branch will informally contact the borrower in order to resolve the situation and to obtain knowledge about the client's financial situation.

Classification policies

The classification policies of mortgage loans follow the criteria set by the Parent Bank.

Pre-litigation management

All of the Banks belonging to the Group follow uniform policies for the management and monitoring of late payments of unsecured loans and mortgage loans.

The classification of customers, the timeframe for taking action and the relevant IT supports are identical to those implemented by the Parent Bank. For further details on this matter, reference is made to the indications provided by Banca Carige in its Collection Policy.

Positions are monitored on a periodic basis by the bodies in charge of monitoring within the Bank and the Banca Carige Group, in a dynamic manner in line with the evolution of the situation, also with support from the Department in charge.

Such bodies make decisions on the appropriate actions to be taken for risk management purposes. In particular, in cases in which a specific repayment plan has been agreed, they will monitor the compliance with such plan and, in cases where customers fail to comply, will take actions to solicit the payments due. In other cases, they will ensure that the counterparty makes constant and congruous payments which lead to positive results in terms of reduction of the exposure.

The management of positions with regard to which no payments have been made for a period considered significant, or for a period exceeding 12 (twelve) months starting from the expiry of the first unpaid installment, is handled on a centralised basis by the Credit Recovery Department of the Parent Bank which handles the commencement of legal actions for the recovery of the receivable.

Except in cases that are particularly serious and urgent, the revocation of positions at risk is decentralised and managed at the dedicated units within BML.

Once (due to, e.g. inertia on the part of the debtors, breach of the agreed repayment plans, etc.) it becomes necessary to start legal action for the forced recovery of the receivable, the management of the position is transferred back to the Parent Bank's main offices for centralised management.

Recovery strategies and provisioning policy

The criteria followed by BML for the registration and classification of non performing positions reflect the requirements expressly set forth in Bank of Italy's regulations: therefore, essentially, the position is revoked when elements are present which lead to the conclusion that the customer is "in a state of insolvency, even if not confirmed by a court of law".

An administrative servicing agreement is in place between BML and the Parent Bank pursuant to which Banca Carige, without prejudice to the group-wide governance and direction prerogatives which rest with the latter in its capacity as Parent Bank, undertakes to perform a series of services on behalf of BML, in accordance with its own operating and organisational criteria.

Such services also include activities pertaining to the collection and recovery of non performing receivables.

The collection and recovery activities related to such receivables are therefore centralised with the Parent Bank's Credit Recovery Department which acts as agent with powers of representation for BML for the performance, in both in-court and out-of-court settings, of all acts, activities, requirements and

formalities deemed necessary and/or useful for purposes of managing and perfecting any legal actions and the recovery of the receivables.

For further details on this matter, reference is made to the indications provided by the Parent Bank in its Collection Policy.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer guaranteed by the Guarantor. The Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Representative of the Covered Bondholders on the Guarantor of either a Notice to Pay or, if earlier, following the occurrence of a Guarantor Event of Default, service by the Representative of the Covered Bondholders of an Acceleration Notice on the Guarantor. The Issuer will not be relying on payments by the Guarantor in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders:

(a) the Covered Bond Guarantee provides credit support to the Issuer;

(b) the Mandatory Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;

(c) the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds prior to the service of a Notice to Pay, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralisation with respect to the Cover Pool;

(d) the Amortisation Test is periodically performed, following the occurrence of an Issuer Event of Default and service of a Notice to Pay, for the purpose of testing the asset coverage of the Guarantor's assets in respect of the Covered Bonds;

(e) the Swap Agreements are intended to hedge certain interest rate, currency or other risks in respect of amounts received and amounts payable by the Guarantor;

(f) a Reserve Account is established which will build up over time using excess cash flow from Interest Available Funds, in order to ensure that the Guarantor will have sufficient funds set aside to fulfil its obligation to pay interest accruing with respect to the Covered Bonds.

Certain of these factors are considered more fully in the remainder of this section.

Covered Bond Guarantee

The Covered Bond Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts on the Due for Payment Date in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason. In this circumstance (and until a Guarantor Event of Default occurs and an Acceleration Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts on the Due for Payment Date.

See further "*Description of the Transaction Documents — Covered Bond Guarantee*", as regards the terms of the Covered Bond Guarantee.

Tests

Under the terms of the Cover Pool Administration Agreement, the Sellers and the Issuer must ensure that the Cover Pool is in compliance with the Tests described below.

See section "*Description of the Transaction Documents – Cover Pool Administration Agreement*".

Mandatory Tests

For so long as the Covered Bonds remain outstanding, the Sellers and the Issuer shall procure on a ongoing basis and for the whole life of the Programme that each of the following tests is met:

(A) the outstanding aggregate notional amount of the assets comprised in the Cover Pool shall be at least equal to, or higher than, the aggregate notional amount of all outstanding Series of Covered Bonds (the "**Nominal Value Test**");

(B) the net present value of the Cover Pool (net of the transaction costs to be borne by the Guarantor including the expected costs of any hedging arrangement entered into in relation to the transaction) shall be at least equal to, or higher than, the net present value of the outstanding Covered Bonds, also taking into account the payments expected to be received under the hedging arrangements (the "**NPV Test**");

(C) the amount of interests and other revenues generated by the assets included in the Cover Pool, net of the costs borne by the Guarantor, shall be at least equal to, or higher than, the interests and costs due by the Issuer under the Covered Bonds, taking also into account any hedging arrangements entered into in relation to the transaction (the "**Interest Coverage Test**"),

(the tests above are jointly defined as the "**Mandatory Tests**").

The Calculation Agent, on the basis of the information provided to it pursuant to the Transaction Documents, shall verify compliance with the Mandatory Tests on each Calculation Date and on any other date on which the verification of the Mandatory Tests is required pursuant to the Transaction Documents.

Prior to the occurrence of an Issuer Event of Default, the Nominal Value Test is deemed to be met if the Asset Coverage Test (as defined below) is met. Following the occurrence of an Issuer Event of Default, the Nominal Value Test will be deemed to be met if the Amortisation Test (as defined below) is met.

The calculations performed by the Calculation Agent in respect of the Mandatory Tests will be tested from time to time by the Asset Monitor in accordance with the provisions of the Asset Monitor Agreement.

Asset Coverage Test

Starting from the Issue Date of the first Series of Covered Bonds and until the earlier of:

(A) the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Conditions;

(B) the date on which a Notice to Pay is served on the Guarantor,

(C) the Sellers and the Issuer undertake to procure that on any monthly Calculation Date, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds (the "Asset Coverage Test", and together with the Mandatory Tests, collectively, the "Tests").

For the purpose of calculating the Asset Coverage Test, "**Adjusted Aggregate Loan Amount**" means an amount equal to

A+B+C+D-Y-Z-W

Where

A is equal to the lower of (i) and (ii),

where:

means the sum of the "**LTV Adjusted Principal Balance**" of each Mortgage Loan in the Cover Pool, which shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Mortgage Loan in the Cover Pool as calculated on the last day of the immediately preceding Collection Period, and (2) the Latest Valuation relating to that Mortgage Loan multiplied by M (where (a) for all Mortgage Loans that are less than three months in arrears or not in arrears, M = 80 per cent. for residential mortgage loans and, M= 60 per cent. for commercial mortgage loans; (b) M=40 per cent. for all Delinquent Receivables; and (c) M=0 per cent. for all Defaulted Receivables and/or for all Renegotiated Loans)

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Cover Pool if any of the following occurred during the previous Collection Period:

(a) a Mortgage Loan was, in the immediately preceding Collection Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreement and the relevant Seller has not indemnified the Guarantor to the extent required by the terms of the Warranty and Indemnity Agreement (any such Mortgage Loan an "**Affected Loan**"). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the last day of the immediately preceding Collection Period) will be deemed to be reduced by an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the last day of the immediately preceding Collection Period); and/or

(b) the relevant Seller, in any preceding Collection Period, was in breach of any other material warranty under the Master Transfer Agreement and/or such Servicer was, in any preceding Collection Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the last day of the immediately preceding Collection Period) will be deemed to be reduced, by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Collection Period (such financial loss to be calculated by the Calculation Agent without double counting and to be reduced by any amount paid (in cash or in kind) to the Guarantor by the relevant Seller to indemnify the Guarantor for such financial loss) (any such loss a "**Breach Related Loss**");

AND

means the aggregate "**Asset Percentage Adjusted Principal Balance**" of the Mortgage Loans in the Cover Pool minus the aggregate sum of any Breach Related Losses occurred during the previous Collection Period calculated as described under (i)(b) above. In relation to each Mortgage Loan the Asset Percentage Adjusted Principal Balance shall be the Asset Percentage (defined below) multiplied by {(the lower of (1) and (2)) minus (3)}, where:

(1) the actual Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the last day of the immediately preceding Collection Period;

(2) the Latest Valuation relating to that Mortgage Loan multiplied by N (where N = 1 for all Mortgage Loans that are less than three months in arrears or not in arrears, N = 40 per cent. for all Delinquent Receivables and N = 0 per cent. for all Defaulted Receivables and/or for all Renegotiated Loans);

(3) Asset Percentage Adjusted Principal Balance of the relevant Mortgage loan if it is deemed to be an Affected Loan.

B is equal to the aggregate of the amounts standing to the credit of the Accounts at the end of the immediately preceding Collection Period which have not been applied as at the relevant Calculation Date to acquire further Receivables or otherwise applied in accordance with the relevant Priority of Payments;

C is equal to the aggregate outstanding principal balance of any Integration Assets (excluded those already accounted for under item B above) and/or Eligible Investments as at the end of the previous Collection Period;

D is equal to the aggregate outstanding principal balance of any Public Assets and ABS as at the end of the immediately preceding Collection Period, which will be reduced by a percentage based on a methodology commensurate with the then-current ratings of the Covered Bonds;

Y is equal to the higher of the Potential Set-Off Amount 1 and the Moody's Potential Set-Off Amount;

Z is equal to the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor, and

W is equal to the higher of the Potential Commingling Amount 1 and the Moody's Potential Commingling Amount.

"**Potential Commingling Amount 1**" means (i) nil, if (a) the Issuer's short and long term ratings are at least F1 and A by Fitch (**provided that**, if the Issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating) and (b) the Issuer's long term ratings are at least Minimum DBRS Rating by DBRS or (c) if

one of the remedies provided for under Clause 15.4 (i) and 15.4 (iii) of the Servicing Agreement has been put in place, otherwise (ii) 1.6 % of the aggregate outstanding principal balance of the Cover Pool. The Potential Commingling Amount 1 will be updated at least on a quarterly basis.

"**Moody's Potential Commingling Amount**" means (i) nil, if the Issuer's short term rating is at least P1 by Moody's or if one of the remedies provided for under Clause 15.5(i) and 15.5 (iii) of the Servicing Agreement has been put in place, otherwise (ii) 2.1 % of the aggregate outstanding principal balance of the Cover Pool. The Moody's Potential Commingling Amount will be updated at least on a quarterly basis according to Moody's methodology.

"**Moody's Potential Set-Off Amounts**" means (i) nil, if the Issuer's short term rating is at least P1 by Moody's, otherwise (ii) the aggregate outstanding principal balance of the Cover Pool that could potentially be lost as a result of the relevant Debtors exercising their set-off rights, and which in any case will never be higher than the Moody's Set-Off Exposure. Such amount will be calculated by the Calculation Agent on each Calculation Date and/or other date on which the Test is to be carried out pursuant to the provisions of this Agreement and any other Transaction Documents, as the case may be, except when the Issuer's short term rating is at least P1 by Moody's. The Moody's Potential Set-Off Amount will be updated at least on a quarterly basis and after any transfer of Receivables to the Guarantor.

"**Moody's Set-Off Exposure**" means for each Debtor the lower of:

(i) the greater of a) the aggregate amount of cash, certificates of deposit, saving accounts, deposited by the Debtor with the relevant Seller at the Transfer Date of the relevant Mortgage Loan up to the immediately preceding Collection Period, as subsequently reduced by the use of such balance from the Debtor, minus the Moody's Deposit Compensation and b) zero.

(ii) the aggregate of the outstanding principal balance of the Mortgage Loan for a Debtor up to the immediately preceding Collection Period.

"**Moody's Deposit Compensation**" means for each Debtor the lower of:

(i) the greater of a) the aggregate amount of cash, certificates of deposit, saving accounts, deposited by the Debtor with the relevant Seller at the Transfer Date of the relevant Mortgage Loan up to the immediately preceding Collection Period, as subsequently reduced by the use of such balance from the Debtor, minus the instalments due and paid under the relevant Mortgage Loan over the immediately preceding two months, and b) zero.

(ii) the Compensation Threshold.

"**Compensation Threshold**" means an amount as deemed appropriate according to Moody's methodology.

"**Potential Set-Off Amounts 1**" means (i) nil, if (a) the Issuer's short and long term ratings are at least F1 and A by Fitch (**provided that**, if the Issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating), and (b) the Issuer's long term ratings are at least Minimum DBRS Rating by DBRS otherwise (ii) 2% of the aggregate outstanding principal balance of the Cover Pool. Such amount will be calculated by the Calculation Agent on each Calculation Date and/or other date on which the Test is to be carried out pursuant to the provisions of this Agreement and any other Transaction Documents, as the case may be, except when the Issuer's short and long term ratings are at least (aa) F1 and A by Fitch (**provided that**, if the Issuer is on rating watch negative, it shall be treated as one notch below its current Fitch rating) and (bb) Minimum DBRS Rating by DBRS. The Potential Set-Off Amount 1 will be updated on an annual basis according to the methodology deemed appropriate by Fitch and DBRS.

"**Negative Carry Factor**" means a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.50 per cent..

"**Renegotiated Loan**" means a Mortgage Loan included in the Cover Pool whose relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing legislative decree No. 185 of 29 November 2008, as converted into law through law No. 2 of 28 January 2009, or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009, during the suspension period or whose relevant borrower has requested a renegotiation in accordance with law decree No. 70 of 13 May 2011.

"**Asset Percentage**" on any Calculation Date shall be the lowest of:

(i) 90 per cent.;

(ii) the percentage figure as selected from time to time by the Guarantor and/or the Calculation Agent and notified by the Guarantor and/or the Calculation Agent to the Representative of the Covered Bondholders on such Calculation Date or, where the Guarantor and/or the Calculation Agent has selected and (if the Representative of the Covered Bondholders so requests) the Representative of the Covered Bondholders has been notified of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification, if applicable, being the asset percentage required to ensure that the Covered Bonds maintain the then current ratings assigned to them by Fitch and DBRS; and

(iii) the percentage figure as selected from time to time by the Guarantor and/or the Calculation Agent and notified by the Guarantor and/or the Calculation Agent (if the Representative of the Covered Bondholders so requests) to the Representative of the Covered Bondholders on such Calculation Date or, where the Guarantor and/or the Calculation Agent has selected and (if the Representative of the Covered Bondholders so requests) the Representative of the Covered Bondholders has been notified of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification, if applicable, being the difference between 100 per cent. and the amount of credit enhancement required to ensure that the Covered Bonds achieve an Aaa rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time).

For the avoidance of doubt, the Asset Percentage may not, at any time, exceed 90 per cent.. The Asset Percentage will be published on the Investor Report to be delivered by the Calculation Agent pursuant to the provisions of the Cash Management and Agency Agreement.

Notwithstanding anything set out above, the Rating Agencies will not be required to provide a calculation of the Asset Percentage on a regular basis.

"**Latest Valuation**" means the most recent valuation of the relevant property performed in accordance with the BoI Regulations.

The Amortisation Test

For so long as the Covered Bonds remain outstanding, on each Calculation Date following the occurrence of an Issuer Event of Default, the Amortisation Test Aggregate Loan Amount shall be equal to or higher than the Principal Amount Outstanding of the Covered Bonds (the "**Amortisation Test**").

For the purpose of calculating the Amortisation Test the "**Amortisation Test Aggregate Loan Amount**" means an amount equal to A+B+C+D-Z

Where:

A is the lower of:

(a) the actual Outstanding Principal Balance of each Mortgage Loan as calculated on the last day of the immediately preceding Collection Period multiplied by M; and

(b) the Latest Valuation multiplied by M, where for all the Mortgage Loans that are less than three months in arrears or not in arrears M = 100 per cent. for residential mortgage loans, M = 100 per cent. for commercial mortgage loans, for all the Delinquent Receivables M = 85 per cent. and or for all the Defaulted Receivables M = 60 per cent.;

B is equal to the aggregate of the amounts standing to the credit of the Accounts at the end of the immediately preceding Collection Period which have not been applied as at the relevant Calculation Date to acquire further Receivables or otherwise applied in accordance with the relevant Priority of Payments;

C is the aggregate outstanding principal balance of any Integration Assets (excluded those already accounted for under item B above) and/or Eligible Investments as at the end of the immediately preceding Collection Period;

D is the aggregate outstanding principal balance of any Public Assets and ABS as at the end of the immediately preceding Collection Period, which will be reduced by a percentage based on a methodology deemed commensurate with the then-current ratings of the Covered Bonds; and

Z is the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.

The Calculation Agent shall verify compliance with the Amortisation Test and the Mandatory Tests on each Calculation Date following the occurrence of an Issuer Event of Default and on any other date on which the verification of the Amortisation Test and the Mandatory Tests is required pursuant to the Transaction Documents and shall inform the Representative of the Covered Bondholders if a breach of the Amortisation Test and the Mandatory Test has occurred.

For the purposes of verification of the Amortisation Test and the Mandatory Tests, the Nominal Value Test is deemed to be met if the Amortisation Test is met.

If a breach of the Amortisation Test, or of the Mandatory Tests, occurs then a Guarantor Event of Default shall occur and the Representative of the Covered Bondholders will serve an Acceleration Notice to the Guarantor declaring that a Guarantor Event of Default has occurred, unless the Representative of the Covered Bondholders resolves otherwise or an Extraordinary Resolution is passed resolving otherwise.

Required Reserve Amount

"**Required Reserve Amount**" means, if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F-1+ by Fitch and P-1 by Moody's and R-1 (High) by DBRS, nil or such other amount as the Issuer shall direct the Guarantor from time to time and otherwise, an amount which will be determined on each Calculation Date and which will be equal to the aggregate amount of (a) one fourth of the annual amount payable under items (ii) and (iii) of the Pre-Issuer Event of Default Interest Priority of Payments; (b) any interest amounts due in the next three months to the Covered Bond Swap Counterparties in respect of each relevant Covered Bond Swap or, if no Covered Bond Swap has been entered into or if it has been entered into with Banca Carige in relation to a Series of Covered Bonds, the interests amounts due in relation to that Series of Covered Bonds in the next three months and (c) Euro 400,000.00. See further "*Description of the Transaction Documents — Cover Pool Administration Agreement*".

ACCOUNTS AND CASH FLOWS

The following accounts shall be established and maintained with the Account Banks as separate accounts in the name of the Guarantor. Find below a description of the deposits and withdrawals in respect of the accounts:

(a) **The Expense Account**

(i) ***Payments into the Expense Account.*** (A) On the Initial Issue Date the Expense Required Amount will be credited on the Expense Account; (B) the proceeds of any advances made to the Guarantor under the Subordinated Loan Agreement will be paid on the Expense Account; and (C) on each Guarantor Payment Date monies will be credited to the Expense Account in accordance with the applicable Priority of Payments until the balance of such account equals the Expense Required Amount;

(ii) ***Withdrawals from the Expense Account.*** (A) the proceeds of any advances made to the Guarantor under the Subordinated Loan Agreement will be applied to acquire the Initial Receivables and/or Subsequent Receivables and/or invest in Integration Assets pursuant to the provisions of the Master Transfer Agreement; (B) the Italian Account Bank will use the funds standing to the credit of the Expense Account to make payments relating to any and all documented fees, costs, expenses and taxes required to be paid pursuant to the instructions of the Corporate Servicer; (C) at the end of any Collection Period, the interest accrued on the credit balance of the Expense Account, if any, will be transferred to the Transaction Account; and (D) on the Guarantor Payment Date on which all Covered Bonds have been redeemed in full or cancelled and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Expense Account will be transferred to the Transaction Account and used to make payments in accordance with the applicable Priority of Payments.

"**Expense Required Amount**" means Euro 25.000.

(a) **The Quota Capital Account**

Payments into the Quota Capital Account. All the capital contributions of each quotaholder in the Guarantor and any interest accrued thereon are credited to the Quota Capital Account.

(b) **The Reserve Account**

(i) ***Payments into the Reserve Account.*** On each Guarantor Payment Date the Reserve Account will be credited with the proceeds of Interest Available Funds according to the Pre-Issuer Event of Default Interest Priority of Payments for the purpose of setting aside, on each Guarantor Payment Date, the relevant Required Reserve Amount and, in case of a Shortfall, with amounts advanced under the Liquidity Facility Agreement.

(ii) ***Withdrawals from the Reserve Account.***

(A) On each Guarantor Payment Date, prior to the service of a Notice to Pay, the funds standing to the credit of the Reserve Account in excess of the Required Reserve Amount will be applied by the Cash Manager as Interest Available Funds according to the Pre-Issuer Event of Default Interest Priority of Payments.

(B) Following the service of a Notice to Pay, the Guarantor will apply the funds standing to the Reserve Account in the event that, pursuant to the Covered Bond Guarantee, the Guarantor is required to pay all costs and expenses ranking under items (ii) to (iii) of the Post-Issuer Event of Default Interest Priority of Payments as well as amounts due under the Covered Bond Swaps or, as the case may be, under the Covered Bonds.

(C) At the end of any Collection Period, the interest accrued on the credit balance of the Reserve Account, if any, will be transferred to the Transaction Account.

(D) On the Guarantor Payment Date on which all Covered Bonds have been redeemed in full or cancelled and no more Covered Bonds may be issued under the Programme, any amounts standing to the credit of the Reserve Account will be transferred to the Transaction Account and used to make payments in accordance with the applicable Priority of Payments.

(c) **The Investment Account**

(i) ***Payments into the Investment Account.*** (i) amounts standing to the credit of the Transaction Account will be deposited upon discretion of the Investment Manager and (ii) on each Liquidation Date, by 17.00 (Italian time), the proceeds of the liquidation of the amounts invested in the Eligible Investments, if any, during the preceding Collection Period, will be credited.

(ii) ***Withdrawals from the Investment Account.***

(A) The funds standing to the credit of the Investment Account will be used to make Eligible Investments in accordance with Clause 6 (Duties of the Cash Manager) of the Cash Management and Agency Agreement; and

(B) at the end of any Collection Period, the interest accrued on the credit balance of the Investment Account and the proceeds of the liquidation of the amounts invested in the Eligible Investments during the preceding Collection Period, if any, will be transferred to the Transaction Account.

(d) **The Securities Account**

(i) ***Payments into the Securities Account.*** A Securities Account may be opened in the future on which all securities constituting Eligible Investments purchased by the Transaction Bank with the amounts standing to the credit of the Investment Account, pursuant to any order of the Cash Manager, and all Eligible Assets and Integration Assets consisting of securities will be deposited.

(ii) ***Withdrawals from the Securities Account***. (A) Not later than 4 (four) Business Days prior to each Guarantor Payment Date, the Eligible Investments standing to the credit of the Securities Account will be liquidated and proceeds credited to the Investment Account; and (B) the Eligible Assets and Integration Assets consisting of securities will be liquidated in accordance with the Cover Pool Administration Agreement and proceeds credited to the Investment Account promptly upon liquidation; and (C) at the end of any Collection Period, the interest accrued on the investments standing to the credit balance of the Securities Account, if any, will be transferred to the Investment Account.

(e) **The Transaction Account**

(i) ***Payments into the Transaction Account.***

(A) No later than 15.00, Italian time, of the Business Day immediately following the relevant date of receipt, any principal and interest payment in relation to the Eligible Assets and/or Integration Assets part of the Cover Pool received by the Servicers on behalf of the Guarantor pursuant to the Servicing Agreement, will be deposited into the Transaction Account.

(B) any amounts whatsoever received by or on behalf of the Guarantor pursuant to the Swap Agreements will be credited to the Transaction Account, except for collateral to be credited to the Collateral Account;

(C) all other payments paid to the Guarantor under any of the Transaction Documents including - for the avoidance of doubt – any indemnity paid by the Sellers in accordance with the Warranty and Indemnity Agreement will be credited to the Transaction Account;

(D) any interest accrued on any of the Accounts (except as otherwise provided under the Cash Management and Agency Agreement).

(ii) ***Withdrawals from the Transaction Account.***

(A) on each Guarantor Payment Date, the Cash Manager will, no later than 17.00 (Italian time), make those payments as are indicated in the relevant Payments Report;

(B) on each Guarantor Payment Date, the Cash Manager will, no later than 17.00 (Italian time), on behalf of the Guarantor, subject to the availability of sufficient Available Funds and in accordance with the Payments Report, transfer from the Transaction

Account to the Expense Account, the amounts necessary to replenish the Expense Account up to the Expense Required Amount;

(C) the Transaction Bank will transfer from the Transaction Account to the Investment Account, upon instruction of the Cash Manager, all or part of the funds credited on, and standing to the credit of, the Transaction Account on the relevant Investment Date;

(D) No later than 9.00 am London time, two Business Days prior to each Guarantor Payment Date falling after an Issuer Event of Default and delivery of a Notice to Pay but prior to a Guarantor Event of Default and delivery of an Acceleration Notice, the Cash Manager will transfer to the Italian Paying Agent the amounts necessary to execute payments of interests and principal due in relation to the outstanding Covered Bonds.

(f) **The Collateral Account**

If necessary, one or more Collateral Accounts may be opened in the future pursuant to the provisions of the Intercreditor Agreement. The funds standing to the credit of the Collateral Account (if any) will not form part of the Available Funds.

The Securities Account (if any), the Investment Account, the Reserve Account, the Transaction Account, the Expense Account, the Quota Capital Account, and the Collateral Account, are jointly referred to as the "**Accounts**".

No payment may be made out of the Accounts which would thereby cause or result in any such account becoming overdrawn.

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Master Transfer Agreement

Pursuant to a master transfer agreement entered into between the Sellers and the Guarantor, dated 14 November 2008, as further amended (the "**Master Transfer Agreement**"), the Sellers (other than Carige Italia) transferred without recourse (pro soluto) and with economic effects from and including the relevant Evaluation Date an initial portfolio of receivables to the Guarantor (the "**Initial Receivables**") and each of the Sellers will transfer without recourse (pro soluto) from time to time and on a revolving basis, further portfolios of Receivables, in the cases and subject to the limits indicated therein (the "**Subsequent Receivables**"), in the cases and subject to the limits for the transfer of further Eligible Assets and/or Integration Assets.

The portfolios to be transferred to the Guarantor according to the Master Transfer Agreement, will consists, from time to time, of receivables arising from:

(a) Italian residential and commercial mortgage loans (*mutui ipotecari residenziali e commerciali*) pursuant to Article 2, paragraph 1, lett. (a) and (b), of the MEF Decree (the "**Mortgage Loans**");

(b) loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c), of the MEF Decree (the "**Public Assets**"); and

(c) securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, lett. (d), of the MEF Decree (the "**ABS**").

The ABS, the Mortgage Loans and the Public Assets are jointly defined as the" **Eligible Assets**".

"**Evaluation Date**" means: (i) in respect of the Initial Receivables transferred by the Additional Sellers, 23 May 2011 at 00:01 and (ii) in respect of any of the Subsequent Receivables, the date indicated as such in the relevant offer for Subsequent Receivables.

Purchase Price

The purchase price payable for the Initial Receivables has been determined and the Purchase Price for the Subsequent Receivables will be determined pursuant to the provisions of the Master Transfer Agreement.

The Initial Receivables

The Initial Receivables, originated by the Sellers and to be transferred to the Guarantor according to the Master Transfer Agreement, consist of receivables arising from Mortgage Loans only.

The Subsequent Receivables

In accordance with the Master Transfer Agreement and the Cover Pool Administration Agreement, the Sellers may (or, in order to prevent or to cure a breach of the Mandatory Tests and the other tests provided for in the transaction documents, shall) transfer further Eligible Assets and/or Integration Assets (as defined below) in the following circumstances:

(a) to issue further series or tranches of Covered Bonds, subject to the limits to the assignment of further Eligible Assets set forth by the BoI Regulations (the "**Issuance Assignments**"); or

(b) to purchase further Eligible Assets in order to invest the Principal Available Funds deriving from Eligible Assets in accordance with the relevant Priority of Payments, (the "**Eligible Assets Revolving Assignments**");

(c) purchase further Integration Assets and/or Eligible Assets in order to invest Principal Available Funds deriving from Integration Assets in accordance with the relevant Priority of Payments (the "**Integration Assets Revolving Assignments**" and together with the Eligible Assets Revolving Assignments, the "**Revolving Assignment**"), or

(d) to ensure compliance with the Mandatory Tests and the other tests provided for in the transaction documents (the "**Integration Assignment**").

The Integration Assignment

The integration of the Cover Pool (whether through Integration Assets or Eligible Assets) shall be allowed solely for the purpose of complying with the Mandatory Test and the other tests provided for in the Transaction Documents or in view of meeting the Integration Assets Limit (as defined below) within the Cover Pool.

The integration of the Cover Pool shall be carried out through the Integration Assets **provided that**, the Integration Assets, prior to the occurrence of an Issuer Event of Default, shall not be, at any time, higher than 15 per cent. of the aggregate outstanding principal amount of the Cover Pool (the "**Integration Assets Limit**"), except where such Integration Assets are necessary for the repayment of the outstanding Covered Bonds.

"**Integration Assets**" means the assets mentioned in Article 2, paragraph 3, point 2 and 3, of the MEF Decree consisting of (a) deposits with banks residing in Eligible States; and (b) securities issued by banks residing in Eligible States with residual maturity not greater than one year.

Further Assignments

Each Subsequent Receivable shall be exclusively composed of Eligible Assets and/or Integration Assets, which comply with the general criteria indicated in the Annex 1 to the Master Transfer Agreement (the "**General Criteria**") and, if applicable in relation to the relevant transfer, the Specific Criteria attached to the relevant offer for sale sent by the Sellers to the Guarantor in accordance with the provisions of the Master Transfer Agreement, **provided that**, pursuant to the applicable law, total Integration Assets shall not exceed the Integration Assets Limit.

The obligation of the Guarantor to purchase any Subsequent Receivables shall be:

(a) conditional upon, for the carrying out of Revolving Assignments, (i) the existence of Principal Available Funds in accordance with the Pre-Issuer Event of Default Principal Priority of Payments and (ii) a breach of the Asset Coverage Test and of the Mandatory Tests does not occur after such assignment; and

(b) for the carrying out of Issuance Assignments and of the Integration Assignments, the funding of the requested amounts under the relevant Subordinated Loan, unless, with reference to the Integration Assignments, for the satisfaction of the Asset Coverage Test and of the Mandatory Tests through the purchase of further Eligible Assets, the use of Available Funds in accordance with the applicable Priority of Payments can suffice.

Price Adjustments

The Master Transfer Agreement provides a price adjustment mechanism pursuant to which:

(a) if, following the relevant effective date, any Receivable which is part of the Initial Receivables or of the Subsequent Receivables does not meet the Criteria, then such Receivable will be deemed not to have been assigned and transferred to the Guarantor pursuant to the Master Transfer Agreement;

(b) if, following the relevant effective date, any Receivable which meets the Criteria but it is not part of the Initial Receivables or of the Subsequent Receivables, then such Receivable shall be deemed to have been assigned and transferred to the Guarantor as of the Transfer Date of the relevant Receivables, pursuant to the Master Transfer Agreement.

Repurchase of receivables and Pre-emption right

Each of the Sellers is granted with an option right, pursuant to Article 1331 of Italian Civil Code, to repurchase the Receivables respectively assigned by it, also in different tranches, in accordance with the terms and conditions set out in the Master Transfer Agreement. In particular, pursuant to the Master Transfer Agreement, prior to the service of a Notice to Pay, each of the Sellers will have the right to repurchase Receivables transferred to the Guarantor under the Master Transfer Agreement if:

(a) such Receivables have became non-eligible in accordance with the MEF Decree;

(b) such Receivables derive from Affected Loans;

(c) such Receivables are Defaulted Receivables (*Crediti in Sofferenza*) or Delinquent Receivables (*Crediti ad Incaglio*);

(d) to purchase Receivables in relation to which a request of renegotiation has been submitted by the relevant debtor;

(e) to purchase Receivables to be selected on a random basis **provided that** the repurchase does not result in a breach of the Tests;

(f) to purchase Receivables forming part of the Cover Pool after the date in which all the outstanding Covered Bonds have been redeemed.

According to Article 11 of the Master Transfer Agreement, each of the Sellers is granted a pre-emption right to repurchase the Receivables respectively assigned by it to be sold by the Guarantor to third parties, at the same terms and conditions provided for such third parties.

Substitution of the Eligible Assets and the Integration Assets

Further to the relevant effective date, each of the Sellers will have the option to repurchase from the Guarantor without recourse (*pro soluto*) further portfolios of receivables arising from the Eligible Assets, in accordance with the BoI Regulations, for the purposes of:

(a) substitution of Eligible Assets which have became non-eligible in accordance with the MEF Decree, in exchange for new Eligible Assets;

(b) substitution of Eligible Assets which are still eligible assets which fall within the scope of lett. (b), (c), (d), and (e) of the preceding paragraph "*Repurchase of receivables and Pre-emption right*", in exchange for new Eligible Assets;

(c) substitution of Integration Assets forming part of the Cover Pool in exchange for new Eligible Assets.

Termination of the Guarantor's obligation to purchase and termination of the agreement

Pursuant to the Master Transfer Agreement, the obligation of the Guarantor to purchase Subsequent Receivables from any of the Sellers shall terminate upon the occurrence of any of the following: (a) the Programme Termination Date has occurred; (b) an Issuer Event of Default has occurred, other than those set out under the subsequent points, among those expressly indicated in the Conditions; moreover the obligation of the Guarantor to purchase Subsequent Receivables from the relevant Seller shall terminate upon the occurrence of any of the following (i) a breach of material obligations of the relevant Seller pursuant to the Transaction Documents has occurred, in the event such breach is not cured within the period specified in the Master Transfer Agreement, or it is otherwise not curable; (ii) any material breach of the relevant Seller's representations and warranties given in any of the Transaction Documents and such breach has an adverse effect on the Programme; (iii) a Seller's material adverse change has occurred and the Representative of the Covered Bondholders has communicated it to the Guarantor; (iv) winding up of the Seller, or opening of other bankruptcy or insolvency proceeding with respect to the Seller; (v) a change of control of the relevant Seller and subsequent exit of the relevant Seller from the Banca Carige Group; (vi) a change in law and regulations which has made the issue of Covered Bonds impossible or less convenient, both from an economic and commercial point of view, for the parties; (h) the relevant Seller being submitted to inspections or sanctions by the competent regulatory and supervisory authorities or the commencement of a judicial proceeding which may cause the occurrence of a material adverse change of the Seller.

Following the occurrence of one of the events described above, the Guarantor shall no longer be obliged to purchase Subsequent Receivables save for the provisions contained in the Master Transfer Agreement in relation to the Integration Assignment.

Undertakings

The Master Transfer Agreement also contains a number of undertakings by each of the Sellers in respect of its activities in relation to the Receivables. The Sellers have undertaken, *inter alia*, to refrain from carrying out activities with respect to the Receivables which may prejudice the validity or recoverability of any Receivables and in particular not to assign or transfer the Receivables to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables. The Sellers also have undertaken to refrain from any action which could cause any of the Receivables to become invalid or to cause a reduction in the amount of any of the Receivables or the Covered Bond Guarantee. The Master Transfer Agreement also provides that the Sellers shall waive any set off rights in respect of the Receivables, and co-operate actively with the Guarantor in any activity concerning the Receivables.

Governing Law

The Master Transfer Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Warranty and Indemnity Agreement

Pursuant to a warranty and indemnity agreement entered into between the Sellers and the Guarantor, also in favour of the Representative of the Covered Bondholders, dated 14 November 2008, as subsequently amended (the "**Warranty and Indemnity Agreement**"), each of the Sellers made certain representations and warranties to the Guarantor in respect of the portfolio assigned by it.

Specifically, as of the date of execution of the Master Transfer Agreement, as of each subsequent Transfer Date and as of each Issue Date, each of the Sellers gives to the Guarantor, *inter alia*, representations and warranties about: (a) its status and powers, (b) the information and the documents provided to the Guarantor, (c) its legal title on the Receivables, (d) the status of the Receivables assigned by it, (e) the terms and conditions of the Receivables assigned by it.

Pursuant to the Warranty and Indemnity Agreement, each of the Sellers undertakes to fully and promptly indemnify and hold harmless the Guarantor and its officers, directors and agents and the Representative of the Covered Bondholders, from and against any and all damages, losses, claims, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and any value added tax and other tax thereon as well as any claim for damages by third parties) awarded against, or incurred by, any of them, arising from any representations and/or warranties made by such Seller under the Warranty and Indemnity Agreement being actually false, incomplete or incorrect and/or failure by such Seller to perform any of the obligations and undertakings assumed by such Seller under the Transaction Documents.

