



## BASE PROSPECTUS DATED 13 June 2022

### 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 23<sup>rd</sup> 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**"), in its capacity as competent authority in Grand Duchy of Luxembourg as a base prospectus under article 8 of Regulation (EU) 2017/1129, as subsequently amended by Regulation (EU) 2019/2115 and Regulation (EU) 2021/337 (the "**Prospectus Regulation**") and the Luxembourg act relating to prospectuses for securities dated 16 July 2019 (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières et portant mise en oeuvre du règlement (UE) 2017/1129*) (the "**Luxembourg Prospectus Law**"). The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Covered Bonds that are subject to this Base Prospectus. Investors should make their own assessment as to the suitability of investing in Covered Bonds.

Application has been made for Covered Bonds (other than N Covered Bonds) to be admitted during the period of 12 months following the date of approval 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, as amended. As referred to in Article 6(4) of the Luxembourg Prospectus Law, by approving this Base Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer. 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 (*Namenschuldverschreibung*) (the "**N Covered Bonds**"). The CSSF has neither reviewed nor approved the information contained in this Base Prospectus in relation to any issuance of the N 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 Regulation.

This Base Prospectus will be valid until 13 June 2023. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies after the end of its 12-month validity period.

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 Regulation, 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 depository 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 from time to time (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.

Interest amounts payable on Floating Rate Covered Bonds may be calculated by reference to EURIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute, as administrator of EURIBOR is included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011, as amended (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 DBRS Morningstar ("DBRS"), and/or Moody's France SAS ("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 (1) issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended from time to time (the "EU CRA Regulation") or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the United Kingdom ("UK") and registered under the EU CRA Regulation, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the "UK CRA Regulation") or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms or in the N Covered Bond Conditions (as applicable). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation. Moody's and DBRS are rating agencies established in the European Union and registered under the EU CRA Regulation. **A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency.** The European Securities and Markets Authority (the "ESMA") is obliged to maintain on its website, <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>, a list of credit rating agencies registered and certified in accordance with the EU CRA Regulation. The credit ratings included or referred to in this Base Prospectus have been issued by DBRS and/or Moody's, each of which is established in the European Union and each of which is registered under the EU CRA Regulation. As such Moody's and DBRS are included in the list of credit rating agencies published by the ESMA on its website in accordance with such EU CRA Regulation as of the date of this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see the section headed "Documents Incorporated by Reference"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

**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 Investment Bank

#### Dealers

NatWest Markets

UBS Investment Bank

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## 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.

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

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](http://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 this Base Prospectus makes no omission 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** – If the Final Terms in respect of any Covered Bonds includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not 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 (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), 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 (as amended, 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.

**IMPORTANT - UK RETAIL INVESTORS** – If the Final Terms in respect of any Covered Bonds includes a legend entitled "**Prohibition of Sales to UK Retail Investors**", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK 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.

**UK MiFIR product governance / target market** - The Final Terms in respect of any Covered Bonds will include a legend entitled "*UK MiFIR 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 the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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 UK MiFIR product governance rules set out in UK MiFIR 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 UK MIFIR 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.

## **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.



## 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 (*società 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 (as amended, 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 N.V., a company incorporated under the laws of The Netherlands, whose registered address is at Claude Debussylaan 94, Amsterdam 1082 MD, The Netherlands ("**NWM**") and UBS Europe SE, a company registered with the commercial register (Handelsregister) at the local court (Amtsgericht) of Frankfurt am Main under HRB 107 046, whose registered address is at Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main, Germany ("**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 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., Banca Carige Italia 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, with registered office at Via Vittorio Betteloni 2, 20131 Milan, Italy, fully paid share capital of Euro 2.000.000, fiscal code and enrolment with the companies register of Milan – Monza – Brianza – Lodi number 02200990980, enrolled in the register of financial intermediaries ("**Albo Unico**") held by Bank of Italy pursuant to articles 106 of the Banking Law,

registered under the number 30, ABI Code 32590.2 (the "**Back-up Servicer Facilitator**" and the "**Back-up Service**").

<b>Liquidity Facility Provider</b>	Banca Carige S.p.A. will act as liquidity facility provider under the Facility Liquidity Agreement (the " <b>Liquidity Facility Provider</b> ").
<b>Corporate Servicer</b>	Banca Carige will act as corporate servicer under the Corporate Services Agreement (the " <b>Corporate Servicer</b> ").
<b>Asset Monitor</b>	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 ( <i>Registro Dei Revisori Legali</i> ) maintained by the Ministry 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 " <b>Asset Monitor</b> ").
<b>Cash Manager</b>	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 " <b>Cash Manager</b> ").
<b>Investment Manager</b>	Banca Carige will act as investment manager under the Cash Management and Agency Agreement (the " <b>Investment Manager</b> "). For a more detailed description of Banca Carige, see section " <i>Description of Banca Carige and the Banca Carige Group</i> ".
<b>Italian Account Bank</b>	Banca Carige will act as Italian account bank pursuant to the Cash Management and Agency Agreement (the " <b>Italian Account Bank</b> "), 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 " <i>Description of Banca Carige and the Banca Carige Group</i> ".
<b>Transaction Bank</b>	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 " <b>Transaction Bank</b> "), for the purpose of maintaining and operating the Transaction Account, the Investment Account and the Reserve Account.
<b>Account Banks</b>	The Italian Account Bank, the Collateral Account Bank (if any) and the Transaction Bank.
<b>Calculation Agent</b>	Pursuant to the Cash Management and Agency Agreement, Banca Carige will act as calculation agent (the " <b>Calculation Agent</b> "). 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.

<b>Mortgage Pool Swap Counterparty</b>	Any institution which agrees to act as swap counterparty (the " <b>Mortgage Pool Swap Counterparty</b> ") to the Guarantor under any Cover Pool swap agreement that may be executed with the Guarantor in order to hedge interest rate risk on the Mortgage Cover Pool (the " <b>Mortgage Pool Swap</b> ").
<b>Covered Bond Swap Counterparty</b>	Any institution which agrees to act as covered bond swap counterparty (each, a " <b>Covered Bond Swap Counterparty</b> ") 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 (if any), the Asset Swap (if any) and certain amounts to be paid in respect of the Subordinated Loan and the Covered Bonds (the " <b>Covered Bond Swap</b> ").
<b>Asset Swap Counterparty</b>	Any institution which may agree to act as asset swap counterparty (each, an " <b>Asset Swap Counterparty</b> ") 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 " <b>Asset Swap</b> ").
<b>Cover Pool Swap Counterparties</b>	Each Mortgage Pool Swap Counterparty and, as the case may be, each Asset Swap Counterparty.
<b>Swap Counterparties</b>	Each Cover Pool Swap Counterparty and each Covered Bond Swap Counterparty.
<b>Swap Agreements</b>	<p>The Mortgage Pool Swap(s), if any, 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. ("<b>ISDA</b>"), and is, or will be, subject to:</p> <ul style="list-style-type: none"> <li>(i) 1992 ISDA Master Agreement with the Schedule thereto ("<b>ISDA Master Agreement</b>");</li> <li>(ii) 1995 ISDA Credit Support Annex (Transfer-English Law) to the Schedule to the ISDA Master Agreement ("<b>CSA</b>"); and</li> <li>(iii) the relevant Confirmation(s).</li> </ul>
<b>Principal Paying Agent</b>	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 " <b>Principal Paying Agent</b> ").
<b>Italian Paying Agent</b>	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 " <b>Italian Paying Agent</b> ").

<b>Luxembourg Listing Agent</b>	Deutsche Bank Luxembourg <i>Société Anonyme</i> , a bank organised as <i>société anonyme</i> 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 " <b>Luxembourg Listing Agent</b> ").
<b>Registrar</b>	Any institution which shall be appointed by the Issuer to act as registrar in respect of the N Covered Bonds under the Programme (the " <b>Registrar</b> ").
<b>Representative of the Covered Bondholders</b>	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 " <b>Representative of the Covered Bondholders</b> ").
<b>Ownership or control relationships between the principal parties</b>	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 ( <i>direzione e coordinamento</i> ) of the Issuer.
<b>Rating Agencies</b>	DBRS Morningstar (" <b>DBRS</b> "), and/or Moody's France SAS (" <b>Moody's</b> "), 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 " <b>Rating Agencies</b> "). Whether or not a rating in relation to any Tranche or Series of Covered Bonds will be treated as having been (1) issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No. 1060/2009 on credit rating agencies, as amended from time to time (the " <b>EU CRA Regulation</b> ") and/or (2) issued by a credit rating agency established in the United Kingdom and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the " <b>UK CRA Regulation</b> ") or by a credit rating agency which is certified under the UK 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 Moody's and/or DBRS, each of which is established in the European Union and each of which is registered under the EU CRA Regulation. As such Moody's and DBRS are included in the list of credit rating agencies published by the European Securities and Markets Authority (" <b>ESMA</b> ") on its website in accordance with such EU CRA Regulation as of the date of this Base Prospectus.

**THE COVERED BONDS AND THE PROGRAMME**

<b>Description</b>	A covered bond Programme under which Covered Bonds will be issued by the Issuer to Covered Bondholders and guaranteed by the Guarantor.
<b>Programme Amount</b>	Up to Euro 5,000,000,000 (and for this purpose, any Covered Bonds ( <i>Obbligazioni Bancarie Garantite</i> ) 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 " <b>Programme Limit</b> "). The Programme Limit may be increased in accordance with the terms of the Programme Agreement.
<b>Distribution of the Covered Bonds</b>	The Covered Bonds may be distributed on a syndicated or non-syndicated basis, in each case only in accordance with the relevant selling restrictions.
<b>Selling Restrictions</b>	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 " <b>Securities Act</b> "). 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 Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Base Prospectus, see section " <i>Subscription and Sale</i> " below.
<b>Specified Currency</b>	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 " <b>Specified Currency</b> "), subject to compliance with all applicable legal, regulatory and/or central bank requirements.
<b>Denomination of Covered Bonds</b>	<p>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 (<i>Form, Denomination and Title</i>)).</p> <p>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 Regulation 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</p>

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 Base 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 (*Namenschuldverschreibung*), 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 Base Prospectus has been approved by the CSSF as a base prospectus issued in compliance with the Prospectus Regulation. 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 Base 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 Regulation.

The CSSF has neither reviewed nor approved the information contained in this Base 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 Regulation.

#### 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) *eighth*, 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 25<sup>th</sup> 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 depository

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;

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

- (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
<u>90 days</u>	<u>AA (low) or R-1 (middle)</u>	<u>A (low) or R-1 (low)</u>	<u>BBB (low) or R-2 (middle)</u>
<u>180 days</u>	<u>AA or R-1 (high)</u>	<u>A or R-1 (low)</u>	<u>BBB or R-2 (high)</u>
<u>365 days</u>	<u>AAA or R-1 (high)</u>	<u>A (high) or R-1 (middle)</u>	<u>BBB or R-2 (high)</u>

- (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 than 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 of 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 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 may sell Receivables in accordance with the provisions of the Cover Pool Administration Agreement and the Master Transfer 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 sections "*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 "*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 "*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.

## RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect their ability to fulfil their obligations under Covered Bonds issued under the Programme. All these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Covered Bonds 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 any 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. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any document incorporated by reference) and reach their own views prior to making any investment decision.*

### **1. FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE COVERED BOND**

*The risks below have been classified into the following sub-categories:*

- A. *Risks relating to the Issuer's financial position*
- B. *Risks relating to the Issuer's business activity and industry*
- C. *Risks related to the internal control of the Issuer*
- D. *Risks related to the political, environmental, social and governance environment of the Issuer*
- A. **Risks relating to the Issuer's financial position**

#### ***Risks associated with the general economic/financial scenario***

The performance of the Banca Carige Group is influenced by the general economic situation, both nationally and in the euro area as a whole, and by the dynamics of the financial markets and, in particular, by the solidity and growth prospects of the economy in the geographical areas in which the Banca Carige Group operates. In particular, the profitability and solvency of the Banca Carige Group are influenced by the performance of factors such as investor expectations and confidence, the level and volatility of short and long-term interest rates, exchange rates, the liquidity of financial markets, the availability and cost of capital, the sustainability of sovereign debt, household income and consumer spending, unemployment levels, inflation and house prices. During recessionary periods, 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. Fluctuations in interest rates in the Eurozone influence its performance. These risks are exacerbated by concerns over the levels of the public debt of certain Euro-zone countries and their relative weaknesses. A rating downgrade might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Group's operating results, financial conditions and business outlook.

Furthermore, if sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the Banca Carige Group's ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Group. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the Banca Carige Group.

Pressures on sovereign bond prices, as a result of speculation, may directly affect the fair value of Banca Carige Group's exposures to sovereign debt securities and loans, resulting in losses, write-downs and impairment charges.

Furthermore, the concerns on sovereign perceived creditworthiness may also impact both the availability and the cost of funding. In fact, the deterioration of the sovereign perceived risk could affect the price or raise the collateral requirements (eligibility criteria) of securities used by banks to secure funding from private markets (for instance, repos) or from central banks, reducing the availability of funding or increasing its costs.

The macro-economic framework is currently characterised by significant profiles of uncertainty, in relation to: (a) the ongoing COVID-19 outbreak, which caused a major decline in economic activity in 2020, may contribute to further economic downturns in the near future, in addition to more persistent effects on default rates and the unemployment rate; (b) the future developments of ECB monetary policies in the Euro area and of the FED in the dollar area; (c) the tensions observed, on a more or less recurrent basis, on the financial markets; (d) the risk that in the future holders of Italian government debt lose confidence in the credit standing of Republic of Italy, owing to the political developments or changes in budgetary policies affecting the sustainability of government debt.

In particular, new strains of COVID-19 (such as Omicron) and the possibility of related mobility restrictions, diminished fiscal and monetary policy support, supply chain disruptions and energy price volatility which together have contributed to higher and more persistent inflationary pressures, will lead to a deceleration in global economic growth over the short-term horizon.

Despite the actions taken so far by the Italian government, the regulatory bodies of the European Union (the "EU") and relevant member states (the "**Member States**") to support the start of a gradual recovery of the economic activity, significant uncertainties remain about the evolution of the macroeconomic scenario both in Italy and internationally. The current pandemic could cause further negative impacts on the global and domestic economy, strong disruption in global financial markets, the rising of sovereign debt tensions and a persistent and severe recession, with a consequent collapse of consumptions.

It may not be excluded that further measures can be taken in response to the ongoing COVID-19 outbreak both at the EU and national level, but concerns remain for possible tensions in the EU about the possibility of enacting ambitious fiscal measures, a significant risk sharing among all Member States and maximum flexibility on the public deficit required by the most affected countries such as Italy.

Adverse changes in this period of economic and financial crisis, could lead to the Banca Carige Group suffering losses, increases in funding costs and reductions in the value of assets held, with a potential negative impact on the Banca Carige Group.

### ***Liquidity risk***

Liquidity risk, in its main meaning as funding liquidity risk, is the risk of the Issuer not being able to meet its cash outflow obligations (both expected and unexpected) and its need for collateral at an economical price, without jeopardising the core business or financial situation of the Banca Carige Group. Liquidity risk can be generated by events that are closely connected with the Banca Carige Group and its core business (idiosyncratic) and/or with external events (systemic).

The Board of Directors of the Issuer defines the strategic policies and guidelines related to the assumption of liquidity risk. The Risk Control Committee monitors the dynamics of liquidity risk and compliance with the limits, whereas the Finance and ALM Committee monitors the actions for managing liquidity risk, which are operationally implemented by the Finance department. The Risk Management Department regularly guarantees the measurement and control of the Group's exposure to operational (short-term) and structural (medium-long term) liquidity risk.

The objective of controlling operational liquidity (short-term) is to guarantee that the Banca Carige Group will be able to face its expected and unexpected payment obligations over a reference period of 12 (twelve) months, without jeopardising day-to-day operations. Operational liquidity is measured and monitored on a daily basis, using the operational maturity ladder. The operational maturity ladder enables an analysis of the distribution of positive and negative cash flows over time, any gaps, as well as the reserves (counterbalancing capacity) that are available to deal with such gaps.

The Risk Management Department constantly monitors the observance of the operating limits that apply to the balances of cash flows only, or to the total balances of cash flows and reserves. The Banca Carige Group also performs a stress test activity against the maturity ladder in use with a view to analysing the effect of exceptional albeit realistic crisis scenarios on the liquidity position and assessing the adequacy of liquidity reserves in place.

In addition to liquidity indicators, the Liquidity Coverage Ratio (LCR) is monitored, which compares the value of high-quality liquid assets with that of net cash outflows in a 30 (thirty) day stress scenario.

The objective of controlling structural liquidity is to guarantee the maintenance of a suitable *ratio* between assets and liabilities, establishing restrictions to the possibility of financing medium-term assets with short-term

liabilities and therefore limiting pressure on short-term funding.

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

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

Medium/long-term liquidity management policies, at Banca Carige Group level, take these limits into account when planning strategies and budget.

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

Further to the above, as at the date of this Base Prospectus, the Issuer has no exposure to US subprime mortgages and no relating hedging contracts or other credit derivatives on loans. As at the same date, the Issuer's financial portfolio is mainly composed by government securities with a restrained duration (less than 4 years).

The Issuer believes that the policies adopted and the controls implemented by the Banca Carige Group are adequate to keep liquidity risk under control. However, as at the date of this Base Prospectus, it cannot be ruled out that unknown and unexpected events might occur which could negatively affect the Issuer's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend.

#### ***Risks associated with the Issuer's rating***

The risk associated with the ability of an issuer to meet its obligations, generated by the issue of debt instruments and money market instruments, is defined by reference to credit ratings assigned by independent rating agencies. A credit rating is a measurement of solvency or credit worthiness of debtors and/or issuers of bonds, made in accordance with consolidated procedures for credit analysis. These measurements, and the relating research, help investors in analysing credit risks associated with financial instruments, since they give detailed information on issuers' ability to meet their obligations. The lower the rating assigned on the respective scale the higher the risk, measured by the respective rating agency, that the bonds will not be repaid or that they will not be repaid fully and/or promptly. A rating is not a recommendation to purchase, sell or hold any bond issued and may be suspended, lowered or withdrawn at any time by the rating agency by which it has been assigned. Suspension, lowering or withdrawal of an assigned rating can negatively affect the market price of the bonds issued.

The current Long-Term Counterparty Risk rating from Moody's is "Caa2" with "positive" outlook and "B(low)" with "stable" outlook from DBRS; the current Short-Term Counterparty Risk rating from Moody's is "NP" while the Short Term Issuer rating are "R-5" from DBRS. On 3 November 2021, Banca Carige informed that Fitch had withdrawn the ratings previously assigned to the Bank. Fitch's action is framed within the request for the withdrawal from the agreement of coverage for the Bank's creditworthiness, previously sent by the Bank.

A downgrade of any of the Issuer's ratings (for whatever reason) might result in higher funding and refinancing costs for the Issuer in the capital markets. In addition, a downgrade of any of the Issuer's ratings may limit the Issuer's opportunities to extend mortgage loans and may have a particularly adverse effect on the Issuer's image as a participant in the capital markets, as well as in the eyes of its clients. A rating downgrade might restrict the availability of funding or increase its cost for individuals and companies at a local level.

These factors may also have an adverse effect on the Issuer's financial condition and/or results of operations and, as a consequence, on the rating assigned to the Covered Bonds.

## **B. Risks relating to the Issuer's business activity and industry**

### ***Credit and counterparty risks***

Credit and counterparty risks are associated with the event that the financial soundness and outlook of the Issuer or of the Banca Carige Group deteriorate due to the risk of losses resulting from any inability or refusal by customers (including Sovereign States) to meet their contractual obligations, relating to lending, commitments, letters of credit, derivatives instruments, foreign currency transactions and other transactions.

Even though lending is the core business of the Banca Carige Group, it is performed with the objective to achieve a controlled growth of lending throughout the country by means of a risk-taking strategy focused on the most attractive geographic areas, customer segments and sectors of economic activity.

This strategy consists of identifying risk ceilings that can be taken with lending (sector and individual concentration risk limits, etc.) and ensuring that they are consistent with the Banca Carige Group's budget targets and business plan. Improvement of credit quality is pursued by means of constant monitoring of the loan portfolio, assessing compliance with the risk strategy agreed on, with a focus on major risk exposures.

A decrease in the creditworthiness of third parties, could adversely affect the ability of the Issuer connected with obtaining liquidity and/or could have an adverse impact on the results of the Issuer's operations.

### ***Risks related to quality of loans***

Credit quality in the Italian market is affected by the continuing weakness of the economy. Moreover, within the banking system generally, a growing number of companies are struggling to repay loans. The proportion of loans to companies experiencing temporary difficulties (substandard and restructured loans) is steadily increasing, while the deterioration of loans to households has remained moderate.

The Issuer, in line with the market practice, has taken significant measures to dispose of its non-performing loans which is an important element of its Strategic Plan (as defined below).

However, the Italian banking system is currently recording high levels of non-performing loans and, as a result, numerous other banks may seek to dispose of these assets, which may result in excess supply and downward price pressure. The Issuer may, therefore, find it difficult to identify buyers for non-performing loans or only find buyers at low prices, which may result in adverse consequences on the Issuer's financial condition and results of operations.

### ***Interest rate risk***

The interest rate risk consists of the possibility of incurring losses due to reductions in the value of assets and/or increases in the value of liabilities caused by adverse changes in interest rates on positions not included in the trading portfolio.

The methodology used by Banca Carige for the analysis of Banca Carige Group's sensitivity to interest rate risk comprises application of the internal models for strategic Asset & Liability Management (ALM). These analyses are also complemented by the measurements of an internal model for the daily calculation of Value at Risk (VaR) on debt instruments of the banking and trading portfolios which are exposed to market risks.

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

For operational management purposes, Banca Carige's Risk Management Department ensures daily monitoring of interest rate risk in the regulatory trading portfolio, at the same time checking compliance with the established operational limits.

Interest rate risk is measured by calculating the VaR and its breakdown into Interest Rate and Stock Risk factors. Risk Management Department uses VaR for operational management purposes, with the objective of measuring both the risks associated with financial instruments held in HFT portfolios (Other Business Model - OBMFT) and the risks associated with financial instruments allocated in banking book portfolios (HTC&S and HTC), 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% confidence interval and a 10 (ten) days 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.

The possibility of movements in interest rates may have negative impacts on the present and future profitability arising from assets and liabilities generating interest margin in the Banca Carige Group's balance sheet.

### ***Risks related to the Strategic Plan***

The 2019-2023 Strategic Plan (the "**Strategic Plan**"), initially presented to the financial community on 27 February 2019, contains objectives to be reached, by 2023 (the "**Plan Objectives**" or the "**Projected Data**") based on assumptions of both a general nature and a discretionary nature linked to the impact of specific operational and organisational actions that Banca Carige intends to take during the period of time covered by the Strategic Plan.

The Strategic Plan was first updated in July 2019 and later has been updated by the Board of Directors in July 2020 due to the significant change in the context of reference, caused by the COVID-19 (as defined below) and the incurred loss for the five months period ended June 30, 2020, significantly higher than the estimated loss of the aforementioned Strategic Plan.

In October 2020, even considering the economic conditions determined by the health emergency, the Board of Directors has confirmed the guidelines of the Strategic Plan, planning an ongoing and more comprehensive review, in the coming months, of the multi-year targets of the Banca Carige Group.

On 23 February 2021, the Issuer's Board of Directors approved an update to the Strategic Plan (the "**Updated Plan 2021-2023**") approved on 23 July 2019 by the Extraordinary Commissioners (at the time referring to the 2019-2023 period), this in order to rework the economic-patrimonial effects to incorporate the impacts deriving from the COVID-19 pandemic detected in 2020 and those expected in the medium term.

The Updated Plan 2021-2023 expresses the expectation that the Group's gross consolidated result will reverse its mark (from negative to positive) in 2022 and that the Group's consolidated net result reverses its sign (from negative to positive) in 2023. It is also provided that the Group's capital requirements will be respected during the Plan, also taking into account the flexibility regime introduced at the ECB until 31 December 2022.

The Updated Plan 2021-2023 has been determined on a stand-alone basis, therefore without considering the effects of potential business combination.

The failure or partial occurrence of the assumed events or of the positive expected resulting effects could lead to potentially significant deviations from the forecasts in the Projected Data or hinder their achievement with consequent significant negative effects on the assets and the operations, balance sheets and/or income statement of Banca Carige, and/or Banca Carige Group.

Further to the above, Deloitte & Touche S.p.A. (as independent auditors) audited the consolidated financial statements as at December 31, 2021, and draw attention to certain matters described by the directors of Banca Carige in paragraph "*Going concern*" of the explanatory notes of the consolidated financial statements as at December 31, 2021.

In particular, the Directors highlighted the existence of significant uncertainties that may cast significant doubt on the Bank's ability to continue to operate as a going concern. Nonetheless, considering the compliance with the prudential requirements of the current regulatory framework, including liquidity indicators which are consistently above the required level, the positive results of the analyses carried out in relation to the Bank's future profitability, the potential business combination with BPER Banca S.p.A. as well as the approval by the Interbank Deposit Protection Fund (FITD) of a preventive strengthening of the Bank's capital, the directors reasonably believe that the Group will continue to operate as a going concern for the foreseeable future and, therefore, the consolidated financial statements as at December 31, 2021 have been prepared on a going concern basis.

Furthermore, the Deloitte & Touche report on the financial statements of the Guarantor as of and for the year ended December 31, 2021, issued on March 28, 2022, an English translation of which is incorporated by reference herein, contains the following emphasis of matter paragraph:



*"We draw attention to the Section 2, Part A.1 of the explanatory notes to the financial statements where the Directors state that the Company has the sole purpose of acquiring loans through funding pursuant to Law n. 130 of April 30, 1999, in connection with covered bonds transactions. The Company has disclosed the acquired loans and the other transactions connected with the covered bonds in the explanatory notes consistently with the provisions of Law n. 130 of April 30, 1999 according to which the loans involved in each securitization are, in all respect, separated from the assets of the Company and from those related to other securitization transactions. Our opinion is not qualified in respect of this matter".*

It is reasonable to believe that the Updated Plan 2021-2023 will in any case no longer be suitable to represent the Banca Carige Group's strategies and expectations for economic and financial evolution as: (i) in the event that the process of business combination will be finalised it will be outdated as a result of the entry into a broader scope; (ii) otherwise, it would be outdated by a new strategic plan for the period to 2024, inclusive of capital strengthening plan in compliance with the European Central Bank's requirements, within which the amount of the capital increase required to ensure the continuous compliance with the new regulatory targets notified with the 2021 SREP Decision will have to be recalibrated and new strategic levers, not included in the Updated Plan 2021-2023 currently in force, will have to be illustrated.

### **Competition**

In recent years, the Italian banking sector has been characterised by ever increasing competition which, together with the low level of interest rates, has caused a sharp reduction in the difference between borrowing and lending rates and subsequent difficulties in maintaining a positive growth trend in interest rate margin. In particular, such competition has had two main effects:

- (a) a progressive reduction in the differential between lending and borrower interest rates, which may result in the Banca Carige Group facing difficulties in maintaining its actual rate of growth in interest rate margins; and
- (b) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition in prices.

In particular, the banking sector in Italy, as well as in Europe, is going through a consolidation phase featuring a high degree of competition due to the following factors: (i) the introduction of EU directives aimed at liberalising the European Union banking sector; (ii) the deregulation of the banking sector and the connected development of "shadow banking" throughout the European Union, and specifically in Italy, which has encouraged competition in the traditional banking sector with effect of progressively reducing the spread between lending and borrowing rates; (iii) the behaviour of competitors (also following the changes introduced by Law No. 33 of 24 March 2015, which converted Decree 3/2015 regarding "cooperative banks" and the aggregative processes which followed or which could follow); (iv) consumer demand; (v) the profits of the Italian banking industry focuses on revenues from fees, which lead to increased competition in the field of asset management and investment banking services; (vi) the change in several Italian tax and banking laws; (vii) the advance of services with a strong element of technological innovation, such as internet banking and mobile banking and (viii) the influx of new competitors, and other factors not necessarily under the Banca Carige Group's control.

All the above factors may adversely affect the Banca Carige Group's financial condition and result of operations. In addition, downturns in the Italian economy could add to the competitive pressure through, for example, increased price pressure and lower business volumes for which to compete.

### **The Issuer may be unable to maintain the capital adequacy requirements**

The rules on capital adequacy for banks define the prudential minimum capital requirements, the quality of capital resources, and risk mitigation instruments. Such rules are complex and evolve regularly. In addition, the European Central Bank ("ECB"), as well as the Bank of Italy, can and do impose on the Banca Carige Group, as permitted by such rules, additional requirements with respect to its capital, which may restrict the Banca Carige Group's operational flexibility and may, should it fail to meet such requirements, subject the Group to additional measures imposed by the ECB or other regulators. Capital adequacy requirements include – in addition to the capital ratios and buffer provided by the CRR – also the following main requirements: (a) the requirement to maintain a Minimum Requirement for Own Funds and Eligible Liabilities (MREL), expressed as a percentage of the total liabilities and own funds of the institution, in view of facilitating a smooth resolution of the bank, in the event of a resolution decision; (b) a Liquidity Coverage Ratio (LCR), aimed at ensuring the ongoing ability of the bank to meet its short-term obligations. Starting from June 2021, the banks also have to meet a binding leverage ratio of

3 per cent, which is aimed at preventing banks from excessively increasing their leverage levels, and a binding Net Stable Funding Ratio **NSFR**, designed to ensure that banks finance their long-term activities with stable sources of funding in order to increase banks' resilience to funding constraints.

As of 31 December 2020, the Group's capital adequacy ratios were above the regulatory minimums including the Capital Conservation Buffer 2.50% and the Pillar 2 Guidance 1.55% provided for by the SREP letter notified by the ECB on 8 June 2020 (the "**SREP letter**"); as of 31 March 2021, certain capital adequacy indicators, in particular, the Tier 1 ratio and the Total Capital Ratio are below the regulatory minimums including Pillar 2 Guidance (P2G).

As of 30 June 2021, the CET1 Ratio is higher than the threshold that the ECB has requested in the SREP 2020 while the T1 Ratio and the TC Ratio are lower than the recommended threshold.

On 30 July 2021, Banca Carige announced that, following the new Comprehensive Assessment, the stress test exercise was carried out by the ECB, in cooperation with the EBA (European Banking Authority) and the other supervisory authorities. The macroeconomic assumptions hypothesized to the three-year period 2021 - 2023, provide a basic scenario of inertial development and a highly unfavourable adverse scenario. The stress test exercise in the adverse scenario was particularly severe for the Group (by 2023 an impact on the CET1 ratio > 900 bps and the fully loaded CET1 ratio < 8%, as well as a leverage ratio < 4%). In the base scenario, however, the Bank is compliant with the minimum regulatory CET1 ratio requirement up to 2023.