Without prejudice of the foregoing, each of the Sellers has further undertaken that, if any claim does not exist, in whole or in part, (including where such non existence is based only on a judicial pronouncement that is not definitive), the relevant Seller shall immediately pay the Guarantor any damage, costs, expenses incurred by the Guarantor. In the event that, thereafter, any definitive judicial pronouncement recognises that such claim exists, the Guarantor shall repay the amounts mentioned above received by the relevant Seller on the immediately subsequent Guarantor Payment Date, in accordance with the relevant Priorities of Payments.

Governing Law

The Warranty and Indemnity Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Subordinated Loan Agreement

Pursuant to a subordinated loan agreement entered into between the Sellers and the Guarantor, dated 14 November 2008, as subsequently amended (the "**Subordinated Loan Agreement**"), each of the Sellers will grant to the Guarantor a subordinated loan (the "**Subordinated Loan**") with a maximum individual amount equal to the Individual Commitment Limit. Under the provisions of the Subordinated Loan Agreement, each of the Sellers shall make advances to the Guarantor in amounts equal to the purchase price of the Receivables respectively transferred from time to time to the Guarantor in view of (a) collateralising the issue of further Covered Bonds or (b) carrying out an integration of the Cover Pool, whether through Eligible Assets or through Integration Assets, in order to prevent a breach of the Mandatory Tests and of the other tests provided for in the Transaction Documents.

Each advance granted by the relevant Seller pursuant to the Subordinated Loan Agreement shall be identified in two separate tranches (a) advances under the first tranche, related to the issue of Covered Bonds, i.e. in order to fund the purchase price of Receivables to be sold in the framework of an Issuance Assignment (the "**Issuance Advances**"); and (b) advances under the second tranche, for the purpose of purchasing further Eligible Assets and/or Integration Assets in the framework of an Integration Assignment (the "**Integration Advances**").

The Guarantor shall pay any amounts interests due under the Subordinated Loan on each Guarantor Payment Date in accordance with the relevant Priorities of Payments.

The Issuance Advances shall be remunerated by way of:

(a) the Base Interests (*Interessi Base*); and

(b) the Aggregate Premium Interests (*Interessi Aggiuntivi Aggregati*).

The Integration Advances shall be remunerated only by way of the Aggregate Premium Interests (*Interessi Aggiuntivi Aggregati*).

The portion of Aggregate Premium Interests to be paid to each of the Sellers (the "**Individual Premium Interests**") will be determined on the basis of the formula to be agreed from time to time by the parties pursuant to the terms of the Subordinated Loan Agreement.

The Issuance Advances shall be due for repayment on the date that matches the maturity date of the corresponding series or tranche of Covered Bonds, and shall be payable within the limits of the Available Funds and in accordance with the relevant Priority of Payments.

Pursuant to the provisions of Article 7.2 and 7.3 of the Subordinated Loan Agreement, the Integration Advances shall be due for repayment on the date that matches the maturity date of the series or tranche of Covered Bonds with the longer maturity.

Notwithstanding the above, upon receipt by the Guarantor of a request from the Seller (la *Richiesta di Rimborso Anticipato degli Utilizzi per Ripristino*), the Integration Advances shall be repaid in advance by the Guarantor in accordance with the relevant Priority of Payments, **provided that** such repayment does not result in a breach of any of the Tests.

Main Definitions

For the purposes of the Subordinated Loan Agreement:

"**Base Interests**" means the interest rate equal to 1 per cent.

The "**Aggregate Premium Interests**" means:

(a) prior to the occurrence of an Issuer Event of Default, an amount equal to the higher between 0 (zero) and the algebraic sum of:

  (i) (+) the amounts of interests received or matured in respect of the Cover Pool and the Swap Agreements during the immediately preceding Collection Period;

  (ii) (-) the sum of (A) any amount paid or to be paid under items from (i) to (ix) of the Pre-Issuer Event of Default Interest Priority of Payments and (B) any other costs of any nature (if any) attributed on the Guarantor's income statement;

  or

(b) following to the occurrence of an Issuer Event of Default, an amount equal to the higher between 0 (zero) and the algebraic sum of:

  (i) (+) the amounts of interests received or matured in respect of the Cover Pool and the Swap Agreements during the immediately preceding Collection Period;

  (ii) (-) the sum of (A) any amount paid or to be paid in respect of interests under items from (i) to (v) of the Post Issuer Event of Default Priority of Payments and (B) any other costs of any nature (if any) attributed on the Guarantor's income statement;

  or

(c) following the occurrence of a Guarantor Event of Default an amount equal to the higher between 0 (zero) and the algebraic sum of:

  (i) (+) the amounts of interests received or matured in respect of the Cover Pool and the Swap Agreements during the immediately preceding Collection Period;

(ii) (-) the sum of (A) any amount paid or to be paid in respect of interests under items from (i) to (iv) of the Post Guarantor Event of Default Priority of Payments and (B) any other costs of any nature (if any) attributed on the Guarantor's income statement.

The Premium Interests will be calculated, *pro rata* and *pari passu*, across all advances outstanding under the Subordinated Loan.

Governing Law

The Subordinated Loan Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Covered Bond Guarantee

The Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds according to an agreement entered into between the Issuer, the Guarantor and the Representative of the Bondholders dated 1 December 2008, as subsequently amended (the "**Covered Bond Guarantee**") and in accordance with the provisions of the Law 130 and of the MEF Decree.

Under the terms of the Covered Bond Guarantee, following the occurrence of an Issuer Event of Default, and service of a Notice of Pay on the Guarantor, but prior to the occurrence of a Guarantor Event of Default, unconditionally and irrevocably to, or to the order of, the Representative of the Covered Bondholders (for the benefit of the Covered Bondholders), any amounts due under the relevant Series or Tranche of Covered Bonds on the Due for Payment Date.

Pursuant to Article 7-*bis*, paragraph 1, of Law 130 and Article 4 of the MEF Decree, the guarantee provided under the Covered Bond Guarantee is a first demand, unconditional and independent guarantee (*garanzia autonoma*) and therefore provides for direct and independent obligations of the Guarantor *vis-à-vis* the Covered Bondholders. The obligation of payment under the Covered Bond Guarantee shall be an unconditional obligation of the Guarantor, at first demand (*a prima richiesta*), irrevocable (*irrevocabile*) and with limited recourse to the Available Funds, irrespective of any invalidity, irregularity or unenforceability of any of the obligations of the Issuer under the Covered Bonds. The provisions of the Italian Civil Code relating to *fideiussione* set forth in Articles 1939 (*Validità della fideiussione*), 1941, paragraph 1 (*Limiti della fideiussione*), 1944, paragraph 2 (*Escussione preventiva*), 1945 (*Eccezioni opponibili dal fideiussore*), 1955 (*Liberazione del fideiussore per fatto del creditore*), 1956 (*Liberazione del fideiussore per obbligazione futura*) and 1957 (*Scadenza dell'obbligazione principale*) shall not apply to the Covered Bond Guarantee.

Following the occurrence of a Guarantor Event of Default and the service, by the Representative of the Covered Bondholders, of an Acceleration Notice in respect of all Covered Bonds, which shall become immediately due and repayable, the Guarantor shall pay or procure to be paid on the Due for Payment Date to the Covered Bondholders, the Guaranteed Amounts for all outstanding Covered Bonds.

Following service of a Notice to Pay on the Guarantor, but prior to the occurrence of a Guarantor Event of Default, payment by the Guarantor of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made, subject to and in accordance with the Post-Issuer Event of Default Priority of Payments, on the relevant Due for Payment Date, **provided that**, if an Extended Maturity Date is envisaged under the relevant Final Terms and actually applied, any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Guarantor on any Scheduled Payment Date thereafter, up to (and including) the relevant Extended Maturity Date.

Following service of an Acceleration Notice all Covered Bonds will accelerate against the Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves and the Available Funds shall be applied in accordance with the Post-Guarantor Event of Default Priority of Payment.

All payments of Guaranteed Amounts by or on behalf of the Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor will not be obliged to pay any amount to any Covered Bondholder in respect of the amount of such withholding or deduction.

Exercise of rights

Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the Guarantor, but prior to the occurrence of any Guarantor Events of Default, the Guarantor, in accordance with the provisions set forth under the Covered Bond Guarantee and with the provisions of Article 4, paragraph 3, of the MEF Decree, shall substitute the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Guarantor on the Due for Payment Date. In consideration of the substitution of the Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis à vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

As a consequence and as expressly indicated in the Conditions, the Covered Bondholders have irrevocably delegated to the Guarantor (also in the interest and for the benefit of the Guarantor) the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any enforcement rights for acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, upon request of the Guarantor, shall provide the Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

For the purposes of the Covered Bond Guarantee:

"**Due for Payment Date**" means (a) a Scheduled Due for Payment Date (as defined below) or (b) following the occurrence of a Guarantor Event of Default, the date on which the Acceleration Notice is served on the Guarantor. If the Due for Payment Date is not a Business Day, Due for Payment Date will be the next following Business Day. For the avoidance of doubt, Due for Payment Date does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due by reason of prepayment, mandatory or optional redemption or otherwise.

"**Final Redemption Amount**" means, with respect to a Series or Tranche of Covered Bonds, the amount, as specified in the applicable Final Terms.

"**Guaranteed Amounts**" means, (a) prior to the service of an Acceleration Notice, with respect to any Scheduled Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Scheduled Due for Payment Date, or (b) after the service of an Acceleration Notice, an amount equal to the relevant Early Redemption Amount plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Guarantor under the Covered Bonds, **provided that** any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the "**Clawed Back Amounts**").

"**Scheduled Due for Payment Date**" means:

(a) (i) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (ii) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Issuer Event of Default, the day which is two Business Days following service of the Notice to Pay on the Guarantor in respect of such Guaranteed Amounts, if such Notice to Pay has not been served by the relevant Scheduled Payment Date; or

(b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series or tranche of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series or tranche of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

"**Scheduled Interest**" means an amount equal to the amount in respect of interest which would have been due and payable under the relevant Series or Tranche of Covered Bonds on each CB Payment Date as specified in the Conditions falling on or after service of a Notice to Pay on the Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the "**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, less any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

"**Scheduled Payment Date**" means, in relation to payments under the Covered Bond Guarantee, each CB Payment Date.

"**Scheduled Principal**" means an amount equal to the amount in respect of principal which would have been due and payable under the Covered Bonds on each CB Payment Date or the Maturity Date (as the case may be) as specified in the Conditions (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest: the "**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and payable prior to their Maturity Date and, if the Final Terms specifies that an Extended Maturity Date is applicable to relevant Series or Tranche, if the maturity date of such Series or Tranche had been the Extended Maturity Date.

Governing Law

The Covered Bond Guarantee is governed by and construed in accordance with Italian law.

Servicing Agreement

Pursuant to a servicing agreement entered into between the Servicers and the Guarantor, dated 14 November 2008, as subsequently amended (the "**Servicing Agreement**"), the Guarantor has appointed Banca Carige, BML and Carige Italia to act as servicers in the context of the Programme (the "**Servicers**"). Each of the Servicers has agreed to administer and service the Receivables respectively transferred by it, on behalf of the Guarantor. Under the Servicing Agreement, each of the Servicers has agreed to perform certain servicing duties in connection with the Receivables respectively assigned by it (and in relation to Carige Italia, also the claims arising from the Mortgage Loan that were object of the Contribution), and, in general, has agreed to be responsible for the management of the Receivables respectively assigned by it and for cash and payment services (*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*) in accordance with the requirements of the Law 130. In addition, the Guarantor has appointed Banca Carige as Master Servicer and the Master Servicer has agreed to be responsible for verifying the compliance of the transactions with the laws and the Prospectus pursuant to Article 2, paragraph 3(c), and 6-bis of Law 130 and to provide certain monitoring activities in relation to the Receivables transferred from time to time by each of the Sellers to the Guarantor pursuant to the Master Transfer Agreement.

As consideration for activities performed and reimbursement of expenses, the Servicing Agreement provides that each of the Servicers will receive certain fees payable by the Guarantor on each Guarantor Payment Date in accordance with the applicable Priorities of Payments.

Master Servicer's activities

In the context of the appointment, the Master Servicer has undertaken to perform, on a best effects basis, *inter alia*, the activities specified below in relation to the Receivables transferred from time to time by each of the Sellers to the Guarantor:

(a) to monitor the collection of the Receivables as well as the collection and the payments of any sum by or in favour of the Guarantor and verify that such collection and payments are carried out in accordance with the Transaction Documents, the Prospectus and OBG Regulations;

(b) to keep the "Archivio Unico Informatico" ("**AUI**") on behalf of the Guarantor and perform the activities required in order for the Guarantor to comply with the anti-money laundering legislation and regulations;

(c) to prepare and submit monthly and quarterly reports to the Guarantor, the Corporate Servicer and the Calculation Agent, in the form set out in the Servicing Agreement, containing information as to the Collections made by each of the Sellers in respect of the Receivables during the preceding Collection Period. The reports will provide the main information relating to each of the Servicers' activity during the period;

(d) to act as responsible for Data processing (*responsabile del trattamento dei dati personali*) as pursuant to Article 29 of the legislative decree No. 196 of 30 June 2003 (the "**Privacy Law**").

Servicer's activities

In the context of the appointment, each of Servicers (including the Master Servicer) has undertaken to perform, with its best diligence, *inter alia*, the activities specified below in relation to the Receivables respectively transferred by it:

(a) administration, management and collection of the Receivables respectively assigned by it, in accordance with the collection policies; management and administration of enforcement proceedings and insolvency proceedings;

(b) to keep and maintain updated and safe the documents relating to the transfer of the Receivables respectively assigned by it to the Guarantor; to consent to the Guarantor and the Representative of the Covered Bondholders to examine and inspect the documents and to draw copies;

(c) upon the occurrence of a Guarantor Event of Default, each of the Servicers will be obliged to follow the instructions of the Representative of the Covered Bondholders and shall, if acting on behalf of the Guarantor, sell or offer to sell to third parties one or more Receivables respectively transferred by it, in accordance with the provisions of the Cover Pool Administration Agreement.

Each of the Servicers is entitled to delegate the performance of certain activities to third parties, except for the supervisory activities in accordance with Bank of Italy Regulations of 5 August 1996, No. 216, as amended and supplemented. Notwithstanding the above, each of the Servicers shall remain fully liable for the activities performed by a party so appointed by it, and shall maintain the Guarantor fully indemnified for any losses, costs and damages incurred for the activity performed by a party so appointed by it.

Successor Servicer

According to the Servicing Agreement, the Guarantor, upon the occurrence of a termination event, shall have the right to withdraw the appointment of the relevant Servicer at any time and to appoint a different entity (the "**Successor Servicer**"). Pursuant to the Servicing Agreement, the Guarantor has undertaken to appoint the Successor Servicer immediately after the occurrence of a termination event. The Successor Servicer shall undertake to carry out the activity of administration, management and collection of the relevant Receivables in respect of which it has been appointed, as well as all other activities provided for the relevant Servicer to substitute in the Servicing Agreement by entering into a servicing agreement having substantially the same form and contents as the Servicing Agreement and accepting the terms and conditions of the Intercreditor Agreement.

The Guarantor may terminate the appointment of each of Servicers and appoint a Successor Servicer following the occurrence of any of the termination event (each a "**Servicer Termination Event**").

The Servicer Termination Events include *inter alia*:

(a) failure to transfer, deposit or pay any amount due by the relevant Servicer which failure continues for a period of 10 Business Days following receipt by the relevant Servicer of a written notice from the Guarantor requiring the relevant amount to be paid or deposited from the date on which such amount has been required to be transferred, paid or deposited;

(b) failure by the relevant Servicer to observe or perform duties under specified clauses of the Servicing Agreement and the continuation of such failure for a period of 10 Business Days following receipt of written notice from the Guarantor;

(c) an insolvency, liquidation or winding up event occurs with respect to the relevant Servicer;

(d) failure by the relevant Servicer to observe or perform duties under the Transaction Documents and the continuation of such failure for a period of 10 Business Days following receipt of written notice from the Guarantor and such breach prejudiced the reliance of the Guarantor on the relevant Servicer;

(e) amendments of the functions and services involved in the management of the claims and in the recovery and collection procedures, if such amendments may individually or jointly, prevent the relevant Servicer from fulfil the obligations assumed under the Servicing Agreement;

(f) the relevant Servicer is unable to meet the legal requirements and the Bank of Italy's regulations for entities acting as servicer.

If the Master Servicer's short term rating falls below "P-1" by Moody's or "F2" by Fitch, or if the Master Servicer's long term rating falls below BBB (Low) by DBRS the Master Servicer shall, within 30 calendar days, take all necessary measures, which may include (but not limited to) instructing the debtors to make any payment into accounts opened in the name of the Guarantor with an Eligible Institution (as defined below).

Back-up Servicer Facilitator

According to the provisions of the Servicing Agreement, the Guarantor has appointed Zenith Service S.p.A. as Back-up Servicer Facilitator to carry out the activities provided for under Article 16 of the Servicing Agreement and, in particular, to cooperate on a best efforts basis with the Guarantor for the appointment of a Back-up Servicer upon the occurrence of the events indicated in Article 16 of the Servicing Agreement.

Back-up Servicer

According to the provisions of a back-up servicing agreement entered into between, *inter alia*, the Servicers, the Guarantor and the Back-up Servicer dated 23 January 2013 (the "**Back-up Servicing Agreement**"), the Guarantor has appointed Zenith Service S.p.A. as Back-up Servicer to carry out the activities provided for under the Back-up Servicing Agreement.

Governing Law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Corporate Services Agreement

Pursuant to a corporate services agreement entered into between the Corporate Servicer and the Guarantor dated 1 December 2008, as subsequently amended (the "**Corporate Services Agreement**"), the Corporate Servicer has agreed to provide the Guarantor with certain administrative services, including the keeping of the corporate books and of the accounting and tax registers.

Governing Law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Back-Up Servicing Agreement

Pursuant to the terms of a Back-Up Servicing Agreement entered into between the Back-Up Servicer, the Servicer and the Issuer dated 23 January 2013, as subsequently amended (the "**Back-Up Servicing Agreement**"). The Back-Up Servicer has agreed to be appointed and act as substitute Servicer. Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer shall substitute the Issuer as Servicer subject to the termination or removal of the appointment of the Servicer under the Servicing Agreement. Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer has represented and warranted, inter alia, that it satisfies the requirements for a substitute servicer provided for by the Servicing Agreement.

Governing Law

The Back-Up Servicing Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law

Facility Liquidity Agreement

Pursuant to a facility liquidity agreement entered into on 19 October 2011 between the Liquidity Facility Provider and the Guarantor (the "**Facility Liquidity Agreement**"), the Liquidity Facility Provider granted to the Guarantor a liquidity facility, up to the maximum amount of Euro 8,000,000 (the "**Liquidity Facility**"), to cover any Shortfall (as defined below) and subject to the following conditions.

On any Reserve Amount Calculation Date (as defined below), the Calculation Agent shall verify if the Reserve Account is accumulated in an amount equal to the Required Reserve Amount.

If on any Reserve Amount Calculation Date, the Calculation Agent determines that a Shortfall has occurred, then the Calculation Agent shall on the same date send a notice to the Guarantor (with a copy to the Issuer and the Cash Manager) specifying the relevant Shortfall (the "**Shortfall Notice**").

Upon receipt of the Shortfall Notice, and in any case no later than the immediately following calendar day, the Guarantor shall deliver to the Liquidity Facility Provider a Drawdown Request.

Each Drawdown Request shall be irrevocable and shall, in relation to each Reserve Advance, specify the proposed Drawdown Date, which shall be two calendar days following the relevant Reserve Amount Calculation Date.

The amount of any Reserve Advance shall be paid by the Liquidity Facility Provider on the Drawdown Date to the Reserve Account.

The Liquidity Facility Provider shall be remunerated by way of payment of an interest rate equal to 1(one) per cent per annum, on each Guarantor Payment Date, to the extent that there are sufficient Available Funds at such date, and in accordance with the relevant Priority of Payments.

The Guarantor shall repay the amount of each Reserve Advance made to it by the Liquidity Facility Provider on each Guarantor Payment Date in accordance with the relevant Priority of Payments, to the extent that there are sufficient Available Funds at such date. Any amount so repaid can be redrawn in accordance with the provisions of the Facility Liquidity Agreement.

Main Definitions

"**Drawdown Date**" means the date which is two calendar days following the relevant Reserve Amount Calculation Date, as specified in the Drawdown Request relating thereto.

"**Drawdown Request**" means a request for a Reserve Advance made in accordance with clause 2.4 of the Facility Liquidity Agreement, substantially in the form set out in Schedule 1 to the Facility Liquidity Agreement.

"**Reserve Amount Calculation Date**" means each Calculation Date and/or on any other date on which verification of Tests is required pursuant to the Cover Pool Administration Agreement and the other Transaction Documents and/or three calendar days prior to a CB Payment Date (if the relevant CB Payment Date does not coincide with a Guarantor Payment Date).

"**Reserve Advance**" means each advance granted by the Liquidity Facility Provider to the Guarantor pursuant to the Facility Liquidity Agreement.

"**Shortfall**" means (a) if a Reserve Amount Calculation Date falls on the same date as a Calculation Date, an amount equal to the higher between 0 (zero) and the algebraic sum of: (i) (+) the Required Reserve Amount and (ii) (-) the amounts of funds standing to the credit of the Reserve Account after having used all the Available Funds according to the applicable Priority of Payments on the next immediately following Guarantor Payment Date; or (b) on any other Reserve Amount Calculation Date, an amount equal to the higher between 0 (zero) and the algebraic sum of: (i) (+) the Required Reserve Amount and (ii) (-) the amounts of funds standing to the credit of the Reserve Account at the relevant Reserve Amount Calculation Date.

Governing Law

The Facility Liquidity Agreement is governed by Italian law.

Intercreditor Agreement

Under the terms of an intercreditor agreement entered into among the Guarantor, the Representative of the Covered Bondholders (in its own capacity and on behalf of the Covered Bondholders) and the other Secured Creditors, dated 1 December 2008, as subsequently amended (the "**Intercreditor Agreement**"), the parties agreed that all the Available Funds of the Guarantor will be applied in or towards satisfaction of the Guarantor's payment obligations towards the Covered Bondholders as well as the other Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Guarantor Events of Default having occurred, ensure that all the Available Funds are applied in or towards satisfaction of the payment obligations towards the Covered Bondholders as well as the other Secured Creditors, in accordance with the Post-Guarantor Event of Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Guarantor to each of the Covered Bondholders and each of the other Secured Creditors will be limited recourse obligations of the Guarantor. The Covered Bondholders and the other Secured Creditors will have a claim against the Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents.

Pursuant to the Intercreditor Agreement, the Guarantor and each of the other Secured Creditors have irrevocably agreed that, upon all the Covered Bonds becoming due and payable following a Guarantor Events of Default and the service of an Acceleration Notice, the Representative of the Covered Bondholders will be authorised (a) to carry out the activities provided by the Cover Pool Administration Agreement upon the occurrence of a Guarantor Event of Default and (b) pursuant to the Intercreditor Agreement to exercise, in the name and on behalf of the Guarantor and as a *mandatario con rappresentanza* of the Guarantor, also in the interest and for the benefit of the other Secured Creditors (according to Article 1723, paragraph 2, and Article 1726 of the Italian Civil Code), any and all of the Guarantor's Rights, including, without limitation, the right to give instructions, under each relevant Transaction Document, to each of the Account Banks, the Investment Manager, the Cash Manager, the Master Servicer, the Additional Servicers, the Principal Paying Agent the Italian Paying Agent, and the Corporate Servicer. The Representative of the Covered Bondholders shall not incur any liability as a result of its taking any action or failing to take any action in accordance with such mandate except in the case of its wilful misconduct or gross negligence (*dolo o colpa grave*).

Governing Law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Mandate Agreement

Pursuant to a mandate agreement entered into between the Guarantor and the Representative of the Covered Bondholders, dated 1 December 2008 (the "**Mandate Agreement**"), the Guarantor has granted a general irrevocable mandate to the Representative of the Covered Bondholders, in the interest of the Covered Bondholders and the other Secured Creditors (who irrevocably agreed to such mandate), under and pursuant to Article 1723, paragraph 2, and Article 1726 of the Italian Civil Code, to act in the name and on behalf of the Guarantor on the terms and conditions specified in the Intercreditor Agreement, in exercising the rights of the Guarantor under the Transaction Documents to which it is a party, **provided that** such powers will be exercisable only if the Guarantor fails to timely exercise its rights under the Transaction Documents.

Governing Law

The Mandate Agreement is governed by and construed in accordance with Italian law.

Cash Management and Agency Agreement

Pursuant to a cash management and agency agreement entered into between the Guarantor, the Cash Manager, the Account Banks, the Investment Manager, the Principal Paying Agent, the Italian Paying Agent, the Luxembourg Listing Agent, the Servicers, the Corporate Servicer, the Calculation Agent and the Representative of the Covered Bondholders, dated 1 December 2008 as subsequently amended (the "**Cash Management and Agency Agreement**"), the Account Banks, the Cash Manager, the Investment Manager, the Principal Paying Agent, the Italian Paying Agent, the Luxembourg Listing Agent, the Servicers, the Corporate Servicer and the

Calculation Agent will provide the Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts.

Pursuant to the Cash Management and Agency Agreement:

(a) each of the Account Banks will provide, *inter alia*, the Guarantor, on 2 (two) Business Days before each Calculation Date, with a report together with account handling services in relation to moneys from time to time standing to the credit of the Accounts;

(b) the Cash Manager will provide, *inter alia*, the Guarantor, on the 20th Business Day after the end of the relevant Collection Period, with a report together with certain cash management services in relation to moneys standing to the credit of the Accounts;

(c) the Calculation Agent will provide, *inter alia*, the Guarantor (i) with a payments report (the "**Payments Report**") which will set out the Available Funds and the payments to be made on the following Guarantor Payment Date and (ii) with an investors report (the "**Investor Report**") which will set out certain information with respect to the Cover Pool and the Covered Bonds;

(d) the Principal Paying Agent will provide the Issuer and the Guarantor with certain calculation services;

(e) the Italian Paying Agent will provide the Issuer and the Guarantor with certain payment services.

Account Banks

The Securities Account (if any), the Investment Account, the Transaction Account, the Expense Account, the Reserve Account, the Quota Capital Account and the Collateral Account (together the "**Accounts**") will be opened in the name of the Guarantor and shall be operated by the Account Banks, and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

The Account Banks shall, on behalf of the Guarantor, maintain or ensure that records in respect of all the Accounts are maintained and such records will, on each Calculation Date, show separately (i) the balance of each of the Accounts, respectively, as of the last day of the month preceding such Calculation Date; (ii) the total interest accrued and paid on the Accounts, respectively, as of the last day of the month preceding such Calculation Date; and (iii) details of all amounts or securities credited to, and transfers made from, each of the Accounts, respectively, in the course of the immediately preceding Collection Period. The Account Banks will inform the Guarantor and/or the Representative of the Covered Bondholders, upon their request, about the balance of those of the Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Account Banks (with the exclusion of the Italian Account Bank) qualify as an Eligible Institution, and failure to so qualify shall constitute a termination event thereunder.

Cash Manager

During each Collection Period, the Cash Manager, upon instruction received by the Investment Manager by no later than 11.00 a.m. (London time) on each Calculation Date, may instruct the Transaction Bank to invest on behalf of the Guarantor funds standing to the credit of the Investment Account in Eligible Investments (if any).

On each Liquidation Date, the Cash Manager, upon instruction received by the Investment Manager, may instruct the Transaction Bank to liquidate the Eligible Investments and to credit on the Transaction Account (i) the proceeds of the liquidation of the amounts invested in Eligible Investments and (ii) any surplus (i.e. any interest or other return on the Eligible Investments).

Prior to each Calculation Date, the Cash Manager shall deliver a copy of its report, *inter alia*, to the Guarantor, the Representative of the Covered Bondholders, the Principal Paying Agent, the Investment Manager, the Servicers and the Calculation Agent, which shall include information on the Eligible Investments.

Investment Manager

The Investment Manager may instruct the Cash Manager (which shall have no discretion and shall entirely rely on such instructions), by no later than 11.00 a.m. (London time) on each Calculation Date, to invest, on behalf of the Guarantor, amounts standing to the credit of the Investment Account in Eligible Investments;

The Investment Manager will instruct the Cash Manager on each Liquidation Date, to liquidate the Eligible Investments (if any) and to credit on the Investment Account (i) the proceeds of the liquidation of the amounts invested in Eligible Investments and (ii) any surplus (i.e. any interest or other return on the Eligible Investments).

Subject to compliance with the definition of Eligible Investments and the other restrictions set out in this Agreement, the Investment Manager shall have absolute discretion as to the types and amounts of Eligible Investments which it may acquire and as to the terms on which, through whom and on which markets, any purchase of Eligible Investments may be effected.

Calculation Agent

The Calculation Agent will prepare a Test Performance Report and Payments Report, subject to receipt by it of reports from the Master Servicer, the Cash Manager, the Account Banks, the Investment Manager and the Corporate Servicer, which will set out the Available Funds and payments to be made on the immediately succeeding Guarantor Payment Date in accordance with the applicable Priorities of Payments. Such Payments Report will be available for inspection during normal business hours at the registered office of the Luxembourg Listing Agent.

On or prior to the Investor Report Date the Calculation Agent shall prepare and deliver to the Issuer, the Representative of the Covered Bondholders, the Servicers, the Corporate Servicer, the Investment Manager, the Cash Manager, the Rating Agencies, the Investor Report setting out certain information with respect to the Cover Pool and the Covered Bonds.

On each Guarantor Payment Date, the Cash Manager shall, subject to the Cash Management and Agency Agreement, and subject to the receipt by it of the Payments Report by no later than the second Business Day preceding each Guarantor Payment Date from the Calculation Agent, execute the payment instructions stated by the Calculation Agent and shall allocate the amounts standing on the Transaction Account according to the relevant Priority of Payments.

"**Eligible Institution**" means an institution whose short-term ratings are at least equal to "P-1" by Moody's and "F1" by Fitch and whose long-term ratings are at least equal to "A" by Fitch (**provided that**, if any of the above credit institutions is on rating watch negative, it shall be treated as one notch below its current Fitch rating) and whose unsecured and unsubordinated debt obligations with respect to DBRS have a DBRS Rating or, failing that, a DBRS Equivalent Rating equal to the Minimum DBRS Rating or any other rating level from time to time provided for in the Rating Agencies' criteria.

Italian Paying Agent

The Italian Paying Agent will make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the Conditions and the relevant Final Terms. After the occurrence of an Issuer Event of Default, the Italian Paying Agent acting upon instruction of the Representative of the Covered Bondholders shall make payments of principal and interest in respect of the Covered Bonds on behalf of the Guarantor.

Principal Paying Agent

The Principal Paying Agent shall give all necessary instructions to the Italian Paying Agent to enable the Italian Paying Agent to perform its obligations under this Agreement.

Luxembourg Listing Agent

The Luxembourg Listing Agent will, upon and in accordance with the signed, written instructions of the Issuer or the Representative of the Covered Bondholders, arrange for publication of any notice which is to be given to the Covered Bondholders by publication in a newspaper having general circulation in Luxembourg, or any other means from time to time accepted by the CSSF or Luxembourg Stock Exchange, and will maintain one copy

thereof at its address and will supply a copy thereof to the Paying Agents, Monte Titoli and the Luxembourg Stock Exchange.

The Luxembourg Listing Agent will: (a) promptly forward to the Paying Agents, the Corporate Servicer and the Guarantor a copy of any notice or communication addressed to the Guarantor or to the Issuer by any Covered Bondholders and which is received by the Luxembourg Listing Agent; (b) make available to the Guarantor and the Paying Agents such information in its possession as is reasonably required for the maintenance of the records in respect of all the Accounts; (c) comply with the listing rules of the Luxembourg Stock Exchange in connection with the Programme; and (d) promptly inform the Guarantor of any fact which may affect its duties in connection with the Programme.

Termination

Upon the occurrence of certain events, including the Account Banks (with the exclusion of the Italian Account Bank) or the Principal Paying Agent ceasing to qualify as Eligible Institutions, either the Representative of the Covered Bondholders or the Guarantor, **provided that** (in the case of the Guarantor) the Representative of the Covered Bondholders consents in writing to such termination, may terminate the appointment of any Agent, as the case may be, under the terms of the Cash Management and Agency Agreement.

Governing Law

The Cash Management and Agency Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Cover Pool Administration Agreement

Pursuant to a cover pool administration agreement entered into between the Guarantor, the Issuer, the Seller, the Calculation Agent, the Asset Monitor and the Representative of the Covered Bondholders, dated 1 December 2008, as subsequently amended (the "**Cover Pool Administration Agreement**") the Issuer, the Sellers and the Guarantor have undertaken certain obligations for the replenishment of the Cover Pool in order to cure a breach of the Tests (as described in detail in section "*Credit Structure – Tests*" below).

Under the Cover Pool Administration Agreement the Sellers and the Issuer have undertaken to procure on a continuing basis and for the whole life of the Programme that on any Calculation Date each of the Mandatory Tests (as described in detail in section "*Credit Structure – Tests*" below) is met with respect to the Cover Pool. The Calculation Agent will also verify, prior to the occurrence of an Issuer Event of Default, that the Asset Coverage Test (as defined in section "*Credit Structure – Tests*") is met as of the relevant Calculation Date, and following the occurrence of an Issuer Event of Default, that the Amortisation Test (as defined in section "*Credit Structure – Tests*") is met.

The Calculation Agent has agreed to prepare and deliver on each Calculation Date to the Issuer, the Sellers, the Guarantor, the Representative of the Covered Bondholders and the Asset Monitor, a report setting out the calculations carried out by it with respect of the Tests (the "**Test Performance Report**"). Such report shall specify the occurrence of a breach of the Mandatory Tests and/or of the Asset Coverage Test and/or the Amortisation Test.

Following the notification by the Calculation Agent, in the relevant Test Performance Report, of a breach of any Test, the Guarantor shall to any possible extent use the Available Funds to cure the relevant Test or, to the extent the Available Funds are not sufficient to cure the relevant Test, purchase from the Relevant Seller any Integration Assets and/or other Eligible Assets, representing an amount sufficient to allow the Tests to be met on the next following Calculation Date. To this extent, the Relevant Seller shall grant the funds necessary for payment of the purchase price of the assets to the Guarantor in accordance with the Subordinated Loan Agreement.

If the Cover Pool is not in compliance with the Tests on the next following Calculation Date, the Representative of the Covered Bondholders will serve a notice (the "**Breach of Test Notice**") on the Issuer or, if a Notice to Pay has been served to the Guarantor, an Acceleration Notice on the Guarantor.

If, following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the next Calculation Date, the Representative of the Covered Bondholders will serve a Notice to Pay on the Guarantor.

Sale of Selected Assets following the service of a Breach of Test Notice or the occurrence of an Issuer Event of Default

After the service of a Breach of Test Notice, but prior to the occurrence of a Guarantor Event of Default, the Guarantor (or the relevant Seller on behalf of the Guarantor) may be obliged to sell Receivables in accordance with the provisions below, subject to the rights of pre-emption in favour of the relevant Seller and/or Issuer (if different from the Seller) to buy such Receivables pursuant to the Master Transfer Agreement. The proceeds from any such sale will be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

Following the delivery of a Notice to Pay (and prior to the occurrence of a Guarantor Event of Default), the Guarantor shall (only if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Cover Pool Manager), be obliged to sell Receivables in accordance with the Cover Pool Administration Agreement, subject to any pre-emption right of the relevant Seller and/or the Issuer pursuant to the Master Transfer Agreement (the "**Selected Assets**"). The proceeds of any such sale shall be credited to the Transaction Account and applied as set out in the relevant Priority of Payments.

If the Guarantor is required to sell Receivables, the following provisions shall apply:

(a) the Guarantor may, and after the occurrence of an Issuer Event of Default shall, through a tender process appoint a cover pool manager of a recognised standing (the "**Cover Pool Manager**"), on a basis intended to incentivise the Cover Pool Manager to achieve the best price for the sale of the Receivables (if such terms are commercially available in the market), to advise it in relation to the sale of Receivables (except where the relevant Seller is buying the Receivables in accordance with its right of pre-emption according to the Master Transfer Agreement). The terms of the agreement giving effect to the appointment of the Cover Pool Manager in accordance with such tender shall be approved in writing by the Representative of the Covered Bondholders.

(b) Before offering Receivables for sale, the Guarantor shall ensure that the Selected Assets: (i) have been selected from the Cover Pool on a Random Basis; and (ii) have an aggregate outstanding principal balance in an amount (the "**Required Outstanding Principal Balance Amount**") which is as close as possible to:

(A) following the service of an Breach of Test Notice (but prior to service of a Notice to Pay on the Guarantor), such amount that would ensure that, if the Receivables were sold at their Current Balance plus the Arrears of Interest and Accrued Interest thereon, the relevant Test would be satisfied on the next Calculation Date (assuming for this purpose that the Breach of Test Notice is continuing on the next Calculation Date); or

(B) following service of a Notice to Pay on the Guarantor the Adjusted Required Redemption Amount in respect of the Earliest Maturing Covered Bonds multiplied by the ratio between the outstanding aggregate notional amount of the assets comprised in the Cover Pool (other than those held in the form of deposits) and the Euro Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding.