The Group's ability to preserve the capital adequacy indicators at a level that allows compliance with regulated minimums (including P2G) is based on the expectation that the recruitments and actions of the Strategic Plan will occur according to the times and measures indicated therein.

Failure to execute of the capital increase envisaged under the Strategic Plan in the last quarter of 2022 (i.e. the non-finalization of a business combination operation by the end of that flexibility scheme) would result in non-compliance by way of ongoing inclusive capital requirements of Capital Conservation Buffer and P2G.

A worsening of the macroeconomic scenario, with particular reference to the impacts deriving from the COVID-19 pandemic, could negatively affect the Italian economic situation and therefore, the economic and financial situation of the Group, with negative repercussions on capital adequacy determining, without considering the hypothesis of the business combination, a further need for capital strengthening (compared to that expected in the Strategic Plan).

#### ***The Banca Carige Group may be subject to the provisions of the EU Recovery and Resolution Directive***

The Issuer – as a bank – is subject to Directive 2014/59/EU (as amended, the "**BRRD**"), an EU Directive intended to enable a range of actions to be taken in relation to institutions considered to be at risk of failing (i.e. the sale of business, the asset separation, the bail in and the bridge bank). The BRRD gives resolution authorities the power to write down certain claims of unsecured creditors of a failing a relevant entity and to convert certain unsecured debt claims into shares or other instruments of ownership (i.e. 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**").

The taking of any action under the BRRD in relation to Banca Carige could materially affect the value of, or any repayments linked to the Covered Bonds.

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 Banca Carige 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 Banca Carige Group's control. This determination will also be made by the relevant Italian resolution authority and there may be many factors, including factors not directly related to the bank or the Banca Carige Group, which could result in such a determination. Because of this inherent uncertainty, it will be 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 Italian 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 Banca Carige 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 Banca Carige Group and the securities issued by the Banca Carige Group. Potential investors in the securities issued by the Banca Carige 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.

For further information please see paragraph "*Certain Regulatory Aspects Relating to the Issuer*" under the section entitled "*The Issuer*".

### **COVID-19**

The outbreak during the first half of 2020 of coronavirus disease (**COVID-19**) was declared as a pandemic by the World Health Organization, and the Health and Human Services Secretary declared a public health emergency in the United States in response to the outbreak; likewise, the Italian Government also declared a state of emergency and passed a number of emergency measures to deal with the outbreak, including restrictions on travel, people free circulation and possible institutional closure, and continued during the second half of 2020 and the beginning of 2021 with "second wave" and "third wave" restrictions. Notwithstanding the recent vaccination efforts by national governments which sustained a reversal in the economic trend, the COVID-19 pandemic continues to affect economic activity at global and regional level, including as a result of the discovery of new virus strains that may limit the efficacy of current vaccines. Both the outbreak and government measures taken in response (including border closings, travel restrictions, confinement measures) have had and are likely to continue to have a significant impact, both directly and indirectly, on economic activity and financial markets globally. The slowdown of the economies particularly affected in 2020 (e.g. China, Italy, France, Spain, the United Kingdom, other European countries and the United States) as well as the reduction in global trade and commerce more generally have had, and are likely to continue to have, negative effects on global economic conditions as global production, investments, supply chains and consumer spending are affected and further restrictions are implemented.

These circumstances have led to volatility in the capital markets, which may lead to volatility in or disruption of the credit markets at any time and may adversely affect the value of the Covered Bonds. The potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. If the spread of COVID-19 increases or persists for a significant period of time, or other measures are put in place, this could have a materially negative impact on the global economy. Investors should note the risk that the virus, or any governmental or societal response to the virus, may affect the business activities and financial results of the Issuer and Group, and, or may impact the functioning of the financial system(s) needed to make regular and timely payments under the Covered Bonds, and therefore the ability of the Issuer to make payments on the Covered Bonds.

Moreover, the outbreak of COVID-19 and the measures taken in relation thereto, will directly or indirectly result in increases of defaults under mortgage loans. Due to the COVID-19 outbreak, payment holidays have been granted and may be granted in the future, in accordance with emergency legislation, to borrowers in distress. Pursuant to those payment holidays, borrowers are allowed to defer making payments for certain amounts of time. This may result in payment disruptions and possibly higher losses under the mortgage loans. The impact will strongly depend on the duration and severity of the COVID-19 outbreak. Although the Italian Gross Domestic Product resurged from the depression of 2020, it still registered a contraction in the first quarter of 2021, but a decisive recovery is expected in the first months of 2022 thanks to acceleration of the domestic vaccination campaign.

The Issuer may have to incur significant costs to store or mitigate the effects of the foregoing. The Issuer's prospects, financial condition and results of operations in particular may be materially affected by the above

factors, events and developments. Investors should note the risk that the virus, or any governmental or societal response to the virus, may (i) affect the business activities and financial results of the Issuer and therefore may prevent the ability of the Issuer to make payments on the Covered Bonds and (ii) increase the NPL's stock in the financial statements of the Issuer.

### ***Forthcoming regulatory changes***

The Issuer is subject to extensive regulation and supervision by, among others, the Bank of Italy, CONSOB, the ECB and the SRB. In addition, the Issuer must comply with financial service laws that govern its marketing and selling practices.

Changes in the regulatory framework and in how such regulations are interpreted and/or applied by the supervisory authorities may have a material effect on the Banca Carige 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 Banca Carige Group.

Prospective investors in the Covered Bonds should consult their own advisors as to the consequences for them of the application of the above regulations as implemented by each Member State.

For further information please see paragraph "*Certain Regulatory Aspect Relating to the Issuer*" under the section "*The Issuer*".

### ***The Issuer may be affected by new accounting standards***

Under International Financial Reporting Standards ("**IFRS**"), for the purposes of preparing its consolidated financial statements, the Issuer uses estimates and assumptions that may have a significant effect on the values recorded on the balance sheet and income statement, as well as on the reporting of contingent assets and liabilities. These estimates and assumptions are applied on a going concern basis and are strongly influenced by growing uncertainty of the economic environment and current market conditions, the degree of volatility of financial parameters and the presence of high indicators for credit quality deterioration. Parameters and information used for the determination of estimates and assumptions are particularly affected by factors which by their nature are unpredictable. As a result, those estimates and assumptions may vary from period to period and, accordingly, it cannot be ruled out that amounts recorded in the Issuer's most recent financial statements and those recorded in the future will differ, even significantly, following changes to the valuation methods to be applied.

The values recorded on the balance sheet and income statement, as well as on the reporting of contingent assets and liabilities are significantly affected by the above factors and, accordingly, even if the estimates and assumptions adopted are subject to periodic review in order to take into account changes in the relevant period, it cannot be ruled out that a worsening performance will have an adverse effect on the items subject to valuation and, ultimately, on the financial condition and results of operations of the Issuer.

### ***Risks associated with pending legal proceedings***

As at the date of the Base Prospectus, the Issuer and the Banca Carige Group's companies are/were parties to civil and administrative judiciary proceedings associated with their ordinary operations; for some of these proceedings, the Issuer has allocated, as recognised in its consolidated financial statements, a specific provision for contingencies and liability, intended to cover potential liabilities resulting from the same proceedings.

Even though the outcome of the many legal proceedings to which the Banca Carige Group is a party is intrinsically difficult to forecast and, therefore, it cannot be ruled out that an unfavourable outcome of some of them might impact the Banca Carige Group's financial, income and equity situation, the Issuer believes that the allocated provision is adequate to meet any unfavourable outcomes. Moreover, the above proceedings are not significant when considered individually.

For other information on the pending legal proceedings to which the Banca Carige Group is a party, reference is made to section "*The Issuer*" of this Base Prospectus.

### ***The Banca Carige 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 Banca Carige'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 manager and other managers of the Company. Banca Carige 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 whereby the Issuer is convicted of the alleged regulatory offences, the Issuer could be exposed to a fine not exceeding Euro 1,4 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 Banca Carige 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 Banca Carige Group's reputation and business.

Any of the abovementioned circumstances, including an outcome whereby the Issuer 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 Issuer's and/or the Banca Carige 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"*.

#### ***Risk associated with inspections by regulatory authorities***

The Banca Carige Group is subject, in the course of its ordinary activities, to inspections and other supervisory actions carried out by the supervisory authority that could require organisational interventions or strengthening of internal functions aimed at addressing weaknesses identified during inspections which might, furthermore, result in sanction proceedings which may have negative effects on operations, financial and capital position and economic results of the Issuer.

Even if, at the date of this Base Prospectus, the compliance activities and remedies, deemed to be necessary after the supervisory actions, have been carried out by the Banca Carige Group according to the ECB recommendations related to inspections, it cannot be excluded that, at the date of this Base Prospectus, the supervisory authority considers them not to be appropriately fulfilled and to subject the Issuer and the Group to further investigations and inspection controls.

At the date of this Base Prospectus, the compliance measures to be set up as requested by the Bank of Italy, following an inspection on anti-money laundering in 2018, are being finalized and the action plan requested by the Bank of Italy in April 2021 at the conclusion of the inspection on transparency is currently under review.

#### ***Risks associated with recent ECB guidance on NPL provisioning***

The ECB published on 20 March 2017 its final guidance on non-performing loans (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. On 15 March 2018, the ECB published an addendum to the guidance mentioned above which sets out the ECB's supervisory expectations for prudent levels of provisions for new NPL's.

In this context, on 26 April 2019, the EU Regulation No. 2019/630, which introduces common minimum loss coverage levels for newly originated loans that become non-performing, entered into force. According to this regulation, where the minimum coverage requirement is not met, the difference between the actual coverage level and the requirement should be deducted from a bank's own funds (CET1). The minimum coverage levels thus act as a 'statutory prudential backstop'. The required coverage increases gradually depending on how long an exposure

has been classified as non-performing, being lower during the first years. This architecture would ensure that the risks associated with NPL losses that are not sufficiently covered are reflected in institutions' CET1 capital ratios. In order to facilitate a smooth transition towards the new prudential backstop, the new rules should not be applied in relation to exposures originated prior to 26 April 2019. No assurance can be given on the effect of the application of the new rules in relation to the Issuer's exposures originated after 26 April 2019.

In addition, on 26 June 2020, the Regulation (EU) 2020/873 amending CRR and Regulation (EU) 2019/876 as regards adjustments in response to the COVID-19 pandemic has been published, by which it has been provided—inter alia - a temporary extension of the preferential treatment under the NPL backstop received by NPLs guaranteed by official export credit agencies (ECAs) to NPLs guaranteed by the public sector in the context of measures aimed at mitigating the economic impact of the COVID-19 pandemic, recognising the similar characteristics shared by export credit agencies guarantees and COVID-19 related public guarantees.

### **C. Risks related to the internal control of the Issuer**

#### ***Risk management and exposure to unidentified or unanticipated risks***

The Banca Carige Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Banca Carige Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe that the Banca Carige Group's risk management policies and procedures are inadequate, its reputation as well as its revenues and profits may be negatively affected.

#### ***Operational risk***

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and or systems, human resources and/or external events. This definition includes legal and conduct risks, but excludes strategic and reputational risks. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

The Banca Carige Group, fully aware of the considerable damage to its image and its reputation which could arise from the occurrence of loss events, adopts a management system suitable, in the opinion of the Issuer, to mitigate the operational risk effects. This system relies on procedures for the containment and mitigation of operational risks arising from transactions and for the prevention and/or limitation of the possible adverse effects resulting from them. However, the adoption of these measures may be inadequate to deal with the risks potentially arising, in part because of the unpredictability of the occurrence of risk events.

The most frequently recurring operational risks and those having the greatest individual impact in terms of overall amount usually include errors in the execution of day-to-day payments and trading in securities, litigations and settlement agreements with customers as well as external events, normally subject to mitigation through the purchase of insurance policies.

#### ***Risks relating to information technology systems***

The Banca Carige Group depends on information technology (IT) and data processing systems to operate its business, as well as on its continuous maintenance and constant updating. The Banca Carige Group is exposed to the risk that data could be damaged or lost, removed, disclosed or processed (data breach) for purposes other than those authorised by the customer, including by unauthorised parties.

The possible destruction, damage or loss of customer, employee or third party data, as well as its removal, unauthorised processing or disclosure, would have a negative impact on the Banca Carige Group's business and reputation and could subject the Banca Carige Group to fines, with consequent negative effects on the Banca Carige Group's business, results of operations or financial condition.

The Banca Carige Group is exposed to the risk of any problems in the operation or access to its information systems, or the success of external cyber attacks. The process of digitalising the Banca Carige Group's activities in order to implement its plan is expected to make the Banca Carige Group more exposed to the risk of cyber attacks, hacking and / or other system violations. The occurrence of events such as cyber attacks, hacking and / or other violations of the systems, with potentially significant impacts on the service model, can have significant

negative effects from a reputational point of view, as well as on the economic, equity and financial situation of the Banca Carige Group.

In addition, changes to relevant regulation could impose more stringent sanctions for violations, and could have a negative impact on the Banca Carige Group's business insofar as they lead the Banca Carige Group to incur additional compliance costs.

**D. Risks related to the political, environmental, social and governance environment of the Issuer**

***Risks related to a downgrade of the Italian sovereign credit rating***

A further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a "double dip" recession.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Banca Carige Group's operating results, financial condition, prospects as well as on the marketability of the Covered Bonds. This might also impact on the Banca Carige Group's credit ratings, borrowing costs and access to liquidity.

***The Issuer's financial performance is affected by borrower credit quality and general economic conditions, in particular in Italy and Europe***

The Issuer monitors credit quality and manages the specific risk of each counterparty and the overall risk of the respective loan portfolios, and the Issuer will continue to do so, but there can be no assurance that such monitoring and risk management will suffice to keep the Issuer's exposure to credit risk at acceptable levels. Any deterioration of the creditworthiness of significant individual customers or counterparties, or of the performance of loans and other receivables, as well as wrong assessments of creditworthiness or country risks may have a material adverse effect on the Issuer's business, financial condition and results of operations.

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.

As discussed above, these risks are exacerbated by concerns over the levels of the public debt of certain Euro-zone countries and their relative weaknesses. A rating downgrade in one of the countries in which the Issuer operates might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Issuer's operating results, financial conditions and business outlook.

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

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, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the 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 Banca Carige Group's business, financial condition and results of operations.

***The Issuer's financial performance is affected by "systemic risk"***

In recent years, the global credit environment has been adversely affected by significant instances of default, and there can be no certainty that such instances will not occur in the future. Concerns about, or a default by, one

institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer.

***Catastrophic events, terrorist attacks and similar events could have a negative impact on the business and results of the Issuer***

Catastrophic events, terrorist attacks and similar events, as well as the responses thereto, may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which the Issuer operates and, more specifically, on the business and results of the Issuer in ways that cannot be predicted.

***Risks connected with the political and economic decisions of EU and Eurozone countries leaving and the United Kingdom having left the European Union (Brexit)***

Pursuant to a referendum held in June 2016, the UK has voted to leave the European Union ("EU") and, on 29 March 2017, the UK Government invoked article 50 of the Lisbon Treaty and officially notified the European Union of its decision to withdraw from the European Union. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the "**Article 50 Withdrawal Agreement**").

On 31 January 2020 ("**exit day**"), the UK withdrew from the EU. Pursuant to Articles 126 and 127 of the Article 50 Withdrawal Agreement that entered into force on exit day, the UK entered an implementation period during which it negotiated its future relationship with the EU under the political declaration that accompanied the Article 50 Withdrawal Agreement. During such implementation period – which ended at 11 p.m. UK time (midnight CET) on 31 December 2020 (the implementation period completion day, or "**IP completion day**") – EU law generally continued to apply in the UK.