"**Arrears of Interest**" means, in respect of a Mortgage Loan on a given date, interest and expenses which are due and payable and unpaid as of such date.

"**Current Balance**" means in relation to a Mortgage Loan at any given date, the Outstanding Principal Balance relating to that Mortgage Loan as at that date.

"**Earliest Maturing Covered Bonds**" means at any time the relevant Series of the Covered Bonds that has the earliest Maturity Date as specified in the applicable Final Terms.

"**Required Redemption Amount**" means the Euro Equivalent of the Principal Amount Outstanding in respect of the relevant Series of Covered Bonds, multiplied by 1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365).

"**Adjusted Required Redemption Amount**" means:

(I) the Required Redemption Amount of the relevant Series of Covered Bonds; *minus*

(II) amounts standing to the credit of the Accounts; *minus*

(III) the principal amount of any Integration Assets and Eligible Investments; *plus or minus*

(IV) as applicable, any swap termination amounts payable under the Swap Agreements to or by the Guarantor in respect of the relevant Series of Covered Bonds.

excluding, with respect to items (ii) and (iii) above all amounts estimated to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the Earliest Maturing Covered Bonds.

If:

(i) there is more than one Series or Tranche of Covered Bonds then outstanding and the Required Outstanding Principal Balance Amount of the Selected Assets selected in accordance with the procedure above is not sufficient to redeem the Earliest Maturing Covered Bonds, the Guarantor shall ensure that additional Selected Assets are selected on a Random Basis for an amount such that the disposal proceeds expected to be realised from the sale of the aggregate Selected Assets will permit to effect timely payments on the Earliest Maturing Covered Bonds in accordance with the applicable Final Terms, **provided however that** following the sale of such aggregate Selected Assets, the Amortisation Test is complied with (assuming that the disposal proceeds realised from the sale of such aggregate Selected Assets are used exclusively to repay the Earliest Maturing Covered Bonds); or

(ii) there is only one Series or Tranche of Covered Bonds then outstanding, the Guarantor will be permitted to select more Selected Assets than it is expected to be necessary to raise disposal proceeds for an amount equal to the Required Redemption Amount, **provided that** it will be required to offer the Selected Assets to purchasers for sale for the best price reasonably obtainable.

Notwithstanding the above, following the occurrence of an Issuer Event of Default and the delivery of a Notice to Pay, the Guarantor may, upon evaluations carried out by the Cover Pool Manager taking into account the then relevant market conditions, sell Selected Assets on a random basis to meet the obligations in respect of any other Series of Covered Bonds then outstanding, **provided that**, prior to and following the sale of such Selected Assets, the Amortisation Test is complied with.

(a) Following the service of a Breach of Test Notice, the Guarantor (through the relevant Servicer) will offer the Selected Assets to purchasers for sale for the best price reasonably obtainable but in any event for an amount not less than the Required Outstanding Principal Balance Amount.

(b) Following a Breach of Test Notice, if the Receivables have not been sold in an amount equal to the Required Outstanding Principal Balance Amount by the date which is six months prior to, as applicable, the Maturity Date of the Earliest Maturing Covered Bonds (if the relevant Series or Tranche of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date in respect of the Earliest Maturing Covered Bonds (if the relevant Series or Tranche of Covered Bonds is subject to an Extended Maturity Date), then the Guarantor will offer the Receivables for sale for the best price reasonably available notwithstanding that such amount may be less than the Required Outstanding Principal Balance Amount.

(c) In respect of any sale of Receivables following service of a Breach of Test Notice, the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that the Receivables are sold as quickly as reasonably practicable (in accordance with the recommendations of the Cover Pool Manager) taking into account the market conditions at that time and, where relevant, the scheduled repayment dates of the Covered Bonds.

(d) The Guarantor may offer for sale to purchasers part of any portfolio of Selected Assets (a "**Partial Cover Pool**"). Except in circumstances where the portfolio of Selected Assets is being sold within 6 months of the Maturity Date or, where the relevant Series or Tranche of Covered Bonds has an Extended Maturity Date, prior to such Extended Maturity Date, as applicable, of the Series or Tranche of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Cover Pool (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Cover Pool bears to the relevant portfolio Selected Assets.

(e) With respect to any sale of Selected Assets, the Guarantor may novate, if so requested, all or part of its rights under a relevant Cover Pool Swap to the purchaser of Selected Assets, subject to the consent of the Representative of the Covered Bondholders and prior notice to the Rating Agencies.

(f) Following the delivery of a Breach of Test Notice, in addition to offering Selected Assets for sale to purchasers in respect of the Earliest Maturing Covered Bonds, the Guarantor may offer to sell a portfolio of Selected Assets in respect of all the Series of Covered Bonds.

(g) Following the delivery of a Breach of Test Notice, the obligation of the Guarantor to sell Receivables, as described above, shall cease to apply starting from the Calculation Date, if any, on which the Tests are subsequently met, unless an Issuer Event of Default has occurred and is outstanding and without prejudice to the obligation of the Representative of the Covered Bondholders to deliver a subsequent Breach of Test Notice at any time thereafter.

(h) Following the delivery of a Notice to Pay, if necessary in order to effect timely payments under the Covered Bonds, the Integration Assets may be sold first by the Guarantor and the proceeds applied in accordance with the relevant Priority of Payments.

Sale of Selected Asset following the occurrence of a Guarantor Event of Default

Following the delivery of an Acceleration Notice, the Representative of the Covered Bondholders shall, in the name and on behalf of the Guarantor (so authorised by means of execution of the Cover Pool Administration Agreement), direct the relevant Servicer to sell Integration Assets and/or Selected Assets, subject to any right of pre-emption enjoyed by the relevant Seller (or the Issuer if different from the relevant Seller) pursuant to the Master Transfer Agreement. The proceeds of any such sale shall be credited to the Transaction Account and applied in accordance with the relevant Priority of Payments.

If the Guarantor is required to sell Selected Assets following the occurrence of a Guarantor Event of Default, in addition to the above mentioned provisions, the following provisions shall apply:

(a) in addition to offering Selected Assets for sale to purchasers in respect of the Earliest Maturing Covered Bonds, the Guarantor may offer to sell a portfolio of Selected Assets in respect of all the Series of Covered Bonds;

(b) the Guarantor will instruct the Cover Pool Manager to use all reasonable endeavours to procure that Selected Assets are sold as quickly as reasonably practicable taking into account the market conditions at that time.

Governing Law

The Cover Pool Administration Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Asset Monitor Agreement

Pursuant to an asset monitor agreement entered into between the Asset Monitor, the Issuer, the Calculation Agent, the Additional Sellers, the Guarantor and the Representative of the Covered Bondholders, dated 1 December 2008, as subsequently amended (the "**Asset Monitor Agreement**"), the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Calculation Agent to the Asset Monitor, to conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable on a semi-annual basis and more frequently in certain circumstances with a view to verifying the compliance of the Cover Pool with such tests.

Governing Law

The Asset Monitor Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Quotaholders' Agreement

On 11 April 2008 the Guarantor, the Issuer and Stichting Otello entered into a quotaholders' agreement (as extended on 6 December 2016 in the context of the OBG3 Programme, the "**Quotaholders' Agreement**"), containing provisions and undertakings in relation to the management of the Guarantor. In addition, pursuant to

the Quotaholders' Agreement (as extended on 6 December 2016 in the context of the OBG3 Programme), Stichting Otello has granted a call option in favour of the Issuer to purchase from Stichting Otello and the Issuer has granted a put option in favour of Stichting Otello to sell to the Issuer the quota of the Guarantor quota capital held by Stichting Otello.

Governing Law

The Quotaholders' Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Programme Agreement

Pursuant to a programme agreement entered into between the Issuer, the Additional Sellers, the Representative of Covered Bondholders and the Dealers, dated on 1 December 2008, as subsequently amended (the "**Programme Agreement**"), the parties have agreed that the Covered Bonds may be issued and sold, from time to time, by the Issuer to any one or more of the Dealers.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series or Tranche which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series or Tranche.

Under the Programme Agreement the Dealers have appointed the Representative of the Covered Bondholders, which appointment has been confirmed by the Issuer and the Guarantor.

The Issuer, the Additional Sellers and the Guarantor will indemnify the Dealers for costs, liabilities, charges, expenses and claims incurred by or made against the Dealers arising out of, in connection with or based on breach of duty or misrepresentation by the Issuer, the Additional Sellers and the Guarantor respectively.

The Programme Agreement contains provisions relating to the resignation or termination of appointment of existing Dealers and for the appointment of additional or other dealers acceding as new dealer (a) generally in respect of the Programme or (b) in relation to a particular issue of Covered Bonds.

The Programme Agreement contains stabilising and market making provisions.

Pursuant to the Programme Agreement, the Issuer, the Additional Sellers and the Guarantor have given certain representations and warranties to the Dealers in relation to, *inter alia*, their selves and the information given by them in connection with this Base Prospectus.

Governing Law

The Programme Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

Subscription Agreement

The Programme Agreement also contains the *pro forma* of the Subscription Agreement to be entered into in relation to each issue of Covered Bonds.

On or prior to the relevant Issue Date, the Issuer and the Dealers who are parties to such Subscription Agreement (the "**Relevant Dealers**") will enter into a subscription agreement under which the Relevant Dealers will agree to subscribe for the relevant tranche of Covered Bonds, subject to the conditions set out therein.

Under the terms of the Subscription Agreement, the Relevant Dealers will confirm the appointment of the Representative of the Covered Bondholders.

Governing Law

The Subscription Agreement will be governed by and construed in accordance with Italian law.

Italian Deed of Pledge

Pursuant to an Italian deed of pledge entered into between, *inter alios,* the Issuer, the Guarantor and the Italian Account Bank, dated on 1 December 2008, as subsequently amended (the "**Italian Deed of Pledge**"), the Guarantor pledged in favour of the Covered Bondholders and the other Secured Creditors all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantee) to which the Guarantor is entitled pursuant or in relation to the Transaction Documents (other than the Swap Agreements, the Italian Deed of Pledge and the Deeds of Charge), including the monetary claims and rights relating to the amounts standing to the credit of the Italian Accounts and any other account established by the Guarantor with the Italian Account Bank in accordance with the provisions of the Transaction Documents but excluding, for avoidance of doubt, the Receivables.

Governing Law

The Italian Deed of Pledge is governed by Italian law.

Deed of Charge

Pursuant to a deed of charge entered into between, *inter alios*, the Guarantor and the Issuer, dated 1 December 2008, as subsequently amended (the "**Deed of Charge**"), the Guarantor assigned by way of security to (or to the extent not assignable charge by way of fixed charge) in favour of the Representative of the Covered Bondholders (acting in its capacity as Security Trustee for itself and as trustee for the Covered Bondholders and the Secured Creditors), all of its rights, in respect of the Swap Agreements.

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, English law.

Swap Agreements

Covered Bond Swaps

The Guarantor may, if necessary, enter into one or more Covered Bond Swaps on each Issue Date with the Covered Bond Swap Counterparties to hedge certain interest rate or currency risks in respect of amounts received by the Guarantor under the Cover Pool and the Mortgage Pool Swap and amounts payable by the Guarantor under, prior to the service of a Notice to Pay, the Subordinated Loan and, following an Issuer Default Notice, the Covered Bonds. The notional amount of each Covered Bond Swap shall be equal to the notional outstanding of the relevant Series or Tranche of Covered Bonds outstanding.

Each Covered Bond Swap will contain certain limited termination events and events of default which will entitle either party to terminate the relevant Covered Bond Swap. In particular, the respective Covered Bond Swap Counterparty will be, *inter alia*, required to have certain minimum ratings. Upon downgrading of the relevant Covered Bond Swap Counterparty below such ratings and failure by such Covered Bond Swap Counterparty to take certain actions to remedy such downgrading (including, without limitation, transferring all of its rights and obligations to an adequately rated swap counterparty or obtaining a guarantee from an adequately rated third-party in relation to its obligations under the relevant Covered Bond Swap), the Guarantor will be entitled to terminate the relevant Covered Bond Swap.

Upon the termination of such Covered Bond Swap, the Guarantor or the relevant Covered Bond Swap Counterparty may be liable to make a termination payment to the other in accordance with the provisions of the respective Covered Bond Swap.

If a Covered Bond Swap is entered into in connection with a Series of Covered Bond, such Covered Bond Swap will terminate on the relevant Maturity Date or Extended Maturity Date as the case may be.

Mortgage Pool Swaps

In order to hedge the interest rate risks relating to the Mortgage Loans comprised in the Cover Pool, the Guarantor will enter into one or more Mortgage Pool Swap with the relevant Mortgage Pool Swap Counterparties.

Each Mortgage Pool Swap will contain certain limited termination events and events of default which will entitle either party to terminate the relevant Mortgage Pool Swap. In particular, the respective Mortgage Pool Swap Counterparty will be, *inter alia*, required to have certain minimum ratings. Upon downgrading of the relevant Mortgage Pool Swap Counterparty below such ratings and failure by such Mortgage Pool Swap Counterparty to take certain actions to remedy such downgrading (including, without limitation, transferring all of its rights and obligations to an adequately rated swap counterparty or obtaining a guarantee from an adequately rated third-party in relation to its obligations under the relevant Mortgage Pool Swap), the Guarantor will be entitled to terminate the relevant Mortgage Pool Swap.

Upon the termination of such Mortgage Pool Swap, the Guarantor or the relevant Mortgage Pool Swap Counterparty may be liable to make a termination payment to the other in accordance with the provisions of the respective Mortgage Pool Swap.

Swap Agreement Credit Support Document

Each Mortgage Pool Swap and each Covered Bond Swap will be documented in accordance with the documentation published by the International Swaps and Derivatives Association Inc. ("**ISDA**"), and will be subject to:

(a) the 1992 ISDA Master Agreement with the Schedule thereto ("**ISDA Master Agreement**");

(b) the 1995 ISDA Credit Support Annex (Transfer-English Law) to the Schedule to the ISDA Master Agreement ("**CSA**"); and

(c) the relevant Confirmation(s).

The Guarantor and each Swap Counterparty will also enter into a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer-English Law) to the Schedule with respect to each Swap Agreement (each, a "**CSA**"). Each CSA will provide that, from time to time, if required to do so following its downgrade and subject to the conditions specified in the CSA, the relevant Swap Counterparty will make transfers of collateral to the Guarantor in support of its obligations under the Swap Agreement (the "**Swap Collateral**") and the Guarantor will be obliged to return equivalent collateral in accordance with the terms of the CSA. Each CSA will be governed by English law.

Governing law

The Swap Agreements are governed by English law.

SELECTED ASPECTS OF ITALIAN LAW

The following is a summary only of certain aspects of Italian law that are relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. It is not intended to be exhaustive and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.

Law 130 and Article 7-*bis* thereof and BoI Regulations. General remarks

Law 130 was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

Law decree of 14 March 2005, No. 35, converted with amendments into law by Law 14 May 2005, No. 80, added Articles 7-*bis* and 7-ter to Law 130, for the purpose of allowing Italian banks to use the securitisation techniques introduced by Law 130 in view of issuing covered bonds (*obbligazioni bancarie garantite*).

Law 130 was further amended by law decree No. 145 of 23 December 2013 (*Decreto Destinazione Italia*) as converted with amendments into Law No. 9 of 21 February 2014 (the "Destinazione Italia Decree"), and by law decree No. 91 of 24 June 2014 (*Decreto Competitività*), as converted with amendments into Law No. 116 of 11 August 2014 (the "**Competitività Decree**").

Pursuant to Article 7-*bis*, certain provisions of Law 130 apply to transactions involving the true sale (by way of non-gratuitous assignment) of receivables or asset backed securities issued in the context of securitisation transactions meeting certain eligibility criteria set out in Article 7-*bis* and in the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the "**MEF Decree**"), where the sale is to a special purpose vehicle incorporated pursuant to Article 7-*bis* and all amounts paid by the debtors are to be used by the special purpose vehicle exclusively to meet its obligations under a guarantee to be issued by it, in view of securing the payment obligations of the selling bank or of other banks in connection with the issue of covered bonds (the "**Covered Bond Guarantee**").

Pursuant to Article 7-*bis*, the purchase price of the assets to be included in the portfolio shall be financed through the taking of a loan granted or guaranteed by the bank selling the assets or a different bank. The payment obligations of the special purpose vehicle under such loan shall be subordinated to the payment obligations of the company *vis-à-vis* the covered bondholders, the counterparties of any derivative contracts hedging risks in connection with the assigned receivables and securities, the counterparties of any other ancillary contract and counterparties having a claim in relation to any payment of other costs of the transaction.

The covered bonds are further regulated by the BoI Regulations, under which the covered bonds may be issued also by banks which are member of banking groups meeting, as of the date of issuance of the covered bonds, certain requirements relating to the consolidated regulatory capital and the consolidated solvency ratio at the group's level. Such requirements must be complied with, as of the date of issuance of the covered bonds, also by banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

Following the issue of the MEF Decree, the Bank of Italy supervisory regulations on covered bonds were published on 17 May 2007, as subsequently amended on 24 March 2010 and further supplemented by Title V, Chapter 3 of the "*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*" (*Circolare No. 263 of 27 December 2006*), completing the relevant legal and regulatory framework and allowing for the implementation on the Italian market of the covered bonds, which have previously only been available under special legislation to specific companies.

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013) which came into force on 1 January 2014, implementing CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 25 June 2014 of the 5th update to circular of the Bank of Italy No. 285 of 17 December 2013, the Bank of Italy's covered bonds regulation have been included in Part III, Section 3 (*Obbligazioni Bancarie Garantite*) under the Bank of Italy's circular No 285 of 17 December 2013, containing the "*Disposizioni di Vigilanza per le Banche*", and provisions set forth under Title V, Chapter 3 of Circolare No. 263 of 27 December 2006 have been abrogated.

For more detailed information, see paragraph "*Eligibility criteria of the assets and limits to the assignment of assets*" below.

Eligibility criteria of the assets and limits to the assignment of assets

Under the MEF Decree, the following assets, *inter alia*, may be assigned to the purchasing company, together with any ancillary contracts aimed at hedging the financial risks embedded in the relevant assets: (a) Italian residential and commercial mortgage loans (*mutui ipotecari residenziali e commerciali*) having the characteristics set out under Article 2, paragraph 1, lett. (a) and (b), respectively, of the MEF Decree; (b) loans extended to, or guaranteed by, the following entities, and securities issued or guaranteed by the same entities: (i) public administrations of States comprised in the European Economic Space and the Swiss Confederation (the "**Admitted States**"), including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. under the "*Standardised Approach*" to credit risk measurement; (ii) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the "*Standardised Approach*" to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. under the "*Standardised Approach*" to credit risk measurement. Such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Guarantor; (c) asset backed securities issued in the context of securitisation transactions, meeting the following criteria: (i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans and securities referred to in letter (a) and (b) above; (ii) the relevant asset backed securities attract a risk weighting factor not exceeding 20 per cent. under the "*Standardised Approach*" to credit risk measurement.

For the purpose above, the relevant provisions define a guarantee "*valid for purposes of the credit risk mitigation*" as a guarantee eligible for the "*credit risk mitigation*", in accordance with Directive 2006/48/EC of 14 June 2006 (the "**Restated Banking Directive**"). Similarly, the "*Standardised Approach*" shall be the Standardised approach to credit risk measurement as defined by the Restated Banking Directive. The BoI Regulations set out certain requirements for banks belonging to banking groups with respect to the issuance of covered bonds, to be met at the time of the relevant issuance:

- own funds (*fondi propri*) not lower than Euro 250,000,000.00; and
- a total capital ratio on a consolidated basis of not less than 9 per cent.

The above mentioned requirements must be complied with, as of the date of the assignment, also by the banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

If the bank selling the assets does not belong to a banking group, the above mentioned requirements relate to the individual own funds and/or total capital ratio.

Moreover, the BoI Regulations set out certain limits to the possibility for banks to assign eligible assets, which are linked to the tier 1 ratio ("**T1R**") and common equity tier 1 ratio ("**CET1R**") of the individual bank (or of the relevant banking group, if applicable), in accordance with the following grid, contained in the BoI Regulations:

Ratios		**Limits to the assignment**
Group "a"	T1R ≥ 9 % and CET1R ≥ 8 %	No limits
Group "b"	T1R ≥ 8 % and CET1R ≥ 7 %	Assignment allowed up to 60% of the eligible assets
Group "c"	T1R ≥ 7 % and CET1R ≥ 6 %	Assignment allowed up to 25% of the eligible assets

The relevant T1R and CET1R set out in the grid relate to the aggregate of the covered bonds transactions launched by the relevant banking group, or individual bank, as the case may be. If foreign entities belonging to the banking group of the bank selling the assets have issued covered bonds in accordance with their relevant jurisdiction and have therefore segregated part of their assets to guarantee the relevant issuances, the limits set out above shall be applied to the eligible assets held by the Italian companies being part of the assigning bank's banking group.

In addition to the above, certain further amendments have been proposed in respect of the monitoring activities to be performed by the asset monitor. The limits to the assignment set out above do not apply to Integration (as

defined below) of the portfolio, **provided that** Integration is allowed exclusively within the limits set out by the BoI Regulations.

The substitution of eligible assets included in the portfolio with other eligible assets of the same nature is also permitted, **provided that** certain conditions indicated under the BoI Regulations are met.

Ring-Fencing of the Assets

Under the terms of Article 3 of Law 130, the assets relating to each transaction will by operation of law be segregated for all purposes from all other assets of the special purpose vehicle which purchases the receivables. On a winding up of the special purpose vehicle such assets will only be available to holders of the covered bonds in respect of which the special purpose vehicle has issued a guarantee and to the other Secured Creditors. In addition, the assets relating to a particular covered bond transaction will not be available to the holders of covered bonds issued under any other covered bonds transaction or to general creditors of the special purpose vehicle.

In addition, the Competitività Decree introduced, *inter alia*, certain amendments to Article 3 of Law 130, aimed at safeguarding collections generated in the context of a securitisation or covered bonds transaction. For this purpose, it is established that the bank accounts used in the context of this kind of transactions are not subject to actions by parties other than the holders of the securities of the specific transaction and that the possible commencement of insolvency proceedings against the depositary does not give rise to the suspension of payments on the sums standing to the credit of the accounts opened with the same depositary, even in connection with sums that are deposited in such accounts over the course of the insolvency proceedings. Indeed, the Competitività Decree provides that such sums are immediately available, without any need for specific requests or claims in the context of the insolvency proceedings.

However, under Italian law, any other creditor of the special purpose vehicle which is not a party to the transaction documents would be able to commence insolvency or winding up proceedings against the special purpose vehicle in respect of any unpaid debt.

The Assignment

The assignment of the receivables under Law 130 will be governed by Article 58 paragraphs 2, 3 and 4, of the legislative decree No. 385 of 1 September 1993 (the "**Banking Law**"). The prevailing interpretation of these provisions, which view has been strengthened by Article 4 of Law 130, is that the assignment can be perfected against the originator, assigned debtors and third party creditors by way of publication of a notice in the Italian Official Gazette and by way of registration of such notice in the register of enterprises (*registro delle imprese*) at which the purchaser is registered, so avoiding the need for notification to be served on each debtor.

(a) As from the latest to occur between the date of publication of the notice of the assignment in the Italian Official Gazette and the date of registration of such notice with the Register of Enterprises at which the purchaser is registered, the assignment becomes enforceable against:

(i) the debtors and any creditors of the seller of the relevant receivables who have not commenced enforcement by means of obtaining an attachment order (*pignoramento*) prior to the date of publication of the notice of assignment of the relevant receivables;

(ii) the liquidator or any other bankruptcy officials of the debtors (so that any payments made by an assigned debtor to the purchasing company may not be subject to any claw-back action according to Article 65 and Article 67 of the royal decree No. 267 of 16 March 1942 (*Legge Fallimentare*) (the "**Bankruptcy Law**");

(iii) prior assignees of the relevant receivables who have not perfected their assignment by way of (A) notifying the assigned debtors or (B) making the assigned debtors acknowledge the assignment by an acceptance bearing a date certain at law (*data certa*) prior to the date of publication of the notice of assignment of the relevant receivables or in any other way permitted under applicable law.

Upon the completion of the formalities referred to above, the benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the special purpose vehicle, without the need for any formality or annotation.

As from the latest to occur between the date of publication of the notice of the assignment of the relevant receivables in the Italian Official Gazette and the date of registration of such notice with the Register of Enterprises at which the purchaser is registered, no legal action may be brought to attach the relevant receivables or the sums derived therefrom other than for the purposes of enforcing the rights of the holders of the covered bonds and other creditors for costs incurred in the framework of the transaction.

Article 7-*bis* provides for a special regime for the assignment of claims against public administrations, which deviates from the generally applicable regime (set out by Articles 69 and 70 of royal decree of 18 November 1923, No. 2440). Article 7-*bis*, para. 4, expressly provides that Articles 69 and 70 of royal decree 2440 of 1923 shall not apply to assignments of assets under Article 7-*bis*. Accordingly, the assignment of receivables against public administration shall be governed by the same rules governing the assignment of other receivables in the context of Law 130.

However, Article 7-*bis*, para. 4, also provides that where the role of servicer (*soggetto incaricato della riscossione dei crediti*) is attributed, in the context of covered bonds transaction, to an entity other than the assigning bank (whether from the outset or eventually), notice of such circumstance shall be given notice by way of publication in the Italian Official Gazette and registered mail with return receipt to the relevant public administrations.

Assignments under Law 130

Assignments executed under Law 130 are subject to revocation on bankruptcy under Article 67 of the Bankruptcy Law but only in the event that the transaction is entered into within three months of the adjudication of bankruptcy of the relevant party or in cases where paragraph 1 of Article 67 applies, within six months of the adjudication of bankruptcy.

The subordinated loans to be granted to the special purpose vehicle and the Covered Bond Guarantee are subject to the provisions of Article 67, paragraph 4, of the Bankruptcy Law, pursuant to which the provisions of Article 67 relating to the claw back of for-consideration transactions, payments and guarantees do not apply to certain transactions.

In addition to the above, any payments made by an assigned debtor to the special purpose vehicle may not be subject to any claw back action according to Article 65 of the Bankruptcy Law.

Tests set out in the MEF Decree

(a) Pursuant to Article 3 of the MEF Decree the issuing bank and the assigning bank (to the extent different from the Issuer), will have to ensure that, in the context of the transaction the following mandatory tests are satisfied on an ongoing basis:

(i) the aggregate nominal amount of the Cover Pool shall be equal to, or greater than, the aggregate nominal amount of the outstanding Covered Bonds;

(ii) the net present value of the Cover Pool, net of the transaction costs to be borne by the Guarantor, including therein the expected costs and the costs of any hedging arrangement entered into in relation to the transaction, shall be equal to, or greater than, the net present value of the outstanding Covered Bonds;

(iii) the amount of interests and other revenues generated by the Cover Pool, net of the costs borne by the Guarantor, shall be equal to, or greater than, the interests and costs due by the Issuer under the outstanding Covered Bonds, taking also into account any hedging arrangements entered into in relation to the transaction.

(b) For the purpose of ensuring compliance with the tests described above and pursuant to Article 2 of the MEF Decree, the following assets (the "**Integration Assets**") may be used for the purpose of the integration of the portfolio, in addition to the Eligible Assets:

(i) the creation of deposits with banks incorporated in Admitted States or in a State which attracts a risk weight factor equal to 0 per cent. under the "*Standardised Approach*" to credit risk measurement;

(ii) the assignment of securities issued by the banks referred to under (i) above, having a residual maturity not exceeding one year.

Integration Assets

Integration through Integration Assets shall be allowed within the limits of 15 per cent. of the nominal value of the assets included in the portfolio.

In addition, pursuant to Article 7-*bis* of Law 130 and the MEF Decree, integration of the Cover Pool – whether through Eligible Assets or through Integration Assets – (the "Integration") shall be carried out in accordance with the methods, and subject to the limits, set out in the BoI Regulations.

More specifically, under the BoI Regulations, the Integration is allowed exclusively for the purpose of (a) complying with the tests provided for by the MEF Decree; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the 15 per cent. maximum amount of Integration Assets included in the portfolio. The limits to the assignment indicated above do not apply to the Integration.

The Integration is not allowed in circumstances other than as set out in the BoI Regulations.

The features of the Covered Bond Guarantee

According to Article 4 of the MEF Decree the Covered Bond Guarantee shall be limited recourse to the Cover Pool, irrevocable, first demand, unconditional and autonomous from the obligations assumed by the Issuer under the Covered Bonds. Accordingly, such obligations shall be a direct, unconditional, unsubordinated obligation of the Guarantor, limited recourse to the guarantor's available funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer.

In order to ensure the autonomous and independent nature of the Covered Bond Guarantee, Article 4 of the MEF Decree provides that the following provisions of the Italian Civil Code, generally applicable to personal guarantees (*fideiussioni*), shall not apply to the Covered Bond Guarantee (a) Article 1939, providing that a *fideiussione* shall not generally be valid where the guaranteed obligation is not valid; (b) Article 1941, para. 1, providing that a fideiussione cannot exceed the amounts due by the guaranteed debtor, nor can it be granted for conditions more onerous than those pertaining to the main obligation; (c) Article 1944, para. 2, providing, *inter alia*, that the parties to the contract pursuant to which the fideiussione is issued may agree that the guarantor shall not be obliged to pay before the attachment is carried out against the guaranteed debtor; (d) Article 1945, providing that the guarantor can raise against the creditor any objections (*eccezioni*) which the guaranteed debtor is entitled to raise, except for the objection relating to the lack of legal capacity on the part of the guaranteed debtor; (e) Article 1955, providing that a fideiussione shall become ineffective (*estinta*) where, as a consequence of acts of the creditor, the guarantor is prevented from subrogating into any rights, pledges, mortgages, and liens (*privilegi*) of the creditor; (f) Article 1956, providing that the guarantor of future receivables shall not be liable where the creditor – without the authorisation of the guarantor – has extended credit to a third party, while being aware that the economic conditions of the principal obligor were such that recovering the receivable would have become significantly more difficult; (g) Article 1957, providing, *inter alia*, that the guarantor will be liable also after the guaranteed obligation has become due and payable, provided that the creditor has filed its claim against the guaranteed debtor within six months and has diligently pursued them.

The obligations of the Guarantor following a liquidation of the Issuer

The MEF Decree also sets out certain principles which are aimed at ensuring that the payment obligations of the Guarantor are isolated from those of the Issuer. To that effect it requires that the Covered Bond Guarantee contains provisions stating that the relevant obligations thereunder shall not accelerate upon the Issuer's default, so that the payment profile of the Covered Bonds shall not automatically be affected thereby.

More specifically, Article 4 of the MEF Decree provides that in case of breach by the Issuer of its obligations *vis-à-vis* the Covered Bondholders, the Guarantor shall assume the obligations of the Issuer – within the limits of the portfolio – in accordance with the terms and conditions originally set out for the Covered Bonds. The same provision applies where the Issuer is subject to mandatory liquidation procedures (*liquidazione coatta amministrativa*).

In addition, the acceleration (*decadenza dal beneficio del termine*) provided for by Article 1186 of the Italian Civil Code and affecting the Issuer shall not affect the payment obligations of the Guarantor under the Covered Bond Guarantee. Pursuant to Article 4 of the MEF Decree, the limitation in the application of Article 1186 of the Italian Civil Code shall apply not only to the events expressly mentioned therein, but also to any additional event of acceleration provided for in the relevant contractual arrangements.

In accordance with Article 4, para. 3, of the MEF Decree, in case of *liquidazione coatta amministrativa* of the Issuer, the Guarantor shall exercise the rights of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the legal regime applicable to the Issuer. Any amount recovered by the Guarantor as a result of the exercise of such rights shall be deemed to be included in the Cover Pool.

The Bank of Italy shall supervise on the compliance with the aforesaid provisions, within the limits of the powers vested with the Bank of Italy by the Banking Law.

Controls over the transaction

The BoI Regulations lay down rules on controls over transactions involving the issuance of Covered Bonds.

Inter alia, in order to provide support to the resolutions passed on the assignment of portfolios to the Guarantor are passed, both in the initial phase of transactions and in later phases, the assigning bank shall request to an auditing firm a confirmation (*relazione di stima*) stating that, on the basis of the activities carried out by that auditing firm, there are no reasons to believe that the appraisal criteria utilised in order to determine the purchase price of the assigned assets are not in line with the criteria which the assigning bank must apply when preparing its financial statements. The above mentioned confirmation is not required if the assignment is made at the book value, as recorded in the latest approved financial statements of the assigning bank, on which the auditors have issued a clean opinion. The above mentioned confirmation is not required if any difference between the book value and the purchase price of the relevant assets is exclusively due to standard financial fluctuations of the relevant assets and is not in any way related to reductions in the qualitative aspects of those assets and/or the credit risk related to the relevant debtors.

The management body of the issuing bank must ensure that the structures delegated to the risk management verify at least every six months and for each transaction, *inter alia*:

(a) the quality and integrity of the assets sold to the Guarantor securing the obligations undertaken by the latter;

(b) compliance with the maximum ratio between Covered Bonds issued and the Receivables sold to the Guarantor for purposes of backing the issue, in accordance with the MEF Decree;

(c) compliance with the Limits to the Assignment and the rules on, and Limits to, the Integration set out by the BoI Regulations;

(d) the effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction;

(e) completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

The bodies with management responsibilities of issuing banks and banking groups ensure that an assessment is carried out on the legal aspects (*profili giuridici*) of the activity on the basis of specially issued legal opinions setting out an in-depth analysis of the contractual structures and schemes adopted, with a particular focus on, *inter alia*, the characteristics of the Covered Bond Guarantee.

The BoI Regulations also contain certain provisions on the asset monitor, who is delegated to carry out controls over the regularity of the transaction (*regolarità dell'operazione*) and the integrity of the Covered Bond Guarantee (*integrità della garanzia*) (the "**Asset Monitor**"). Due to the latest amendments to the BoI Regulations, introduced by way of Part III, Chapter 3 (*Obbligazioni Bancarie Garantite*) under Bank of Italy's Circular 285, the Asset Monitor is also requested to carry out controls over the information provided to investors (*informativa agli investitori*). Pursuant to the BoI Regulations the Asset Monitor shall be an auditing firm having adequate professional experience in relation to the tasks entrusted with the same and independent from (a) the bank

entrusting the same and (b) the other entities which take part to the transaction. In order to meet this independence requirement the auditing firm entrusted with the monitoring must be different from the one entrusted with the auditing of the issuing bank and the selling bank (if different from the issuing bank) and the special purpose vehicle.

Based upon controls carried out and assessments on the performance of transactions, the Asset Monitor shall prepare annual reports, to be addressed, *inter alia*, to the body entrusted with control functions of the bank which appointed the Asset Monitor. The BoI Regulations refer to the provisions (art. 52 and 61, para 5, of the Banking Law), which impose on persons responsible for such control functions specific obligations to report to the Bank of Italy. Such reference appears to be aimed at ensuring that any irregularities found are reported to the Bank of Italy.

In order to ensure that the Guarantor can perform, in an orderly and timely manner, the obligations arising under the Covered Bond Guarantee, the issuing banks shall use asset and liability management techniques for purposes of ensuring, including by way of specific controls at least every six months, that the payment dates of the cash-flows generated by the portfolio, substantially match the payments dates with respect to payments due by the issuing bank under the Covered Bonds issued and other transaction costs.

Finally, in relation to the information flows, the parties to the Covered Bonds transactions shall assume contractual undertakings allowing the issuing bank and the assigning bank, if different, also acting as servicer (and any third party servicer, if appointed) to hold the information on the portfolio which are necessary to carry out the controls described in the BoI Regulations and for the compliance with the supervisory reporting obligations, including therein the obligations arising in connection with the participation to the central credit register (*Centrale dei Rischi*).

Insolvency proceedings

Insolvency proceedings (*procedure di insolvenza*) conducted under Italian law may take the form of, *inter alia*, a bankruptcy proceeding (*fallimento*) or a composition agreement with creditors under Article 160 and following of the Bankruptcy Law (*concordato preventivo*) or a debts restructuring agreement under Article 182-*bis* of the Bankruptcy Law (*accordo di ristrutturazione dei debiti*). Insolvency proceedings are only applicable to businesses (*imprese*) either run by companies, partnerships or by individuals. An individual who is not a sole entrepreneur or an unlimited partner in a partnership is not subject to insolvency.

A debtor can be declared bankrupt (*fallito*) and subject to *fallimento* (at its own initiative, or at the initiative of any of its creditors or, in certain cases, the public prosecutor) if it is not able to fulfil its obligations in a timely manner. If a bankruptcy proceeding is commenced, except for contrary provisions of the law, from the day of declaration of bankruptcy, no individual executory and precautionary action, even if relating to receivables fallen due during the bankruptcy proceeding, may be commenced or pursued against assets included in the bankruptcy proceeding. The debtor loses control over all of its assets and of the management of its business, which is taken over by a court appointed receiver (*curatore fallimentare*). Once judgment has been made by the court and the creditors' claims have been approved, the sale of the debtor's property is conducted in accordance with a liquidation plan (approved by the delegated judge and the creditors' committee) which may provide for the dismissal of the whole business or single business units, even through competitive procedures.