Following such negotiations, on 24 December 2020 the UK and the EU concluded a free trade agreement known as the 'UK-EU Trade and Cooperation Agreement' (the "**TCA**"). The TCA, which governs the relations between the EU and the UK following the end of the transition period and which had provisional application pending completion of ratification procedures, has been approved by the European Parliament on 27 April 2021 and entered into force on 1 May 2021, is principally a free trade agreement in goods. It does not address in any detail a number of areas, including the cross-border provision of services, the 'passporting' of UK and EU financial institutions, the determination of equivalence between EU and UK financial market regulations, or judicial cooperation in civil matters. In addition, on IP completion day, as a unilateral matter and in order to mitigate the effect of the EU Treaties no longer applying to the UK, the UK incorporated into its law (i.e. grandfathered) the majority of EU law as it stood at IP completion day (the "**EU retained law**").

Notwithstanding the conclusion of the Withdrawal Agreement and the TCA by the EU and the UK, and the implementation by the UK of EU retained law, there remain significant uncertainties with regard to the political and economic outlook of the UK and the EU and there are likely to be changes in the legal rights and obligations of commercial parties across all industries, particularly in the services sector (including financial services) following the UK's exit from the EU.

There is a risk that other EU Member States could hold referenda as to their membership of, and ultimately leave, the EU, as did the UK, and that one or more EU Member States that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency, or that there is a prolonged period of uncertainty connected to these eventualities. These risks if they materialised could have a significant negative impact on global economic conditions and the stability of the international financial markets. This could include further volatility in equity markets, in the value of sterling and/or the Euro and in financial markets generally, a reduction in global market liquidity with a potential negative impact on asset prices, operating results and capital including as may impact the financial position of the Issuer and/or the Banca Carige Group and the market value and/or liquidity of the Covered Bonds in the secondary market.

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 Eurozone, the consequences of these decisions are exacerbated by the uncertainty regarding the methods by 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. This situation could therefore have a significant negative impact on the operating results and capital and financial position of the Issuer and/or the Banca Carige Group and/or the Issuer's ability to pay interest and repay principal under the Covered Bonds, as well as the market value and/or the liquidity of the Covered Bonds in the secondary market.

## **RISKS RELATED TO COVERED BONDS**

The risks below have been classified into the following categories:

A. *Risks related to Covered Bonds generally;*

B. *Risks related to the Guarantor;*

C. *Risks related to the underlying; and*

D. *Risks related to the market.*

### **A. Risks related to Covered Bonds generally**

#### ***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 Base 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.

#### ***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.

### ***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.

### ***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:

#### ***(a) 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.

(b) *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.

(c) *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.

(d) *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.

(e) *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.

***Covered Bondholders are bound by Extraordinary Resolutions and Programme 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.

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.

***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.

***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 conflict remain unresolved. However, it should be noted that, on 26 June 2016, Judge Shelley Chapman in the U.S. Bankruptcy Court ruled in a series of proceedings commenced by the Lehman Brothers Chapter 11 debtors that a series of flip clauses were enforceable for several reasons, including the protection of those clauses by provisions in the U.S. Bankruptcy Code known as "safe harbors". Lehman has filed a notice of appeal with regard to the decision.

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.

### ***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 negatively 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 it provides references about the ability of the Issuer to fulfil its obligations. The lower the rating assigned, in accordance with the relevant scale of 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 from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation, unless (1) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation.

In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation, unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Moody's and DBRS are rating agencies established in the European Union and registered under the EU CRA Regulation.

### ***Law 130***

The Law 130, as amended from time to time, 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, *inter alia*, (i) law decree No. 143 of 23 December 2013 (*Decreto Destinazione Italia*), as converted with amendments into law No. 9 of 21 February 2014, (ii) law decree No. 91 of 24 June 2014 (*Decreto Competitività*), as converted with amendments into law No. 116

of 11 August 2014 and (iii) most recently by legislative decree No. 190 of 5 November 2021, which transposed into the Italian legal framework Directive (EU) 2019/2162 (the "**Decree 190/2021**") and amends article 7-*bis* of Law 130. Decree 190/2021 designates the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations. Pursuant to article 3, paragraph 2, of Decree 190/2021 such implementing measures of Title I-*bis* of Law 130, as amended, will be adopted by 8 July 2022. In this respect, the provisions of the Law 130, as amended by Decree 190/2021, will be applied to covered bonds issued as of the date of entry into force of the implementing measures as referred to under article 3, paragraph 2, of Decree 190/2021. On the other hand, on the basis of the current interpretation of the Decree 190/2021, articles 7-*bis*, 7-*ter* and 7-*quarter* of Law 130 (before being amended by Decree 190/2021), and the relevant implementing measures, will continue to apply to any series or tranche of covered bonds issued before the earlier of (i) 8 July 2022 or (ii) the entry into force of the implementing measures of Decree 190/2021. Consequently, it is possible that the issuance of such further regulations relating to Law 130, or the interpretation thereof, may have an impact which cannot be predicted by the Issuer as at the date of this Base Prospectus.

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 Regulations 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.

### ***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 Benchmarks Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK BMR**") applies to the provision of benchmarks and the use of a benchmark also in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK Financial Conduct Authority (the "**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation or the UK BMR could have a material impact on any Covered Bond linked to or referencing a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation and the UK BMR. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

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.

On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("€STR") as the new risk-free rate. €STR was published by the European Central Bank on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark. In addition, on 21 January 2019, the euro risk-free rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

Furthermore, in order to address systemic risk, on 2 February 2021 the Council of the European Union approved the final text of the Regulation (EU) 2021/168 amending the Benchmarks Regulation as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation, and amending Regulation (EU) No 648/2012. The new framework delegates the Commission to designate a replacement for benchmarks qualified as critical under the Benchmarks Regulation, where the cessation or wind-down of such a benchmark might significantly disrupt the functioning of financial markets within the European Union. In particular, the designation of a replacement for a benchmark should apply to any contract and any financial instrument as defined in Directive 2014/65/EU that is subject to the law of a Member State. In addition, with respect to supervised entities, Regulation (EU) 2021/168 extends the transitional period for the use of third-country benchmarks until 2023 and the Commission may further extend this period until 2025 by a delegated act to be passed before 15 July 2023. On 10 February 2021 the Council of the European Union adopted the Regulation (EU) 2021/168 that was published in the Official Journal on 12 February 2021 and entered into force on the following day.

The elimination of the LIBOR or EURIBOR "benchmark" or the potential elimination of 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".

Pursuant to the terms and conditions of any applicable Floating Rate Covered Bonds or any other applicable Covered Bonds whose return is determined by reference to any benchmark, if a Benchmark Event occurs in relation to a Reference Rate when the Rate of Interest (or any component part thereof) for any CB Interest Period remains to be determined by reference to such Reference Rate (or any component part thereof), then the Issuer shall notify the party responsible for determining the Rate of Interest applicable to the Covered Bond (being the Principal Paying Agent, or such other party specified in the relevant Final Terms) and use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practical, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(i)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 6(i)(c)), and whether any Benchmark Amendments (in accordance with Condition 6(i)(d)) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, all in accordance with Condition 6(i).

The Successor Rate or Alternative Rate may have no or very limited trading history and accordingly its general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. In addition, the replacement rate may perform differently from the discontinued benchmark. This could impact the rate of interest on, and trading value of, the affected Covered Bonds. Moreover, any holders of such Covered Bonds that enter into hedging instruments based on the Relevant Screen Page on which appears the Reference Rate may find their hedges to be ineffective and they may incur costs replacing such hedges with instruments tied to the Successor Rate or the Alternative Rate.

If following the occurrence of a Benchmark Event (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine and notify in writing both the Issuer and the party responsible for determining the Rate of Interest applicable to the Covered Bond of a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 6(i) prior to the relevant Interest Determination Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine and notify in writing the party responsible for determining the Rate of Interest applicable to the Covered Bond of a Successor Rate or, failing which, an Alternative Rate, provided however that, if the Issuer is unable or unwilling to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 6(i)(a) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following CB Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first CB Payment Date, the Reference Rate shall be the Reference Rate applicable to the first CB Interest Period. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) is to be applied to the relevant CB Interest Period from that which applied to the last preceding CB Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) relating to the relevant CB Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to the last preceding CB Interest Period (as applicable), all in accordance with Condition 6(i).

This may result in the effective application of a fixed rate for Floating Rate Covered Bonds based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences 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 arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Covered Bonds linked to or referencing a benchmark.

### ***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.

## **B. Risks related to the Guarantor**

### ***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.

#### ***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.

### ***Tax consequences of holding the Covered Bonds - No Gross-up for Taxes***

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

### **C. Risks related to the underlying**

### ***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.

### ***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.

### ***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.

### ***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.

### ***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.

### ***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.

### ***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.

### ***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.

#### **D. Risks related to the market**

##### ***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 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.

##### ***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.

##### ***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.

#### ***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 advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

#### ***Market Price Risk***

The market price 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.

#### ***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.

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

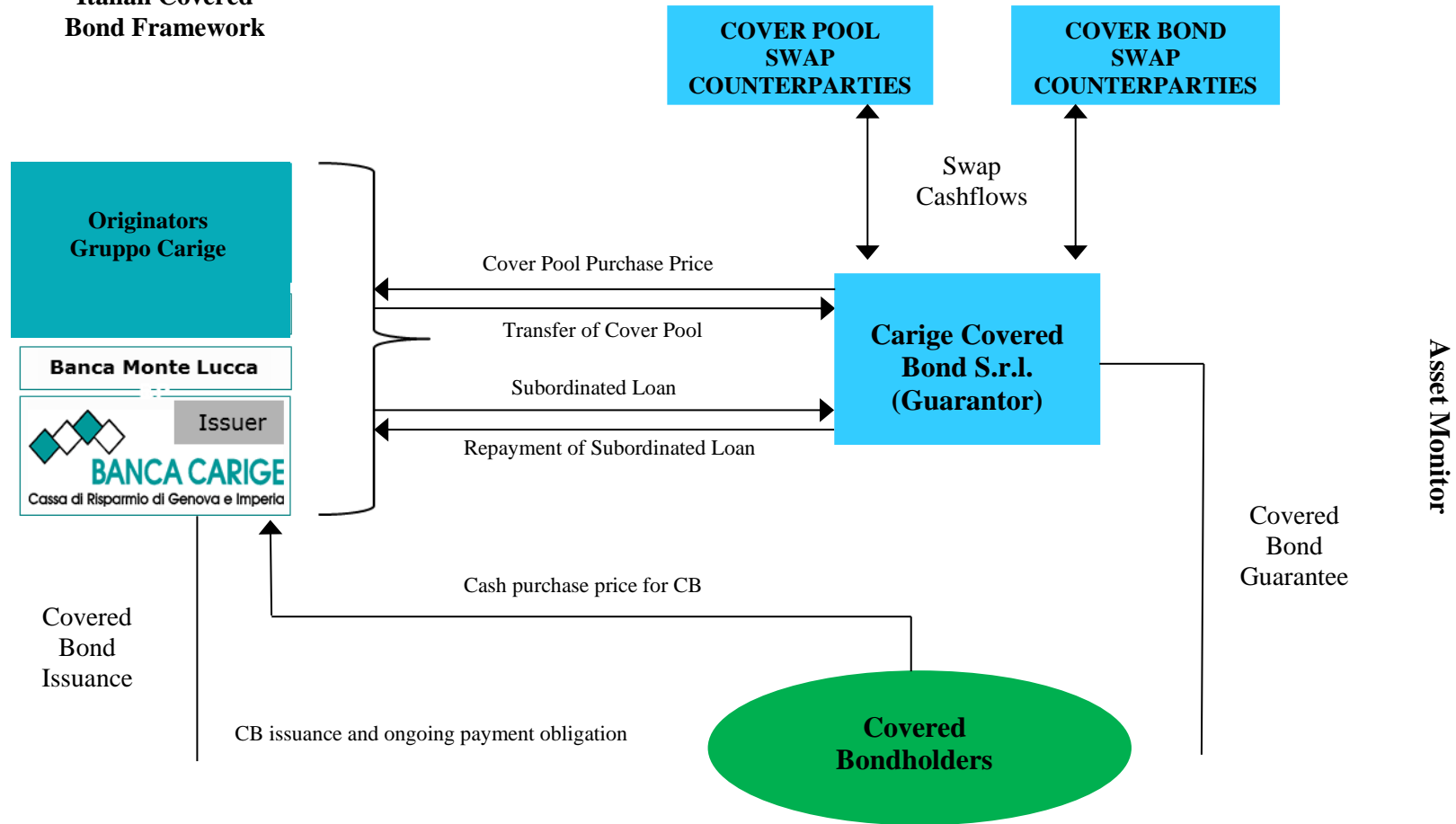


effective to ensure payment to the holders of Covered Bonds of any Series of interest or principal on such Covered Bonds on a timely basis or at all.

## STRUCTURE DIAGRAM

### STRUCTURE DIAGRAM

#### Italian Covered Bond Framework



## 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*) updated as of 21 April 2022;  
[https://www.gruppocarige.it/grpwps/wcm/connect/3aa67439-58bb-4882-8de9-d9b3a51878c6/2022+04+Statuto+Assemblea+2022+04+21\\_ENG+Clean.pdf?MOD=AJPERES&CVID=o40I5bX](https://www.gruppocarige.it/grpwps/wcm/connect/3aa67439-58bb-4882-8de9-d9b3a51878c6/2022+04+Statuto+Assemblea+2022+04+21_ENG+Clean.pdf?MOD=AJPERES&CVID=o40I5bX)
- (2) Guarantor by-laws (*Statuto*) as of the date hereof;  
[https://www.gruppocarige.it/grpwps/wcm/connect/e45e0a92-9e2f-43fa-aa2a-e1c64e305417/STATUTO+VIGENTE+CARIGE+COVERED+BOND\\_09042019\\_ENG.pdf?MOD=AJPERES&CVID=nq9waza](https://www.gruppocarige.it/grpwps/wcm/connect/e45e0a92-9e2f-43fa-aa2a-e1c64e305417/STATUTO+VIGENTE+CARIGE+COVERED+BOND_09042019_ENG.pdf?MOD=AJPERES&CVID=nq9waza)
- (3) press release dated 3 June 2022 and headed "*Banca Carige: signed the closing for the disposal of the controlling interest held by FITD and SVI in favour of the BPER Banca Group*" (the "**2022 June Second Press Release**");  
[https://www.gruppocarige.it/grpwps/wcm/connect/56921ed4-219d-4cdc-b609-1b8dd29002ac/Closing+BPER\\_FITD\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-56921ed4-219d-4cdc-b609-1b8dd29002ac-o4HyW2x](https://www.gruppocarige.it/grpwps/wcm/connect/56921ed4-219d-4cdc-b609-1b8dd29002ac/Closing+BPER_FITD_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-56921ed4-219d-4cdc-b609-1b8dd29002ac-o4HyW2x)
- (4) press release dated 1 June 2022 and headed "*Resignation of all members of the Board of Directors*" (the "**2022 June First Press Release**");  
[https://www.gruppocarige.it/grpwps/wcm/connect/0a954010-8fae-47f0-acd6-a1c6310e54c8/06+Comunicato+stampa+dimissioni+Amministratori\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0a954010-8fae-47f0-acd6-a1c6310e54c8-o4w19ya](https://www.gruppocarige.it/grpwps/wcm/connect/0a954010-8fae-47f0-acd6-a1c6310e54c8/06+Comunicato+stampa+dimissioni+Amministratori_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0a954010-8fae-47f0-acd6-a1c6310e54c8-o4w19ya)
- (5) press release dated 27 May 2022 and headed "*Resignation of Statutory Auditor*" (the "**2022 May Fourth Press Release**");  
[https://www.gruppocarige.it/grpwps/wcm/connect/b5aff6de-a783-4616-8a1d-3cbcc9aeaa64/01%2BComunicato%2Bstampa%2Bdimissioni%2BSindaco\\_ENG+%28002%29.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-b5aff6de-a783-4616-8a1d-3cbcc9aeaa64-o4UbgVD](https://www.gruppocarige.it/grpwps/wcm/connect/b5aff6de-a783-4616-8a1d-3cbcc9aeaa64/01%2BComunicato%2Bstampa%2Bdimissioni%2BSindaco_ENG+%28002%29.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-b5aff6de-a783-4616-8a1d-3cbcc9aeaa64-o4UbgVD)
- (6) press release dated 19 May 2022 and headed "*Resignation of alternate member of the Board of Statutory Auditors*" (the "**2022 May Third Press Release**");  
[https://www.gruppocarige.it/grpwps/wcm/connect/1f3aab1f-f1e1-40f8-a6d6-23a46d38e565/05+Dimissioni+Sindaco+supplente+ENG\\_clean.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-1f3aab1f-f1e1-40f8-a6d6-23a46d38e565-o3wQZbP](https://www.gruppocarige.it/grpwps/wcm/connect/1f3aab1f-f1e1-40f8-a6d6-23a46d38e565/05+Dimissioni+Sindaco+supplente+ENG_clean.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-1f3aab1f-f1e1-40f8-a6d6-23a46d38e565-o3wQZbP)
- (7) press release dated 12 May 2022 and headed "*Carige enters into an agreement with Affide (Custodia Valore - Credito Su Pegno S.p.A.) for the sale of its loans against pledge business*" (the "**2022 May Second Press Release**");  
[https://www.gruppocarige.it/grpwps/wcm/connect/e83076b2-36db-4a4b-95e5-454486b8fa01/Cessione+Pegno\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-e83076b2-36db-4a4b-95e5-454486b8fa01-o2V2SNX](https://www.gruppocarige.it/grpwps/wcm/connect/e83076b2-36db-4a4b-95e5-454486b8fa01/Cessione+Pegno_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-e83076b2-36db-4a4b-95e5-454486b8fa01-o2V2SNX)
- (8) press release dated 11 May 2022 and headed "*Banca Carige's Board of Directors approves the Groups' consolidated results as at 31 March 2022*" (the "**2022 May First Press Release**");

- [https://www.gruppocarige.it/grpwps/wcm/connect/4d3da01f-c900-4121-a964-cb9f57b3985e/1Q22\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-4d3da01f-c900-4121-a964-cb9f57b3985e-o2OUOXY](https://www.gruppocarige.it/grpwps/wcm/connect/4d3da01f-c900-4121-a964-cb9f57b3985e/1Q22_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-4d3da01f-c900-4121-a964-cb9f57b3985e-o2OUOXY)
- (9) the Banca Carige Group's audited consolidated financial statements as of 31 December 2021 (the "**2021 audited consolidated financial statements**");
- [https://www.gruppocarige.it/grpwps/wcm/connect/44f96f47-b911-4733-8357-264c5d2501cb/2021+CONS\\_ENG\\_DEF.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-44f96f47-b911-4733-8357-264c5d2501cb-o3WZTTP](https://www.gruppocarige.it/grpwps/wcm/connect/44f96f47-b911-4733-8357-264c5d2501cb/2021+CONS_ENG_DEF.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-44f96f47-b911-4733-8357-264c5d2501cb-o3WZTTP)
- (10) press release dated 30 March 2022 and headed "*Notice of publication of documents*" (the "**2022 March Second Press Release**");
- [https://www.gruppocarige.it/grpwps/wcm/connect/5488ba62-8e40-4d71-a597-5ebef7d5d958/03+Comunicato+stampa+pubblicazione+bilancio+e+altri+documenti\\_clean\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-5488ba62-8e40-4d71-a597-5ebef7d5d958-n.s01R-](https://www.gruppocarige.it/grpwps/wcm/connect/5488ba62-8e40-4d71-a597-5ebef7d5d958/03+Comunicato+stampa+pubblicazione+bilancio+e+altri+documenti_clean_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-5488ba62-8e40-4d71-a597-5ebef7d5d958-n.s01R-)
- (11) press release dated 9 March 2022 and headed "*Draft separate and consolidated financial statements as at 31 December 2021 approved*" (the "**2022 March First Press Release**");
- [https://www.gruppocarige.it/grpwps/wcm/connect/6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5/Cda\\_9\\_03\\_2022\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5-nZK-9h5](https://www.gruppocarige.it/grpwps/wcm/connect/6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5/Cda_9_03_2022_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5-nZK-9h5)
- (12) press release dated 9 February 2022 and headed "*Clarifications on the press release published today*" (the "**2022 February Press Release**");
- [https://www.gruppocarige.it/grpwps/wcm/connect/0c4b7fcf-c2e7-4363-938c-c544927d98a4/Precisazioni+FY21\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0c4b7fcf-c2e7-4363-938c-c544927d98a4-nXvHSIH](https://www.gruppocarige.it/grpwps/wcm/connect/0c4b7fcf-c2e7-4363-938c-c544927d98a4/Precisazioni+FY21_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0c4b7fcf-c2e7-4363-938c-c544927d98a4-nXvHSIH)
- (13) the Banca Carige Group's audited consolidated financial statements as of 31 December 2020 and for the eleven month period then ended (the "**2020 audited consolidated financial statements**");
- [https://www.gruppocarige.it/grpwps/wcm/connect/32ada000-2d66-4d5f-8280-1242f5eba619/Rel+dic+2020+CONS\\_EN+07.05.2021.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-32ada000-2d66-4d5f-8280-1242f5eba619-nB6Y7Et](https://www.gruppocarige.it/grpwps/wcm/connect/32ada000-2d66-4d5f-8280-1242f5eba619/Rel+dic+2020+CONS_EN+07.05.2021.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-32ada000-2d66-4d5f-8280-1242f5eba619-nB6Y7Et)
- (14) the Guarantor audited annual financial statements in respect of the year ended on December 2021;
- [https://www.gruppocarige.it/grpwps/wcm/connect/a2293c7a-64a5-4bdf-9292-08fdf9b0cddf/CCB+Progetto+bilancio+31.12.2021\\_ENG\\_DEF.pdf?MOD=AJPERES&CVID=o3r8cxm](https://www.gruppocarige.it/grpwps/wcm/connect/a2293c7a-64a5-4bdf-9292-08fdf9b0cddf/CCB+Progetto+bilancio+31.12.2021_ENG_DEF.pdf?MOD=AJPERES&CVID=o3r8cxm)
- (15) the Guarantor audited annual financial statements in respect of the year ended on December 2020;
- <https://www.gruppocarige.it/grpwps/wcm/connect/478b7d6a-899e-4a35-b0c6-c09e59e6ca5a/BILANCIO+2020+EN.pdf?MOD=AJPERES&CVID=nMMsydc>

Such documents shall be incorporated by reference into, and form part of, this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference into this Base Prospectus may be obtained from the registered office of the Issuer or, for the 2022 June Second Press Release, the 2022 June First Press Release, the 2022 May Fourth Press Release, the 2022 May Third Press Release, the 2022 May Second Press Release, the 2022 May First Press Release, the 2022 March Second Press Release, the 2022 March First Press Release, the 2022 February

Press Release, the 2021 audited consolidated financial statements, the 2020 audited consolidated financial statements and the press releases of the Issuer, both in the original Italian language and in English language, on the Issuer's website (<https://www.gruppocarige.it/grpwps/portal/it/gruppo-carige/investor-relations/bilanci>). The English language versions represent a direct translation from the Italian language documents. The Issuer and the Guarantor, as relevant, are responsible for the English translations of the financial reports incorporated by reference in this Base Prospectus and declare that such is an accurate and not misleading translation in all material respects of the Italian language version of the Issuer's and Guarantor's financial reports (as applicable).

## 2. Cross-reference List

The following table shows where the information incorporated by reference into this Base Prospectus can be found in the above mentioned financial statements incorporated by reference into this Base Prospectus.

<b>Banca Carige by-laws (Statuto)</b>	<b>Pages</b>
By-laws	Entire document
<b>Guarantor by-laws (Statuto)</b>	<b>Pages</b>
By-laws	Entire document
<b>Audited consolidated financial statements for the period ended 31 December 2021</b>	
Consolidated balance sheet	74-75
Consolidated income statement	76
Consolidated statement of comprehensive income	77
Statement of changes in consolidated shareholder's equity	78-79
Consolidated statement of cash flows	80-81
Consolidated explanatory notes	82-403
Independent auditor's review report	406-417
<b>Audited consolidated financial statements for the eleven month period ended 31 December 2020</b>	
Consolidated balance sheet	74-75
Consolidated income statement	76
Consolidated statement of comprehensive income	77
Statement of changes in consolidated shareholder's equity	78-79
Consolidated statement of cash flows	80-81
Consolidated explanatory notes	82-384
Independent auditor's review report	387-395
<b>2022 June Second Press Release</b>	<b>Pages</b>
2022 June Second Press Release	Entire document
<b>2022 June First Press Release</b>	<b>Pages</b>
2022 June First Press Release	Entire document
<b>2022 May Fourth Press Release</b>	<b>Pages</b>
2022 May Fourth Press Release	Entire document
<b>2022 May Third Press Release</b>	<b>Pages</b>

<b>2022 May Third Press Release</b>	Entire document
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<b>2022 May Second Press Release</b>	<b>Pages</b>
<b>2022 May Second Press Release</b>	Entire document

<b>2022 May First Press Release</b>	<b>Pages</b>
<b>2022 May First Press Release</b>	Entire document

<b>2022 March Second Press Release</b>	<b>Pages</b>
<b>2022 March Second Press Release</b>	Entire document

<b>2022 March First Press Release</b>	<b>Pages</b>
<b>2022 March First Press Release</b>	Entire document

<b>2022 February Press Release</b>	<b>Pages</b>
<b>2022 February Press Release</b>	Entire document

<b>Guarantor audited annual financial statements in respect of the year ended on December 2021</b>	<b>Pages</b>
Balance sheet	12
Income statement	13
Statement of comprehensive income	13
Statement of changes in quotaholders' equity	14
Statement of cash flows	15
Explanatory notes	16-58
Independent auditors' report	59-62

<b>Guarantor audited annual financial statements in respect of the year ended on December 2020</b>	<b>Pages</b>
Balance sheet	11
Income statement	12
Statement of comprehensive income	12
Statement of changes in quotaholders' equity	13
Statement of cash flows	14
Explanatory notes	15-60
Independent auditors' report	Attached, 1-3

Following the publication of this Base Prospectus, supplements may be prepared by Banca Carige and approved by the CSSF in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any websites, save for those listed as documents incorporated by reference above, included in the Base Prospectus are for information purposes only and do not form part of the Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Covered Bonds to be listed on the Luxembourg Stock Exchange.

The information not included in the cross-reference lists above is not incorporated by reference. Part of the documents in the cross-reference list above has not been incorporated by reference and is considered either not relevant for an investor or is otherwise covered elsewhere in this Base Prospectus.

Banca Carige's consolidated financial statements at January 31, 2020 cover a period of thirteen months, from January 1, 2019 to January 31, 2020 while Banca Carige's consolidated financial statements at December 31, 2020 cover a period of eleven months from February 1, 2020 to December 31, 2020.

Finally, Banca Carige's consolidated financial statements at December 31, 2021 cover the usual twelve month period.

The misalignment is due to the fact that January 31, 2020 was the date of termination of the Extraordinary Administration, which covered the period January 2, 2019 to January 31, 2020 under the responsibility of the Extraordinary Commissioners nominated by the ECB. Accordingly, the consolidated financial statements were approved covering a thirteen-month period.

## 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 ("**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 and distribution of life and non-life insurance asset management products through bank branches.

Traditionally, the Group has concentrated on retail customers, consisting of individuals and personal businesses.

The Issuer's legal and commercial name is "Banca Carige S.p.A. – Cassa di Risparmio di Genova e Imperia", the commercial name in short is "Banca Carige S.p.A." or "Carige S.p.A."

The Issuer is registered with the commercial registry of Genova under No. 03285880104. The Issuer'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](http://www.gruppocarige.it).

The Issuer is also registered with the Register of Banks held by the Bank of Italy under No. 6175.

The Legal Entity Identifier (LEI) of the Issuer is F1T87K3OQ2OV1UORLH26.



## 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 438 at 30 June 2020 (439 branches at 31 January 2020 and 489 at 31 December 2018).

As a consequence of the changed conditions resulting from the outcome of the Shareholders' Meeting of 22 December 2018, namely the rejection of the proposal to vest the Board of Directors with the mandate to increase the share capital, the majority of the Bank's Directors tendered their resignations with effect as of 2 January 2019, with the entire Board ceasing to hold office on the same date.

From the same date, Consob ordered the suspension from trading of the securities issued or guaranteed by the Bank until the ECB decision was in force. Again, on the same date, the ECB imposed Temporary Administration on Banca Carige, appointing three Temporary Administrators and a Surveillance Committee. The Temporary Administrators were vested by the ECB with the power to proceed with the actions required to sustainably restore compliance with the regulatory requirements, including by assessing/exploring the possibility of a business combination with other financial institutions. On 29 March 2019, the ECB notified a decision extending the Bank's Temporary Administration period to 30 September 2019, confirming the mandate of the Temporary Administrators (Fabio Innocenzi, Raffaele Lener and Pietro Modiano) and the members of the Surveillance Committee (Gianluca Brancadoro, Andrea Guaccero and Alessandro Zanotti).

On 30 September 2019, the ECB notified its decision to further extend the Bank's period of Temporary Administration to 31 December 2019, confirming the mandate of the Temporary Administrators and members of the Surveillance Committee, with an adequate time horizon to allow the Temporary Administrators to execute the Group's comprehensive capital strengthening transaction approved by the Extraordinary Shareholders Meeting of 20 September 2019. On 20 December 2019, the ECB notified its decision to extend the Bank's period of Temporary Administration to 31 January 2020.

The capital strengthening operation was completed on 20 December 2019. Following the capital increase of Euro 700 million, FITD (*Fondo Interbancario di Tutela dei Depositi*) owns approximately 79.99% of the Bank's share capital.

On 31 January 2020, the ordinary Shareholders' Meeting of Banca Carige, held in one call, appointed a new 10-member Board of Directors, its Chair and Deputy Chair and the new Board of Statutory Auditors for the 2020-2022 three-year period, with their 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 2022.

Effective 1 February 2020, the Temporary Administrators and the members of the Surveillance Committee ceased to hold office.

On 21 July 2021, Consob authorised the publication of the prospectus (the "**Domestic Prospectus**") concerning the admission to trading on the Electronic Stock Market (MTA), organised and managed by Borsa Italiana S.p.A., of the Bank's ordinary shares.

In this regard, it should be noted that trading of securities issued or guaranteed by the Company was suspended on 2 January 2019 as a result of Consob resolution No. 20772 (the "**Suspension Resolution**") adopted on the same date due to (i) the ECB's decision to place the Bank under temporary administration (ended on 31 January 2020) and (ii) the probable Issuer's inability to provide a complete framework of information.

Following up on the authorisation to publish the Domestic Prospectus, necessary for the Issuer to restore a proper framework of information, Consob also decided to revoke the Suspension Resolution as per resolution No. 21960 of 21 July 2021 (the "**Revocation Resolution**").