A qualifying insolvent debtor may avoid being subject to a bankruptcy proceeding (*fallimento*) by proposing to its creditors a composition agreement pursuant to Article 160 and following of the Bankruptcy Law (*concordato preventivo*) which is a restructuring proceeding involving an arrangement by a debtor in a state of crisis or state of insolvency with its creditors, subject to court supervision, the aim of which is to restructure the business and thus avoid a declaration of bankruptcy of such debtor. Such proposal shall based on a plan describing proposed actions and activities to be performed in order to accomplish the financial restructuring of debtor's business and to satisfy its creditors, which may provide for, among other things: (i) sales of assets, the assumption of debts or other extraordinary operations, such as the conversion of debt into equity, bonds, convertible bonds or other securities; (ii) the transfer of the business as a going concern to another entity (assuntore); (iii) the division of the creditors into separate classes consistent with their specific legal and economic characteristics; and (iv) different treatment for creditors belonging to different classes.

Article 161 of the Bankruptcy Law, as amended respectively by Italian law decree No. 83 of 22 June 2012, converted into law No. 134 of 7 August 2012, and Italian law decree No. 69 of 21 June 2013, converted with amendments into law No. 98 of 9 August 2013, provides that a debtor in a state of crisis or state of insolvency may file a petition before the competent court containing a request in advance for a composition agreement

(*domanda di concordato anticipata*). Such request may contain only the annual financial statements for the last three financial years and the list of creditors' name with indication of the relevant credits. The debtor shall subsequently file the above mentioned plan, within the date set by the competent court. Together with the motivated decree setting such date, the competent court may nominate a court-appointed officeholder, following the provision of Article 161 paragraph 5, of the Bankruptcy Law that, pursuant to Article 170, paragraph 2 of the Bankruptcy Law, may examine the financial statements of the debtor. From the date on which the petition for a composition agreement with creditors or the petition before the competent court containing a request in advance for a composition agreement (*domanda di concordato anticipata*) is filed before the competent court, an "automatic stay" period is triggered, during which all creditors are prevented from recovering their debt or foreclosing on the debtor's assets. The temporary "automatic stay" is effective until the date of final ratification (*decreto di omologazione*) of the composition agreement with creditors. Following the filing of the petitions before the competent court, the relevant court evaluates whether conditions for admission to such proceeding are met. Should the court decide that the petition does not satisfy the requirements set out by law, the debtor's petition is rejected and if the debtor is in a state of insolvency it may be declared bankrupt (*fallito*). If the conditions for admission are met, the relevant court will, *inter alia*, appoint the court-appointed officeholder (if it was not appointed by the competent court pursuant to Article 161, paragraph 5, of the Bankruptcy Law) who will notify each creditor of the date of the creditor's meeting to vote on the plan proposed by the debtor. The composition agreement with creditors is approved with the affirmative vote of creditors representing the majority of credits admitted to vote. If there are different classes of creditors, the composition agreement with creditors is approved if the majority is reached also in the major number of classes. The court may ratify the composition agreement with creditors even if this has not been approved by the majority of creditors in one or more classes, **provided that**: (i) the majority of classes has approved the proposal; and (ii) the court believes that the creditor in a dissenting class will be in a position under the composition not worse than that in which they would be in case of any other feasible alternative. If creditors do not approve the composition agreement, the court will then declare its inadmissibility and may declare the debtor bankrupted if it is insolvent. On the contrary, if creditors approve the composition agreement, the designated judge, if all procedures have taken place regularly and in the absence of oppositions (or once possible oppositions have been dealt with and resolved), will ratify that approval.

Pursuant to Article 182-*bis* of the Bankruptcy Law, a debtor which is experiencing a state of crisis may require the ratification (*omologazione*) of a debts restructuring agreement (*accordo di ristrutturazione dei debiti*) entered into between it and its creditors representing at least 60% of the credits owed by it, by filing with the competent court the required corporate documentation and a certification of an expert - having certain characteristics - confirming (i) the feasibility of the debts restructuring agreement and (ii) its capability of procuring the regular payment of those creditors which are not a party to such debts restructuring agreement. The debts restructuring agreement must be published in the debtor's companies' register and shall be effective as of the date of its publication. For a period of 60 days from the date of its publication, the debts restructuring agreement shall determine an "automatic stay" period pursuant to which any creditor having a title against such debtor arisen in advance to the date of publication of the debts restructuring agreement, will not be allowed to commence or continue any enforcement or precautionary action on the assets of the debtor. If the debts restructuring agreement complies with all the requirement set out by law and it is feasible to aim its purposes, the court shall issue a decree (*decreto di omologazione*) validating such debts restructuring agreement.

Law No. 3 of 27 January 2012 provides that consumers and other entities that cannot make use of the insolvency proceedings ("**Other Entities**") may benefit from a procedure in order to reconstruct their own debts. Such procedure provides that the Other Entities may apply a special authority and the competent court in order to propose a recovery plan for their own debts. If such plan is approved it will be binding for the creditors.

Law decree No. 179 of 18 October 2012 as converted into law No. 221 on 17 December 2012 has amended the discipline provided for by law No. 3 of 27 January 2012 and in particular some aspects regarding:

(1) the setting of the recovery plan;

(2) the consumer insolvency (*crisi del consumatore*);

(3) the composition agreement related to insolvency proceedings and the subsequent discharge of residual debt by the court (*esdebitazione*).

Furthermore, law decree No. 83 of 22 June 2012 as converted with amendments into law No. 134 on 17 August 2012, in order to accelerate the report of insolvencies and to favour the business administration continuity, allows the entrepreneur to claim for a composition agreement before having filed the required documentation.

Description of* Amministrazione straordinaria delle Banche – *Suspension of payments

A bank may be submitted to the *amministrazione straordinaria* delle banche where (a) serious administrative irregularities, or serious violations of the provisions governing the bank's activity provided for by laws, regulations or the bank's by-laws activity are found; (b) serious capital losses are expected to occur; (c) the dissolution has been the object of a request by the administrative bodies or an extraordinary company meeting providing the reasons for the request.

According to the Banking Law, the procedure is initiated by decree of the Ministry of Economy and Finance, acting on a proposal by the Bank of Italy, which shall dissolve the bodies entrusted respectively with management and control functions of the bank. Subsequently the Bank of Italy shall appoint, within 15 days as from the date of that decree (a) one or more special administrator (*commissari straordinari*); (b) a surveillance committee composed of between three and five members (*comitato di sorveglianza*). The *commissari straordinari* are entrusted with the duty to assess the situation of the bank, remove the irregularities which may have been found and promote solutions in the best interest of the depositors of the bank. The *comitato di sorveglianza* exercises auditing functions and provides to the *commissari straordinari* the opinions requested by the law or by the Bank of Italy. However, it should be noted that the Bank of Italy may instruct in a binding manner the *commissari straordinari* and the *comitato di sorveglianza* providing specific safeguards and limits concerning the management of the bank.

In exceptional circumstances, pursuant to Article 74 of the Banking Law the *commissari straordinari*, in order to protect the interests of the creditors, in consultation with the *comitato di sorveglianza* and subject to an authorisation by the Bank of Italy, may suspend payment of the bank's liabilities and the restitution to customers of financial instruments. Payments may be suspended for a period of up to one month, which may be extended for an additional period of two months. During the suspension period forced executions or actions to perfect security interests involving the bank's properties or customers' securities may not be initiated or prosecuted. During the same period mortgages may not be registered on the bank's immovable property nor may any other rights of preference on the bank's movable property be acquired, except in the case of enforceable court orders issued prior to the beginning of the suspension period. The suspension shall not trigger the insolvency of the bank.

The *amministrazione straordinaria delle banche* shall last for one year from the date of issue of the decree of the Ministry of Economy and Finance, unless the decree provides for a shorter period or the Bank of Italy authorises the early termination. In exceptional cases, the procedure may be extended for an additional period of up to six months. The Bank of Italy may extend the duration of the procedure for periods of up to two months, in connection with the acts and formalities related to the termination of the procedure, **provided that** the relevant acts to be executed have already been approved by the Bank of Italy.

At the end of the procedure, the *commissari straordinari* shall undertake the necessary steps for the appointment of the bodies governing the bank in the ordinary course of business. After the appointment, the management and audit functions shall be transferred to the newly appointed bodies. It should however be noted that, should at the end of the procedure or at any earlier time the conditions for the declaration of the *liquidazione coatta amministrativa* (described in the following section) be met, then the bank may be subject to such procedure.

***Description of* Liquidazione coatta amministrativa delle Banche**

According to the Banking Law, when the conditions for the *amministrazione straordinaria delle banche* and described in the preceding paragraph are exceptionally serious (*di eccezionale gravità*), or when a court has declared the state of insolvency of the bank, the Ministry of Economy and Finance, acting on a proposal of the Bank of Italy, by way of a decree, may revoke the authorisation for the carrying out of banking activities and submit the bank to the compulsory winding up (*liquidazione coatta amministrativa*).

From the date of issue of the decree the functions of the administrative and control bodies, of the shareholders' meetings and of any other governing body of the bank shall cease. The Bank of Italy shall appoint (a) one or more liquidators (*commissari liquidatori*); (b) a surveillance committee composed of between three and five members (*comitato di sorveglianza*).

From the date the *commissari liquidatori* and the *comitato di sorveglianza* have assumed their functions and in any case from the third day following the date of issue of the aforesaid decree of the Ministry of Economy and Finance, the payment of any liabilities and the restitution of assets owned by third parties shall be suspended.

The *commissari liquidatori* shall act as legal representatives of the bank, exercise all actions that pertain to the bank and carry out all transactions concerning the liquidation of the bank's assets. The *comitato di sorveglianza* shall (a) assist the *commissari liquidatori* in exercising their functions, (b) control the activities carried out by *commissari liquidatori*; and (c) provide to the *commissari liquidatori* the opinions requested by the law or by the Bank of Italy. The Bank of Italy may issue directives concerning the implementation of the procedure and establish that some categories of operations and actions shall be subject to its authorisation and to preliminary consultation with the *comitato di sorveglianza*.

The Banking Law regulates the procedure for the assessment of the bank's liabilities (*accertamento del passivo*), and the procedures which allow creditors whose claims have been excluded from the list of liabilities (*stato passivo*) to challenge the list of liabilities.

The liquidators, with the favourable opinion of the *comitato di sorveglianza* and subject to authorisation by the Bank of Italy, may assign assets and liabilities, going concerns, assets and legal relationships identifiable as a pool (*in blocco*). Such assets may be assigned at any stage of the procedure, even before the *stato passivo* has been deposited. The assignor shall however be liable exclusively for the liabilities included in the *stato passivo*. Subject to prior authorisation of the Bank of Italy and for the purpose of maximising profits deriving from the liquidation of the assets, the commissari liquidatori may continue the banks' activity or of specific going concerns of the bank, in compliance with any indications provided for by the *comitato di sorveglianza*. In such case the provision of the Bankruptcy Law concerning the termination of legal relationships shall not apply.

Once the assets have been realised and before the final allotment to the creditors or to the last restitution to customers, the *commissari liquidatori* shall present to the Bank of Italy the closing statement of accounts of the liquidation, the financial statement and the allotment plan, accompanied by their own report and a report by the surveillance committee.

TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (the "**Conditions**" and, each of them, a "**Condition**"). In these Conditions, references to the "holder" of Covered Bonds and to the "Covered Bondholders" are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with (i) the provisions of legislative decree No. 58 of 24 February 1998 (the "**Financial Services Act**") and implementing regulations and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.*

The Covered Bondholders are deemed to have notice of, and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of Covered Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Series or Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified, complete the Conditions for the purpose of such Series or Tranche.

1. Introduction

(a) ***Programme***: the Issuer (as defined below) has established a covered bond programme (the "**Programme**") for the issuance of up to Euro 5,000,000,000 in aggregate principal amount of covered bonds (the "**Covered Bonds**") guaranteed by Carige Covered Bond S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-*bis* of law No. 130 of 30 April 1999 (as amended, the "**Law 130**"), Decree of the Ministry for the Economy and Finance of 14 December 2006 No. 310 (the "**MEF Decree**") and the Supervisory Instructions relating to covered bonds (*Obbligazioni Bancarie Garantite*) under Part III, Section 3, of the 5th update to circular No. 285 dated 17 December 2013 containing the "*Disposizioni di vigilanza per le banche*", as further implemented or amended (the "**BoI Regulations**" and jointly with the Law 130 and the MEF Decree, the "**OBG Regulations**").

(b) ***Final Terms***: Covered Bonds are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Covered Bonds. Each Series or Tranche is the subject of final terms (the "**Final Terms**") which completes these Conditions. The terms and conditions applicable to any particular Series or Tranche of Covered Bonds are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) ***Covered Bond Guarantee***: each Series or Tranche of Covered Bonds is the subject of a guarantee (the "**Covered Bond Guarantee**") entered into by the Guarantor for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series or Tranche issued under the Programme. The Covered Bond Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to the Guarantor pursuant to the Master Transfer Agreement (as defined below) and in accordance with the provisions of the Law 130, the MEF Decree and the BoI Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets of the cover pool. Payments made by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments (as defined below).

(d) ***Programme Agreement and Subscription Agreement***: in respect of each Series or Tranche of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the issue price for the Covered Bonds on the Issue Date under the terms of a programme agreement (the "**Programme Agreement**") between the Issuer, the Sellers, the Guarantor and the dealer(s) named therein (the "**Dealers**"), as supplemented (if applicable) by a subscription agreement entered into between the Issuer, the Guarantor and the Relevant Dealer(s) (as defined below) on or around the date of the relevant Final Terms (the "**Subscription Agreement**"). In the Programme Agreement, the Relevant Dealer(s) has or have appointed Deutsche Trustee Company Limited as representative of the Covered Bondholders (in such capacity, the "**Representative of the Covered Bondholders**"), as described in Condition 13 (*Representative of the Covered Bondholders*).

(e) ***Monte Titoli Mandate Agreement***: in a mandate agreement with Monte Titoli S.p.A. ("**Monte Titoli**") (the "**Monte Titoli Mandate Agreement**"), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds.

(f) ***The Covered Bonds***: except where stated otherwise, all subsequent references in these Conditions to "**Covered Bonds**" are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to "**each Series or Tranche of Covered Bonds**" are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series or Tranche of Covered Bonds issued under the Programme which remains outstanding from time to time.

(g) ***Rules of the Organisation of Covered Bondholders***: the Rules of the Organisation of Covered Bondholders are attached to, and form an integral part of, these Conditions. References in these Conditions to the "**Rules of the Organisation of the Covered Bondholders**" include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

(h) ***Summaries***: certain provisions of these Conditions are summaries of the Transaction Documents and are subject to their detailed provisions. Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents applicable to them. Copies of the Transaction Documents are available for inspection by the Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of each of the Paying Agents.

2. **Interpretation**

(a) ***Definitions***: in these Conditions the following expressions have the following meanings:

"**Acceleration Notice**" means the notice to be served by the Representative of the Covered Bondholders on the Guarantor pursuant to the Intercreditor Agreement upon the occurrence of any of the Guarantor Events of Default.

"**Accounts**" means, collectively the Transaction Account, the Reserve Account, the Investment Account, the Securities Account (if any), the Quota Capital Account, the Expense Account, the Collateral Account (if any), and "**Account**" means any one of them.

"**Account Banks**" means the Italian Account Bank, the Collateral Account Bank and the Transaction Bank.

"**Accrual Yield**" has the meaning ascribed to it in the relevant Final Terms.

"**Accrued Interest**" means in respect of a Mortgage Loan at any date the aggregate of all interest accrued but not yet due and payable from (and including) the payment date for that Mortgage Loan immediately preceding the relevant date to (but excluding) the relevant date.

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms.

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms.

"**Additional Servicers**" means any entity, other than the Servicers, which is part of the Banca Carige Group that will act as such pursuant to the provisions of the Servicing Agreement and that, for such purpose, shall, *inter alia*, accede to the Servicing Agreement.

"**Adjusted Aggregate Loan Amount**" means the amount calculated pursuant to the formula set out in the Cover Pool Administration Agreement.

"**Adjusted Required Redemption Amount**" has the meaning ascribed to it under the Cover Pool Administration Agreement.

"**Affected Party**" has the meaning ascribed to it in the Swap Agreements.

"**Amortisation Test**" means the test intended to ensure that, on each Calculation Date following the occurrence of an Issuer Event of Default and service of a Notice to Pay, the Amortisation

Test Aggregate Loan Amount is higher than or equal to the Principal Amount Outstanding of the Covered Bonds.

"**Article 74 Event**" has the meaning ascribed to it in Condition 11(b).

"**Article 74 Event Cure Notice**" means a notice delivered by the Representative of the Covered Bondholders to the Issuer, the Guarantor and the Asset Monitor, informing such parties that the Article 74 Event has been cured.

"**Asset Coverage Test**" means the test which will be carried out pursuant to the terms of the Cover Pool Administration Agreement in order to ensure that, on the relevant Calculation Date, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds.

"**Asset Monitor**" means BDO ITALIA S.p.A., or any other entity appointed from time to time to act as such in accordance with the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the Asset Monitor Agreement entered into on or about the Initial Issue Date, as subsequently amended, between, *inter alios*, the Asset Monitor and the Issuer.

"**Asset Swap**" means the asset swap agreement that may be entered into between the Guarantor and the relevant Asset Swap Counterparty in order to hedge certain interest rate risks, and eventually currency risks, in respect of amounts received by the Guarantor under the Eligible Assets and/or Integration Assets.

"**Asset Swap Counterparty**" means any entity acting as such under the Asset Swap.

"**Available Funds**" means, collectively, (a) the Interest Available Funds, (b) the Principal Available Funds and (c) the Excess Proceeds, **provided that** the Available Funds do not include the Swap Collateral.

"**Back-up Servicer**" has the meaning ascribed to it in the Servicing Agreement.

"**Back-up Servicing Agreement**" means the back-up servicing agreement entered into on 23 January 2013 between, *inter alia*, the Guarantor, the Servicers and the Back-up Servicer.

"**Back-up Servicer Facilitator**" has the meaning ascribed to it in the Servicing Agreement.

"**Banking Law**" means Legislative Decree No. 385 of 1 September 1993, as amended and supplemented.

"**Business Day**" means a day on which banks are generally open for business in Genoa, Milan, London and Luxembourg and on which the Trans-European Automated Real Time Gross Transfer System (TARGET 2) (or any successor thereto) is open.

"**Business Day Convention**", in relation to any particular date, has the meaning ascribed to it in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought back to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"**Breach of Test Notice**" means the notice delivered by the Representative of the Covered Bondholders in accordance with the terms of the Cover Pool Administration Agreement.

"**Calculation Agent**" means Banca Carige S.p.A., acting as such pursuant to the Cash Management and Agency Agreement and the Cover Pool Administration Agreement.

"**Calculation Amount**" has the meaning ascribed to it in the relevant Final Terms.

"**Calculation Date**" means the 22nd day of each calendar month.

"**Call Option**" has the meaning ascribed to it in the relevant Final Terms.

"**Cash Management and Agency Agreement**" means the cash management and agency agreement entered into on or about the Initial Issue Date, as subsequently amended, between, *inter alios*, the Guarantor, the Account Banks, the Investment Manager, the Cash Manager, the Representative of the Covered Bondholders, the Calculation Agent, the Luxembourg Listing Agent, the Italian Paying Agent, the Principal Paying Agent, the Servicers and the Asset Monitor.

"**Cash Manager**" means Deutsche Bank AG, London Branch acting as such pursuant to the Cash Management and Agency Agreement.

"**CB Interest Period**" means each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date).

"**CB Payment Date**" means the First CB Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest

Commencement Date (in the case of the first CB Payment Date) or the previous CB Payment Date (in any other case).

"**Clearstream**" means Clearstream Banking, *société anonyme*, Luxembourg.

"**Collateral Account**" has the meaning ascribed to it in Clause 4.4 (Collateral Account) of the Intercreditor Agreement.

"**Collateral Account Bank**"" means any entity acting as collateral account bank pursuant to Clause 4.4 (Collateral Account) of the Intercreditor Agreement.

"**Collection Period**" means each monthly period of each year, commencing on (and including) the first calendar day of each month and ending on (and including) the last calendar day of the same month.

"**CONSOB**" means *Commissione Nazionale per le Società e la Borsa*.

"**Corporate Services Agreement**" means the corporate services agreement entered into on or about the Initial Issue Date between Banca Carige S.p.A. as corporate servicer and the Guarantor, as amended from time to time.

"**Covered Bondholders**" means the holders from time to time of Covered Bonds, title to which is evidenced in the manner described in Condition 3 (*Form, Denomination and Title*).

"**Covered Bond Swap**" means any covered bond swap agreement entered into between the Guarantor and the relevant Covered Bond Swap Counterparty in order to hedge certain interest rate risks, and eventually currency risks, in respect of amounts received by the Guarantor under the Mortgage Pool Swap, the Asset Swap (if any) and certain amounts to be paid in respect of the Subordinated Loan and the Covered Bonds.

"**Covered Bond Swap Counterparty**" means any entity acting as such under the Covered Bond Swap.

"**Covered Bond Instalment Date**" means a date on which a principal instalment is due on a Series of Covered Bonds as specified in the relevant Final Terms.

"**Cover Pool**" means collectively the Eligible Assets and/or the Integration Assets held by the Guarantor.

"**Cover Pool Administration Agreement**" means the cover pool administration agreement entered into on or about the Initial Issue Date, as subsequently amended, between, *inter alios*, the Issuer, the Sellers, the Guarantor, the Representative of the Covered Bondholders and the Calculation Agent

"**CSA**" means the 1995 ISDA Credit Support Annex (Transfer-English Law) to the Schedule to the ISDA Master Agreement.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

(ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360 (Fixed rate)**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

(vi) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the CB Interest Period divided by 365 or, in the case of a CB Payment Date falling in a leap year, 366;

(vii) if "**30/360 (Floating Rate)**" is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(viii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(ix) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

DBRS Equivalent Rating is determined by using the table below and these rules:

1. if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the Eligible Investment or the Eligible Institution (each, a **Public Long Term Rating**) are all available at such date, the DBRS Rating will be the DBRS Equivalent Rating of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below). For this purpose, if more than one Public Long Term Rating has the same highest DBRS Equivalent Rating or the same lowest DBRS Equivalent Rating, then in each case one of such Public Long Term Ratings shall be so disregarded;

2. if the DBRS Rating cannot be determined under (a) above, but Public Long Term Ratings of the Eligible Investment by any two of Fitch, Moody's and S&P are available at such date, the DBRS Equivalent Rating of the lower such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below); and

3. if the DBRS Rating cannot be determined under (a) and (b) above, but Public Long Term Ratings by any one of Fitch, Moody's and S&P are available at such date, then the DBRS Equivalent Rating will be such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below).

If at any time the DBRS Rating cannot be determined under subparagraphs (1) to (3) above, the DBRS Rating will be deemed to be of "C" at such time.

DBRS Equivalent Rating Table:

DBRS	Moody's	S&P	Fitch
AAA	Aaa	AAA	AAA
AA(high)	Aa1	AA+	AA+
AA	Aa2	AA	AA
AA(low)	Aa3	AA-	AA-
A(high)	A1	A+	A+
A	A2	A	A
A(low)	A3	A-	A-
BBB(high)	Baa1	BBB+	BBB+
BBB	Baa2	BBB	BBB
BBB(low)	Baa3	BBB-	BBB-
BB(high)	Ba1	BB+	BB+

BB	Ba2	BB	BB
BB(low)	Ba3	BB-	BB-
B(high)	B1	B+	B+
B	B2	B	B
B(low)	B3	B-	B-
CCC(high)	Caa1	CCC+	CCC+
CCC	Caa2	CCC	CCC
CCC(low)	Caa3	CCC-	CCC-
CC	Ca	CC	CC
C	C	D	D

"DBRS Rating" means any of the (i) public rating; (ii) private rating and (iii) internal assessment.

"**Dealer**" means each of UBS Limited, the Royal Bank of Scotland plc and any other entity which may be appointed as such by the Issuer pursuant to the Programme Agreement.

"**Deed of Charge**" means the deed of charge entered into on 1 December 2008 between the Guarantor and the Representative of the Covered Bondholders, as subsequently amended.

"**Deeds of Charge**" means the Deed of Charge and the English Law Account Charge – Transaction Bank Accounts.

"**Defaulting Party**" has the meaning ascribed to that term in the Swap Agreements.

"**Due for Payment Date**" has the meaning ascribed to it under the Covered Bond Guarantee.

"**Earliest Maturing Covered Bonds**" means at any time the relevant Series of the Covered Bonds that has the earliest Maturity Date as specified in the applicable Final Terms.

"**Early Redemption Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Early Redemption Date**" means, as applicable, the Optional Redemption Date (Call), the Optional Redemption Date (Put) or the date on which any Series or Tranche of Covered Bonds is to be redeemed pursuant to Condition 8(e) (*Redemption for tax reasons*).

"**Early Termination Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms.

"**Eligible Assets**" means the Mortgage Loans, the Public Assets and the ABS.

"**Eligible Institution**" means an institution whose short-term ratings are at least equal to "P-1" by Moody's and "F1" by Fitch and whose long-term ratings are at least equal to "A" by Fitch (provided that, if any of the above credit institutions is on rating watch negative, it shall be

treated as one notch below its current Fitch rating) and whose unsecured and unsubordinated debt obligations with respect to DBRS have a DBRS Rating or, failing that, a DBRS Equivalent Rating equal to the Minimum DBRS Rating or any other rating level from time to time provided for in the Rating Agencies' criteria.

"**Eligible States**" means any States belonging to the European Economic Space, Switzerland and any other State attracting a 0 per cent. risk weighting factor under the standardised method (*metodo standardizzato*) provided for by the Basel II Accord.

"**English Law Account Charge – Transaction Bank Accounts**" means the deed of charge entered into on 1 September 2011 between the Guarantor and the Representative of the Covered Bondholders.

"**EURIBOR**" shall have the meaning ascribed to it in the relevant Final Terms.

"**Euro**", and "**EUR**" refer to the single currency of member states of the European Union which adopt the single currency introduced in accordance with the treaty establishing the European Community.

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Excess Proceeds**" means the amounts received by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree.

"**Expense Account**" means a euro-denominated account with number 6699080, IBAN: IT04B0617501400000006699080, opened in the name of the Guarantor with the Italian Account Bank, or any other account as may replace it in accordance with the Cash Management and Agency Agreement.

"**Extension Determination Date**" means the date falling 2 Business Days after the expiry of seven days from (and including) the Maturity Date of the relevant Series or Tranche of Covered Bonds.

"**Extended Instalment Date**" means, in relation to any Series or Tranche of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of an Instalment Amount payable on the relevant Covered Bond Instalment Date will be deferred pursuant to Condition 8(d) (*Extension of principal instalments*).

"**Extended Maturity Date**" means, in relation to any Series or Tranche of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 8(b) (*Extension of maturity*).

"**Extraordinary Resolution**" has the meaning ascribed to it in the Rules of the Organisation of Covered Bondholders attached to these Conditions.

"**Final Redemption Amount**" means the amount, as specified in the applicable Final Terms, representing the amount equal to 100 per cent. of the nominal value, due (subject to the applicable grace period) in respect of the relevant Series or Tranche of Covered Bond other than Zero Coupon Covered Bonds.

"**First CB Payment Date**" means the date specified as such in the relevant Final Terms.

"**Fitch**" means Fitch Ratings Limited.

"**Fixed Coupon Amount**" has the meaning ascribed to it in the relevant Final Terms.

"**Fixed Rate Covered Bond**" means a Covered Bond specified as such in the relevant Final Terms.

"**Fixed Rate Provisions**" means the relevant provisions Condition 5 (*Fixed Rate Provisions*).

"**Floating Rate Provisions**" means the relevant provisions of Condition 6 (*Floating Rate Provisions*).

"**Floating Rate Covered Bond**" means a Covered Bond specified as such in the relevant Final Terms.

"**Guaranteed Amounts**" means (i) prior to the service of an Acceleration Notice, with respect to any Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Due for Payment Date, or (ii) after the service of an Acceleration Notice, an amount equal to the relevant Early Redemption Amount *plus* all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Guarantor under the Transaction Documents, **provided that** any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the "**Clawed Back Amounts**"). In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 10(a) (*Gross up by Issuer*).

"**Guarantor Events of Default**" has the meaning ascribed to it in Condition 11(c) (*Guarantor Events of Default*).

"**Guarantor Payment Date**" means the 25th day of each calendar month, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Guarantor Event of Default, each Business Day.

"**Initial Issue Date**" means the date on which the Issuer issued the first Series of Covered Bonds.

"**Initial Receivables**" means the first portfolio of certain Eligible Assets transferred by each Seller (other than Carige Italia) to the Guarantor pursuant to the Master Transfer Agreement.

"**Insolvency Event**" means, in respect of any bank, company or corporation, that:

(i) such company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than, in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under

the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation or any of the events under Article 2448 of the Italian Civil Code occurs with respect to such company or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or

(v) such company or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

"**Instalment Amount**" has the meaning ascribed to it in Condition 8(c) (*Redemption by instalments*).

"**Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling 2 Business Days after the expiry of seven days from (and including) such Covered Bond Instalment Date.

"**Integration Assets**" means the assets mentioned in Article 2, paragraph 3, point 2 and 3, of the MEF Decree consisting of (i) deposits with banks residing in Eligible States; and (ii) securities issued by banks residing in Eligible States with residual maturity not greater than one year, which, according to the MEF Decree, may be sold to the Guarantor within the limit of 15 per cent. of the Cover Pool.

"**Intercreditor Agreement**" means the agreement entered into on or about the Initial Issue Date, as subsequently amended, between, *inter alios*, the Guarantor, the Servicers, the Sellers, the Issuer, the Representative of the Covered Bondholders and the other Secured Creditors.

"**Interest Amount**" means, in relation to any Series or Tranche of Covered Bonds and a CB Interest Period, the amount of interest payable in respect of that Series or Tranche for that CB Interest Period.

"**Interest Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) any interest collected by the Servicers in respect of the Cover Pool and credited into the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date (excluding any amount of interest collected on the Initial Receivables or the Subsequent Receivables which have been included in the calculation of the relevant Purchase Price as at the relevant Transfer Date);

(ii) all recoveries in the nature of interest and penalties received by the Servicers and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the Collection Period preceding the relevant Guarantor Payment Date;

(iv) all interest amounts received from the Eligible Investments;

(v) any amounts other than in respect of principal received under the Mortgage Pool Swap, **provided that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make

payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Covered Bond Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments under the Subordinated Loan Agreement; and **provided further that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received or to be received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(vi) any amounts other than in respect of principal received under the Covered Bond Swaps (other than any Swap Collateral), **provided that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of interest due and payable under the Subordinated Loan Agreement or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of interest on the Covered Bonds under the Covered Bond Guarantee, *pro rata* and *pari passu* in respect of each relevant Series or Tranche of Covered Bonds; and **provided further that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Interest Available Funds on such Guarantor Payment Date;

(vii) any swap termination payments received from a Swap Counterparty under a Swap Agreement, **provided that**, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a Replacement Swap Counterparty to enter into a Replacement Swap Agreement, unless a Replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;

(viii) prior to the service of a Notice to Pay on the Guarantor amounts standing to the credit of the Reserve Fund in excess of the Required Reserve Amount and following the service of a Notice to Pay on the Guarantor, any amounts standing to the credit of the Reserve Account;

(ix) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

(x) the Moody's Potential Commingling Amount if such amount has been credited in accordance with the provisions of the Cover Pool Administration Agreement and (i) an Issuer Event of Default has occurred or (ii) the Issuer's short term rating assigned by Moody's has been restored to at least P-1.

"**Interest Commencement Date**" means, in relation to any Series or Tranche of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Determination Date**" has the meaning ascribed to it in the relevant Final Terms.

"**Investment Account**" means a euro-denominated account with number 29821701, IBAN GB86DEUT40508129821701, opened in the name of the Guarantor with the Transaction Bank, or any other account as may replace it in accordance with the provisions of the Cash Management and Agency Agreement.

"**Investment Manager**" means Banca Carige S.p.A.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Series or Tranche of Covered Bonds (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc. and available on www.ISDA.org.

"**ISDA Determination**" means that the Rate of Interest will be determined in accordance with Condition 6(d) (*ISDA Determination*).

"**Issue Date**" has the meaning ascribed to it in the relevant Final Terms.

"**Issuer**" means Banca Carige S.p.A. a bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is in Genoa, at Via Cassa di Risparmio 15, incorporated with registration number 03285880104 with the Companies Registry of Genoa and registered with the Bank Registry (Albo delle Banche) under number 6175.4 and, as head of the Banca Carige banking group, (Capogruppo del Gruppo Bancario Banca Carige) under number 6175.4, whose business purpose, as set out in Article 4 of its by-laws, is the exercise of banking activity which includes, in compliance with applicable provisions, all permitted transactions and banking and financial services and the issue of bonds, as well as any other activity instrumental or in any way connected to the furtherance of the business purpose.

"**Issuer Events of Default**" has the meaning ascribed to it in Condition 11(a) (*Issuer Events of Default*).

"**Liquidity Facility Agreement**" means the liquidity facility agreement entered into on 19 October 2011 between the Guarantor and the Liquidity Facility Provider.

"**Liquidity Facility Provider**" means Banca Carige S.p.A.

"**Luxembourg Listing Agent**" means Deutsche Bank Luxembourg, *Société Anonyme*.

"**Mandatory Tests**" means the tests provided for under Article 3 of the MEF Decree.

"**Margin**" has the meaning ascribed to it in the relevant Final Terms.

"**Master Servicer**" means Banca Carige S.p.A. in its capacity as such pursuant to the Servicing Agreement.

"**Master Transfer Agreement**" means the master transfer agreement entered into on 14 November 2008, as subsequently amended, between the Sellers and the Guarantor

"**Maturity Date**" has the meaning ascribed to it in the relevant Final Terms.

"**Maximum Rate of Interest**" has the meaning ascribed to it in the relevant Final Terms.

"**Maximum Redemption Amount**" has the meaning ascribed to it in the relevant Final Terms.

"**Meeting**" has the meaning ascribed to it in the Rules of the Organisation of Covered Bondholders.

"Minimum DBRS Rating" means a minimum rating issued by DBRS according to the table below:

Highest Rating Assigned to Rated Securities	**Minimum Rating Level for the Eligible Institution**

AAA (sf)	"A"
AA (high) (sf)	"A"
AA (sf)	"A"
AA (low) (sf)	"A"
A (high) (sf)	BBB (high)
A (sf)	BBB
A (low) (sf)	BBB (low)
BBB (high) (sf)	BBB (low)
BBB (sf)	BBB (low)
BBB (low) (sf)	BBB (low)

"**Minimum Rate of Interest**" has the meaning ascribed to it in the relevant Final Terms.

"**Minimum Redemption Amount**" has the meaning ascribed to it in the relevant Final Terms.

"**Monte Titoli**" means Monte Titoli S.p.A., a società per azioni having its registered office at Piazza degli Affari, 6, 20154 Milan, Italy.

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any Relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System.

"**Moody's**" means Moody's Investors Service Ltd.

"**Moody's Potential Commingling Amount**" has the meaning ascribed to it in the Cover Pool Administration Agreement.

"**Mortgage Loans**" means Italian residential and commercial mortgage loans (mutui ipotecari residenziali e commerciali) pursuant to Article 2, paragraph 1, lett. (a) and (b), of the MEF Decree.

"**Mortgage Cover Pool**" means, collectively, all the Mortgage Loans.

"**Mortgage Pool Swap**" means any portfolio swap agreement entered into between the Guarantor and the relevant Mortgage Pool Swap Counterparty in order to hedge interest rate risk on the Mortgage Cover Pool.

"**Mortgage Pool Swap Counterparty**" means any swap counterparty which agrees to act as such under the Mortgage Pool Swap.

"**Notice to Pay**" means the notice to be served by the Representative of the Covered Bondholders on the Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer Event of Default.

"**Official Gazette**" means the Gazzetta Ufficiale della Repubblica Italiana.

"**Optional Redemption Amount (Call)**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Optional Redemption Amount (Put)**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Optional Redemption Date (Call)**" has the meaning ascribed to it in the relevant Final Terms.

"**Optional Redemption Date (Put)**" has the meaning ascribed to it in the relevant Final Terms.

"**Order**" means a final, non-appealable judicial or arbitration decision, ruling or award from a court of competent jurisdiction.

"**Organisation of the Covered Bondholders**" means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of Covered Bondholders.

"**Outstanding Principal Balance**" means, at any date, in relation to a loan, a bond, a Series or Tranche of Covered Bonds or any other asset the aggregate nominal principal amount outstanding of such loan, bond, Series or Tranche of Covered Bonds or asset at such date.

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"**Paying Agents**" means the Principal Paying Agent, the Italian Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Management and Agency Agreement.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Place of Payment**" means, in respect of any Covered Bondholders, the place at which such Covered Bondholder receives payment of interest or principal on the Covered Bonds.

"**Post-Guarantor Event of Default Priority of Payments**" means the order of priority pursuant to which the Available Funds shall be applied, following the delivery of an Acceleration Notice, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"**Post-Issuer Event of Default Priority of Payments**" means the order of priority pursuant to which the Available Funds shall be applied, following the delivery of a Notice to Pay, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"**Pre-Issuer Event of Default Interest Priority of Payments**" means the order of priority pursuant to which the Interest Available Funds shall be applied, prior to the delivery of a Notice to Pay, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"**Pre-Issuer Event of Default Principal Priority of Payments**" means the order of priority pursuant to which the Principal Available Funds shall be applied, prior to the delivery of a Notice to Pay, on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"**Principal Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) all principal amounts collected by the Servicers in respect of the Receivables and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(ii) all other recoveries in the nature of principal collected by the Servicers and credited to the Transaction Account during the Collection Period preceding the relevant Guarantor Payment Date;

(iii) all proceeds deriving from the sale, if any, of the Receivables;

(iv) all amounts in respect of principal (if any) received under any Swap Agreements (other than any Swap Collateral) **provided that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Issuance Advances (**provided that** all principal amounts outstanding under a relevant Series or Tranche of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Covered Bond Guarantee, *pro rata* and *pari passu* in respect of each relevant Series or Tranche of Covered Bonds; and **provided further that**, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date but prior to the next following Guarantor Payment Date which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Principal Available Funds on such Guarantor Payment Date;

(v) any amounts granted by the Sellers under the Subordinated Loan Agreement and not used to fund the payment of the purchase of any Eligible Assets and/or Integration Asset;

(vi) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

(vii) any amounts of interest collected on the Initial Receivables or the Subsequent Receivables which have been included in the calculation of the relevant Purchase Price as at the relevant Transfer Date;

(viii) any amounts granted by the Liquidity Facility Provider under the Liquidity Facility Agreement.

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Principal Paying Agent.

"**Priority of Payments**" means each of the orders in which the Available Funds shall be applied on each Guarantor Payment Date as set out in the Intercreditor Agreement.

"**Programme Limit**" means up to Euro 5,000,000,000 (and for this purpose, any Covered Bonds (Obbligazioni Bancarie Garantite) denominated in another currency shall be translated into Euro at the date of the agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding at any time.

"**Programme Resolution**" has the meaning ascribed to it in the Rules of the Organisation of Covered Bondholders.

"**Public Assets**" means loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c) of the MEF Decree.

"**Put Option**" has the meaning ascribed to it in the relevant Final Terms.

"**Put Option Notice**" means a notice which must be delivered to the Paying Agents, the Calculation Agent and the Asset Monitor by the Representative of the Covered Bondholders on behalf of any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder.

"**Put Option Receipt**" means a receipt issued by the Paying Agents to a depositing Covered Bondholder upon deposit of Covered Bonds with such Paying Agents by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder.

"**Quotaholders' Agreement**" means the quotaholder agreement executed on 11 April 2008 by, *inter alios*, the Issuer and Stichting Otello.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series or Tranche of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms.

"**Rating Agencies**" means Moody's Investors Service Ltd. ("**Moody's**") and/or Fitch Ratings Limited ("**Fitch**") and/or DBRS Ratings Limited ("**DBRS**")

"**Receivables**" means collectively the Initial Receivables and any other Subsequent Receivables which have been purchased and will be purchased by the Guarantor in accordance with the terms of the Master Transfer Agreement.

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms.

"**Reference Banks**" has the meaning ascribed to it in the relevant Final Terms or, if none, four major banks selected by the Principal Paying Agent in the market that is most closely connected with the Reference Rate.

"**Reference Price**" has the meaning ascribed to it in the relevant Final Terms.

"**Reference Rate**" has the meaning ascribed to it in the relevant Final Terms.

"**Regular Period**" means:

(i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first CB Payment Date and each successive period from and including one CB Payment Date to but excluding the next CB Payment Date;

(ii) in the case of Covered Bonds where, apart from the first CB Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any CB Payment Date falls; and

(iii) in the case of Covered Bonds where, apart from one CB Interest Period other than the first CB Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any CB Payment Date falls other than the CB Payment Date falling at the end of the irregular CB Interest Period.

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made.

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Covered Bondholders.

"**Relevant Dealer(s)**" means, in relation to a Series or Tranche, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Series or Tranche pursuant to the Programme Agreement.

"**Relevant Financial Centre**" has the meaning ascribed to it in the relevant Final Terms.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" has the meaning ascribed to it in the relevant Final Terms.

"**Representative of the Covered Bondholders**" means the entity that will act as representative of the holders of each Series or Tranche of Covered Bonds pursuant to the Transaction Documents.

"**Required Redemption Amount**" has the meaning ascribed to it in the Cover Pool Administration Agreement.

"**Required Reserve Amount**" means, if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F-1+ by Fitch and P-1 by Moody's, nil or such other amount as the Issuer shall direct the Guarantor from time to time and otherwise, an amount which will be determined on each Calculation Date and which will be equal to the aggregate amount of (a) one fourth of the annual amount payable under items (ii) and (iii) of the Pre-Issuer Event of Default Interest Priority of Payments; (b) any interest amounts due in the next three months to the Covered Bond Swap Counterparties in respect of each relevant Covered Bond Swap or, if no Covered Bond Swap has been entered into or if it has been entered into with

Banca Carige in relation to a Series of Covered Bonds, the interests amounts due in relation to that Series of Covered Bonds in the next three months and (c) Euro 400,000.00.

"**Reserve Account**" means a euro-denominated account with number 29821702, IBAN GB59DEUT40508129821702, opened in the name of the Guarantor with the Transaction Bank, or any other account as may replace it in accordance with the Cash Management and Agency Agreement.

"**Reserve Fund**" means any amounts standing to the credit of the Reserve Account up to the Required Reserve Amount.

"**Scheduled Interest**" means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each CB Payment Dates as specified in the Conditions falling on or after service of a Notice to Pay on the Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the "**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, less any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

"**Scheduled Principal**" means an amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each CB Payment Dates or the Maturity Date (as the case may be) as specified in the Conditions (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, or premiums: the "**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default, but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of an Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date and, if the Final Terms specifies that an Extended Maturity Date is applicable to relevant Series or Tranche, if the maturity date of such Series or Tranche had been the Extended Maturity Date.

"**Screen Rate Determination**" means that the Rate of Interest will be determined in accordance with Condition 6(c) (*Screen Rate Determination*).

"**Secured Creditors**" means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Liquidity Facility Provider, the Sellers, the Subordinated Loan Providers, the Servicers, the Back-up Servicer Facilitator, the Back-up Servicer (if any), the Corporate Servicer, the Account Banks, the Principal Paying Agent, the Italian Paying Agent, the Investment Manager, the Swap Counterparties, the Cash Manager, the Luxembourg Listing Agent, the Asset Monitor, the Cover Pool Manager and the Calculation Agent.

"**Selected Assets**" has the meaning ascribed to it in the Cover Pool Administration Agreement.

"**Sellers**" means, collectively, Banca Carige S.p.A., Banca del Monte di Lucca S.p.A. and Banca Carige Italia S.p.A. and any other entity acting as such pursuant to the Master Transfer Agreement.

"**Series**" or "**Series of Covered Bonds**" means each Series of Covered Bonds issued in the context of the Programme.

"**Servicers**" means Banca Carige S.p.A., Banca del Monte di Lucca S.p.A. and Banca Carige Italia S.p.A. and any other entity acting as such pursuant to the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement entered into on 14 November 2008, as subsequently amended, between the Guarantor and the Servicer.

"**Specified Currency**" has the meaning ascribed to it in the relevant Final Terms.

"**Specified Denomination(s)**" has the meaning ascribed to it in the relevant Final Terms.

"**Specified Office**" means with reference to the Principal Paying Agent, Winchester House, 1 Great Winchester Street, London EC2N 2DB or such other office in the same city or town as the Principal Paying Agent may specify by notice to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein.

"**Specified Period**" has the meaning ascribed to it in the relevant Final Terms.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 14 November 2008, as subsequently amended, between the Subordinated Loan Provider and the Guarantor.

"**Subordinated Loan Providers**" means Banca Carige S.p.A., Banca del Monte di Lucca S.p.A. and Banca Carige Italia S.p.A. and any other entity appointed as subordinated loan providers in accordance with the Subordinated Loan Agreement.

"**Subsequent Receivables**" means any portfolio of receivables other than the Initial Receivables which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Transfer Agreement.

"**Subsidiary**" has the meaning ascribed to it in Article 2359 of the Italian Civil Code.

"**Swap Agreements**" means collectively the Mortgage Pool Swaps, the Covered Bond Swaps and, if any, the Asset Swaps.

"**Swap Collateral**" means the collateral transferred by the relevant Swap Counterparty to the Guarantor pursuant to the relevant CSA.

"**Swap Counterparties**" means the Mortgage Pool Swap Counterparties, the Covered Bond Swap Counterparties and, as the case may be, the Asset Swap Counterparty.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

"**Test Performance Report**" means the report to be delivered, on each Calculation Date, by the Calculation Agent pursuant to the terms of the Cover Pool Administration Agreement.

"**Tests**" means, collectively, the Mandatory Tests, the Asset Coverage Test and the Amortisation Test.

"**Transaction Account**" means a euro-denominated account with number 29821700, IBAN GB16DEUT40508129821700, opened in the name of the Guarantor with the Transaction Bank, or any other account as may replace it in accordance with the provisions of the Cash Management and Agency Agreement.

"**Transaction Bank**" means Deutsche Bank AG, London Branch.

"**Transaction Documents**" means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Back-up Servicing Agreement, the Intercreditor Agreement, the Cover Pool Administration Agreement, the Corporate Services Agreement, the Subordinated Loan Agreement, the Liquidity Facility Agreement, the Covered Bond Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Programme Agreement, the Quotaholders' Agreement, the Italian Deed of Pledge, the Swap Agreements, the Deeds of Charge, the Subscription Agreement, the Mandate Agreement and

any document or agreement which supplement, amend or restate the content of any of the above mentioned documents and any further documents which is necessary in the context of the Programme.

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered into on 14 November 2008, as subsequently amended, between the Seller and the Guarantor.

"**Zero Coupon Covered Bond**" means a Covered Bond specified as such in the relevant Final Terms.

"**Zero Coupon Provisions**" means Condition 7 (*Zero Coupon Provisions*).

(a) ***Interpretation***: in these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Series or Tranche of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

(iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a Transaction Document (other than the Issuer and the Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Transaction Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Series or Tranche only; and

(vi) any reference in any Italian legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3. Form, Denomination and Title

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination of € 100,000 (or, where the Specified Currency is a currency other than euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, in each case as specified in the relevant Final Terms. The Covered Bonds will at all times be evidenced by, and title thereto will be transferable by means of, book-entries in accordance with the provisions of the Financial Services Act and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as amended and supplemented from time to time. The Covered Bonds will be held in dematerialised form by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with this Conditions and the Rules of the Organisation of Covered Bondholders.

4. **Status and Guarantee**

(a) ***Status of the Covered Bonds***: the Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Guarantor on their behalf.

(b) ***Status of the Covered Bond Guarantee***: the payment of Guaranteed Amounts in respect of each Series or Tranche of Covered Bonds when due for payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Covered Bond Guarantee. However, the Guarantor shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amount on the Due for Payment Date until the occurrence of an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Guarantor of a Notice to Pay. Any payment made by the Guarantor under the Covered Bond Guarantee shall discharge the corresponding obligations of the Issuer under the Covered Bonds *vis-à-vis* the Covered Bondholders.

(c) ***Priority of Payments***: amounts due by the Guarantor pursuant to the Covered Bonds Guarantee shall be paid in accordance with the Priority of Payments, as set out in the Intercreditor Agreement.

5. **Fixed Rate Provisions**

(a) ***Application***: this Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***: the Covered Bonds bear interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate of Interest. Interest will be payable in arrear on each CB Payment Date, subject as provided in Condition 9 (*Payments*), up to (and including) the Maturity Date, or as the case may be, the Extended Maturity Date. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed Coupon Amount***: the amount of interest payable in respect of each Covered Bond for any CB Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***: the amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-Unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6. **Floating Rate Provisions**

(a) ***Application***: this Condition 6 (*Floating Rate Provisions*) is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***: the Covered Bonds bear interest on their Outstanding Principal Balance from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each CB Payment Date, subject as provided in Condition 9 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination***: if Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be determined by the Principal Paying Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Principal Paying Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Principal Paying Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant CB Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant CB Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such CB Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any CB Interest Period, the Rate of Interest applicable to the Covered Bonds during such CB Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding CB Interest Period.

(d) ***ISDA Determination***: if ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any CB Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Paying Agent under an interest rate swap transaction if the Paying Agent were acting as Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that CB Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) ***Maximum or Minimum Rate of Interest***: if any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***Calculation of Interest Amount***: the Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each CB Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such CB Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such CB Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) ***Publication***: the Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant CB Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Italian Paying Agent and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and CB Payment Date) in any event not later than the first day of the relevant CB Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant CB Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(h) ***Notifications etc***: all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agent, the Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. **Zero Coupon Provisions**

(a) ***Application:*** this Condition 7 (*Zero Coupon Provisions*) is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Covered Bonds***: if the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in

respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

8. **Redemption and Purchase**

(a) ***Scheduled redemption***: unless previously redeemed or purchased and cancelled as specified below, the Covered Bonds of each Series or Tranche will be redeemed at their Final Redemption Amount on the relevant Maturity Date, subject as provided in Condition 8(b) (*Extension of maturity*) and Condition 9 (*Payments*).

(b) ***Extension of maturity***: without prejudice to Condition 11 (*Events of Default*), if an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds and an Issuer Event of Default has occurred, following the service of a Notice to Pay on the Guarantor, the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series or Tranche of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Guarantor under the Covered Bond Guarantee shall be deferred until the Extended Maturity Date **provided that** any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extension of Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

The Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 17 (*Notices*), any relevant Swap Counterparties, the Rating Agencies, the Representative of the Covered Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Maturity Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series or Tranche of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the relevant Due for Payment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priorities of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount in respect of the relevant Series or Tranche of Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on the Maturity Date and on each CB Payment Date up to and on the Extended Maturity Date.

Where an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds and applied, failure to pay on the Maturity Date by the Guarantor shall not constitute a Guarantor Event of Default.

(c) ***Redemption by instalments***: If the Covered Bonds are specified in the relevant Final Terms as being amortising and redeemable in instalments they will be redeemed in such number of

instalments, in such amounts ("**Instalment Amounts**") and on such dates as may be specified in or determined in accordance with the relevant Final Terms and upon each partial redemption as provided by this Condition 8(c) (*Redemption by instalments*), the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

(d) ***Extension of principal instalments***: without prejudice to Condition 11 (*Events of Default*), if an Extended Instalment Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds whose principal is payable in instalments and an Issuer Event of Default has occurred, following the service of a Notice to Pay on the Guarantor, the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Instalment Amount in full in respect of the relevant Series or Tranche of Covered Bonds on the date falling on the Instalment Extension Determination Date, then (subject as provided below), payment by the Guarantor under the Covered Bond Guarantee of each of (a) such Instalment Amount and (b) all subsequently due and payable Instalment Amounts shall be deferred until the Extended Instalment Date **provided that** any amount representing the Instalment Amounts due and remaining unpaid after the Instalment Extension Determination Date may be paid by the Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Instalment Date.

Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an extension of principal instalments in accordance with this Condition 8(d) (*Extension of principal instalments*) has occurred, and any payable Instalment Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

The Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 17 (*Notices*), any relevant Swap Counterparties, the Rating Agencies, the Representative of the Covered Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Covered Bond Instalment Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the relevant Instalment Amount in respect of a Series or Tranche of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the relevant Due for Payment Date following the applicable Instalment Extension Determination Date until the applicable Extended Instalment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priorities of Payments) *pro rata* in part payment of an amount equal to the relevant Instalment Amount in respect of the relevant Series or Tranche of Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such amounts on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Instalment Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on the relevant Covered Bond Instalment Date and on each CB Payment Date up to and on the Extended Instalment Date.

Where an Extended Instalment Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds and applied, failure to pay on the relevant Covered Bond Instalment Date by the Guarantor shall not constitute a Guarantor Event of Default.

(e) ***Redemption for tax reasons***: the Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Provisions are not specified in the relevant Final Terms as being applicable); or

(ii) on any CB Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Covered Bondholders (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Series or Tranche of Covered Bonds; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

(2) where the Covered Bonds may be redeemed only on an CB Payment Date, 60 days prior to the CB Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Italian Paying Agent and the Principal Paying Agent with copy to the Luxembourg Listing Agent and the Representative of the Covered Bondholders a certificate signed by duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be sufficient to the Italian Paying Agent and the Principal Paying Agent and conclusive and binding on the Covered Bondholders). Upon the expiry of any such notice as is referred to in this Condition 8(e) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8(e) (*Redemption for tax reasons*).

(f) ***Redemption at the option of the Issuer***: if the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Covered Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(g) ***Partial redemption***: if the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 8(f) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Covered Bondholders referred to in Condition 8(f) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the

relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(h) ***Redemption at the option of Covered Bondholders***: if the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Covered Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(h) (*Redemption at the option of Covered Bondholders*), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. Once deposited in accordance with this Condition 8(h) (*Redemption at the option of Covered Bondholders*), no duly completed Put Option Notice, may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 8(h) (*Redemption at the option of Covered Bondholders*), the Covered Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(i) ***No other redemption***: the Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 8(a) (*Scheduled redemption*) to (h) (*Redemption at the option of Covered Bondholders*) above.

(j) ***Early redemption of Zero Coupon Covered Bonds***: unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(j) (*Early redemption of Zero Coupon Covered Bonds*) or, if none is so specified, a Day Count Fraction of 30E/360.

(k) ***Purchase***: the Issuer or any of the other banks belonging to Banca Carige Group may at any time purchase or procure others to purchase for its account Covered Bonds at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or any of the other banks belonging to the Banca Carige Group, cancelled in whole or in part. The Guarantor shall not purchase any Covered Bonds at any time.

(l) ***Cancellation***: all Covered Bonds which are redeemed shall forthwith be cancelled and may not be reissued or resold.

(m) ***Redemption due to illegality***: the Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders and the Principal Paying Agent and, in accordance with Condition 17 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next CB Payment Date of any Covered Bond of any Series or Tranche, become unlawful for the Issuer to make any payments

under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next CB Payment Date.

Covered Bonds redeemed pursuant to this Condition 8(m) (*Redemption due to illegality*) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

9. **Payments**

(a) ***Payments through clearing systems***: payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Italian Paying Agent on behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

(b) ***Payments subject to fiscal laws***: all payments in respect of the Covered Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA**"). No commissions or expenses shall be charged to Covered Bondholders in respect of such payments.

(c) ***Payments on business days***: if the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

10. **Taxation**

(a) ***Gross up by Issuer***: all payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in respect to any payment or deduction of any interest premium or other proceeds of any Covered Bonds on account of *imposta sostitutiva* pursuant to legislative decree No. 239 of 1 April 1996, as amended from time to time ("**Decree No. 239**"); or

(ii) with respect to any Covered Bond presented for payments:

(A) in the Republic of Italy; or

(B) by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with the Republic of Italy other than the mere holding of such Covered Bond; or

(C) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Covered Bond by making, or procuring, a

declaration of non-residence or other similar claim for exemption but has failed to do so; or

(D) more than 30 days after the Maturity Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Covered Bond for payment on such thirtieth day assuming that day to have been a Business Day; or

(E) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or

(F) in respect of Covered Bonds classified as atypical securities where such withholding or deduction is required under law decree No. 512 of 30 September 1983, as amended and supplemented from time to time; or

(iii) held by or on behalf of a Covered Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to a Paying Agent in another Member State of the EU; or

(iv) where such withholding or deduction is imposed pursuant to FATCA.

(b) ***Taxing jurisdiction***: if the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

11. **Events of Default**

(a) ***Issuer Events of Default***

If any of the following events (each, an "**Issuer Event of Default**") occurs and is continuing:

(i) failure by the Issuer for a period of 15 days or more to pay any principal or redemption amount or any interest on the Covered Bonds of any Series or Tranche when due; or

(ii) breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Tests) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iii) if, following the delivery of a Breach of Test Notice, the Tests are not met at, or prior to, the next Calculation Date unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise; or

(iv) an Insolvency Event of the Issuer; or

(v) an Article 74 Event.

If an Issuer Event of Default occurs, the Representative of the Covered Bondholders will serve the Notice to Pay on the Issuer and Guarantor that an Issuer Event of Default has occurred, (specifying, in case of the an Article 74 Event, that the Issuer Event of Default may be temporary) unless the Representative of the Covered Bondholders, having exercised its discretion, resolves otherwise or an Extraordinary Resolution is passed resolving otherwise. In case on conflict between the Representative of the Covered Bondholders and the Extraordinary Resolution passed in a Meeting, the latter will prevail.

(b) ***Effect of a Notice to Pay***

Upon service of a Notice to Pay to the Issuer and the Guarantor:

(i) each series and/or tranche of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, **provided that** (a) such events shall not trigger an acceleration against the Guarantor, (b) pursuant to the Covered Bond Guarantee, the Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Event of Default Priority of Payments, on the relevant Due for Payment Date, (c) in accordance with terms and conditions provided for by the Covered Bond Guarantee and with Article 4, Para. 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds **provided that** (d) in case of an Article 74 Event, the effects listed in items from (a) to (c) above will only apply for as long as the Suspension Period and accordingly (A) the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) upon the end of the Suspension Period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);

(ii) the Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bond Guarantee, in the context of which the Covered Bondholders irrevocably delegate – also in the interest and for the benefit of the Guarantor – to the Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under these Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Guarantor, shall provide the Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In accordance with the Covered Bond Guarantee, the Representative of the Covered Bondholders on behalf of the Covered Bondholders has confirmed such delegation and waived any rights of the Covered Bondholders to revoke such delegation and take any such individual action against the Issuer;

(iii) without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bond Guarantee and the Priority of Payments to creditors set out in the Intercreditor Agreement;

(iv) the Mandatory Tests shall continue to be applied and the Amortisation Test shall be also applied;

(v) no further Covered Bonds will be issued.

"**Suspension Period**" means the period of time following a resolution pursuant to Article 74 of the Banking Law is passed in respect of the Issuer (the "**Article 74 Event**"), in which the Guarantor, in accordance with the MEF Decree, shall be responsible for the payments of the Guaranteed Amounts due and payable within the entire period in which the suspension continues.

The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of an Article 74 Event Cure Notice to the Issuer, the Guarantor and the Asset Monitor, informing such parties that the Article 74 Event has been cured.

(c) ***Guarantor Events of Default***

Following the occurrence of an Issuer Event of Default and the service of a Notice to Pay, if any of the following events (each, a "**Guarantor Events of Default**") occurs and is continuing:

(i) default by the Guarantor for a period of 15 days or more in the payment of any amounts due for payment in respect of the Covered Bonds of any Series or Tranche; or

(ii) following the occurrence of an Issuer Event of Default, breach of the Mandatory Tests or the Amortisation Test on any Calculation Date; or

(iii) breach by the Guarantor of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Tests) and (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Guarantor, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iv) an Insolvency Event of the Guarantor,

then the Representative of the Covered Bondholders shall serve the Acceleration Notice on the Guarantor that a Guarantor Event of Default has occurred, unless the Representative of the Covered Bondholders, having exercised its discretion, resolves otherwise or an Extraordinary Resolution is passed resolving otherwise. In case on conflict between the Representative of the Covered Bondholders and the Extraordinary Resolution passed in a Meeting, the latter will prevail.

(d) ***Effect of an Acceleration Notice***

From and including the date on which the Representative of the Covered Bondholders delivers an Acceleration Notice upon the Guarantor:

(i) the Covered Bonds shall become immediately due and payable at their Early Redemption Amount together, if appropriate, with any accrued interest;

(ii) if a Guarantor Event of Default is triggered with respect to a Series or Tranche, each Series and/or Tranche of Covered Bonds will cross accelerate at the same time against the Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves; and

(iii) subject to and in accordance with the terms of the Covered Bond Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 10(a) (*Gross up by Issuer*) in accordance with the Priority of Payments set out in the Intercreditor Agreement; and

(iv) subject to the failure of the Guarantor in taking the necessary actions pursuant to Condition 11(d)(ii) above, the Representative of the Covered Bondholders on behalf of the Covered Bondholders shall be entitled to take any steps and proceedings against the Issuer to enforce the provisions of the Covered Bonds. The Representative of the Covered Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Guarantor as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by an Extraordinary Resolution of the Covered Bondholders.

(e) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 (*Events of Default*) by the Representative of the Covered Bondholders shall (in the absence of wilful default, bad faith

or manifest error) be binding on the Issuer, the Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Covered Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

12. **Prescription**

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

13. **Representative of the Covered Bondholders**

(a) The Organisation of the Covered Bondholders shall be established upon, and by virtue of, the issuance of the first Series or Tranche of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all Covered Bonds of whatever Series or Tranche. Pursuant to the Rules of the Organisation of the Covered Bondholders, for as long as the Covered Bonds are outstanding, there shall at all times be a Representative of the Covered Bondholders. The appointment of the Representative of the Covered Bondholders as legal representative of the Organisation of the Covered Bondholders is made by the Covered Bondholders subject to and in accordance with the Rules of the Organisation of the Covered Bondholders.

(b) In the Programme Agreement, the Dealers have appointed the Representative of the Covered Bondholders to perform the activities described in the Programme Agreement, in these Conditions (including the Rules of the Organisation of the Covered Bondholders), in the Intercreditor Agreement and in the other Transaction Documents, and the Representative of the Covered Bondholders has accepted such appointment for the period commencing on the Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds have been cancelled or redeemed in accordance with these Conditions.

(c) Each Covered Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Covered Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Representative of the Covered Bondholders in such capacity as if such Covered Bondholder were a signatory thereto; and

(ii) acknowledges and accepts that the Dealers shall not be liable, without prejudice for the provisions set forth under Article 1229 of the Italian Civil Code, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

14. **Limited Recourse and Non Petition**

(a) ***Limited recourse***: the obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the OBG Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets comprised in the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Covered Bondholders.

(b) ***Non petition***: only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bond Guarantee and no Covered Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bond Guarantee. In particular:

(i) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Covered Bondholders to

enforce the Covered Bond Guarantee or take any proceedings against the Guarantor to enforce the Covered Bond Guarantee;

(ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;

(iii) until the date falling one year and one day after the date on which all Series and/or Tranche of Covered Bonds issued in the context of the Programme, or any other similar programme established for the issuance of covered bond guaranteed by the Guarantor, have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

15. **Agents**

In acting under the Cash Management and Agency Agreement and in connection with the Covered Bonds, the Paying Agents will act solely as agents of the Issuer and, following service of a Notice to Pay or an Acceleration Notice, as agent of the Guarantor and do not assume in the framework of the Programme any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Principal Paying Agent and its initial Specified Offices are set out in these Conditions. Any additional Paying Agent and its Specified Offices (if any) are specified in the relevant Final Terms. The Issuer, and (where applicable) the Guarantor, reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint an additional or successor paying agent; **provided, however, that**:

(a) the Issuer, and (where applicable) the Guarantor, shall at all times maintain a paying agent; and

(b) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent in any particular place, the Issuer, and (where applicable) the Guarantor, shall maintain a paying agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in its Specified Offices shall promptly be given to the Covered Bondholders.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Covered Bondholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

17. **Notices**

(a) Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) As long as the Covered Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to the Covered Bondholders shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

(c) The Representative of the Covered Bondholders shall be at liberty to sanction any other method of giving notice to Covered Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to trading and **provided that** notice of such other method is given to the Covered Bondholders in such manner as the Representative of the Covered Bondholders shall require.

18. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

19. **Governing Law and Jurisdiction**

(a) These Covered Bonds are governed by Italian law. All other Transaction Documents are governed by Italian law, save for the Swap Agreements and the Deeds of Charge which are governed by English law. The N Covered Bonds will be governed by German law.

(b) The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

(c) Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130, BoI Regulations and MEF Decree.

RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. **General**

1.1 The Organisation of the Covered Bondholders in respect of each Series or Tranche of Covered Bonds issued under the Programme by Banca Carige S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of each such Series or Tranche and is governed by these Rules of the Organisation of Covered Bondholders (the "**Rules**").

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series or Tranche.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series or Tranche issued by the Issuer.

2. **Definitions and Interpretation**

2.1 ***Definitions***

In these Rules, the terms below shall have the following meanings:

"**Block Voting Instruction**" means, in relation to a Meeting, a document issued by the Italian Paying Agent:

(a) certifying that specified Covered Bonds are held to the order of the Principal Paying Agent or under its control and have been blocked in an account with a clearing system, the Monte Titoli Account Holder or the relevant custodian and will not be released until the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the surrender to the Principal Paying Agent not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Principal Paying Agent to the Issuer and Representative of the Covered Bondholders;

(b) certifying that the Covered Bondholder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Principal Paying Agent that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

(c) listing the total number of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

(d) authorising a named individual to vote in accordance with such instructions.

"**Blocked Covered Bonds**" means Covered Bonds which have been blocked in an account with a clearing system the Monte Titoli Account Holder or the relevant custodian or otherwise are held to the order of or under the control of the Principal Paying Agent for the purpose of obtaining a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required.

"**Chairman**" means, in relation to any Meeting, the person who takes the chair in accordance with Article 6 (Chairman of the Meeting).

"**Covered Bondholder**" means in respect of Covered Bonds, the ultimate owner of such Covered Bonds.

"**Event of Default**" means an Issuer Event of Default or a Guarantor Event of Default.

"**Extraordinary Resolution**" means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast.

"**Liabilities**" means losses, liabilities, inconvenience, costs, expenses, damages, claims, actions or demands, judgments, proceeding or other liabilities whatsoever (including, without limitation, in respect of taxes, duties, levies and other charges) and including value added, taxes or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

"**Meeting**" means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment).

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-quarter of the Financial Law and includes any Relevant Clearing System which holds account with Monte Titoli or any depository banks appointed by the Relevant Clearing System.

"**Ordinary Resolution**" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50 per cent. of the votes cast.

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Guarantor pursuant to Condition 11(d) (*Effect of an Acceleration Notice*).

"**Proxy**" means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(a) any person whose appointment has been revoked and in relation to whom the Principal Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

(b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed.

"**Rating Agencies**" means Moody's Investors Service Ltd. and/or Fitch Ratings Limited.

"**Resolutions**" means the Ordinary Resolutions and the Extraordinary Resolutions, collectively.

"**Swap Rate**" means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the respective Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the respective Swap Agreement has terminated, the applicable spot rate.

"**Transaction Party**" means any person who is a party to a Transaction Document.

"**Voter**" means, in relation to a Meeting, the Covered Bondholder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by the Principal Paying Agent or a Proxy named in a Block Voting Instruction.

"**Voting Certificate**" means, in relation to any Meeting:

(a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or

(b) a certificate issued by the Principal Paying Agent stating:

(A) that Blocked Covered Bonds will not be released until the earlier of:

(I) a specified date which falls after the conclusion of the Meeting; and

(II) the surrender of such certificate to the Principal Paying Agent; and

(B) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

"**Written Resolution**" means a resolution in writing signed by or on behalf of one or more persons holding or representing at least 75 per cent of the Outstanding Principal Balance of the Covered Bonds, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders.

"**24 hours**" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in the place where the Principal Paying Agent has its specified office; and

"**48 hours**" means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions.

2.2 ***Interpretation***

In these Rules:

(a) any reference herein to an "**Article**" shall, except where expressly provided to the contrary, be a reference to an Article of these Rules of the Organisation of the Covered Bondholders;

(b) a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

(c) any reference to any "**Transaction Party**" shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 ***Separate Series***

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Covered Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation of the Covered Bondholders*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Article 2.3:

(a) Articles 26 (*Appointment, Removal and Remuneration*) and 27 (*Resignation of the Representative of the Covered Bondholders*); and

(b) insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation of the Covered Bondholders*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on Behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "**Covered Bonds**" and "**Covered Bondholders**" shall be construed accordingly.

3. **Purpose of the Organisation of the Covered Bondholders**

3.1 Each Covered Bondholder is a member of the Organisation of the Covered Bondholders.

3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

TITLE II

MEETINGS OF THE COVERED BONDHOLDERS

4. Convening a Meeting

4.1 *Convening a Meeting*

The Representative of the Covered Bondholders, the Guarantor or the Issuer may convene separate or combined Meetings of the Covered Bondholders at any time and the Representative of the Covered Bondholders shall be obliged to do so upon the request in writing by Covered Bondholders representing at least one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds.

The Representative of the Covered Bondholders, the Guarantor or the Issuer or (in relation to a meeting for the passing of a Programme Resolution) the Covered Bondholders of any Series may at any time and the Issuer shall upon a requisition in writing signed by the holders of not less than one-tenth of the Outstanding Principal Balance of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Representative of the Covered Bondholders or the requisitionists. The Representative of the Covered Bondholders may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Representative of the Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

4.2 *Meetings convened by Issuer*

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Covered Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

4.3 *Time and place of Meetings*

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Covered Bondholders.

5. Notice

5.1 *Notice of Meeting*

At least 21 days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Covered Bondholders and the Principal Paying Agent, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders, where the Meeting is convened by the Issuer.

5.2 *Content of notice*

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that the Voting Certificate for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time and that for the purpose of obtaining Voting Certificates from the Principal Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bonds must (to the satisfaction of the Principal Paying Agent) be held to the order of or placed under the control of the Principal Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

5.3 *Validity notwithstanding lack of notice*

A Meeting is valid notwithstanding that the formalities required by this Article are not complied with if the Covered Bondholders constituting the Outstanding Principal Balance of the Covered Bonds, the holders of which are entitled to attend and vote are represented at such Meeting and the Issuer and the Representative of the Covered Bondholders are present.

6. **Chairman of the Meeting**

6.1 ***Appointment of Chairman***

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

(a) the Representative of the Covered Bondholders fails to make a nomination; or

(b) the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

6.2 ***Duties of Chairman***

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

6.3 ***Assistance to Chairman***

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Covered Bondholders.

7. **Quorum**

The quorum at any Meeting will be:

(a) in the case of an Ordinary Resolution, one or more persons (including the Issuer if at any time it owns any of the relevant Covered Bonds) holding or representing at least 50 per cent of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

(b) in the case of an Extraordinary Resolution or a Programme Resolution (including the Issuer if at any time it owns any of the relevant Covered Bonds) (subject as provided below), one or more persons holding or representing at least 50 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders of the relevant Series for the time being outstanding, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

(c) at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32 (*Waiver*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(ii) alteration of the currency in which payments under the Covered Bonds are to be made;

(iii) alteration of the majority required to pass an Extraordinary Resolution;

(iv) any amendment to the Covered Bond Guarantee or the Italian Deed of Pledge or the Deeds of Charge (except in a manner determined by the Representative of the Covered

Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);

(v) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(vi) alteration of this Article 7(c).

(each a "**Series Reserved Matter**"), the quorum shall be one or more persons (including the Issuer if at any time it owns any of the relevant Covered Bonds) being or representing holders of not less two-thirds of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, one or more persons being or representing not less than one-third of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding.

8. **Adjournment for want of Quorum**

8.1 If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

(a) if such Meeting was convened upon the request of Covered Bondholders, the Meeting shall be dissolved; and

(b) in any other case, the Meeting (unless the Issuer and the Representative of the Covered Bondholders otherwise agree) shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than 13 clear days nor more than 42 clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Representative of the Covered Bondholders).

8.2 If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Representative of the Covered Bondholders) dissolve such meeting or adjourn the same for such period, being not less than 13 clear days (but without any maximum number of clear days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Representative of the Covered Bondholders.

9. **Adjourned Meeting**

Except as provided in Article 8 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

10. **Notice Following Adjournment**

10.1 ***Notice required***

Article 5 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

(a) 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

(b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

10.2 ***Notice not required***

Except in the case of a Meeting to consider an Extraordinary Resolution, it shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 8 (*Adjournment for want of Quorum*).

11. **Participation**

The following categories of persons may attend and speak at a Meeting:

(a) Voters;

(b) the directors and the auditors of the Issuer and the Guarantor;

(c) representatives of the Issuer, the Guarantor and the Representative of the Covered Bondholders;

(d) financial advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders;

(e) legal advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders; and

(f) any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered Bondholders.

12. **Voting Certificates and Block Voting Instructions**

12.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.

12.2 A Covered Bondholder may also obtain from the Principal Paying Agent or require the Principal Paying Agent to issue a Block Voting Instruction by arranging for such Covered Bonds to be (to the satisfaction of the Principal Paying Agent) held to its order or under its control or blocked in an account in a Relevant Clearing System (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

12.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.

12.4 So long as a Voting Certificate or Block Voting Instruction is valid, the named therein as Covered Bondholder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by the Principal Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by the Principal Paying Agent) shall be deemed to be the Covered Bondholder to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

12.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.

12.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

13. **Validity of Block Voting Instructions**

13.1 A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Covered Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to business. If the Representative of the Covered Bondholders so requires, a notarised copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Covered Bondholders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be produced at the Meeting but the Representative of the Covered Bondholders shall not be obliged to investigate the validity of a Block

Voting Instruction or a Voting Certificate or the identity of any Proxy or any Covered Bondholder named in a Voting Certificate or a Block Voting Instruction or the identity of any Covered Bondholder named in a Voting Certificate issued by a Monte Titoli Account Holder.