The Revocation Resolution entered into force on 27 July 2021 pursuant to art. 21 of Regulation (EU) 2017/1129.

On 14 February 2022, FITD has signed with BPER Banca S.p.A. the disposal agreement of the controlling interest (of approximately 80%) of the Bank's share capital held by FITD and by the Schema Volontario di Intervento ("**Voluntary Intervention Scheme**" or "**VIS**"), with closing occurred on 3 June 2022.

## OWNERSHIP STRUCTURE

As at the date hereof, the Issuer's share capital amounts to EUR 1,345,608,389.81 and it is divided into 760,723,407 shares with no indication of par value, of which 760,723,387 ordinary shares and 20 savings shares.

As of the Date of the Prospectus, on the basis of the results of the shareholders' register, integrated with the communications received pursuant to Article 120 of the Financial Services Act and other information available to the Issuer, the Bank is subject to the legal control of the FITD pursuant to of article 93 of the Financial Services Act.

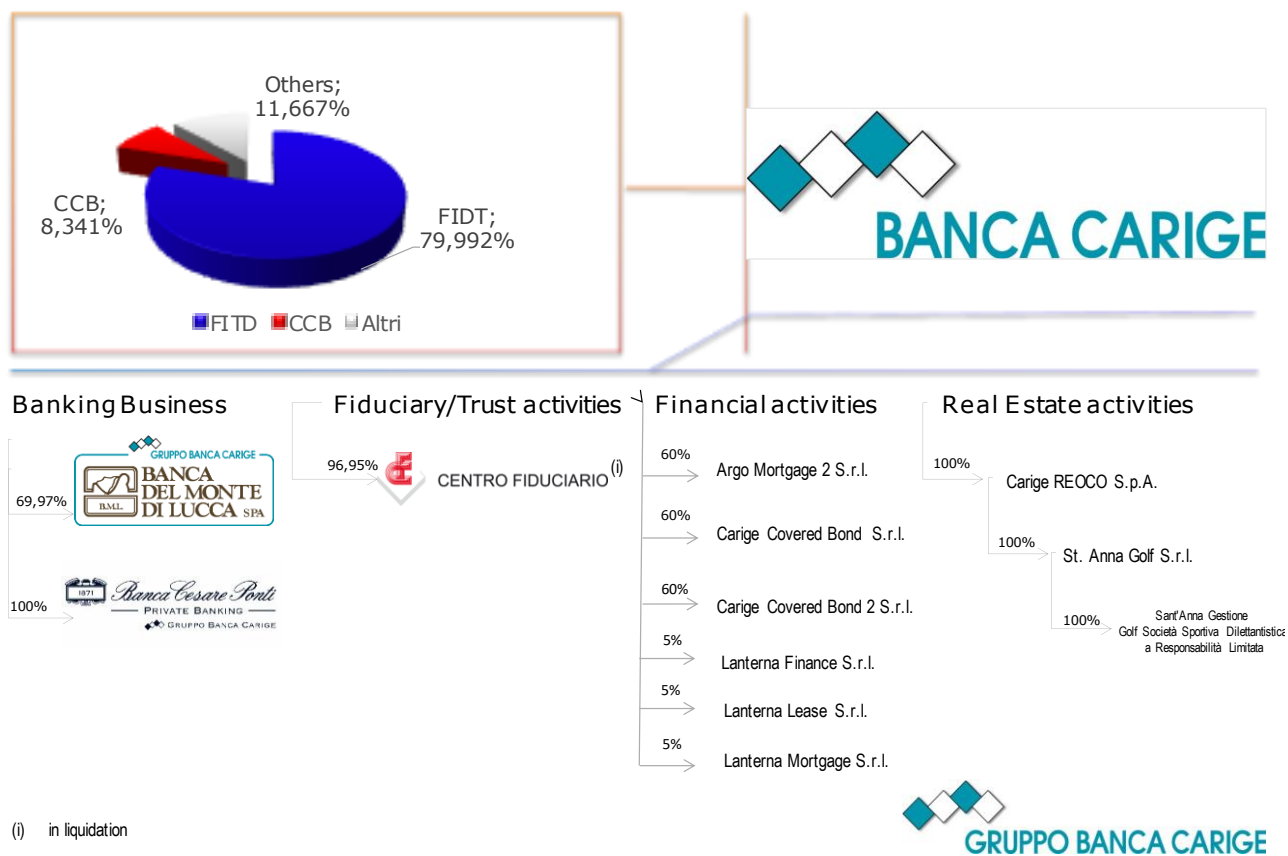
Pursuant to article 13 of Banca Carige's by-laws, in case a banking foundation is able to exercise the majority of the votes at an ordinary shareholders' meeting, the chairman of the relevant shareholders' meeting, for the purpose of the relevant resolution, shall exclude a number of shares held by such 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 of the date of this Base Prospectus, on the basis of (i) the communications received pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended and (ii) available information, Banca Carige's share capital is divided as follows: FITD owns 79.992 per cent. of the share capital, Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. (CCB) owns 8.341 per cent. of the share capital (as discretionary asset management) and the remaining shares – equal to 11.667 per cent. of the share capital – are held by other investors.

On 14 February 2022, FITD has signed with BPER Banca S.p.A. the disposal agreement of the controlling interest (of approximately 80%) of the Bank's share capital held by FITD and by the Voluntary Intervention Scheme, with closing occurred on 3 June 2022.

## BANCA CARIGE GROUP STRUCTURE

The following chart shows the structure of the Banca Carige Group at the date hereof:



## RATINGS

Carige is rated by the international rating agencies Moody's France SAS ("**Moody's**") and DBRS Morningstar ("**DBRS**").

At the date hereof, the Issuer has the following ratings:

<b>Rating Agency</b>	<b>Moody's</b>	<b>DBRS</b>
<b>Long term debt</b>	Caa2	B(low)
<b>Short term debt</b>	Not Prime	R-5

On 3 November 2021, Fitch Ratings, upon request of Carige, withdrew the ratings assigned to the Bank (which, as at that date, were respectively 'B-' for Long-Term and 'B' for Short Term, with Negative Outlook).

Each of Moody's and DBRS is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such, Moody's and DBRS 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

As a result of the pursuit of a potential business combination during the period of the Bank's Temporary Administration, interest was shown by a leading banking player (Cassa Centrale Banca, "**Cassa Centrale**" or "**CCB**") and support was made available by the Voluntary Intervention Scheme (VIS) and the Interbank Deposit Protection Fund ("**FITD**"). Against this background, an update to the 2019-2023 Strategic Plan was approved on 26 July 2019, which illustrated the structure of the Bank's capital strengthening and commercial relaunch transaction requested by the counterparties (VIS, FITD and CCB), with an industrial outreach in line with the previous versions of the Plan.

In particular, the Plan was aimed at:

- maintaining, on a consolidated basis, a minimum Common Equity Tier 1 Ratio (CET1 Ratio) of 11.80%;
- maintaining, on a consolidated basis, a minimum Total SREP Capital Requirement (TSCR) of 11.25%;
- maintaining, on a consolidated basis, an Overall Capital Requirement (OCR) of 13.75% as at 31 December 2019 and of 15.30%, including the 1.55% Capital Guidance;
- maintaining a stable capital add-on (Pillar 2 Requirement) of 3.25% over the entire Strategic Plan period;
- maintaining, at all times and on a consolidated basis, a minimum Liquidity Coverage Ratio (LCR) and a minimum Net Stable Funding Ratio (NSFR) of 100% and RAF risk tolerances respectively of 119% and 103%;
- maintaining minimum coverage of NPLs, including write-offs, differentiated according to the different classes (63% for bad loans, 32% for unlikely to pay exposures, and 18% for past due exposures).

The strategic vision embedded in the Strategic Plan revolves around three steps building on one another:

- strengthening of the capital structure, via a recapitalisation transaction scheduled for the end of 2019 and faster derisking through the sale of almost the entirety of the NPEs held by the Group;
- return to break-even thanks to normalisation of the cost of risk and discontinuation of negative one-off effects;
- growth in profitability, through leaner processes and procedures and a digital revolution aimed at reducing costs and improving customer service, a focus on products for the core segments (households and SMEs), Wealth Management relaunch and upgrading, leveraging on Banca Cesare Ponti, investments in IT and digital renewal.

On 20 December 2019, the comprehensive Capital Strengthening and Derisking transaction was completed, which had been announced by the Temporary Administrators on 9 August 2019 and approved by the Extraordinary Shareholders' Meeting on 20 September 2019. The transaction consisted in a EUR 700 mln Capital Increase (described in detail in the Financial Statements as at 31 January 2020 to which reference should be made), with a EUR 313.2 mln tranche paid-in by way of set off of the receivables resulting from the reimbursement of the subordinated bonds named "Banca Carige S.p.A. 2018-2028 Tasso Fisso Tier II".

EUR 200 mln worth of Tier 2 subordinated bonds - entirely subscribed for by leading institutional investors - were issued and settled within the framework of the Bank's capital strengthening transaction.

As a further integral part of the Capital Strengthening and turnaround of the Bank, the non-performing loan disposal to AMCO - Asset Management Company was finalised on 20 December 2019 under the required terms and conditions, enabling the achievement of a radical derisking of the Group's assets. For completeness of information, it is noted that on 10 September 2020, the Bank, together with AMCO, Marinvest S.r.l. and the company Ignazio Messina & Co. S.p.A. (the Messina Group), announced the closing of the restructuring agreements of the Messina Group. The closing of said restructuring agreements was the pre-condition for the Bank to definitively sell part of its Messina Group receivables to AMCO for an overall GBV of EUR 324.3 mln as at 30 June 2020.

Since March 2020, the Bank's development of additional strategic actions has been affected by the health emergency caused by the outbreak and spread of the Covid-19 pandemic, which has brought about (and is still having) increasing repercussions on the economy due to the impact of the containment measures phased in by a growing number of countries, making future prospects and the macroeconomic scenario uncertain.

In this context, the European authorities have approved a series of monetary policy and banking supervision measures aimed at supporting households and businesses with favourable financing conditions to preserve the flow of credit to the real economy.

In Italy, in order to contain the negative effects of the epidemic, government decrees were issued in March and April 2020 (Decree-Law No. 18/2020 "Cura Italia" of 17 March 2020 and Decree-Law No. 23/2020 "*Decreto Liquidità*" of 8 April 2020, partly amended in their subsequent conversions into law). The decrees largely focus on measures to support liquidity through the banking system and the role of guarantees and incorporate additional provisions in favour of SMEs, self-employed workers and freelancers.

Further measures were taken starting from August 2020 (Italian Law Decree No. 104 - the "**August Decree**" and four Law Decrees named "*Ristori Decree*"), which laid down urgent measures to support and relaunch the economy and support workers, households and businesses.

In addition to the measures introduced by the European institutions and the Italian Government, the Italian Banking Association (ABI) has also taken action to mitigate the impact of the Covid-19 pandemic on businesses and depositors by introducing a number of measures. The magnitude and rapid spread of the Covid-19 pandemic has had severe economic repercussions affecting almost all sectors of the Italian economy with varying intensity.

In response to this emergency, the Banca Carige Group took prompt action to implement a set of measures aimed, on the one hand, at financially supporting its customers and, on the other, at recalibrating the Banca Carige Group's credit strategy. Confirming its current approach, based on forecasts of risk-weighted growth and sectoral attractiveness (relationship development, monitoring and control), the recalibration of the Banca Carige Group's credit strategy was intended to preserve the quality level of the loan portfolio, while maintaining full consistency between the Strategic Plan objectives and the operating levers for their achievement.

Particularly, the Bank's commercial activities have therefore been centred upon initiatives aimed at meeting the needs for liquidity and financial support of individuals and businesses operating in the Bank's footprint areas, including, in particular, by granting new loans (covered in whole or in part by State guarantees) or accepting applications for moratoria and suspension of instalments and loan payments, advances on unemployment benefits and loans of honour.

#### Revision of the Banca Carige Group's financial forecasts for the years 2020-2021

On 27 February 2019, the three ECB-appointed Temporary Administrators approved and presented to the market the 2019-2023 Strategic Plan, which was later updated by them on 26 July 2019. Information on the progress of the Strategic Plan forecasts was provided in 2019 with subsequent communications to the market, including those relating to the capital strengthening transaction, the sale of the non-performing loan portfolio and trade union agreements for HR-related issues.

Despite the emergency situation related to the Covid-19 pandemic and the consequent significant change in the current and forward-looking macroeconomic context which had a remarkable impact on the economic and financial position of the Banca Carige Group, with respect to the target originally outlined in the 2019-2023 Strategic Plan, the Strategic Plan actions defined by the Temporary Administrators were confirmed by the Management. The Bank has made a revision of the 2020-2021 forecasts, approved by the Board of Directors on 15 July 2020, which, in addition to presenting an updated macroeconomic scenario, also incorporates a revised estimate of loans to customers and deposits from retail/corporate and institutional customers in line with the provisions of:

- the decrees issued by the Government in March and April (Decree-Law No. 18/2020 "Cura Italia" of 17 March 2020 and Decree-Law No. 23/2020 ("the Liquidity Decree") of 8 April 2020, partly amended in their subsequent conversions into law),
- the European Central Bank decision of 12 March 2020 (temporary authorisation to use the Pillar 2 Guidance and Capital Conservation Buffer, easing of conditions for the TLTRO III programme, an increase in the purchase of securities issued by individual countries), the ECB decision of 7 April 2020 (package of easing

measures to enlarge the scope of eligible credit claims accepted as collateral for secured/guaranteed debt instruments issued, such as ABS securitisations or Covered Bond programmes, a.k.a. "collateral easing") and ECB decision of 30 April 2020 (further easing of TLTRO III conditions).

The revised forecasts additionally took account of the contents of the SREP Decision that the Bank received from the ECB in June 2020 at the end of the Supervisory Review and Evaluation Process ("**SREP**") conducted as at 31 December 2019.

The revised 2020-2021 forecasts are essentially reflective of a significantly higher Parent Company's loss for 2020 and 2021 than projected in the 2019-2023 Strategic Plan Update approved by the Temporary Administrators in July 2019. In brief, the worsening of the profit/loss forecasts for 2020 and 2021 is due to:

- a reduction in the expected net interest income, in relation to both a less favourable forwardlooking scenario of the interest rate curves compared to the scenario underlying the Strategic Plan update of July 2019, and narrower spreads on new loans, which, in the current pandemic context, are significantly lower than budgeted in the Plan;
- a revision of the growth estimates of net fees and commissions generated by indirect funding, current account expense recovery and the granting of loans;
- a higher cost of credit than projected in the July 2019 Plan update as a result of the Covid-19 crisis, impacts related to the sale of the remaining portion of the non-performing portfolio included in the Hydra transaction (which in the July 2019 Plan update was assumed to be brought to completion by the end of 2019) and incorporation -in the forecasting models- of the evolution of credit quality by probability of transition between different loan states (performing, past-due, unlikely-to-pay, non-performing);
- higher-than-expected administrative expenses due to: an increased demand for spending to address the safety of employees/customers, and unexpected one-off costs arising from the rescue of Banca Popolare di Bari;
- recognition of write-downs on properties not foreseen in the Strategic Plan update of July 2019;
- prudential reduction in expected dividends on equity investments;
- deferral of expected capital gains on the disposal of real estate assets.