14. **Voting by Show of Hands**

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. **Voting by Poll**

15.1 ***Demand for a poll***

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Covered Bondholders or any one or more Voters, whatever the Outstanding Principal Balance of the Covered Bonds held or represented by such Voter. A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll.

15.2 ***The Chairman and a poll***

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. **Votes**

16.1 ***Voting***

Each Voter shall have:

(a) on a show of hands, one vote; and

(b) on a poll every person who is so present shall have one vote in respect of each Euro 1.00 or such other amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Covered Bondholders in its absolute discretion may stipulate).

16.2 ***Block Voting Instruction***

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 ***Voting tie***

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. **Voting by Proxy**

17.1 ***Validity***

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any

instruction pursuant to which it has been given had been amended or revoked **provided that** none of the Issuer, the Representative of the Covered Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 ***Adjournment***

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. **Resolutions**

18.1 ***Ordinary Resolutions***

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

(a) grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

(b) to authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 ***Extraordinary Resolutions***

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

(a) sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Covered Bondholders, the Covered Bondholders or any of them;

(b) approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Covered Bondholders, the Issuer, the Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Covered Bondholders and/or any other party thereto;

(c) assent to any modification of the provisions of these Rules or the Transaction Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;

(d) in accordance with Article 26 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Covered Bondholders;

(e) discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any liability in relation to any act or omission for which the Representative of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

(f) grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

(g) authorise and ratify the actions of the Representative of the Covered Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;

(h) waive any breach or authorised any proposed breached by the Issuer, the Guarantor or any other party of its obligations under or in respect of these Rules, or waive the occurrence of an Issuer Event of Default, Guarantor Event of Default or a breach of test, and direct the Representative of the Covered Bondholders to suspend the delivery of the relevant Notice to Pay, Acceleration Notice, or Breach of Test Notice;

(i) to appoint any person (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution;

(j) authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution; and

(k) may, in case of failure by the Representative of the Covered Bondholders to send a Notice to Pay, Acceleration Notice or Breach of Test Notice, direct the Representative of the Covered Bondholders to deliver such notice as a result of an Issuer Event of Default pursuant to Condition 11(a) (*Issuer Events of Default*) or an Acceleration Notice as a result of a Guarantor Event of Default pursuant to Condition 13(c) (*Guarantor Events of Default*).

18.3 ***Programme Resolutions***

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Guarantor pursuant to Condition 11(d) (*Effect of an Acceleration Notice*).

18.4 ***Other Series of Covered Bonds***

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution (other than a Programme Resolution which shall be passed by the holders of all the Series of Covered Bonds then outstanding) that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. **Effect of Resolutions**

19.1 ***Binding nature***

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Covered Bondholders duly convened and held in accordance with these Rules shall be binding upon all Covered Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 ***Notice of voting results***

Notice of the results of every vote on a resolution duly considered by Covered Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Principal Paying Agent (with a copy to the Issuer, the Guarantor and the Representative of the Covered Bondholders within 14 days of the conclusion of each Meeting).

20. **Challenge to Resolutions**

Any absent or dissenting Covered Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. **Minutes**

Minutes shall be made of all resolutions and proceedings of each Meeting and entered in books provided by the Issuer for that purpose. The minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. **Written Resolution**

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. **Individual Actions and Remedies**

Each Covered Bondholder has accepted and is bound by the provisions of Condition 14 (*Limited Recourse and Non Petition*) Clause 4 (*Exercise of Rights and Subrogation*) and 11 (*Limited Recourse*) of the Covered Bond Guarantee and of Clause 8 (*Exercise of Rights*) and 12 (*Limited Recourse*) of the Intercreditor Agreement and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bonds and the Covered Bond Guarantee, any such action or remedy shall be subject to a Meeting not passing an Extraordinary Resolution objecting to such individual action or other remedy on the grounds that it is not consistent with such Condition. In this respect, the following provisions shall apply:

(a) the Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention;

(b) the Representative of the Covered Bondholders will, without delay, call a Meeting in accordance with these Rules (including, for the avoidance of doubt, Article 24.1 (*Choice of Meeting*);

(c) if the Meeting passes an Extraordinary Resolution objecting to the enforcement of the individual action or remedy, the Covered Bondholder will be prevented from taking such action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted for review of another Meeting); and

(d) if the Meeting of Covered Bondholders does not object to an individual action or remedy, the Covered Bondholder will not be prohibited from taking such individual action or remedy.

24. **Meetings and Separate Series**

24.1 ***Choice of Meeting***

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

(a) a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

(b) a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

(c) a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

(d) a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Covered Bondholders of all Series; and

(e) to all such meetings all the preceding provisions of these Rules shall *mutatis mutandis* apply as though references therein to Covered Bonds and Covered Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 ***Denominations other than euro***

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any Meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of the meeting or any adjourned such Meeting or any poll resulting therefrom or any such request or Written Resolution) the Outstanding Principal Balance of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each Euro 1.00 (or such other euro amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. **Further Regulations**

Subject to all other provisions contained in these Rules, the Representative of the Covered Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Covered Bondholders in its sole discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

26. **Appointment, Removal and Remuneration**

26.1 ***Appointment***

The appointment of the Representative of the Covered Bondholders takes place by Extraordinary Resolution of the Covered Bondholders in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Covered Bondholders which will be Deutsche Trustee Company Limited appointed under the Programme Agreement.

26.2 ***Identity of the Representative of the Covered Bondholders***

Save for Deutsche Trustee Company Limited as first Representative of the Covered Bondholders under the Programme, the Representative of the Covered Bondholders shall be:

(a) a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

(b) a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 107 of the Banking Law; or

(c) any other entity which is not prohibited from acting in the capacity of Representative of the Covered Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Covered Bondholders and, if appointed as such, they shall be automatically removed.

26.3 ***Duration of appointment***

Unless the Representative of the Covered Bondholders is removed by Extraordinary Resolution of the Covered Bondholders pursuant to Article 18.2 (*Extraordinary Resolutions*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Covered Bondholders*), it shall remain in office until full repayment or cancellation of all Series of Covered Bonds.

26.4 ***After termination***

In the event of a termination of the appointment of the Representative of the Covered Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Covered Bondholders, which shall be an entity specified in Article 26.2 (*Identity of the Representative of the Covered Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Covered Bondholders whose appointment has been terminated shall, pending the acceptance of its

appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 ***Remuneration***

The Issuer, and following an Issuer Event of Default and delivery of a Notice to Pay the Guarantor, shall pay to the Representative of the Covered Bondholders an annual fee for its services as Representative of the Covered Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions. Such fees may be increased, in accordance with the provisions of the Programme Agreement, in the event that the Representative of the Covered Bondholders undertakes duties of exceptional nature.

27. **Resignation of the Representative of the Covered Bondholders**

The Representative of the Covered Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Covered Bondholders shall not become effective until a new Representative of the Covered Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Covered Bondholders has accepted its appointment, **provided that** if Covered Bondholders fail to select a new Representative of the Covered Bondholders within three months of written notice of resignation delivered by the Representative of the Covered Bondholders, the Representative of the Covered Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Covered Bondholders*).

28. **Duties and Powers of the Representative of the Covered Bondholders**

28.1 ***Representative of the Covered Bondholders as legal representative***

The Representative of the Covered Bondholders is the legal representative of the Organisation of the Covered Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Covered Bondholders.

28.2 ***Meetings and resolutions***

Unless any Resolution provides to the contrary, the Representative of the Covered Bondholders is responsible for implementing all resolutions of the Covered Bondholders. The Representative of the Covered Bondholders has the right to convene and attend Meetings to propose any course of action which it considers from time to time necessary or desirable.

28.3 ***Delegation***

The Representative of the Covered Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

(a) act by responsible officers or a responsible officer for the time being of the Representative of the Covered Bondholders;

(b) whenever it considers it expedient and in the interest of the Covered Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Covered Bondholders may think fit in the interest of the Covered Bondholders. The Representative of the Covered Bondholders shall not, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, **provided that** the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be

responsible for the instructions given by it to such delegate. The Representative of the Covered Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 ***Judicial proceedings***

The Representative of the Covered Bondholders is authorised to represent the Organisation of the Covered Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 ***Consents given by Representative of Covered Bondholders***

Any consent or approval given by the Representative of the Covered Bondholders under these Rules and any other Transaction Document may be given on such terms as the Representative of the Covered Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

The Representative of the Covered Bondholders may give any consent or approval, exercise any power, authority or discretion or take any similar action if it is satisfied that the interests of the Covered Bondholders will not be materially prejudiced thereby.

28.6 ***Discretions***

Save as expressly otherwise provided herein, the Representative of the Covered Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Covered Bondholders by these Rules or by operation of law.

28.7 ***Obtaining instructions***

In connection with matters in respect of which the Representative of the Covered Bondholders is entitled to exercise its discretion hereunder (including but not limited to forming any opinion in connection with the exercise or non exercise of any discretion), the Representative of the Covered Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Covered Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Covered Bondholders shall be entitled to request that the Covered Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific limitations*).

28.8 ***Remedy***

The Representative of the Covered Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Guarantor and any other party to the Transaction Documents.

29. **Exoneration of the Representative of the Covered Bondholders**

29.1 ***Limited obligations***

The Representative of the Covered Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

29.2 ***Specific limitations***

Without limiting the generality of the Article 29.1 (*Limited obligations*), the Representative of the Covered Bondholders:

(a) shall not be under any obligation to take any steps to ascertain whether an Issuer Event of Default or a Guarantor Event of Default or any other event, condition or act, the occurrence of which

would cause a right or remedy to become exercisable by the Representative of the Covered Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Issuer Event of Default or a Guarantor Event of Default or such other event, condition or act has occurred;

(b) shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Covered Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

(c) shall not be under any obligation to disclose (unless and to the extent so required under the Conditions, the terms of any Transaction Documents or by applicable law) to any Covered Bondholders or other Secured Creditor or any other party, any information (including, without limitation, information of a confidential, financial or price sensitive nature) made available to the Representative of the Covered Bondholders by the Issuer, the Guarantor or any other person in respect of the Cover Pool or, more generally, of the Programme and no Covered Bondholders shall be entitled to take any action to obtain from the Representative of the Covered Bondholders any such information;

(d) except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;

(e) shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, nor shall be responsible for assessing any breach or alleged breach by the Issuer, the Guarantor and any other Party to the transaction, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;

(ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection herewith;

(iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicers or compliance therewith;

(iv) the failure by the Guarantor to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicers and the Principal Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

(f) shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

(g) shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

(h) shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Covered Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

(i) shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

(j) shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Covered Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

(k) shall not be under any obligation to guarantee or procure the repayment of the Receivables contained in the Cover Pool or any part thereof;

(l) shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

(m) shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

(n) shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Transaction Document;

(o) shall not be under any obligation to insure the Cover Pool or any part thereof;

(p) shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Covered Bondholders, have regard to the overall interests of the Covered Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Covered Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Covered Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority, and the Representative of the Covered Bondholders shall not be entitled to require, nor shall any Covered Bondholders be entitled to claim, from the Issuer, the Guarantor, the Representative of the Covered Bondholders or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Covered Bondholders;

(q) shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than 75 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series then outstanding;

(r) shall, as regards at the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Covered Bondholders and the other creditors of the Guarantor but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between their interests the Representative of the Covered Bondholders will have regard solely to the interest of the Covered Bondholders;

(s) may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured and/or pre-funded to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Covered Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such

funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and

(t) shall not be liable or responsible for any Liabilities directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Covered Bondholders or any other Secured Creditors or any other person which may result from anything done or omitted to be done by it in accordance with the provisions of these Rules or the Transaction Documents except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Covered Bondholders.

29.3 ***Security***

The Representative of the Covered Bondholders shall be entitled to exercise all the rights granted by the Guarantor in favour of the Representative of the Covered Bondholders on behalf of the Covered Bondholders and the other Secured Creditors under the security for the discharge of the Secured Amounts, created by the Guarantor, pursuant to the Italian Deed of Pledge and the Deeds of Charge (the "**Security**").

The Representative of the Covered Bondholders, acting on behalf of the Covered Bondholders and the other Secured Creditors, may:

(a) prior to enforcement of the Security, appoint and entrust the Guarantor to collect, in the Covered Bondholders and the other Secured Creditors' interest and on their behalf, any amounts deriving from the Security and may instruct, jointly with the Guarantor, the obligors whose obligations form part of the Security to make any payments to be made thereunder to an Account of the Guarantor;

(b) acknowledge that the Accounts to which payments have been made in respect of the Security shall be deposit accounts for the purpose of Article 2803 of the Italian civil code and agree that such Accounts shall be operated in compliance with the provisions of the Cash Management and Agency Agreement and the Intercreditor Agreement; and

(c) agree that all funds credited to the Accounts from time to time shall be applied prior to enforcement of the Security, in accordance with the Conditions and the Intercreditor Agreement.

The Representative of the Covered Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the Security, under the Security, except in accordance with the foregoing, the Conditions and the Intercreditor Agreement.

29.4 ***Covered Bonds held by Issuer***

The Representative of the Covered Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer.

29.5 ***Illegality***

No provision of these Rules shall require the Representative of the Covered Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Covered Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liabilities which it may incur as a consequence of such action. The Representative of the Covered Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. **Reliance on Information**

30.1 ***Advice***

The Representative of the Covered Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, tax advisor, credit or

rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Covered Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Covered Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

30.2 ***Certificates of Issuer and/or Guarantor***

The Representative of the Covered Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence:

(a) as to any fact or matter *prima facie* within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

(b) that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 ***Resolution or direction of Covered Bondholders***

The Representative of the Covered Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Covered Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Covered Bondholders.

30.4 ***Certificates of Monte Titoli Account Holders***

The Representative of the Covered Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 ***Clearing Systems***

The Representative of the Covered Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Covered Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 ***Rating Agencies***

The Representative of the Covered Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Covered Bondholders of any Series or of all Series for the time being outstanding may consider, *inter alia*, the circumstance that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise.

If the Representative of the Covered Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agencies as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Covered Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the

Covered Bondholders or the Representative of the Covered Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 ***Certificates of Parties to Transaction Document***

The Representative of the Covered Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Transaction Document;

(a) in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

(b) as any matter or fact *prima facie* within the knowledge of such party; or

(c) as to such party's opinion with respect to any issue,

and the Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liabilities incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 ***Auditors***

The Representative of the Covered Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. **Amendments and Modifications**

31.1 The Representative of the Covered Bondholders may from time to time and without the consent or sanction of the Covered Bondholders concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Covered Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

(a) to these Rules, the Conditions and/or the other Transaction Documents which in the opinion of the Representative of the Covered Bondholders (which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax advisor, or other expert or confirmation of rating) may be expedient to make **provided that** the Representative of the Covered Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; and

(b) to these Rules, the Conditions or the other Transaction Documents which is of a formal, minor or technical nature or, which in the opinion of the Representative of the Covered Bondholders (which may be based on the advice of, or information obtained from, any lawyer, accountant, banker, tax advisor, or other expert or confirmation of rating) is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or to comply with mandatory provisions of law.

31.2 Any such modification shall be binding upon the Covered Bondholders and, unless the Representative of the Covered Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

31.3 The Representative of the Covered Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any of the above-mentioned modifications if it is so directed by an Extraordinary Resolution or and if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

31.4 ***Establishing an error***

In establishing whether an error has occurred as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to a certificate from the Arrangers:

(i) stating the intention of the parties to the relevant Transaction Document; and

(ii) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention.

32. Waiver

32.1 *Waiver of Breach*

The Representative of the Covered Bondholders may at any time and from time to time in its sole direction, without prejudice to its rights in respect of any subsequent breach, condition, event or act, but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds then outstanding shall not be materially prejudiced thereby:

(a) authorise or waive, on such terms and subject to such conditions (if any) as it may decide, any proposed breach or breach of any of the covenants or provisions contained in the Covered Bond Guarantee or any of the obligations of or rights against the Guarantor under any other Transaction Documents; or

(b) determine that any Event of Default shall not be treated as such for the purposes of the Transaction Documents,

without any consent or sanction of the Covered Bondholders.

32.2 *Binding Nature*

Any authorisation, waiver or determination referred in Article 32.1 (*Waiver of Breach*) shall be binding on the Covered Bondholders.

32.3 *Restriction on powers*

The Representative of the Covered Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Covered Bonds then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent in aggregate Outstanding Principal Balance of the Covered Bonds (in the case of any such determination, with the Covered Bonds of all Series taken together as a single Series as aforesaid), and at all times then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing but so that no such direction or request:

(a) shall affect any authorisation, waiver or determination previously given or made; or

(b) authorise or waive any such proposed breach or breach relating to a Series Reserved Matter unless holders of Covered Bonds of each Series has, by Extraordinary Resolution, so authorised its exercise.

32.4 *Notice of waiver*

Unless the Representative of the Covered Bondholders agrees otherwise, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Secured Creditors, as soon as practicable after it has been given or made in accordance with Condition 17 (*Notices*).

33. Indemnity

Pursuant to the Programme Agreement, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands duly documented and properly incurred by or made against the Representative of the Covered Bondholders or any entity to which the Representative of the Covered Bondholders has delegated any power authority or discretion in relation to the exercise or purported exercise of its powers, authorities and discretions and the performance of its duties under and otherwise in relation to these Rules and the Transaction Documents, including but not limited to legal and travelling

expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Covered Bondholders.

34. **Liability**

Notwithstanding any other provision of these Rules, the Representative of the Covered Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

TITLE IV

THE ORGANISATION OF THE COVERED BONDHOLDERS AFTER SERVICE OF AN ACCELERATION NOTICE

35. **Powers to Act on behalf of the Guarantor**

It is hereby acknowledged that, upon service of an Acceleration Notice or, prior to service of an Acceleration Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Intercreditor Agreement the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Secured Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the Intercreditor Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's Rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

TITLE V

GOVERNING LAW AND JURISDICTION

36. **Governing Law**

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

37. **Jurisdiction**

The Courts of Milan will have exclusive jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Series or Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Covered Bonds are not intended to be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

MIFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of each of the manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Final Terms dated [●]

Banca Carige S.p.A.
Issue of [Aggregate Nominal Amount of *Series or* Tranche] [*Description*] Covered Bonds due [*Maturity*]
Guaranteed by
Carige Covered Bond S.r.l.

under the Euro 5,000,000,000 Covered Bond Programme unconditionally and irrevocably guaranteed as to payments of interest and principal by Carige Covered Bond S.r.l.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 19 October 2018 [and the supplement[s] to the base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") which includes the amendments made by Directive 2010/73/EU (the "**2010 Amending Directive**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [, including the supplement[s]] [is/are] available for viewing at the website of the Issuer at www.gruppocarige.it and copies may be obtained during normal business hours from the registered office of the Issuer. These Final Terms will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

1.	(i)	Series Number:	[•]

	(ii)	Tranche Number:	[•] [(to be fungible from the [*date on which the Covered Bonds become fungible*] with the Euro [•] Series [•] Tranche [•] Covered Bonds due [•] issued on [•])][Not Applicable].
2.		Specified Currency or Currencies:	[•]
3.		Aggregate Nominal Amount:	[•]
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
4.		Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
5.	(i)	Specified Denominations:	[•] [plus integral multiples of [•] in addition to the said sum of [•]] (*include the wording in square brackets where the Specified Denomination is Euro 100,000 or equivalent plus multiples of a lower principal amount*)
	(ii)	Calculation Amount:	[•]
6.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
7.		Maturity Date:	[*Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year*]
8.	(i)	Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bond Guarantee:	[Not applicable/*Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year*] [Not Applicable/Applicable]
	(ii)	Extended Instalment Date of Guaranteed Amounts corresponding to Instalment Amount under the Covered Bond Guarantee:	
9.		Interest Basis:	[[•] per cent. Fixed Rate] [[[•] month [LIBOR/EURIBOR]] +/– [*Margin*] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par]

		[Instalment] [The Covered Bonds shall be redeemed in the Instalment Amounts and on the Covered Bond Instalment Dates set out below: [*insert details of the applicable Instalment Amounts and the applicable Covered Bond Instalment Dates*]]
11.	Change of Interest Basis:	[Applicable/Not Applicable]
12.	Put/Call Options:	[Not Applicable] [Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[Date of [Board] approval for issuance of Covered Bonds [and Covered Bond Guarantee] [respectively]] obtained:	[[•] [and [•], respectively]][Not Applicable] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular Series or Tranche of Covered Bonds or related Covered Bond Guarantee)*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Provisions**		[Applicable/Not Applicable]
	(i)	Rate(s) of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	CB Payment Date(s):	[•] in each year [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	Broken Amount(s):	[[•] per Calculation Amount, payable on the CB Payment Date falling [in/on] [•]] [Not Applicable]
	(v)	Day Count Fraction:	[30/360/Actual/Actual(ICMA)]
15.	**Floating Rate Provisions**		[Applicable/Not Applicable]
	(i)	CB Interest Period(s):	[•]
	(ii)	Specified Period:	[•] (*Specified Period and CB Payment Dates are alternatives. A Specified Period, rather than CB Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*

(iii)	CB Payment Dates:	[•] (*Specified Period and Specified CB Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(iv)	First CB Payment Date:	[•]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Additional Business Centre(s):	[Not Applicable/[•]]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent):	[[Not Applicable]/[*Name*] shall be the Calculation Agent]]
(ix)	Screen Rate Determination:	[Applicable/ Not Applicable]
	• Reference Rate:	[*For example, LIBOR or EURIBOR*]
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/ EURIBOR 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
(x)	ISDA Determination:	[Applicable/Not Applicable]
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•]
(xi)	Margin(s):	[+/-][•] per cent. per annum
(xii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/Actual (ISDA)/ Actual/365 (Fixed)/

			Actual/360/ 30/360/ 30E/360/Eurobond Basis/ 30E/360 (ISDA)]
16.	**Zero Coupon Provisions**		[Applicable/Not Applicable]
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]
	(iii)	Day Count Fraction in relation to Early Redemption Amount:	[30/360][Actual/360][Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	
		Minimum Redemption Amount:	[•] per Calculation Amount
		Maximum Redemption Amount	[•] per Calculation Amount
	(iv)	Notice period:	[•]
18.	**Put Option**		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Covered Bonds and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	Notice period:	[•]
19.	**Final Redemption Amount of Covered Bonds**		[•] per Calculation Amount
	(i)	Party responsible for calculating the Final Redemption Amount (if not the Principal Paying Agent):	[•]
	(ii)	Minimum Final Redemption Amount:	[•] per Calculation Amount
	(iii)	Maximum Final Redemption Amount:	[•] per Calculation Amount
20.	Early Redemption Amount		[Not Applicable/[•] per Calculation Amount]
	Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor		

	Event of Default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/[•]] [*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 14(ii) and 15(iii) relate*]
22.	**DISTRIBUTION**	
	Method of distribution:	[Syndicated/Non-Syndicated]
	- If syndicated, names of Managers	[Not Applicable/[●]]
	- Date of [Subscription]	[●]
	- Stabilising Manager(s)	[●]
	If non-syndicated, name of Dealer	[Not Applicable/[●]]
	U.S. Selling Restrictions:	[Not Applicable/Compliant with Regulation S under the U.S. Securities Act of 1933]
	Prohibition of Sale to the EEA Retail Investors	[Applicable/ Not Applicable] (*If the Covered Bonds clearly do not constitute "packaged" products, "not Applicable" should be specified.* *If the Covered Bonds may constitutie "packaged" products, "Applicable" should be specified).*

THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Banca Carige S.p.A.

By: .....
Duly authorised

Signed on behalf of Carige Covered Bond S.r.l.

By: .....
Duly authorised

PART B – OTHER INFORMATION

23.	**LISTING AND ADMISSION TO TRADING**		
	(i)	Listing	[Official List of the Luxembourg Stock Exchange/(*specify other*)/None]
	(ii)	Admission to trading	[Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on] [the regulated market of the Luxembourg Stock Exchange/*specify other regulated market*] with effect from [●] [Not Applicable.] (Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)
	(iii)	Estimate of total expenses related to admission to trading	[●]
24.	**RATINGS**		[Applicable/Not Applicable]
	Ratings:		The Covered Bonds to be issued [[have been]/[are expected to be]] rated: [Moody's: [•]] [Fitch: [•]] [DBRS Ratings Limited] [[Other]: [•]] (*The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*) [The credit ratings included or referred to in these Final Terms [has been issued by Moody's, and/or Fitch and/or DBRS which are established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended)] / [have not been issued or endorsed by any credit rating agency which is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies]. (*Include the relevant wording as applicable depending on the relevant rating agency assigning a rating to the Covered Bonds issued*)
25.	**INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**		

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"So far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer."]

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive*)

26. Fixed Rate Covered Bonds only – YIELD

Indication of yield:	[•]/[Not Applicable]

27. Floating Rate Covered Bonds only - HISTORIC INTEREST RATES

[● / Not Applicable]

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters]/[•] / [Not Applicable].

[Benchmarks:	Amounts payable under the Covered Bonds will be calculated by reference to [●] which is provided by [●]. As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the "**Benchmarks Regulation**"). [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [●] is not currently required to obtain authorisation or registration.]]

28. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
Any Relevant Clearing System(s) other than Monte Titoli S.p.A., Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant address(es) and identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Paying Agent(s) (if any):	[•]
Calculation Agent(s), Listing Agent(s) or Representative of the Covered Bondholders (if any):	[•]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes/No] [*Note that the designation "yes" simply means that the Covered Bonds are intended upon issue*

to be held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (emesse in forma dematerializzata) and wholly and exclusively deposited with Monte Titoli in accordance with 83-bis of Italian legislative decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in Article 83-quater of such Legislative Decree) and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met]

PRO FORMA N COVERED BOND, N COVERED BOND CONDITIONS, N COVERED BOND ASSIGNMENT AGREEMENT AND N COVERED BOND AGREEMENT

PRO FORMA N COVERED BOND

The following is the Form of N Covered Bond (the pro forma certificate with the N Covered Bond Conditions attached as Schedule 1 and the Form of Assignment Agreement attached as Schedule 2 and the Form of N Covered Bond Agreement.

FORM OF N COVERED BOND

N COVERED BOND (*NAMENSSCHULDVERSCHREIBUNG*)

THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

BANCA CARIGE S.P.A.

(*incorporated as a joint stock company in the Republic of Italy*)

SERIES [•] N COVERED BOND (*NAMENSSCHULDVERSCHREIBUNG*)

[insert currency and principal amount]
[insert currency and principal amount in words]

EUR [•] (in words: [•] euro) Issue Date: [•]

Maturity Date: [•]

***[if the N Covered Bond has an* Extended Maturity Date: *insert:* Extended Maturity Date: *[insert date]*]**

unconditionally and irrevocably guaranteed as to payments of interest and principal by

CARIGE COVERED BOND S.R.L.
(incorporated as a limited liability company in the Republic of Italy)

This certificate (the "**Certificate**") evidences the Series [•] N Covered Bonds (*Namensschuldverschreibung*) (the "**N Covered Bond**") of Banca Carige S.p.A. with its registered seat in Genoa, Via Cassa di Risparmio 15, Italy, (the "**Issuer**") described, and having the provisions specified, in the N Covered Bond Conditions attached as Schedule 1 hereto (the "**N Covered Bond Conditions**") which form an integral part hereof. Words and expressions defined or set out in the N Covered Bond Conditions shall have the same meaning when used in this Certificate.

The Issuer shall pay to the registered holder of this N Covered Bond the amounts payable in respect thereof pursuant to the N Covered Bond Conditions.

The rights and claims arising out of this N Covered Bond as well as title to this Certificate will be transferred solely on the basis of due registration in the Register held by [•], with offices at [•] as registrar (the "**Registrar**") and **provided that** the other requirements set out in Condition 1.3 (*Transfer*) of the N Covered Bond Conditions have been met. Solely the duly registered holder of this N Covered Bond may claim payments under this N Covered Bond.

The Issuer hereby certifies that at the date hereof [***insert name and complete address of Bondholder***], has been entered in the Register as the holder of this N Covered Bond in the aforesaid principal amount.

This N Covered Bond shall not be valid unless authenticated by the Registrar.

This Certificate will be deposited and kept in custody by [•] (the "**Custodian**") on behalf of the N Covered Bondholder.

This Certificate is written in the English language and may be provided with a German language translation. Only the English text shall be prevailing and binding.

[***insert issue date***]

BANCA CARIGE S.P.A.

SIGNED by [•])
as an authorised signatory)

for BANCA CARIGE S.P.A.)

)

)

Authenticated without recourse, warranty or liability by

[•] as Registrar

By: .....

.....

Name:

SCHEDULE 1

N COVERED BOND CONDITIONS

1. **Currency and Principal Amount, Form, Transfer and Other**

1.1 ***Currency and Principal Amount***: This N Covered Bond (*Namensschuldverschreibung*) is issued by the Issuer in [*insert specified currency*] (the "**Specified Currency**") in the principal amount of [*insert principal amount*] (the "**Principal Amount**") on [*insert issue date*] (the "**Issue Date**"). This N Covered Bond is issued at a price of [•] per cent. of the Principal Amount (the "**Issue Price**").

1.2 ***Form***: This N Covered Bond is represented by a certificate (the "**Certificate**") which bears the manual signature of one duly authorised signatory of the Issuer and is manually authenticated by or on behalf of the Registrar. This Certificate will be deposited and kept in custody by [•] (the "**Custodian**"), on behalf of the N Covered Bondholder. The N Covered Bondholder may request from the Custodian confirmation that the certificate representing its holding in the N Covered Bond is deposited with the Custodian together with the delivery of a copy of such certificate against reimbursement of reasonable costs.

1.3 ***Transfer***:

(a) The rights of the N Covered Bondholder arising from this N Covered Bond and title to the Certificate may be transferred in whole or in part by (i) assignment substantially in the form of the assignment agreement attached as Schedule 2 to the Certificate (which must include that the assignee agrees to accede to the N Covered Bond Agreement) and (ii) entry of the assignee in the Register by the Registrar. The assignor shall surrender the duly completed form of the assignment agreement to the Registrar. Within one Business Day of receipt by the Registrar of the executed assignment agreement, the Registrar will inform the Custodian and the Issuer of the assignment. Any transfer of part only of this N Covered Bond is permitted only for a minimum principal amount of [***insert Specified Currency and such minimum principal amount***] or an integral multiple thereof.

(b) The date stated in the executed assignment agreement as the date on which the economic effects of the assignment shall occur shall be the "**Transfer Date**" to be entered into the Register by the Registrar. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer and the Registrar shall deem and treat the registered holder of this N Covered Bond as the absolute owner of the Certificate and holder of the rights arising from this N Covered Bond.

(c) Provided the requirements specified above have been met, in case of a transfer of this N Covered Bond in whole, a new certificate will be issued in the name of the assignee and, in case of transfer of a part only of this N Covered Bond, new certificates in respect of the balance transferred and the balance not transferred will be issued in the name of the assignor and the assignee. The new certificate(s) will be prepared and signed by the Issuer and supplied to the Registrar (or to the Custodian directly) within 10 (ten) Business Days upon receipt of the notice of assignment by the Registrar. The Registrar (or any authorised party) will authenticate and, if needed, deliver the new certificate(s) to the Custodian within 5 (five) Business Days whereupon the Custodian will supply to the Issuer and the Registrar a destruction protocol of the old certificate(s) within 5 (five) Business Days.

(d) The N Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above except that the Issuer may require from the N Covered Bondholders the payment of a sum sufficient to enable it to pay or satisfy any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) The N Covered Bondholder shall not require the transfer of this N Covered Bond to be registered during a period of 15 days ending on any due date for any payment of principal or interest in respect of this N Covered Bond. Any registration of transfer required during such period shall be deemed to have been required on the business day (being, for this purpose, a day on which banks are open for business in the city where the specified office of the Registrar is located) immediately following the last day of such period. The N Covered Bondholder shall not require the transfer of this N Covered Bond to be registered after this N Covered Bond has been called for redemption.

1.4 ***Certain Definitions***: In these N Covered Bond Conditions:

"**Outstanding Principal Balance**" means, at any date, in relation to an N Covered Bond the aggregate nominal principal amount outstanding of such N Covered Bond at such date.

"**N Covered Bondholder**" means the registered holder of this N Covered Bond.

"**Register**" means the register maintained by the Registrar in relation to N Covered Bonds issued under the Programme.

1.5 ***Interpretation***: In these N Covered Bond Conditions:

(a) any reference to "*N Covered Bond*" or "*this N Covered Bond*" is a reference or includes a reference to any N Covered Bond resulting from a transfer of this N Covered Bond, and/or any certificate issued in relation to this N Covered Bond and/or any new certificate issued upon any transfer of this N Covered Bond or part thereof, unless the context requires otherwise;

(b) any reference to principal shall be deemed to include the Final Redemption Amount, any additional amounts in respect of principal which may be payable under N Covered Bond Condition 6 (*Taxation*), any premium payable in respect of the N Covered Bonds and any other amount in the nature of principal payable pursuant to these N Covered Bond Conditions; and

(c) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under N Covered Bond Condition 6 (*Taxation*) and any other amount in the nature of interest payable pursuant to these N Covered Bond Conditions.

1.6 [***Specify other terms if and as applicable***]

2. **Status**

2.1 ***Status of the Covered Bonds***: This N Covered Bond constitutes an "*obbligazione bancaria garantita*" pursuant to Article 7-*bis* of the Law 130 (as defined below) and constitutes direct, unconditional, unsecured and unsubordinated obligations of the Issuer and ranks *pari passu* without preference among the covered bonds (including other N Covered Bonds) issued under the Programme (as defined below) and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

2.2 ***Status of the Guarantee***: This N Covered Bond is issued under and, subject to the conclusion of an N Covered Bond Agreement, between the Issuer, the Guarantor, Deutsche Trustee Company Limited (the "**Representative of the N Covered Bondholders**") and the initial N Covered Bondholder, forms part of a covered bond programme (the "**Programme**") established by the Issuer for the issuance of up to Euro 5,000,000,000 in aggregate principal amount of covered bonds guaranteed by Carige Covered Bond S.r.l. (the "**Guarantor**") pursuant to Article *7-bis* of law of 30 April 1999 No. 130 (the "**Law 130**") as implemented by Decree of the Ministry for the Economy and Finance of 14 December 2006 No. 310 (the "**MEF Decree**") and the Supervisory Instructions relating to covered bonds (*Obbligazioni Bancarie Garantite*) under Part III, Section 3, of the 5th update to circular No. 285 dated 17 December 2013 containing the "*Disposizioni di vigilanza per le banche*", as further implemented or amended (the "**BoI Regulations**" and together with, the Law 130, the MEF Decree jointly the "**OBG Regulations**").

3. **Interest**

[*In the case of a Fixed Rate N Covered Bond please insert the following or other applicable provisions*:

3.1 ***Rate of Interest and Payment Dates***: The N Covered Bond bears interest on its Outstanding Principal Balance from (and including) [•] (the "**Interest Commencement Date**") to (but excluding) the first CB Payment Date and during each successive period from and including a CB Payment Date to but excluding the following CB Payment Date (each such period a "**CB Interest Period**") at the rate per annum equal to [•]per cent. (the "**Rate of Interest**"). The first CB Payment Date shall fall on [•]. Interest shall be payable in arrear on [•] of each year (each such date, a "**CB Payment Date**"), subject as provided in N Covered Bond Condition 5 (*Payments*), up to (and including) [•] (the "**Maturity Date**"). Where an Extended Maturity Date is applied in accordance with Clause 3.2 of the N Covered Bond Agreement, interest will be paid in accordance with the N Covered Bond Agreement as set out in Schedule 1 thereto.

3.2 ***Accrual of interest***: Each N Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Final Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this N Covered Bond Condition 3 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such N Covered Bond up to that day are received by or on behalf of the relevant N Covered Bondholder and (ii) the day which is seven days after the Italian Paying Agent has notified the N Covered Bondholder that it has received all sums due in respect of the N Covered Bond up to such seventh day (except to the extent that there is any subsequent default in payment).

3.3 [***If Fixed Coupon Amount is applicable, insert***: *Fixed Coupon Amount*: the amount of interest payable in respect of each N Covered Bond for any CB Interest Period shall be [***please insert applicable fixed coupon amount***] (the "**Fixed Coupon Amount**"). The first payment of interest shall be made on **[*insert first CB Payment Date*].]**

3.4 [***If first CB Payment Date is not first anniversary of Interest Commencement Date insert: Broken Amount***: The first payment of interest will amount to [insert initial broken interest amount] on its Outstanding Principal Balance.] [If the Maturity Date is not a CB Payment Date insert: Interest in respect of the period from and including [insert CB Payment Date preceding the Maturity Date] to but excluding the Maturity Date (as defined in N Covered Bond Condition 4.1) will amount to [insert final Broken Interest Amount] on its Outstanding Principal Balance.]

3.5 ***Calculation of interest amount***: If interest is required to be calculated for less than a full year, the amount of interest shall be calculated by the Italian Paying Agent by applying the Rate of Interest to the Outstanding Principle Balance, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means one cent.

For the purpose of this N Covered Bond Condition 3:

(a) "**Day Count Fraction**" shall be, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"):

[if *Actual/Actual applies, insert*:

"**Actual/Actual (ICMA)**" means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(I) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(II) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year.]

[*if Actual/365 applies, insert***:** the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);]

[*if Actual/365 (Fixed) applies, insert*: the actual number of days in the Calculation Period divided by 365;]

[*if Actual/360 applies, insert*: the actual number of days in the Calculation Period divided by 360;]

[*if 30/360 (Fixed rate) applies, insert*: the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);)]

(b) [***please insert other if and as applicable***].

[*In case of a Floating Rate insert the following or other applicable provisions*:

Accrual of interest: the N Covered Bonds bear interest on their Outstanding Principal Balance from (and including) [***please insert the interest commencement date***] (the "**Interest Commencement Date**") to (but excluding) the first CB Payment Date and during each successive period from and including a CB Payment Date to but excluding the following CB Payment Date (each such period a "**CB Interest Period**") at the [***please insert rate of interest***] (the "**Rate of Interest**") payable in arrear on each CB Payment Date**),** subject as provided in N Covered Bond Condition 5 (*Payments*). Each N Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Final Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this N Covered Bond Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such N Covered Bond up to that day are received by or on behalf of the relevant N Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the N Covered Bondholders that it has received all sums due in respect of the N Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).;

For the purpose of this N Covered Bond Conditions:

"**CB Payment Date**" means [***please specify interest payment dates***] as the same may be adjusted in accordance with the Business Day Convention.

If there is no numerically corresponding day in the calendar month in which a CB Payment Date should occur or any CB Payment Date would otherwise fall on a day which is not a Business Day, then the "**Business Day Convention**" shall be:

the "**Following Business Day Convention**" which means that the relevant date shall be postponed to the first following day that is a Business Day.

[the "**Modified Following Business Day Convention**" or the "***Modified Business Day Convention***" which means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.]

[the "**Preceding Business Day Convention**" which means that the relevant date shall be brought back to the first preceding day that is a Business Day.]

[the "**FRN Convention**", the "**Floating Rate Convention**" or the "**Eurodollar Convention**" which means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.]

["**No Adjustment**" which means that the relevant date shall not be adjusted in accordance with any Business Day Convention.]

"**Business Day**" means a day on which banks are generally open for business in Genoa, Milan, Nice, London and Luxembourg and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET 2) (or any successor thereto) is open.

[***If Screen Rate Determination for Floating Rate N Covered Bonds is the manner in which the Rate(s) of Interest is/are to be determined, insert***:

3.6 ***Screen Rate Determination:*** the Rate of Interest applicable to the N Covered Bonds for each CB Interest Period will be determined by the Principal Paying Agent on the following basis:

(a) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on [***please insert relevant screen page***] (the "**Relevant Screen Page**") as of the [***please insert applicable definition time***] (the "**Relevant Time**") on the [***please insert applicable interest determination date***] (the "**Interest Determination Date**");

(b) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(c) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(i) request the Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(ii) determine the arithmetic mean of such quotations; and

(d) if fewer than two such quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Principal Paying Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Principal Paying Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant CB Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant CB Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such CB Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any CB Interest Period, the Rate of Interest applicable to the N Covered Bonds during such CB Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the N Covered Bonds in respect of a preceding CB Interest Period.

For the purpose of this N Covered Bond Condition 3.6:

(a) "**Margin**" means [•] per cent annum.

(b) "**Reference Banks**" means [***please insert applicable definition***]

(c) "**Reference Rate**" means [***please insert applicable definition***].

(d) "**Specified Currency**" means [***please insert applicable definition***].

3.7 ***Calculation of Interest Amount:*** the Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each CB Interest Period, calculate the Interest Amount payable in respect of each N Covered Bond for such CB Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such CB Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant N Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

In respect of the calculation of an amount of interest for any CB Interest Period the "**Day Count Fraction**" shall be:

[if Actual/Actual (ICMA) applies, insert:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;]

[if "**Actual/365**" or "**Actual/Actual (ISDA) applies insert**": the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);]

[if "**Actual/365 (Fixed) applies insert**": the actual number of days in the Calculation Period divided by 365;]

[if "**Actual/360 applies insert**": the actual number of days in the Calculation Period divided by 360;]

[if "**30/360 (Fixed rate) applies, insert**": the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);]

[if "**Actual/365 (Sterling) applies, insert"**: the actual number of days in the CB Interest Period divided by 365 or, in the case of a CB Payment Date falling in a leap year, 366;]

[if "**30/360 (Floating Rate) applies, insert**": the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;]

[if "**30E/360 applies, insert**": the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and]

[if "**30E/360 (ISDA) applies insert**": the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.]

3.8 [***If an amount other than the Interest Amount has to be calculated, insert***: Calculation of other amounts: the Principal Paying Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Principal Paying Agent in [please insert the manner in which such amount has to be calculated].

3.9 ***Publication***: the Italian Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant CB Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Registrar, the N Covered Bondholders, the Representative of the N Covered Bondholder and the Issuer in accordance with N Covered Bond Condition 9 (*Notices*), as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and CB Payment Date) in any event not later than the fifteenth (15^{th}) Business Day before the CB Payment Date. The Italian Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant CB Interest Period.

3.10 ***Certificates to be final:*** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this N Covered Bond Condition 3 (*Interest*) by the Italian Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Registrar, the N Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Italian Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

3.11 ***Rounding***: For the purposes of any calculations referred to in these N Covered Bond Conditions (unless otherwise specified), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.) [, (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up)][, (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount][and] [and (d) all amounts denominated in the Specified Currency used in or resulting from such calculations will be rounded to 0.01 euro, with 0.005 euro being rounded upwards.

[***In the case of Zero Coupon N Covered Bond please insert the following and/or other applicable provisions*:**

3.12 ***Late Payment***: if the Redemption Amount payable in respect of this Zero Coupon N Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(a) the Reference Price; and

(b) the product of [•] per cent. per annum (the "**Accrual Yield**") (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such N Covered Bond up to that day are received by or on behalf of the

relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Registrar and the N Covered Bondholders that it has received all sums due in respect of the N Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

For the purpose of this N Covered Bond Condition [•] "**Reference Price**" means [***please insert applicable definition***].

[In the case of Amortising N Covered Bond please insert applicable provisions]

4. **Redemption and Purchase**

4.1 ***Scheduled Redemption***: Unless previously redeemed or purchased and cancelled as specified below, this N Covered Bond will be redeemed at its Final Redemption Amount on the Maturity Date plus accrued interest (if any) to such date, subject as provided in N Covered Bond Condition 5 (*Payments*).

For the purpose of this N Covered Bond Condition 4.1:

"**Final Redemption Amount**" means [*insert relevant amount*]

"**Maturity Date**" means [*insert relevant date*].

4.2 ***Redemption for tax reasons***: the N Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

[for Fixed Interest N Covered Bonds insert: at any time]; or

[for Floating Rate Provisions insert: on any CB Payment Date],

by giving not less than 30 nor more than 60 days' notice to the N Covered Bondholders and the Registrar (which notice shall be irrevocable), at its Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in N Covered Bond Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of this N Covered Bond; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(A) where the N Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the N Covered Bonds were then due; or

(B) where the N Covered Bonds may be redeemed only on a CB Payment Date, 60 days prior to the CB Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the N Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Italian Paying Agent and the Principal Paying Agent with copy to the Registrar and the Representative of the Covered Bondholders a certificate signed by duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be sufficient to the Italian Paying Agent and the Principal Paying Agent and conclusive and binding on the Covered Bondholders). Upon the expiry of any such notice as is referred to in this N Covered Bond Condition 4.2 (*Redemption for tax reasons*), the Issuer shall be bound to redeem the N Covered Bonds in accordance with this N Covered Bond Condition 4.2 (*Redemption for tax reasons*).

[If the Call Option is applicable please insert the following or other applicable provisions:

4.3 ***Redemption at the option of the Issuer:*** This N Covered Bond may be redeemed at the option of the Issuer, on the Optional Redemption Date (Call) at the Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the N Covered Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the N Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

For the purpose of this N Covered Bond Condition 4.3:

(a) "**Optional Redemption Amount (Call)**" means [*insert applicable amount*].

(b) "**Optional Redemption Date (Call)**" means [***insert applicable date***].

[If the Put Option is applicable please insert the following or other applicable provisions

4.4 ***Redemption at the option of N Covered Bondholder***: the Issuer shall, at the option of any N Covered Bondholder redeem such N Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this N Covered Bond Condition 4.4 (*Redemption at the option of N Covered Bondholder*), the N Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the [Principal Paying Agent/N Covered Bond Paying Agent] a duly completed Put Option Notice in the form obtainable from the [Principal Paying Agent/N Covered Bond Paying Agent]. The [Principal Paying Agent/N Covered Bond Paying Agent] with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the depositing N Covered Bondholder. Once deposited in accordance with this N Covered Bond Condition 4.4 (*Redemption at the option of N Covered Bondholder*), no duly completed Put Option Notice may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any N Covered Bonds become immediately due and payable or, upon due presentation of any such N Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the [Principal Paying Agent/N Covered Bond Paying Agent] shall mail notification thereof to the N Covered Bondholder and the Registrar at such address as may have been given by such N Covered Bondholder in the relevant Put Option Notice and shall hold such N Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding N Covered Bonds are held by the [Principal Paying Agent/N Covered Bond Paying Agent] in accordance with this N Covered Bond Condition 4.4 (*Redemption at the option of N Covered Bondholder*), the N Covered Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such N Covered Bonds for all purposes.

For the purpose of this N Covered Bond Condition 4.4:

(a) "**Optional Redemption Amount (Put)**" means [*insert relevant amount*].

(b) "**Optional Redemption Date (Put)**" means [***insert applicable date***].

4.5 ***Purchase***: The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time hold or purchase N Covered Bonds in the open market or otherwise and at any price. Such N Covered Bonds may be held, reissued, resold or, at the option of the Issuer or any of the other banks belonging to the Banca Carige Group, cancelled in whole or in part. The Guarantor shall not purchase any N Covered Bonds at any time.

4.6 ***Cancellation:*** All N Covered Bonds which are redeemed shall forthwith be cancelled and may not be reissued or resold.

[***In case of a N Zero Coupon Covered Bond insert***

4.7 ***Early redemption***: the Redemption Amount payable on redemption of this Zero Coupon N Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:

(a) the Reference Price; and

(b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the N Covered Bonds become due and payable.

[***specify other amount applicable***]

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction or, if none is so specified, a Day Count Fraction of 30E/360.

For the purposes of this N Covered Bond Condition

(a) "**Accrual Yield**" means [*please specify as applicable*].

(b) "**Day Count Fraction**" means [*please specify the type of Day Count Fraction*]

(c) "**Reference Price**" means [*please specify as applicable*].

[***In case of a N Zero Coupon Covered Bond insert***

4.8 ***Late payment:*** If the amount payable in respect of this Zero Coupon N Covered Bond upon redemption pursuant to N Covered Bond Condition 4.1 (*Scheduled Redemption*), 4.2 (*Redemption for tax reasons*) or 4.3 (*Redemption at the option of the Issuer*) above as applied to this Zero Coupon N Covered Bond is improperly withheld or refused or default is otherwise made in the payment thereof, the amount due and repayable in respect of this Zero Coupon N Covered Bond shall be the amount calculated as provided in N Covered Bond Condition [•] above as though the references therein to the date fixed for the redemption or the date upon which this Zero Coupon N Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of this Zero Coupon N Covered Bond have been paid; and

(b) the date on which the full amount of the monies payable in respect of this Zero Coupon Covered Bond has been received by the Principal Paying Agent or the Representative of the Covered Bondholder or the Registrar and notice to that effect has been given to the N Covered Bondholder in accordance with N Covered Bond Condition 9 (*Notices*).]

4.9 [***In the case of Amortising N Covered Bonds insert***

Amortising N Covered Bond: This N Covered Bond will be redeemed in the amounts of [***specify***] (each an "**Instalment Amount**") on [***specify date***] (each an "**Instalment Date**").]

4.10 ***Other Redemption and Purchase Provisions:***

[***Specify other relevant provision, if and as applicable.***]

5. **Payments**

5.1 ***General***: Payments of principal and, subject to Condition 5.2 (*Assignments without Accrued Interest*), interest on this N Covered Bond shall be made by the Italian Paying Agent on the respective due date thereof to the person shown in the Register as the N Covered Bondholder at the close of business on the third Business Day before such due date (the "**Record Date**") by credit or electronic transfer [*if the Specified Currency is euro, insert*: to a euro account (or any other account to which euro may be credited or transferred) maintained by the Bondholder][*if the Specified Currency is other than euro, insert*: to an account in the Specified Currency maintained by the Bondholder with a bank in a principal financial centre of the country of such Specified Currency] (the "**Designated Account**") the details of which have been notified by the Bondholder to the Paying Agent not later than the Record Date.

5.2 ***Assignments without Accrued Interest***: In case of a transfer of this N Covered Bond (in whole or in part) occurring during any CB Interest Period, payment of interest on this N Covered Bond (or in case of a transfer in part on a *pro rata* basis on the resulting N Covered Bond) shall be made on the respective due date to (i) the transferee shown in the Register as the new N Covered Bondholder, for the period from and including the relevant Transfer Date to but excluding the relevant CB Payment Date and (ii) the

previous N Covered Bondholder/transferor of the N Covered Bond for the period from and including the last CB Payment Date or the Interest Commencement Date, as the case may be, to but excluding the relevant Transfer Date, and (iii) if more than one assignment of the N Covered Bond occurs during one CB Interest Period, to each N Covered Bondholder, with respect to the period of his holding of the N Covered Bond, for the period from and including each relevant Transfer Date to but excluding the next following Transfer Date.

5.3 ***Payments subject to fiscal laws***: All payments in respect of the N Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the Place of Payment, but (i) without prejudice to the provisions of N Covered Bond Condition 6 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of N Covered Bond Condition 6) any law implementing an intergovernmental approach thereto ("**FATCA**"). No commissions or expenses shall be charged to N Covered Bondholders in respect of such payments. References to [Euro] [insert other Specified Currency] will include any successor currency under applicable law.

5.4 ***Payments on business days***: If the due date for payment of any amount in respect of any N Covered Bond is not a Payment Business Day in the Place of Payment, the N Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

In this N Covered Bond Condition 5 (unless otherwise specified in the applicable N Covered Bond Agreement), "**Payment Business Day**" means any day which (subject to N Covered Bond Condition 7 (*Prescription and Counterclaims*)) is:

(a) a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(b) [*if the Specified Currency is euro, insert*: any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre.

(c) [*if the Specified Currency is other than euro, insert*: if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"**Place of Payment**" means, in respect of any N Covered Bondholders, the place at which such N Covered Bondholder receives payment of interest or principal on the N Covered Bonds.

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System is open.

6. **Taxation**

All payments of principal and interest in respect of this N Covered Bond by or on behalf of the Issuer will be made without withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the N Covered Bondholders after such withholding or deduction shall be equal to the respective amounts of principal and interest which would otherwise have been receivable in respect of this N Covered Bond, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any N Covered Bond:

(a) presented for payment in the Relevant Jurisdiction; or

(b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such N Covered Bond by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such N Covered Bond; or

(c) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such N Covered Bond by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or

(d) presented for payment more than 30 days after the Maturity Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such N Covered Bond for payment on such thirtieth day assuming that day to have been a Business Day; or

(e) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or

(f) in respect of N Covered Bonds classified as atypical securities where such withholding or deduction is required under law decree No. 512 of 30 September 1983, as amended and supplemented from time to time; or

(g) on account of *imposta sostitutiva* pursuant to Italian legislative decree No. 239 of 1 April 1996 ("**Decree No. 239**") and any related implementing regulations as in force on the date of the issue of the N Covered Bonds; or

(h) presented for payment by, or on behalf of, a Covered Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant N Covered Bond to a Paying Agent in another Member State of the EU; or

(i) where such withholding or deduction is imposed pursuant to FATCA.

"**Relevant Jurisdiction**" means Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the N Covered Bonds.

7. **Prescription and Counterclaims**

7.1 ***Prescription***: Claims for payment under the N Covered Bonds shall be prescribed unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

7.2 ***Counterclaims***: As long as, and to the extent that, this N Covered Bond forms part of the restricted assets (*gebundenes Vermögen*) within the meaning of § 54 of the German Act concerning the Supervision of Insurance Companies (*Gesetz über die Beaufsichtigung der Versicherungs-unternehmen - Versicherungsaufsichtsgesetz*) of 17 December 1992 (as amended) and the German Regulation concerning the Investment of the Restricted Assets of Insurance Companies (*Verordnung über die Anlage des gebundenen Vermögens von Versicherungsunternehmen*) of 20 December 2001 (as amended), the Issuer waives (also in the event of insolvency of the N Covered Bondholder or in the event that insolvency proceedings or similar proceedings are instituted against the N Covered Bondholder) any right of set-off as well as any right to exercise any pledges, rights of retention and other rights which could affect the rights under the N Covered Bond.

8. **Agents**

8.1 ***Specified Offices***. The names of the Italian Paying Agent and the Registrar and their respective initial Specified Offices are as follows:

Italian paying agent:

[•]

Attn.**[•]**

[•]

[•]

[•]

[•]

Tel.: **[•]**

Fax: **[•]**

Registrar:

[•]

Attn. [•]

[•]

Tel.: [•]

Fax: [•]

8.2 ***Agents of the Issuer***. The Italian Paying Agent and Registrar act solely as agents of the Issuer, and following the service of a Notice to Pay or an Acceleration Notice, as agents of the Guarantor and do not assume any obligations towards or relationship of agency or trust for any N Covered Bondholders.

8.3 ***Termination and Variation of Appointment***. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Italian Paying Agent and/or Registrar, or failing duly to determine the Rate of Interest, if applicable, or to calculate the interest amounts for any CB Interest Period, the Issuer shall appoint such other bank as may be approved by the Representative of the Covered Bondholders to act as such in its place. The Italian Paying Agent and Registrar may not resign their duties or be removed from office without a successor having been appointed as aforesaid.

The Issuer, and (where applicable) the Guarantor, reserves the right at any time, by giving to the Registrar at least 45 days' notice to that effect, to vary or terminate the appointment of the Registrar and to appoint an additional or successor agent.

The Registrar may resign from its duties by giving 45 days' notice. Any such termination or resignation shall be effective only upon the appointment by the Issuer and (where applicable) the Guarantor of another international bank of good reputation as successor registrar (the "**Successor Agent**"). If such appointment has not been made within 20 days following the notice of resignation given to the Issuer and (where applicable) the Guarantor, the Registrar shall be entitled to appoint on behalf of the Issuer as Successor Agent a reputable financial institution of good standing which the Issuer and (where applicable) the Guarantor shall approve (such approval not to be unreasonably withheld or delayed). The Issuer will bear the cost of such appointment.

Notice of any change in any of the Italian Paying Agent and/or Registrar or in their Specified Offices shall promptly be given by the Issuer to the N Covered Bondholders in accordance with N Covered Bond Condition 9 (*Notices*); **provided, however, that** the Issuer, and (where applicable) the Guarantor, shall at all times maintain a Registrar and a paying agent.

9. **Notices**

9.1 ***Notices by the N Covered Bondholder***: Notices to the Issuer, the Italian Paying Agent or the Registrar which are received later than 4.00 pm (Frankfurt time) will be deemed to have been given on the immediately succeeding Business Day.

9.2 ***Notices to the N Covered Bondholder***: Notices to the N Covered Bondholder may be given, and are valid if given, by post or fax at the address or fax number of the N Covered Bondholder appearing in the Register. If sent by post, notices will be deemed to have been given on the 3rd weekday (being a day other than a Saturday or a Sunday) after the mailing. If sent by fax, notices will be deemed to have been given upon receipt of a confirmation of the transmission. [*insert other applicable notice provisions*]

10. **Replacement of the certificate**

If the certificate representing this N Covered Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the applicant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced certificate must be surrendered before a replacement certificate will be issued.

11. **Language**

These N Covered Bond Conditions are written in the English language and may be provided with a German language translation. Only the English text shall be prevailing and binding.

12. **Governing Law, Jurisdiction and Severability**

12.1 ***Governing Law***: With the exception of Condition 2 (*Status*) of these N Covered Bond Conditions which shall be governed by and construed in accordance with Italian law, this N Covered Bond and all rights and obligations arising under this N Covered Bond (including any non-contractual rights and obligations) shall be governed by and construed in accordance with German law.

12.2 ***Jurisdiction***: The courts of Milan shall have the exclusive jurisdiction for any dispute arising out of or in connection with this N Covered Bond and the Issuer and the N Covered Bondholder waive any right to invoke, and undertake not to invoke, any claim of *forum non conveniens* and irrevocably submit to the jurisdiction of the courts of Milan in respect of any action or proceeding relating in any way to this N Covered Bond.

12.3 ***Severability***: If any provision of these N Covered Bond Conditions is or becomes invalid or unenforceable in whole or in part, the validity and enforceability of the remaining provisions shall not be affected thereby. Invalid or unenforceable provisions shall be replaced by such valid and enforceable provisions which taking into consideration the interests of the Issuer and the N Covered Bondholder have to the extent legally possible the same economic effect as the invalid or unenforceable provisions. This shall apply *mutatis mutandis* to any omissions in these N Covered Bond Conditions.

SCHEDULE 2

FORM OF N COVERED BOND ASSIGNMENT AGREEMENT

THIS N COVERED BOND ASSIGNMENT AGREEMENT (the "**Agreement**") is made on [***insert date***] **BETWEEN**:

(1) [***insert name and complete address of assignor***] (the "**Assignor**"); and

(2) [***insert name and complete address of assignee***] (the "**Assignee**");

together the "**Parties**" and each a "**Party**".

WHEREAS:

(A) The Assignor is holder of the [***insert series***] N Covered Bond in the principal amount of [***insert currency and principal amount***] due [***insert maturity date***] (the "**N Covered Bond**") issued by Banca Carige S.p.A. (the "**Issuer**").

(B) Pursuant to an "**N Covered Bond Agreement**" entered into between the Issuer, the Guarantor, Deutsche Trustee Company Limited (the "**Representative of the N Covered Bondholders**") and the initial N Covered Bondholder, the N Covered Bond forms part of the Issuer's Euro 5,000,000,000 Covered Bond Programme (the "**Programme**") under which the liabilities of the Issuer as to the payments of interest and principal are unconditionally and irrevocably guaranteed by Carige Covered Bond S.r.l. (the "**Guarantor**").

NOW IT IS HEREBY AGREED as follows:

13. **DEFINITIONS AND INTERPRETATION**

Unless specified otherwise, capitalised terms used, but not defined in this Agreement shall have the meaning given to them in the "**N Covered Bond Conditions**" which are attached as Schedule 1 to the N Covered Bond.

14. **ASSIGNMENT**

14.1 The Assignor hereby assigns to the Assignee its [***insert in case of a partial transfer:*** partial] claims against the Issuer under the N Covered Bond together with all rights relating thereto,

in the amount of: [insert currency and amount assigned]

(in words: [***insert amount assigned in words***])

with effect from: [***insert transfer date***] (the "**Transfer Date**").

14.2 The Assignee hereby accepts such assignment.

15. **NOTIFICATION AND EFFECTIVENESS OF THE ASSIGNMENT**

15.1 The Assignor shall immediately notify [***insert Registrar***] in its capacity as Registrar of the assignment contemplated hereunder by sending an executed copy of this Agreement to [***insert specified office of the Registrar***]:

[•]

Attn. [•]

[•]

Tel.: [•]

Fax: [•]

15.2 The assignment shall only become effective upon registration thereof in the Register maintained by the Registrar and **provided that** the other requirements set out in Condition 1.3 (*Transfer*) of the N Covered Bond Conditions have been met.

16. **DESIGNATED ACCOUNT OF THE ASSIGNEE**

For the purposes of Condition 5 (*Payments*) of the N Covered Bond Conditions the Designated Account of the Assignee shall be the bank account opened in the name of the Assignee with [***insert bank***] which has the following references: [***insert account details***].

17. **ACCESSION TO N COVERED BOND AGREEMENT**

The Assignee hereby accedes to and agrees to be bound by and take the benefit of the N Covered Bond Agreement. Pursuant to Clause 9 of the N Covered Bond Agreement, upon due registration of the assignment in the Register by the Registrar the Assignor ceases to be a party to and is released from the N Covered Bond Agreement with respect to the N Covered Bond or the part of the N Covered Bond assigned hereunder.

18. **COPIES**

18.1 This Agreement shall be executed in three original copies, each of which may be executed in any number of counterparts. One original copy shall be retained by the Assignor and Assignee respectively and one original copy shall be sent to the Registrar.

18.2 The Parties instruct and authorise the Registrar to forward copies of this Agreement to the Issuer, the Guarantor, the Representative of the Covered Bondholders and the Custodian.

19. **LANGUAGE**

This Agreement is written in the English language and may provided with a German language translation. Only the English text shall be prevailing and binding.

20. **GOVERNING LAW; JURISDICTION; SEVERABILITY**

20.1 This Agreement (including any non-contractual rights and obligations arising out of or in connection with this Agreement) shall be governed by and construed in accordance with German law with the exception of Clause 5 (*Accession to N Covered Bond Agreement*) which in all respects shall be governed by Italian law.

20.2 The courts of Milan shall have the exclusive jurisdiction over any dispute arising out of or in connection with this Agreement.

20.3 If any provision of this Agreement or part thereof should be or become invalid or unenforceable, this shall not affect the validity or enforceability of the remaining provisions hereof. The invalid or unenforceable provision shall be replaced by such valid and enforceable provision which taking into consideration the purpose and intent of this Agreement has to the extent legally possible the same economic effect as the invalid or unenforceable provision. This shall apply *mutatis mutandis* to any omissions (Vertragslücke) in this Agreement.

Assignor

By: ....

Name:

Assignee

By: ....

Name:

*****

Responsibility

The Issuer and the Guarantor accept responsibility for the information contained in these N Covered Bond Conditions.

Genoa, [•]

Signed on behalf of Banca Carige S.p.A.

.....

By: [•]

As: [•]

Signed on behalf of Carige Covered Bond S.r.l.

.....

By: [•]

As: [•]

FORM OF N COVERED BOND AGREEMENT

THIS N COVERED BOND AGREEMENT (the "**Agreement**") is made on [•]

BETWEEN:

(1) **BANCA CARIGE S.P.A.**, a bank organised as a joint stock company (*società per azioni*) under the laws of the Republic of Italy and registered with the Bank of Italy pursuant to Article 13 of the legislative decree of 1 September 1993 No. 385 (the "**Banking Law**") under number 6175, whose registered office is in Genoa, Via Cassa di Risparmio, No. 15, Italy, enrolled with the Companies' Register of Genoa, under number 03285880104 (the "**Issuer**");

(2) **CARIGE COVERED BOND S.R.L.**, a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy pursuant to Article 7-*bis* of law No. 130 of 30 April 1999, as amended from time to time (the "**Law 130**"), whose registered office is in Genoa, Via Cassa di Risparmio, No. 15, Italy, enrolled with the Companies Register of Genoa, under No. 05887770963, and under No. 40383 with the register held by the Bank of Italy pursuant to Article 106 of the Banking Law (the "**Guarantor**");

(3) **DEUTSCHE TRUSTEE COMPANY LIMITED**, a company organised as a limited company under the laws of England and Wales, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB (the "**Representative of the Covered Bondholders**"); and

(4) **[•]**, a company incorporated under the laws of Germany, whose registered office is at [•] (the "**N Covered Bondholder**").

WHEREAS:

(A) The Issuer has established a Euro 5,000,000,000 covered bond programme (the "**Programme**") as further described in a prospectus dated [•], as supplemented from time to time pursuant to which the Issuer may from time to time issue Covered Bonds denominated in any currency as may be agreed by the Issuer, the Arrangers and relevant Dealer(s).

(B) Deutsche Trustee Company Limited has agreed to act as the Representative of the Covered Bondholders under the Programme, upon and subject to the terms of a programme agreement dated 1 December 2008, as subsequently amended and made between the Issuer, the Additional Sellers, the Guarantor, the Dealers and the Representative of the Covered Bondholders (the "**Programme Agreement**") and the Rules of the Organisation of Covered Bondholders (as defined below).

(C) The Guarantor has agreed to guarantee interest and principal payments on all Covered Bonds (including, without limitation, N Covered Bonds) issued under the Programme as more particularly set out in the Covered Bond Guarantee and in the circumstances described therein.

(D) Together with the execution of this Agreement, the Issuer issues the [***insert series***] N Covered Bonds in the principal amount of [***insert principal amount***] (the "**N Covered Bond**") to which this Agreement relates, to the N Covered Bondholder.

NOW IT IS HEREBY AGREED as follows:

21. **DEFINITIONS AND INTERPRETATION**

21.1 For the purposes of this Agreement, the following definitions shall apply:

[*if the N Covered Bond has an Extended Maturity Date insert* "Extended Maturity Date" means [•].

"**Extension Determination Date**" means [•].

[***if the N Covered Bond has an Extended Instalment Date insert*** "**Extended Instalment Date**" means [•].

"**Instalment Extension Determination Date**" means [•].]

"**Maturity Date**" means [•].

"**N Covered Bond**" has the meaning given to it in recital D above.

"**N Covered Bond Conditions**" means the terms and conditions of the N Covered Bond annexed as Schedule 1 to the N Covered Bond.

"**Programme Conditions**" means the terms and conditions of the Covered Bonds set out in Schedule 1 to the Intercreditor Agreement.

"**Rating Agencies**" means Moody's Investors Service Ltd. (Moody's) and/or Fitch Ratings Limited (Fitch) and/or DBRS Ratings Limited (DBRS) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

"**Rules of the Organisation of Covered Bondholders**" means the rules of the organisation of Covered Bondholders as part of the Programme Conditions and attached to the Intercreditor Agreement.

21.2 Terms defined in the intercreditor agreement made between, *inter alia*, the Issuer, the Guarantor and the Representative of the Covered Bondholders on 1 December 2008 as amended on 24 August 2010, as the same may be further amended, varied and/or supplemented from time to time, (the "**Intercreditor Agreement**") shall, except where the context otherwise requires and save where otherwise defined (i) in the N Covered Bond Conditions, or (ii) herein, have the same meanings in this Agreement, including the

recitals hereto and this Agreement shall be construed in accordance with the interpretation provisions set out in Clause 1 (Recitals and Schedules, Definitions and Interpretation) of the Intercreditor Agreement.

22. N COVERED BOND AGREEMENT

22.1 The N Covered Bondholder hereby agrees with the Issuer, the Guarantor and the Representative of the Covered Bondholders with respect to the N Covered Bond that it shall take the benefit of and be bound by and subject to:

(a) (as if it was a party thereto) the Intercreditor Agreement (excluding, except as specified herein, the Programme Conditions but including, without limitation and for the avoidance of doubt, the provisions on the Priority of Payments pursuant to Clause 5 thereof, the provisions on the Exercise of Certain Rights pursuant to Clause 8 thereof, the provisions on Limited Recourse pursuant to Clause 12 thereof, the provisions on Assignment and Substitution pursuant to Clause 13 thereof, the provisions on Representative of the Covered Bondholders signing on behalf of the Covered Bondholders pursuant to Clause 21 thereof) and the other Transaction Documents to the extent relevant to the N Covered Bond;

(b) the Rules of the Organisation of Covered Bondholders except that in relation to N Covered Bond reference in the Rules of the Organisation of Covered Bondholders to the Principal Paying Agent and/or Monte Titoli Account Holder shall be read as reference to the Registrar;

(c) Condition 11 (*Events of Default*), Condition 13 (*Representative of the Covered Bondholders*), Condition 14 (*Limited Recourse and Non Petition*) and Condition 16 (*Further Issues*) of the Programme Conditions.

22.2 For the purposes of Clause 2.1 above, the N Covered Bondholder hereby confirms that a copy of the Intercreditor Agreement (together with the relevant schedules thereto) has been provided to it.

23. COVERED BOND GUARANTEE

23.1 General

Subject to and in accordance with the terms of the Covered Bond Guarantee and Condition 11 (*Events of Default*) of the Programme Conditions, under the Covered Bond Guarantee the Guarantor shall, following service of a Notice to Pay or, if earlier, an Acceleration Notice, pay or procure to be paid the Guaranteed Amounts in respect of the N Covered Bond on their Scheduled Due for Payment Dates ***[if the N Covered Bond has an Extended Maturity Date/Extended Instalment Date under the Covered Bond Guarantee insert:*** or their Extended Maturity Date/Extended Instalment Date.

[***If Extended Maturity Date is applicable to the relevant N Covered Bond issuance, insert Clause 3.3 below***:

23.2 Extension of maturity

Without prejudice to Condition 11 (*Events of Default*) of the Programme Conditions, if an Issuer Event of Default has occurred, following the service of a Notice to Pay on the Guarantor, and the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the N Covered Bond on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Guarantor under the Covered Bond Guarantee shall be deferred until the Extended Maturity Date **provided that** any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

Notwithstanding the above, if the N Covered Bond is extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under the N Covered Bond in respect of which an Extension of Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

The Guarantor shall notify the relevant N Covered Bondholders (in accordance with Condition 9 (*Notices*) of the N Covered Bond Conditions), any relevant Swap Counterparties, the Rating Agencies, the Representative of the Covered Bondholders, the Principal Paying Agent, the Italian Paying Agent and the Registrar as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Maturity Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the N Covered Bond pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the relevant Due for Payment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priorities of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount in respect of the N Covered Bond and shall pay Guaranteed Amounts constituting interest in respect of the N Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on the Maturity Date and on each CB Payment Date up to and on the Extended Maturity Date in accordance with the terms set out in Schedule 1.

Where an Extended Maturity Date is applied, failure to pay on the Maturity Date by the Guarantor shall not constitute a Guarantor Event of Default.

[If Extended Instalment Date is applicable to the relevant N Covered Bond issuance, insert Clause 3.3 below:

23.3 **Extension of principal instalments**

Without prejudice to Condition 11 (*Events of Default*) of the Programme Conditions, if an Issuer Event of Default has occurred, following the service of a Notice to Pay on the Guarantor, the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Instalment Amount in full in respect of N Covered Bond on the date falling on the Instalment Extension Determination Date, then (subject as provided below), payment by the Guarantor under the Covered Bond Guarantee of each of (a) such Instalment Amount and (b) all subsequently due and payable Instalment Amounts shall be deferred until the Extended Instalment Date **provided that** any amount representing the Instalment Amounts due and remaining unpaid after the Instalment Extension Determination Date may be paid by the Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Instalment Date.

Notwithstanding the above, if the N Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under the N Covered Bonds in respect of which an extension of principal instalments has occurred, and any payable Instalment Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

The Guarantor shall notify the relevant N Covered Bondholders (in accordance with Condition 9 (*Notices*) of the N Covered Bond Conditions), any relevant Swap Counterparties, the Rating Agencies, the Representative of the Covered Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Instalment Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the relevant Instalment Amount in respect of the N Covered Bond pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the relevant Due for Payment Date following the applicable Instalment Extension Determination Date until the applicable Extended Instalment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priorities of

Payments) *pro rata* in part payment of an amount equal to the relevant Instalment Amount in respect of the relevant N Covered Bond and shall pay Guaranteed Amounts constituting interest in respect of each such amounts on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Instalment Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on the relevant Instalment Date and on each CB Payment Date up to and on the Extended Instalment Date in accordance with the terms set out in Schedule 1.

Where an Extended Instalment Date is applied, failure to pay on the relevant Instalment Date by the Guarantor shall not constitute a Guarantor Event of Default.

24. REDEMPTION DUE TO ILLEGALITY

24.1 This N Covered Bond may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders, the Principal Paying Agent, the Italian Paying Agent and the Registrar and, in accordance with N Covered Bond Condition 9 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next CB Payment Date of any N Covered Bond of any Series, become unlawful for the Issuer to make any payments under the N Covered Bond as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next CB Payment Date.

24.2 N Covered Bond redeemed pursuant to this Clause 4 (*Redemption due to illegality*) will be redeemed at its Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

25. TAXATION

25.1 All payments in respect of the obligations of the Issuer under the N Covered Bond shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall, subject to the Condition 6 (*Taxation)* of the N Covered Bond Conditions, pay such additional amounts as would have been received by the holders of the N Covered Bond if no such withholding or deduction had been required.

25.2 All payments of Guaranteed Amounts by or on behalf of the Guarantor, will be made without withholding or deduction for, or on account of, any present or future tax, duties, assessments or governmental charges of whatever nature, unless the withholding or deduction is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor shall not be obliged to pay any additional amount to any N Covered Bondholder in respect of the amount of such withholding or deduction.

26. NOTICES

All notices that are required to be given to the N Covered Bondholder pursuant to this Agreement shall be delivered in accordance with Condition 9 (*Notices*) of the N Covered Bond Conditions.

Address for Notices:

Details of N Covered Bondholder

Company Name: **[•]**

Address: [•]

Telephone: [•]

Fax: [•]

e-mail: [•]

Attention: [•]

27. **CONFLICTS**

27.1 In the event of any conflict between the provisions of the N Covered Bond Conditions and any provisions contained in this Agreement, this Agreement will prevail.