On 23 February 2021, Banca Carige's Board of Directors resolved to approve the Banca Carige Group's 2021 Budget and an updated revision of the 2023 targets of the Strategic Plan approved in 2019. The strategic guidelines set forth in the Strategic Plan approved in July 2019 are still the reference point for the Group's operations, despite the context of utmost uncertainty surrounding the impact that the spread of the Covid-19 virus will have in the medium-long term. The following was factored in:

- profit (loss) for the 2020 reporting period;
- the macroeconomic scenario included in the Forecast Report as at December 2020 by a leading provider of advisory services;
- impacts associated with the changes in, as well as the characteristics and timing of, the derisking transaction (Hydra), with specific reference to the sale of a non-performing leasing portfolio scheduled for the first quarter of 2021;
- the new laws introduced at both European and national level in 2020;
- access to TLTRO III refinancing operations;
- institutional funding recalibration to liquidity management needs;
- the Banca Carige Group's funding and lending growth rates, as updated following the footprint and structure reorganisation approved in October 2020, inclusive of new plans for the Wealth Management business, by assuming a partial recovery of the overall funding gaps that emerged in the two-year period 2019-2020 as compared to the July 2019 Strategic Plan.



In particular, the updated forecasts identify the 2021 targets on the basis of: a macroeconomic scenario characterised by still-negative interest rates for the banking system and a partial rebound in GDP (+4.8%) after its expected collapse by over 9% in 2020 following the impacts on the real economy caused by the spread of the Covid-19 pandemic; the commercial restart aimed at partially recovering the gap in overall funding that emerged during the two-year period 2019-2020 as compared to the targets of the July 2019 Strategic Plan; the one-off transaction consisting in the sale of a portfolio of nonperforming leases, which complements the derisking strategy set out in the Plan with a forward-looking projection of the estimates for 2023 on the basis of an improving macroeconomic scenario, with a return of the banking system's long-term interest rates to positive territory and full-scale unfolding of the effects of the management actions contained in the Plan. In consideration of the above, it is estimated that the achievement of the target expected for 2020 will be delayed until 2021. Accordingly, the targeted breakeven result before tax will foreseeably be achieved in 2022 and net profit as of 2023.

The updated estimates of a gradual cost of credit reduction after the impacts caused by the Covid-19 pandemic reflect the assumption of a gradual return to normal thanks to the implementation, inter alia, of initiatives aimed at a proactive management of credit that will minimise default rates. The monitoring of credit quality will allow the Group to maintain a ratio of non-performing loans to total loans in line with market best practices.

#### *Geographical and operational reorganisation*

On 15<sup>th</sup> October 2020, Banca Carige's Board of Directors has approved the review of the Group Service Model via a reorganisation of the whole commercial supply chain and sizeable IT investments designed to ensure the best customer proposition and service standards.

Firstly, the Head Office and Network organisational structure has been revised: at Head Office level, the strictly commercial functions (broken down into the 'Retail Segment' and the 'Corporate Segment') and support activities (marketing, CRM and products) are reallocated into two separate areas reporting directly to the Chief Executive Officer.

Key Head Office and Network roles have been re-focused exclusively on commercial activities and all Network roles have been revised completely.

A further lever to speed up growth and broaden the service offered to customers in terms of working hours and opening days is digital banking, which will be developed with increasingly sophisticated and innovative tools and modes of operation. The remote offering tool will first of all be rolled out through the "Remote Branch", consisting of teams of relationship managers interacting with customers via the contact centre; a video interface will prompt the "Remote Relationship Managers" and "Advisory Specialists" for support.

Across its footprint, the "Retail Banking Segment" will be reorganised from its current 13 "Commercial areas" into 25 "Retail Banking Areas" for better coverage of a smaller number of "Retail Banking Branches" in each Area.

As part of the "Corporate Banking Segment", 2 "Corporate Banking Areas" (one for Liguria, Piedmont and Tuscany and one for the remaining part of the network) and 18 "Corporate Banking Branches" have been established, which will share the premises of the Retail Banking Branches, attaching priority to their logistic and physical proximity to corporate customers.

In their newly established roles, Asset Management Specialists and Insurance Specialists for the Retail banking segment and Non-Financial Services Specialists and Insurance Specialists for the Corporate Banking segment will be operating in the branches to support Area Managers.

Under the 'Private Banking segment', 26 "Private Banking Branches", coordinated by 4 "Private Banking Areas", will be established as part of the full-scale overhaul of the Wealth Management business.

Banca Cesare Ponti will see its role evolve into becoming the Group's financial services advisor and Wealth Management product factory, specialising in the issuance of Investment Certificates and the design of Portfolio Management solutions which will be distributed by the other two Banks of the Group.

## 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) 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 and distributing asset management products through bank branches.

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 2021, 67,2 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 14,48 per cent. of total deposits and of 14,34 per cent. of total loans (Source: Bank of Italy, Matrice dei Conti, update to 31 December 2021 (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 2021, the personal financial advisory service for higher-profile customers is based on a total of 126 private banking relationship managers and 343 affluent banking relationship managers.

In addition to the personal financial advisory service, the Group provides financial advisory services for businesses, through the network of 137 corporate banking advisors and 331 small business advisors.

For the period 1° January 2021 – 31 December 2021, Banca Carige generated net interest and other banking income of EUR 388,8 million (EUR 378 million as of 31 December 2020). As of 31 December 2021, Banca Carige had total direct deposits of EUR 16,269 million, compared with EUR 15,927 million as of 31 December 2020, total indirect deposits of EUR 22,615 million, compared with EUR 22,850 million as of 31 December 2020, and total net loans to customers amounted to EUR 11,904 million, compared with EUR 12,036 million as of 31 December 2020.

As at 31 December 2021, direct funding was up 2.1% compared to 31 December 2020. More specifically, direct retail funding, for a total amount of EUR 13,348.3 million, has increased by 4.1% since December 2020, whereas institutional funding (EUR 2,921.1 million) has decreased as compared to EUR 3,103.6 million in December 2020 (-5.9%) following the repayment of Covered Bonds for a total of EUR 1,000 million. With regard to direct funding, amounts due to customers totalled EUR 13,644,4 million, up 6.4%, primarily on the back of a positive trend in current accounts and demand deposits, which account for 90.6% of the aggregate and amounted to EUR 12,356.4 million. Securities issued amounted to EUR 2,625 million, down 15.5% as compared to EUR 3,108.1 million as at December 2020 following the repayment of Covered Bonds for a total of EUR 1,000 million.

On 27 February 2019, the three ECB-appointed Temporary Administrators approved and presented to the market the 2019-2023 Strategic Plan, updated by them on 26 July 2019, which is intended to leverage the Bank's potential from a standalone perspective as the basis for a business combination, following three steps that build on one another:

- fortify the balance sheet and strengthen the capital position in 2019;
- reach break-even in 2020 based on short-term operating/business levers;

- return to profitability from 2021, building on the turnaround of previous years.

Despite the emergency situation related to the Covid-19 pandemic and the consequent significant change in the current and forward-looking macroeconomic context which had a remarkable impact on the economic and financial position of the Banca Carige Group, with respect to the target originally outlined in the 2019-2023 Strategic Plan, the Strategic Plan actions defined by the Temporary Administrators are confirmed by the Management. The Bank has made a revision of the 2020-2021 forecasts, approved by the Board of Directors on 15 July 2020, which, in addition to presenting an updated macroeconomic scenario, also incorporates a revised estimate of loans to customers and deposits from retail/corporate and institutional customers in line with the provisions of:

- the decrees issued by the Government in March and April (Decree-Law No. 18/2020 "Cura Italia" of 17 March 2020 and Decree-Law No. 23/2020 ("the Liquidity Decree") of 8 April 2020, partly amended in their subsequent conversions into law),
- the European Central Bank decision of 12 March 2020 (temporary authorisation to use the Pillar 2 Guidance and Capital Conservation Buffer, easing of conditions for the TLTRO III programme, an increase in the purchase of securities issued by individual countries), the ECB decision of 7 April 2020 (package of easing measures to enlarge the scope of eligible credit claims accepted as collateral for secured/guaranteed debt instruments issued, such as ABS securitisations or Covered Bond programmes, a.k.a. "collateral easing") and ECB decision of 30 April 2020 (further easing of TLTRO III conditions).

The revised forecasts additionally took account of the contents of the SREP Decision that the Bank received from the ECB in June 2020 at the end of the SREP conducted as at 31 December 2019.

Furthermore, on 15th October 2020, Banca Carige's Board of Directors has approved the review of the Group Service Model via a reorganisation of the whole commercial supply chain and sizeable IT investments designed to ensure the best customer proposition and service standards.

The revised 2020-2021 forecasts are essentially reflective of a significantly higher Parent Company's loss for 2020 and 2021 than projected in the 2019-2023 Strategic Plan Update approved by the Temporary Administrators in July 2019.

On 23 February 2021, Banca Carige's Board of Directors resolved to approve the Group's 2021 Budget and an updated revision of the 2023 targets of the Strategic Plan approved in 2019. The strategic guidelines set forth in the Strategic Plan approved in July 2019 are still the reference point for the Group's operations, despite the context of utmost uncertainty surrounding the impact that the spread of the Covid-19 virus will have in the medium-long term.

The revision of the Strategic Plan was prepared on the basis of an improving macroeconomics scenario, with an increase in long-term system rates and the implementation of the planned actions and estimating for 2021 a result substantially in line with the forecast for 2020 in the Strategic Plan and a consequent return to break-even in terms of gross profit in 2022 and a positive net result for the period starting from 2023.

On 10 January 2022, the Management Committee of the FITD - at the end of a comparative evaluation of the non-binding offers received and in-depth analysis and discussions conducted with a considerable number of parties potentially interested in acquiring the equity investment held by the FITD and the Schema Volontario in Banca Carige (79.99%) - resolved to grant BPER Banca S.p.A. an exclusive period of 4 weeks for the completion of a confirmatory due diligence and the definition and execution of a purchase agreement as soon as possible, and in any case no later than 15 February 2022.

BPER Banca S.p.A.'s offer was non-binding and provided for, in the event of completion of the transaction, the launch by BPER Banca S.p.A. of a takeover bid for the remaining shares of Banca Carige not held by the FITD and the Schema Volontario, for a consideration of Euro 0.80 per share.

On 14 February 2022 FITD has signed with BPER Banca S.p.A. the disposal agreement of the controlling interest (of approximately 80%) of the Bank's share capital held by FITD and by the Voluntary Intervention Scheme, with closing occurred on 3 June 2022.

## THE INTERNAL CONTROL SYSTEM

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

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

The corporate organisational system comprises 5 systems: (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.

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.

The active involvement of the Bank's governing bodies in adapting the corporate organisational system to the supervisory regulations is vitally important. The regulations set out precisely the duties and responsibilities of the governing bodies in defining the banks' internal control systems. The strategic supervision unit is in charge of defining the business model, the strategic guidelines, the acceptable levels of risk and approval of the most important company processes (e.g., risk management, assessment of company activities and approval of new products and services).

The individual processes making up the corporate organisational system are described in specific regulations which constitute the first level regulatory sources, 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) constantly 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 (a) the organisational risk of non-compliance of the internal process-governing rules with relative external rules (regulatory compliance), indicating the extent of any deviation from the external rules and (b) the organisational risk of non-compliance of the activities performed in the processes with the relative external rules (operational compliance), indicating the extent of any deviation from the external rules; (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.

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

Partly in the light of the observations made at Group level by the ECB within the Supervisory Review and Evaluation Process and further to subsequent inspections, the Parent Bank's Internal Auditing, Risk Management and Compliance functions are subject to close monitoring by both the functions and the Bank's competent operating units to ensure they are adequate in terms of qualitative and quantitative sizing, as a pre-requisite to obtain the adequacy of the Group wide risk monitoring and control system.

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 the verification of parameters that are deemed significant for the assessment of customer performance (the early warning) in order to identify and promptly manage any signs of impairment in the customer's creditworthiness and 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, via the Head of Compliance, to the governing and control bodies of the Company and Group banks.

Compliance performs the compliance risk controls for the Parent 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 in liquidation (with closing expected in the short term) and Creditis Servizi Finanziari S.p.A., until the company was sold on 26 March 2019.. The Anti-Money Laundering function operates on behalf of all the Group banks and is also authorized to report suspicious transactions for Creditis Servizi Finanziari S.p.A., until disposal of the company, and for Centro Fiduciario CF SpA, until its liquidation.

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) accurate recognition and measurement of all risks facing the Group; (ii) capital adequacy (also known as total 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.

### *Internal 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" designed on the basis of the model defined in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission ("CoSO") in its publication "CoSO's Internal Control Integrated framework", as well as, in relation to IT aspects, on the basis of the IT Control Objectives for Sarbanes-Oxley (consistent with the CobIT methodology) - 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.

The Manager responsible for preparing the Company's financial reports, with the support of the Accounting Control, follows a cycle and sequence of activities to obtain a complete picture of the administrative/accounting procedures and assess the adequacy and functionality of the relative controls. The various activities are grouped by sequence, nature and purpose into the following stages:

- assessment of controls (entity level controls) across the Group and monitoring of the adequacy of the administrative/accounting model;
- definition of the perimeter of activity and planning;
- formalisation of procedures and updating of existing procedures;
- identification and assessment of the risks and design of controls, as well as monitoring corrective action;
- testing controls in place;
- overall assessment of process controls in place.

The overall control assessment is therefore a combination of results of the design assessment and the assessment of the effective operation of the controls, and expresses the level of residual risk to which Bank is exposed.

Moreover, the process of the Manager responsible for preparing Banca Carige S.p.A.'s financial reports is supported by a "cascading" internal sub-certification mechanism through which the Manager regularly obtains validation from the internal organisational units on compliance with the procedures and execution of the controls required, relating to the administrative and accounting areas and aimed at the correct preparation of financial statements.

The Manager responsible for preparing the Group's financial reports, informs the Board of Directors, the Board of Statutory Auditors, the Risk Committee and the Supervisory Body of Banca Carige S.p.A. every six months - pursuant to Legislative Decree No. 231/2001 - on the activities performed and the main outcomes, with particular reference to changes in administrative/accounting procedures, assessments of how controls are designed (with evidence of main deficiencies identified and corrective actions required) and assessments on the actual application of the existing controls and any emerging irregularities.

### **(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 functional efficiency of the Internal Control System 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 Internal Control System.

The audit model covers all company processes and all Group entities. It applies to both process audits and network audits, throughout the audit life cycle, with the support of dedicated IT tools for the various steps: (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. A similar strategy was adopted by Creditis Servizi Finanziari S.p.A, until its disposal on 26 March 2019.

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, 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 2019" which can be accessed on the website [www.gruppocarige.it](http://www.gruppocarige.it).

It should be noted that, from 2 January 2019, the date on which the ECB decided to place the Bank under Temporary Administration, until expiry of this measure - which ordered the appointment of three Temporary Administrators, who carry out their tasks pursuant to art. 72 of Legislative Decree no. 385/1993 (Consolidated Law on Banking - TUB), exercising all of the Board of Directors' functions and powers under the Bank's Articles of Association and the applicable regulations in force, with the Board internal committees temporarily ceasing to hold office - the references made in this document to the Board of Directors and CEO shall be understood as referring to the Temporary Administrators, pursuant to the following criteria:

1. the three Temporary Administrators jointly exercised the powers with which the Board of Directors and the relating Board-internal committees are vested;
2. the three Temporary Administrators severally exercised the powers with which the Chief Executive Officer, including in his capacity as General Manager, was vested by the Board of Directors on 21 September 2018.

## **Credit Risk**

1. General aspects

The Parent Company's credit proposition mainly targets households, small businesses, small and medium sized companies.

The Parent Company pursues the policy of consolidating its current market leadership position through actions to increase the level of penetration on current customers, mainly via cross-selling, in any event without neglecting new business initiatives. Growth-boosting activities are mainly focused on consumer and corporate customers in the higher-potential geographical areas and business segments.