28. **AMENDMENTS**

Subject to the terms of the Intercreditor Agreement, any amendments to this Agreement or any N Covered Bond Condition will be made only with the written consent of each party to this Agreement. No waiver of this Agreement shall be effective unless it is in writing and signed by (or by some person duly authorised by) each of the parties. No single or partial exercise of, or failure or delay in exercising, any right under this Agreement shall constitute a waiver or preclude any other or further exercise of that or any other right.

29. **ASSIGNMENT**

Subject to the terms of the Intercreditor Agreement, neither this Agreement nor any of the rights or obligations under this Agreement will be assignable or transferable by any party except (i) upon an assignment of the N Covered Bond in whole or in part (as further described in Condition 1.3 (*Transfer*) of the N Covered Bond Conditions) and as provided in the form of the assignment agreement the assignee accedes to this Agreement and the assignor ceases to be a party to this Agreement with respect to the N Covered Bond or the part of the N Covered Bond so assigned; (ii) by the Issuer in accordance with Clause 13.2 of the Intercreditor Agreement; and (iii) in the case of the Representative of the Covered Bondholders, any successor or new Representative of the Covered Bondholders appointed pursuant to the Rules of Organisation of the Covered Bondholders.

30. **NO ENFORCEMENT BY N COVERED BONDHOLDER**

Subject to and in accordance with the Intercreditor Agreement, the N Covered Bondholder agrees with the Guarantor, the Issuer and the Representative of the Covered Bondholders that only the Representative of the Covered Bondholders may take action to enforce the terms of the N Covered Bond and the Intercreditor Agreement and it shall not take any steps or institute proceedings unless the Representative of the Covered Bondholders, having become bound to so proceed, fails to do so within a reasonable time and such failure is continuing (in which case the N Covered Bondholder shall be entitled to take such steps) except procuring the winding up, administration or liquidation of the Issuer and/or the Guarantor.

31. **GOVERNING LAW**

This Agreement and all non contractual or other obligations arising out of or in connection with it are governed by Italian law.

32. **PLACE OF JURISDICTION**

The courts of Milan, Republic of Italy, shall have the exclusive jurisdiction for any actions or other legal proceedings arising out of or in connection with this Agreement and the parties hereto agree to waive any right to invoke, and agree not to invoke, any claim of forum non conveniens and each party hereto irrevocably submits to the jurisdiction of the courts of Milan in respect of any action or proceeding relating in any way to this Agreement.

33. **LANGUAGE**

This Agreement is written in the English language and may be provided with a German language translation. Only the English text shall be prevailing and binding.

34. **PARTIAL INVALIDITY**

Without prejudice to Article 1419 of the Italian Civil Code, if, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity nor enforceability of the remaining provisions of this Agreement, nor of such provision under the laws of any other jurisdiction, will in any way be affected or impaired thereby.

* * *

SIGNATORIES

The **Issuer**

BANCA CARIGE S.P.A.

.....
By: [•]
As: [•]

The **GUARANTOR**

CARIGE COVERED BOND S.R.L.

.....
By: [•]
As: [•]

The **REPRESENTATIVE OF THE COVERED BONDHOLDERS**

DEUTSCHE TRUSTEE COMPANY LIMITED

.....
By: [•]
As: [•]

The **N COVERED BONDHOLDER**

[•]

.....
By: [•]
As: [•]

SCHEDULE 1

FLOATING RATE COVERED BOND PROVISIONS:

[***If N Covered Bond has an Extended Maturity Date or an Extended Instalment Date, insert this Schedule 1***:

35.	CB Interest Period(s):	[•] (the "**Extended Maturity Period**")
36.	CB Payment Dates:	[•]
37.	First CB Payment Date:	[•]
38.	Business Day Convention	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Day Convention/ Preceding Business Day Convention] [specify other]
39.	Additional Business Centre(s):	[•]
40.	Manner in which the Rate of Interest and Interest Amount is to be determined:	Screen Rate Determination/ ISDA Determination/ specify other
41.	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[•]
42.	Screen Rate Determination	
42.1	Reference Rate	[•]
42.2	Interest Determination Date(s)	[•] [*N.B. Specify the Interest Determination Date(s) up to and including the Extended Maturity Date, if applicable*]
42.3	Relevant Screen Page	[•]
42.4	Margins	[•]
42.5	Day Count Fraction	[•]

TAXATION IN THE REPUBLIC OF ITALY

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Tax treatment of Covered Bonds

The Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from certain securities issued, *inter alia*, by Italian resident banks. The provisions of Decree No. 239 only apply to Covered Bonds issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

For these purposes, securities similar to bonds ("*titoli similari alle obbligazioni*") are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Italian resident Covered Bondholders

Pursuant to Decree No. 239, where an Italian resident Covered Bondholders, who is the beneficial owner of the Covered Bonds, is:

a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless he has entrusted the management of his financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito"* – see under "***Capital gains tax***" below for an analysis of such regime);

b) a partnership other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations;

c) a private or public entity other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, with the exclusion of collective investments funds; or

d) an investor exempt from Italian corporate income taxation.

Interest payments relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent, either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds. In the event that the Covered Bondholders described under a) and c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di*

risparmio a lungo termine) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232 of 11 December 2016 ("**Law No. 232**").

Where an Italian resident Covered Bondholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Covered Bondholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also to IRAP (the regional tax on productive activities). Interest on the Covered Bonds that are not deposited with an authorised intermediary, received by the above persons is subject to a 26 per cent. *imposta sostitutiva* levied as provisional tax.

Where a Covered Bondholder is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply ("**Real Estate SICAF**"), Interest accrued on the Covered Bonds will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF. The income of the real estate fund or the Real Estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the "**Fund**"), a SICAV or a SICAF and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to imposta sostitutiva. They must, however, be included in the management results of the Fund, the SICAV or the SICAF, accrued at the end of each tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident Covered Bondholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds). Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "SIMs"), fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Covered Bondholders or, absent that, by the Issuer.

Non-Italian resident Covered Bondholders

Where the Covered Bondholder is a non-Italian resident beneficial owner of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected, payment of Interest in respect of the Covered Bonds will not be subject to imposta sostitutiva provided that the non-Italian resident beneficial owner is:

(1) resident, for tax purposes, in a State or territory included in the list of States or territories allowing an adequate exchange of information with Italy and listed in the Italian Ministerial Decree dated 4

September, 1996, as amended and supplemented from time to time (the "**White List**"). As provided by Article 11, par. 4, let. c), of Decree No. 239, the White List will be updated every six months period; or

(2) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(3) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

(4) an "institutional investor", whether or not subject to tax, which is established in a country included in the White List.

In order to ensure payment of Interest in respect of the Covered Bonds without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident Covered Bondholders indicated above must be the beneficial owners of the payments of Interest and must:

(1) deposit, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(2) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a self-statement, which remains valid until withdrawn or revoked, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

Failure of a non-resident Covered Bondholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a Covered Bondholder.

Covered Bondholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Covered Bondholder.

Payments made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian revenue authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident guarantor may be subject to an advance withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September, 1973, as subsequently amended. In case of payments to non-Italian resident Bondholders, a final withholding tax may be applied at 26 per cent. Double taxation treaties entered into by the Republic of Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian resident issuer, where the Covered Bondholder is:

(1) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;

(2) an Italian company or a similar Italian commercial entity;

(3) a permanent establishment in Italy of a foreign entity;

(4) an Italian commercial partnership; or

(5) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

Subject to certain to limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the withholding tax on interest, premium and other income relating to "*titoli atipici*", if those Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232.

In all other cases, including when the Covered Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Covered Bondholders, the 26 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where a Covered Bondholder is (i) an Italian resident individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, (ii) an Italian resident partnership not carrying out commercial activities, or (iii) an Italian private or public institution not carrying out mainly or exclusively commercial activities, any capital gain realised by such Covered Bondholder from the sale or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent.

In respect of the application of *imposta sostitutiva* on capital gains, taxpayers may opt for one of the three regimes described below:

(a) Under the tax declaration regime ("*regime della dichiarazione*"), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the imposta sostitutiva on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Covered Bondholders holding the Covered Bonds during any given fiscal year. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 published in the Official Gazette No. 143 of 23 June 2014, ("**Decree No. 66**"), capital losses realised from 1 January 2012 to 30 June 2014 may be offset against capital gains realised after that date for an amount equal to 76.92% of the same capital losses.

(b) As an alternative to the tax declaration regime, Covered Bondholders who are (i) Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity, (ii) Italian

resident partnerships not carrying out commercial activities, and (iii) Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect for the administrative savings regime ("*regime del risparmio amministrato*") to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Covered Bonds. Such separate taxation of capital gains is allowed subject to:

(i) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and

(ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Covered Bondholder.

The depository must account for the imposta sostitutiva in respect of capital gains realised on each sale or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholders or using funds provided by the Covered Bondholders for this purpose. Under the administrative savings regime, where a sale or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the Covered Bondholder within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realised from 1 January 2012 to 30 June 2014 may be offset against capital gains realised after that date for an amount equal to 76.92% of the same capital losses. Under the administrative savings regime, the realised capital gain is not required to be included in the annual income tax return of the Covered Bondholder and the Covered Bondholder remains anonymous.

(c) Under the asset management regime (the "*regime del risparmio gestito*"), any capital gains realised by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the yearend may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Decree No. 66, depreciations of the managed assets reported during the period from 1 January 2012 to 30 June 2014, may be offset against increases in value of the managed assets accrued after that date for an amount equal to 76.92% of the same depreciations. Also under the asset management regime the realised capital gain is not required to be included in the annual income tax return of the Covered Bondholder and the Covered Bondholder remains anonymous.

Subject to certain to limitations and requirements (including a minimum holding period), capital gains in respect of Covered Bonds realised upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232.

Where a Covered Bondholder is an Italian resident real estate investment fund or a Real Estate SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF. The income of the real estate fund or the Real Estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Covered Bondholder who is an Italian Fund, a SICAV or a SICAF will be included in the result of the relevant portfolio accrued at the end of the tax period. The Fund, SICAV or SICAF will not be subject to taxation on such increase, but a 26 per cent. withholding tax will apply in certain circumstances, to distributions by the fund, SICAV or SICAF to unitholders or shareholders.

Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an Italian

resident intermediary, any capital gains realised upon sale, transfer or redemption of the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include capital gains accrued on the Covered Bonds). Subject to certain to limitations and requirements (including a minimum holding period), capital gains on the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232.

Capital gains realised by non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale or redemption of Covered Bonds issued by an Italian resident issuer and traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale or redemption of Covered Bonds issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that:

(a) the beneficial owner of the Covered Bonds is resident in a State or territory included in the White List as defined above; and

(b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

The same exemption applies where the non-Italian resident beneficial owners of the Covered Bonds are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

If none of the conditions above is met, capital gains realised by non-Italian resident Covered Bondholders from the sale or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, Covered Bondholders may benefit from an applicable tax treaty with the Republic of Italy providing that capital gains realised upon the sale or redemption of the Covered Bonds are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Covered Bonds or other securities) as a result of death or donation are taxed as follows:

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding Euro 1,000,000;

(b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding Euro 100,000; and

(c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Covered Bonds) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Covered Bonds for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 13 par. 2/*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972 ("**Decree No. 642**"), as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed Euro 14,000 for taxpayers other than individuals. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Covered Bonds). Stamp duty applies both to Italian resident Covered Bondholders and to non-Italian resident Covered Bondholders, to the extent that the Covered Bonds are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory.

Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due). Financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement. In this case, the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does apply.

Tax monitoring obligations

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-commercial entities and certain non-commercial partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes are required, under certain conditions, to report for tax monitoring purposes in their yearly income tax return the amount of Covered Bonds) directly or indirectly held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their intervention, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a Euro 15,000 threshold throughout the year.

LUXEMBOURG TAXATION

The following information is of a general nature only and is based on the laws presently in force in Luxembourg at the date of this Base Prospectus and is subject to any change in law that may take effect after such date. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

TAXATION OF THE COVERED BONDHOLDERS

Withholding Tax

1. **Non-resident Covered Bondholders**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Covered Bondholders, provided that the interest on the Covered Bonds does not depend on the profit of the Issuer, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident Covered Bondholders.

2. **Resident Covered Bondholders**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Covered Bondholders, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident Covered Bondholders provided that the interest on the Covered Bonds does not depend on the profit of the Issuer.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payment under the Covered Bonds coming within the scope of the Relibi Law will be subject to withholding tax of 20%.

In addition, pursuant to the Relibi Law, Luxembourg resident individuals can opt to self-declare and pay a 20% tax on payment of interest or similar incomes made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area. The 20% tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

INCOME TAXATION

1. Non-resident Covered Bondholders

A non-resident Covered Bondholder, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Covered Bonds are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds. A gain realised by such non-resident Covered Bondholder on the sale or disposal, in any form whatsoever, of the Covered Bonds is further not subject to Luxembourg income tax.

A non-resident corporate Covered Bondholder or a non-resident individual Covered Bondholder acting in the course of the management of a professional or business undertaking, which/who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Covered Bonds are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds and on any gains realised upon the sale or disposal, in any form whatsoever, of the Covered Bonds.

2. Resident Covered Bondholders

Covered Bondholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

A resident corporate Covered Bondholder subject to corporate taxes in Luxembourg without the benefit of a special tax regime in Luxembourg or foreign entities of the same type which have a permanent establishment or a permanent representative in Luxembourg with which the holding of the Covered Bonds is connected, must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Covered Bonds, in its taxable income for Luxembourg income tax assessment purposes.

A resident Covered Bondholder that is governed by the law of 11 May 2007 on family estate management companies as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative investment funds treated as a specialised investment funds for Luxembourg tax purposes is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Covered Bonds.

A resident individual Covered Bondholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Covered Bonds, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual Covered Bondholder has opted for the application of a 20% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State). A gain realised by a resident individual Covered Bondholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Covered Bonds is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Covered Bonds were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

A resident individual Covered Bondholder acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

3. Net Wealth Taxation

A corporate Covered Bondholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which whom such Covered Bonds are attributable, is subject to Luxembourg wealth tax on these Covered Bonds, except if the Covered Bondholder is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 13 July 2005 on professional pension institutions as

amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended, or is a reserved alternative investment funds within the meaning of the law of 23 July 2016.

However, please note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or capital companies governed by the law of 13 July 2005 on professional pension institutions, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

This minimum net wealth tax amounts to EUR 4,815, if the relevant corporate Covered Bondholder holds assets such as fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash, in a proportion that exceeds 90 % of its total balance sheet value and if the total balance sheet value of these very assets exceeds EUR 350,000. Alternatively, if the relevant corporate Covered Bondholder holds 90% or less of financial assets or if those financial assets do not exceed EUR 350.000, a minimum net wealth tax varying between EUR 535 and EUR 32,100 would apply depending on the size of its balance sheet.

An individual Covered Bondholder, whether she/he is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Covered Bonds.

4. **Other Taxes**

In principle, neither the issuance nor the transfer, repurchase or redemption of Covered Bonds will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or ad valorem registration duty may be due upon the registration of the Covered Bonds in **Luxembourg** in the case where the Covered Bonds are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*) or (iii) registered on a voluntary basis. Where a Covered Bondholder is a resident of Luxembourg for tax purposes at the time of her/his death, the Covered Bonds are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Covered Bonds if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

5. **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments by a "foreign financial institution", or "**FFI**" (as defined by FATCA) to persons that fail to meet certain certification, reporting or related requirements.
The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Italy on 10 January 2014, ratified by way of Law No. 95 on 18 June 2015 and published in the Official Gazette – general series No. 155, on 7 July 2015 (the "**Italy IGA**"). Under the Italy IGA, as currently in effect, a FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes.
However, certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change.
Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to 1 January 2019 and Covered Bonds issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru payments**" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.
If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the US-Italy IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Covered Bonds.

SUBSCRIPTION AND SALE

Programme Agreement

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in the Programme Agreement. The Programme Agreement makes provision for, *inter alia*, an indemnity to the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Programme Agreement also makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series or Tranche. The Programme Agreement contains stabilising and market making provisions.

Subscription Agreements

Any Subscription Agreement between the Issuer, the Representative of the Covered Bondholders and any one or more of the Dealers and/or any additional or other dealers, from time to time will, *inter alia*, make provision for the price at which the relevant Covered Bonds will be purchased by the Relevant Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

Each Subscription Agreement will also provide for the confirmation of the appointment of the Representative of the Covered Bondholders by the Relevant Dealer as initial holder of the Covered Bonds then being issued.

Selling restrictions

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies the "Prohibition of Sale to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "*offer of Covered Bonds to the public*" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and the amendments thereto, including the Amending Directive) and includes any relevant implementing measure in the Relevant Member State and the expression "**Amending Directive**" means Directive 2010/73/EU.

United States of America

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States of America or to, or for the account or benefit of, United States persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States of America or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds, an offer or sale of such Covered Bonds within the United States of America by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor, as the case may be; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each Dealer and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French Code *monétaire et financier*.

The Republic of Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell any Covered Bonds except in conformity with the provisions of the Prospectus Directive and, where applicable, implementing measures in Ireland and the provisions of the Companies Acts 2014 of Ireland and every other enactment that is to be read together with any of those Acts;

(b) in respect of Covered Bonds issued by Banca Carige which are not listed on a stock exchange and which do not mature within two years its action in any jurisdiction will comply with the then applicable laws and regulations of that jurisdiction, it will not knowingly offer to sell such Covered Bonds to an Irish resident, or to persons whose usual place of abode is Ireland, and that it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Covered Bonds. In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg, or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners) and have a minimum denomination of Euro 500,000 or its equivalent at the date of issuance;

(c) in respect of Covered Bonds issued by Banca Carige which are not listed on a stock exchange and which mature within two years, such Covered Bonds must have a minimum denomination of Euro 500,000 or US$500,000 or, in the case of Covered Bond which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of Euro 500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of first publication of this Programme). In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners);

(d) it has only issued or passed on, and will only issue or pass on, any document received by it in connection with the issue of Covered Bonds to persons who are persons to whom the document may otherwise lawfully be issued or passed on;

(e) it has complied and will comply with all applicable provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (the Nos. 1 to 3) of Ireland, as amended, with respect to anything done by it in relation to the Covered Bonds or operating in, or otherwise involving, Ireland is acting under and within the terms of an authorisation to do so for the purposes of Directive 2014/65/EU

of the European Parliament and of the Council of 21 April 2004 and it has complied with any applicable codes of conduct or practice made pursuant to implementing measures in respect of the foregoing Directive in any relevant jurisdiction;

(f) it has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Central Bank Acts 1942-2013 (as amended) and any codes of conduct rules made thereunder; and

(g) it has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall only offer Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other laws applicable in the Federal Republic of Germany to the offering and sale of the Covered Bonds.

Republic of Italy

The offering of Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to any Covered Bonds be distributed in the Republic of Italy, except to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Financial Services Act and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**").

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (i) or (ii) above must:

(a) Be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and legislative decree No. 385 of 1 September 1993, as amended (the "**Banking Law**"); and

(b) comply with any other applicable laws and regulations or requirements imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Law, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian Authority.

GENERAL

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor and the Dealers represents that the Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Listing, Admission to Trading and Minimum Denomination

Application has been made for the Covered Bonds (other than the N Covered Bonds) to be admitted during the period of 12 months from the date of this Base Prospectus to the official list and be traded on the regulated market of the Luxembourg Stock Exchange.

Covered Bonds may be listed on such other stock exchange as the Issuer and the Relevant Dealer(s) may agree, as specified in the relevant Final Terms, or may be issued on an unlisted basis.

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than Euro 100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

The CSSF has neither reviewed nor approved the information contained in this Prospectus in relation to any issuance of the Covered Bonds that are not to be publicly offered and not to be admitted to trading on the regulated market of any Stock Exchange in any EU Member State and for which a prospectus is not required in accordance with the Prospectus Directive.

1. Authorisations

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer on 4 December 2007, 14 April 2008 and 29 August 2008.

The granting of the Covered Bond Guarantee was authorised by a resolution of the Board of Directors of the Guarantor on 3 October 2008.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

The update of the Programme was authorised by the resolutions of the Board of Directors of the Issuer on 9 February 2018 and 11 October 2018 and by the resolution of the Board of Directors of the Guarantor on 26 March 2018.

Clearing of the Covered Bonds

The Covered Bonds are issued in dematerialised form and are held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

The N Covered Bond Conditions will specify the agent or registrar through which payments to the Covered Bondholders will be performed.

Common codes and ISIN numbers

The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Series or Tranche will be specified in the Final Terms relating thereto.

The Representative of the Covered Bondholders

Pursuant to the provisions of the Conditions and the Rules of Organisation of the Covered Bondholders, there shall be at all times a Representative of the Covered Bondholders appointed to act in the interest and behalf of the Covered Bondholders. The initial Representative of Covered Bondholders shall be Deutsche Trustee Company Limited.

No material litigation

Without prejudice to any statements contained in the section entitled "*Regulatory proceedings and litigation*", during the twelve months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor is the Issuer aware of any pending or threatened proceedings of such kind, which have had or may have significant effect on the Issuer's financial position or profitability. (See the section entitled "*Regulatory Proceedings and Litigation*").

2. **Significant or material change**

Except as disclosed in the section "*Description of Banca Carige Group and Banca Carige – Recent Developments*" above (pages 168-180), there has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2018 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.

Luxembourg Listing Agent

The Issuer has undertaken to maintain a listing agent in Luxembourg so long as Covered Bonds are listed on the official list of the Luxembourg Stock Exchange.

Documents available for inspection

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and listed on the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent, namely:

(a) the Programme Agreement;

(b) the Subscription Agreements;

(c) the Cover Pool Administration Agreement;

(d) the Conditions;

(e) the Covered Bond Guarantee;

(f) the Master Transfer Agreement;

(g) the Warranty and Indemnity Agreement;

(h) the Subordinated Loan Agreement;

(i) the Servicing Agreement;

(j) the Back-up Servicing Agreement;

(k) the Asset Monitor Agreement;

(l) the Intercreditor Agreement;

(m) the Cash Management and Agency Agreement;

(n) the Corporate Services Agreement;

(o) the Quotaholders Agreement;

(p) the Swap Agreements;

(q) the Deed of Release;

(r) the Liquidity Facility Agreement;

(s) the Mandate Agreement;

(t) the Issuer's by-laws (*Statuto*) as of the date hereof;

(u) the Guarantor's by-laws (Statuto) as of the date hereof;

(v) the Banca Carige Group unaudited semi annual consolidated financial statements of the period ended 30 June 2018;

(w) the Banca Carige Group audited annual consolidated financial statements in respect of the year ended 31 December 2017;

(x) the Banca Carige Group unaudited semi annual consolidated financial statements of the period ended 30 June 2017

(y) the Banca Carige Group audited annual consolidated financial statements in respect of the year ended 31 December 2016;

(z) the Guarantor audited annual financial statements in respect of the year ended on 31 December 2017; and

(aa) the Guarantor audited annual financial statements in respect of the year ended on 31 December 2016.

Copies of all such documents shall also be available to Covered Bondholders at the Specified Office of the Representative of the Covered Bondholders.

Financial statements available

For so long as the Programme remains in effect or any Covered Bonds listed on the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent publicly available financial statements and consolidated financial statements of the Issuer may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

The independent auditors have given, and have not withdrawn, their consent to the inclusion of their report on the accounts of the Issuer and the Guarantor in this Base Prospectus in the form and context in which it is included.

For so long as the Programme remains in effect or any Covered Bonds listed on the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent available financial statements of the Guarantor may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

In addition, for so long as the Programme remains in effect or any Covered Bonds listed on the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent Investor Report may be obtained, free of charge, during normal business hours at the specified of the Luxembourg Listing Agent.

Publication on the Internet

This Base Prospectus, any supplement thereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at www.bourse.lu.

Material Contracts

Neither the Issuer, save as disclosed under section "*Banca Carige Group Structure – Recent Developments*", nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Covered Bondholders.

Independent Auditors

The Historical Financial Statements of the Group as of and for the years ended December 31, 2017 and 2016, prepared in accordance with IFRS as adopted by the European Union, an English translation of which is incorporated by reference in this Prospectus, have been audited by EY, independent auditors.

EY is authorized and regulated by the Italian Ministry of Economy and Finance ("MEF") and registered under No. 70945 on the special register of auditing firms held by the MEF. The registered office of EY is at via Po, 32, 00198 Rome, Italy.

The EY report on the 2018 unaudited semi annual Consolidated Financial Statements, issued on August 9, 2018, an English translation of which is incorporated by reference herein, presents the following emphasis of matter paragraph:

"Without modifying our conclusions, we draw attention to the disclosure provided in the "Accounting Policies – Going Concern" paragraph included in the explanatory notes.

In consideration of the Group's specific economic, capital and financial situation which, as at 30 June 2018, was not compliant with the Total Capital Ratio (TCR) required by the European Central Bank (ECB), as specified in the Supervisory Review and Evaluation Process (SREP) Decision of 27 December 2017, and alterations in governance due to multiple resignations in the Board of Directors, the Board attentively assessed the going concern assumption.

Following the assessment and having regard to the requirements of IAS 1 and guidance provided in Document no. 2 of 6 February 2009, jointly issued by the Bank of Italy, Consob and ISVAP as subsequently updated, the Board concluded that the Group reasonably expects to continue operating as a going concern in the foreseeable future, primarily in light of the:

- *implementation of the actions included in the 2017-2020 Business Plan, approved by the Board of Directors on 13 September 2017. In particular, the disposal of the bad loan management platform and the outsourcing of the Group's information system were carried out in the first half of 2018. Preliminary agreements have already been entered into for the disposal of the Merchant Acquiring business and the consumer credit company Creditis Servizi Finanziari S.p.A., with their closing being expected to take place during the second half of 2018. The necessary authorisations from the Supervisory Authorities are pending for the disposal of the consumer credit company to become effective;*

- *implementation of the actions included in the NPE Strategy, approved by the Board of Directors on 27 March 2018. In particular, during the first half of the year, projects were initiated with a view to disposing of a portfolio of bad loans for an amount up to EUR 1 billion and credit exposures classified as unlikely to pay for a total of approximately EUR 500 million; moreover, as part of the de-risking process launched in implementation of the NPE Strategy, the Group has already completed the disposal of two credit exposures for a total gross amount of approximately EUR 50 million;*

- *Board of Directors' decision of 3 August 2018 about convening a Shareholders' Meeting on 20 September 2018 to resolve, inter alia, upon (i) the proposals for dismissing the Board of Directors in office and appointing a new governing body, which were submitted by shareholders POP 12 S.à.r.l. and Malacalza Investimenti S.r.l., pursuant to article 2367 of the Italian Civil Code; (ii) filling the vacancies in the Board of Directors by appointing the Chair and Deputy Chair in particular, pursuant to article 2364, paragraph 1(2) of the Italian Civil Code and article 18, paragraph 11, of the Articles of Association, should the foregoing proposals not be approved;*

- *approval, by 30 November 2018, by the renewed Board of Directors under the new chairmanship, of a comprehensive plan to restore and ensure compliance with the capital requirements by 31 December 2018 at the latest. This plan should assess all options including a business combination.*

The implementation of the above actions, combined with the execution of all other initiatives set out in the 2017-2020 Business Plan and the NPE Strategy, as well as the implementation of any additional actions which will need to be put in place to meet the requests that the ECB communicated in its draft decision of 20 July 2018, reveal that the Group has the reasonable expectation that it will continue as a going concern for the foreseeable future and will comply with the prudential Own Funds and liquidity requirements imposed by the ECB on 27

December 2017, contingent upon its ability to absorb the impact of meeting the NPL reduction targets and minimum NPL coverage levels required.

The reasonable expectation to continue as a going concern in the foreseeable future is also based on compliance, as at 30 June 2018, with the minimum consolidated CET1 capital requirement and liquidity ratio required by the ECB and the fact that the measures set out in the Business Plan (particularly a subordinated debt issuance of up to EUR 200 million and the disposal of additional non-core assets) are adequate to restore TCR at a level in excess of the SREP thresholds recommended by the ECB, along with the additional options required by the ECB. The Board emphasizes that failure to execute such measures may have significant adverse effects on the overall economic, capital and financial situation of the Bank and the Group, with potential impacts on their capacity to operate as a going concern.

On the basis of the above, subject to the effective implementation of the above-listed actions, Directors are of the opinion that the Group has the forward-looking ability to comply with the capital requirements set under the SREP in the foreseeable future. Therefore, even considering the uncertainties deriving from the current market environment, as well as from the outcome of the forthcoming completion of the non-performing loan disposal and the potential effects of the ongoing inspection by the Supervisory Authority, of which information is also given in the paragraph "Accounting policies - Estimates and Assumptions in the preparation of the half-year condensed consolidated financial statements and associated uncertainties" included in the explanatory notes, the half-year condensed Consolidated Financial Statements were prepared on the going-concern basis."

The EY report on the 2017 Audited Consolidated Financial Statements, issued on March 7, 2018, an English translation of which is incorporated by reference herein, presents the following emphasis of matter paragraph:

"*Without modifying our conclusions, we draw attention to the disclosure provided by the directors in the report on operations and in paragraph "Going concern" of the explanatory notes with reference to the approval by the Board of Directors of the 2017-2020 Business Plan, to the capital strengthening measures and to the liability management exercise already completed and to the further actions in course of execution.*"

The EY report on the 2016 Audited Consolidated Financial Statements, issued on March 6, 2017, an English translation of which is incorporated by reference herein, presents the following emphasis of matter paragraph:

"*We draw attention to the disclosure provided in the Report on Operations and the explanatory notes with reference to the approval by the Board of Directors, on 28 February 2017, of the update to the Group Strategic Plan. That Plan includes the assessment on the adequacy of the Group capital position to absorb the impacts arising from the achievement of the targets required by the European Central Bank on 9 December 2016.*

On the basis of the assessments performed, subject to the realization of the actions described in the Plan, principally those aimed to strengthen the capital position, the Directors, also considering the uncertainties arising from the current scenario, prepared the consolidated financial statements on a going concern basis.

Our opinion is not qualified in respect of the above matters."

EY is also independent auditors of the Guarantor.

The financial statements of the Guarantor as of and for the years ended December 31 2017 and 2016, has been audited by EY in accordance with International Standards on Auditing (ISA Italia), as indicated in their reports thereon.

The EY report on the financial statements of the Guarantor as of and for the year ended December 31, 2017, issued on March 6, 2018, an English translation of which is incorporated by reference herein, contains the following emphasis of matter paragraph:

"*We draw attention to the "Preparation Criteria" section of the explanatory notes to the financial statements where the Directors states that the Company has the sole purpose of acquiring loans through funding pursuant to Law n. 130/1999, in connection with covered bonds transactions. As described by the Directors, the Company has recorded the acquired receivables and the other transactions connected with the covered bonds in the explanatory notes to the financial statements consistent with the provisions of Law n. 130/1999 according to which the receivables involved in each securitisation are in all respect separated from the assets of the Company and from those related to other securitisations. Our opinion is not qualified in respect of the above matter.*"

The EY report on the financial statements of the Guarantor as of and for the year ended December 31, 2016, issued on March 6, 2017, an English translation of which is incorporated by reference herein, contains the following emphasis of matter paragraph:

"*Without qualify our opinion, we draw attention to the explanatory notes to the financial statements where it is stated that the Company has the sole purpose of acquiring loans through funding pursuant to Law n. 130/1999, in connection with covered bonds transactions. As described by the Directors, the Company has recorded the acquired receivables and the other transactions connected with the covered bonds in the explanatory notes to the financial statements consistent with the provisions of Law n. 130/1999 according to which the receivables involved in each securitisation are in all respect separated from the assets of the Company and from those related to other securitisations.*"

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is F1T87K3OQ2OV1UORLH26.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or which are published simultaneously with this Base Prospectus and which have been filed with the CSSF shall be incorporated by reference in, and form part of this Base Prospectus:

(1) Banca Carige by-laws (*Statuto*) as of the date hereof;

(2) Guarantor by-laws (*Statuto*) as of the date hereof;

(3) the Banca Carige Group audited annual consolidated financial statements in respect of the year ended 31 December 2016;

(4) the Banca Carige Group unaudited semi annual consolidated financial statements of the period ended 30 June 2017;

(5) the Banca Carige Group audited annual consolidated financial statements in respect of the year ended 31 December 2017;

(6) the Banca Carige Group unaudited semi annual consolidated financial statements of the period ended 30 June 2018;

(7) the Guarantor audited annual financial statements in respect of the year ended on 31 December 2016;

(8) the Guarantor audited annual financial statements in respect of the year ended on 31 December 2017;

Comparative Table of Documents incorporated by reference

Document	Information incorporated	Page numbers
Banca Carige by-laws (*Statuto*) as of the date hereof.	Entire document	
Guarantor by-laws (*Statuto*) as of the date hereof.	Entire document	
The Banca Carige Group 2016 audited consolidated financial statements (which is contained in the Banca Carige Group annual consolidated financial statements as of and for the year ended 31 December 2016).		
	Consolidated balance sheet	Pages 57-58
	Consolidated income statement	Pages 59
	Consolidated statement of comprehensive income	Pages 60
	Statement of changes in consolidated shareholders' equity	Pages 61-62
	Consolidated statement of cash flow	Page 63-64
	Consolidated explanatory notes	Pages 65 - 337
	Independent auditors' report	Pages 340 -343
The Banca Carige Group audited annual consolidated financial statements as of and for the year ended 31 December 2017 (which contains the 2017 audited consolidated financial statements).		
2017 Audited Consolidated Financial Statements	Report on operation	Pages 13-65
	Consolidated balance sheet	Pages 68-69
	Consolidated income statement	Pages 70
	Consolidated statement of comprehensive income	Pages 71
	Statement of changes in consolidated quotaholders' equity	Pages 72-73
	Consolidated statement of cash flow	Pages 74-75
	Consolidated explanatory notes	Pages 76-342
	Independent auditors' report	Pages 345-354

Document	Information incorporated	Page numbers
The Banca Carige Group unaudited semi annual consolidated financial statements of the period ended 30 June 2017;		
	Consolidated balance sheet	Page 20
	Consolidated income statement	Page 21
	Consolidated statement of comprehensive income	Page 22
	Statement of changes in consolidated quotaholders' equity	Pages 23-24
	Consolidated statement of cash flow	Page 25
	Explanatory notes	Page 26
	Independent auditors' report	Page 80-83
The Banca Carige Group unaudited semi annual consolidated financial statements of the period ended 30 June 2018;		
	Consolidated balance sheet	Page 47
	Consolidated income statement	Page 48
	Consolidated statement of comprehensive income	Page 49
	Statement of changes in consolidated quotaholders' equity	Pages 50-51
	Consolidated statement of cash flow	Page 52
	Explanatory notes	Pages 53-98
	Independent auditors' report	Pages 105-108
The Carige Covered Bond S.r.l. annual financial statements in respect of the year ended on 31 December 2016.		
	Balance sheet	Page 12
	Income statement	Page 13
	Statement of comprehensive income	Page 13
	Statement of changes in shareholders' equity	Page 14
	Statement of cash flows	Page 15
	Explanatory notes	Pages 16 ss.
	Auditors' report	Pages 62 ss.
The Carige Covered Bond S.r.l. annual financial statements in respect of the year ended on 31 December 2017		
	Balance sheet	Page 12
	Income statement	Page 13
	Statement of comprehensive income	Page 13
	Statement of changes in quotaholders' equity	Page 14
	Statement of cash flows	Page 15
	Explanatory notes	Pages 16 ss.
	Auditors' report	Pages 60 ss.

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004 (as amended).

The Issuer declares that the English translation of its by-laws (*Statuto*) and the financial statements incorporated by reference in this Base Prospectus is an accurate and not misleading translation in all material respect of the Italian language version of the Issuer's by-laws (*Statuto*) and financial statements. The Issuer takes responsibility for the translation of the financial statements incorporated by reference in this Base Prospectus. The Issuer's by-laws and the Guarantor's by-laws are incorporated by reference for information purpose only.

The financial statements of the Issuer as at and for the years ended on 31 December 2016 and 31 December 2017 have been audited by EY, in their capacity as independent auditors of the Issuer, as indicated in their reports thereon.

The financial statements referred to above have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International

Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union under Regulation (EC) 1606/2002.

Availability of Documents

Copies of all documents incorporated herein by reference may be obtained without charge at the head office of the Luxembourg Listing Agent in the city of Luxembourg and may be obtained via the internet at the website of Banca Carige (www.gruppocarige.it) and the website of the Luxembourg Stock Exchange (www.bourse.lu). Written or oral requests for such documents should be directed to the specified office of the Luxembourg Listing Agent.

SUPPLEMENT TO THE BASE PROSPECTUS

The Issuer has undertaken, in connection with the listing of the Covered Bonds on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the information set out under "*Terms and Conditions of the Covered Bonds*", that is material in the context of issuance of Covered Bonds under the Programme, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus, for use in connection with any subsequent issue by the Issuer of Covered Bonds to be listed on the Luxembourg Stock Exchange.

GLOSSARY

The following terms are used throughout this Base Prospectus. The page number opposite a term indicates the page on which such term is first defined. These and other terms used in this Base Prospectus are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time.

INDEX OF DEFINED TERMS

[***TO BE UPDATED***]

ISSUER

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