The main objective outside the Liguria region is to make the most of the network's potential to expand the customer base, especially in northern Italy and Tuscany, with particular reference to consumer and retail and mid-corporate customers.

The main guidelines for the Group's credit policies comprise:

- credit risk mitigation, to be pursued through the selection of customers during the loan granting phase and the monitoring of loan impairment dynamics to minimise the generation of new nonperforming loans;
- remixing of the loan book in accordance with the prospects for growth in the markets of operation;
- mitigation of concentration risk for loans to single-name customers or customer groups;
- simplification of the range of credit products offered.



## 2. Credit risk management policies

### Organisational aspects

The lending process provides for decision-making decentralisation within the scope of the decision-making powers defined by the Parent Company's Board of Directors. Credit facility proposals are normally prepared by bank branches and advisory teams, then submitted for approval by the authorised decision-making bodies -both "peripheral" and "central"- on the basis of qualitative and quantitative aspects of the credit facilities and expected loss assigned to the borrower for rated segments. Subsidiary banks act within the limits of their powers and restrictions as established by the Parent Company, through specific directives issued in accordance with Group Regulations under the existing statutory framework.

### Management, measurement and control systems

In relation to decision-making decentralisation, central organisational units have been assigned the task of verifying that assumed risk levels comply with the strategic policies formulated by the Boards of Directors, with regard to counterparty credit ratings and in terms of formal compliance with internal and external codes of conduct.

The Carige Group credit risk measurement, management and monitoring process involves:

- Credit Risk Management, aimed at the strategic governance of the Group's lending activities, through portfolio quality monitoring based on the performance analysis of risk indicators from rating sources (PD, LGD and EAD) and other aspects of interest, with accurate control of compliance with the limits required by supervisory regulations for risk concentration and capital adequacy with respect to credit risk taken;
- 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 normalisation, they are classified as non-performing.

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

Internal rating models were developed by the Company based on historical data for the Retail segment (Consumers, Small market players and Small Businesses) and corporate segment (SMEs and Large corporate). Banca Carige also implemented models for determining probability of default (PD), loss in the event of insolvency (Loss given default – LGD), exposure in the event of insolvency (Exposure at default –EAD), at a consolidated level.

The information sources used to estimate the probability of default (PD) pertain to three main areas of analysis that are used in varying degrees for the assessment of the segment by bank branches: financial information (financial statement data), performance-related information (in-house data and Central Credit Register data) and customer records. With regard to the SME and Large Corporate segments, the statistical rating override procedure makes it possible to take account of significant data for the purpose of correct customer classification.

Expected Loss (the product of PD, LGD and EAD) is the parameter used to determine the decision-making route for loan applications in relation to borrowers from the retail segment (Consumers, Small market players and Small Businesses) and the Corporate segment (SMEs and Large Corporate).

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

As part of stress testing and the ICAAP process, the Banca Carige Group has adopted a portfolio model that complements the internal rating model in use to assess the Pillar 2 capital requirement. In particular, the model is based on the alignment of the econometric model with the methodology used by the ECB for Macroprudential

Supervision purposes: i.e. an Autoregressive Distributed Lag Model with bayesian model average based on a breakdown of the loan portfolio in geo-sectoral clusters.

Finally, the Banca Carige Group carries out stress tests aimed at identifying risk limits to monitor credit risk and ensure that strategic objectives are achieved.

## **Market Risk**

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

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

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

### **A. General aspects**

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

The main sources of price risk are activities carried out on equity-related financial assets, equity funds and equity derivatives.

The regulatory trading portfolio has a prudential risk profile, mainly due to the very limited size of the portfolio. The modified duration of the portfolio –net of the intra-group component– was approx. 0.01 as at 31/01/2020, whereas the average value throughout 2019 was around 0.02.

### **B. Management processes and measurement methods for interest rate and price risk**

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 Value at Risk (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 (Other Business Model - OBMFT) and the risks associated with financial instruments allocated in banking book portfolios (HTC&S and HTC), 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 control this risk, the Banca Carige Group adopted a specific Operational Risk Management (ORM) framework that provides for a process of identification of operational risks, aimed at measuring and collecting operational risk information through the coherent and coordinated processing of all relevant sources in order to build a complete and coherent database with the Group's activity.

Consistent with the principle of safeguarding the clarity and logical coherence of the framework adopted, this information is collected on the basis of some reference models aimed at ensuring a uniform classification of the data itself. These models are the basis of the two processes characterizing the identification of operational risks:

- the collection of operational losses (LDC – Loss Data Collection), in order to build a dataset of operational risk events;
- the self-assessment activity on operational risks, aimed at a future assessment of exposure to operational risks.

The Loss Data Collection process consists in the structured collection of information about operational (and reputational) events occurring within the Group's operations. The Group has implemented a methodology to ensure the availability of uniform, complete and reliable data, a prerequisite for the use of operational risk measurement and management tools. The method of collection is defined continuously to intercept malicious events in the shortest possible time period. Specifically, the operating event collection system involves the Bank's departments in identifying and reporting operational events; this will be increasingly decentralised over time. The involvement of the Bank's departments at different levels also aims to guarantee a higher quality of the information collected, as this is done by expert risk owners of the activities under their own responsibility, who progressively certify the correctness and conformity of the loss data, leading to a more aware use, also from a strategic viewpoint

integrated in the decisions taken by the Management. The objective of this process of gathering operational and reputational events is therefore to build a solid and structured system with all the historical loss data, ensuring the timely reporting and management of events and the completeness and coherence of the information collected, also to appropriately identify any mitigation actions to be taken and therefore prevent operational and reputational risk events from reoccurring.

The process of Risk Self-Assessment is built with a forward-looking approach, identifying and evaluating the potential occurrence of operational events. The methodology implemented by the Banca Carige Group aims, through the collection of subjective ex-ante estimates, provided by the professional experts within the Group, to obtain a set of information useful for identifying and evaluating the potential degree of exposure to operational risks. Subjective estimates collected during the risk self-assessment process help to identify the Group's vulnerable areas and consequently define mitigation actions. The methodology implemented by the Banca Carige Group requires the risk self-assessment to be carried out at company level by the Operational Risk Control office on an annual basis. The result of the aggregation of the evaluations provided by the risk owners and any mitigation actions to be implemented are presented to the Board of Directors.

In 2019, a new specific framework for IT risk measurement, monitoring and management was implemented, taking due account of recent regulatory updates and the new layout of the Group after the IT systems were fully outsourced.

The Operational Risk Management Framework also includes a measurement, management and reporting phase.

For the purpose of quantifying its First Pillar capital, the Group has been using a "standardised" measurement approach since 31/12/2015, which involves measuring the capital requirement separately for each individual regulatory business line on the basis of a relevant indicator and specific, predetermined risk ratios. The Business lines and their ratios are defined by the Supervisory Authority (Title III of EU Regulation 575/2013). For the purposes of measuring Pillar 2 capital (ICAAP), an operational risk VaR model was developed, duly calibrated and benchmarked against strategic guidelines, using the Group's time series of operating losses.

With a view to progressive development, the management process involves the definition of operational risk assumption, reduction and transfer policies to be implemented in relation to the exposure to the Group's operational risk. This process is carried out on the basis of a conscious, targeted and objective cost/benefit analysis carried out by organisational bodies with the support of the CRO area. In general, the management tools available are: 1) reducing risk, i.e. reducing risk exposure through the implementation of risk mitigation and prevention actions. Generally this choice is connected to events with a high frequency of occurrence and a low economic impact; (2) the transfer of risk which provides for the use of traditional insurance mitigation or other techniques based on financial schemes (i.e. Alternative Risk Transfer), which, while leaving the risk factors unchanged, allow the transfer of the relevant financial impact. This choice is generally connected to events with a low frequency of occurrence and higher impact; 3) the assumption of risk (passive management) foresees the acceptance by the Group of a certain level against which capital should be set aside. This choice is generally connected to events with a low frequency of occurrence and lower impact.

The Banca Carige Group has also implemented a process of monitoring and reporting of operational risks, deriving from the results obtained from the processes of identification, measurement and management of operational risks, in order to analyse and monitor the evolution of the exposure over time and guarantee adequate information towards the Top Management in a strategic and operational perspective.

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.

## **Liquidity Risk**

Liquidity risk, in its main meaning as funding liquidity risk, is the risk of the Bank not being able to meet its cash outflow obligations (both expected and unexpected) and its need for collateral at an economical price, without jeopardising the core business or financial situation of the Group. Liquidity risk can be generated by events that are closely connected with the Group and its core business (idiosyncratic) and/or with external events (systemic).

The Board of Directors of the Parent Company defines the strategic policies and guidelines related to the assumption of liquidity risk. The Risk Control Committee monitors the dynamics of liquidity risk and compliance with the limits, whereas the Finance and ALM Committee monitors the actions for managing liquidity risk, which

are operationally implemented by the Finance department. The Risk Management Department regularly guarantees the measurement and control of the Group's exposure to operational (short-term) and structural (medium-long term) liquidity risk.

The objective of controlling operational liquidity (short-term) is to guarantee that the Group will be able to face its expected and unexpected payment obligations over a reference period of 12 months, without jeopardising day-to-day operations. Operational liquidity is measured and monitored on a daily basis, using the operational maturity ladder. The operational maturity ladder enables an analysis of the distribution of positive and negative cash flows over time, any gaps, as well as the reserves (counterbalancing capacity) that are available to deal with such gaps.

The Risk Management Department constantly monitors the observance of the operating limits that apply to the balances of cash flows only, or to the total balances of cash flows and reserves. The Group also performs a stress test activity against the maturity ladder in use with a view to analysing the effect of exceptional albeit realistic crisis scenarios on the liquidity position and assessing the adequacy of liquidity reserves in place.

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

The Group's treasury position as at 31 January 2020 shows an amount of unencumbered collateral and liquidity reserves that is adequate to meet future commitments.

The objective of controlling structural liquidity is to guarantee the maintenance of a suitable ratio between assets and liabilities, establishing restrictions to the possibility of financing medium-term assets with short-term liabilities and therefore limiting pressure on short-term funding.

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

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

Medium/long-term liquidity management policies, at Group level, take these limits into account when planning strategies and budget.

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

## 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 was established to meet any potential losses from legal proceedings in progress, for which a reliable estimate of contingent liabilities can be made in accordance with IAS 37. As at 31 December 2021, the provision totalled EUR 21.8 mln, (EUR 27.5 mln as at 31 December 2020) of which EUR 19.1 mln for lawsuits filed against the Bank and bankruptcy clawback actions, for which the future expenditure and length of the dispute settlement process have been estimated.

The above provisions included specific amounts set aside in relation to disputes relating to compound interest (*anatocismo*). 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

*Claims for damages resulting from the shareholders' resolution of 20 September 2019, for increasing the share capital by EUR 700 mln, including share premium, with the exclusion of the right of option.*

At the end of 2019 and during 2020, the Bank was notified by the court of a series of particularly significant claims for damages, totalling approximately EUR 500 mln.

In particular, reference is made to:

- a) the writ of summons claiming for damages of approximately EUR 539.1 mln served by Malacalza Investimenti on 16 January 2020, with the defendants being the Bank, together with the Voluntary and Mandatory Intervention Scheme of the Italian Interbank Deposit Protection Fund (FITD) and Cassa Centrale Banca;
- b) the writ of summons claiming for an indefinite amount, which was proposed by the representative of the savings shareholders on 2 December 2019 to protect the interests of savings shareholders;
- c) the writ of summons proposed by a number of shareholders on 16 January 2020 for a claimed amount of approximately EUR 11.8 mln.

While taking into account the specific nature of each type of action, the lawsuits initiated by the shareholders seek compensation for the damages they believe they have suffered as a result of the capital increase resolution adopted by the Shareholders' Meeting on 20 September 2019.

The first instance, filed and published on 26 November 2021, rejected and/or declared barred to further proceedings and/or inadmissible all the plaintiffs' claims, also denying the counterclaim brought by the Bank. Activities are underway for the Bank to appeal the second-instance judgement.

In response to these summons, the Bank's units in charge obtained support from legal experts appointed to form an independent judgement on the risk of losing. The analyses carried out to date have led the Bank's units to conclude that, on the basis of the information available at the moment, the risk of losing is to be considered remote.

*Writ of summons brought against the Bank by the common representative of the savings shareholders Mr. Michele Petrera*

With the writ of summons notified on 17 August 2020, the common representative of savings shareholders proposed to challenge the Shareholders' meeting resolutions of 29 May 2020, with reference to the two resolutions passed by the extraordinary session of the Shareholders' meeting concerning (i) the optional conversion of the Bank's savings shares into ordinary shares according to the pre-defined conversion *ratio* and (ii) the reverse split of ordinary and savings shares outstanding, at a ratio of one new ordinary share for every one thousand ordinary shares outstanding. According to plaintiff's memorandum, the disputed resolutions are reflective of a de facto exclusion of savings shareholders from the Bank's shareholding structure. In addition to challenging the Shareholders' Meeting resolutions and requesting their suspension, the plaintiff also submitted a claim for unspecified damages.

The related judgement, in favour of the Bank, ruled that, next to its invalidity, the compensation claim must be rejected due to the lack of locus standi of the common representative of the savings shareholders since such a claim cannot be included among the initiatives to protect the common interests of the savings shareholders.

The ruling was appealed by the counterparty on 29 December 2021. Activities are underway for the Bank to appeal the second-instance judgement.

The analyses and deep dives carried out with assistance from the Bank's legal team have led it to conclude that, on the basis of the information available at the moment, the risk of losing is remote.

*Writ of summons brought by the liquidator in the insolvency proceedings of the "Madoff Fund"*

On 17 October 2011, a writ of summons was served by which the liquidator in the insolvency proceeding of the fund Bernard L. Madoff Investment Securities LLC ("the Madoff Fund") ordered Banca Carige to refund \$ 10.5 mln, received as repayment of the investments held in the Fairfield Sentry Limited hedge fund (the "Sentry Fund"). Similar initiatives were taken against multiple other investors. At the time of the request for refund, i.e. 29 August 2007, Banca Carige and the markets were unaware of the potential insolvency of the Madoff conglomerate, nor were they aware of facts or confidential information that might lead them to believe that default was imminent. On 29 March 2012, the Bank filed a motion to withdraw the reference with the District Court of New York to request the transfer of certain issues from the Bankruptcy Court to the District Court. The motion was accepted on 15 May 2012, along with similar motions filed by many other investors, and the issues raised in the motion were therefore referred to the District Court, which, on 30 October 2013, ruled against them. On 21 November 2016, the Bankruptcy Court issued an order not to proceed with the bankruptcy clawback suit against Banca Carige and 90 other defendants, considering that it was duplicating other proceedings brought by the receivership of the Fairfield Sentry Fund. In March 2017, the liquidator of Madoff appealed before the Court of Appeals in New York against the order to dismiss the action against the Bank. On 3 April 2019, the Court upheld the liquidator's claims, ruling that the over 90 clawback lawsuits brought by the liquidator could continue even against investors such as the Bank that had not invested directly in the fund Bernard L. Madoff Investment Securities LLC, but rather in its Feeder-Funds, such as those of the Fairfield Sentry group, which in turn were placed under compulsory liquidation in the British Virgin Islands. An appeal against this latter decision was brought before the Supreme Court by the defendant Banks and the cases were suspended for several months pending the Court's ruling.

Expressly, it should be noted that the Bank, through its legal counsel, prepared a motion to dismiss for lack of jurisdiction (to be filed in January 2022) because no actions connected with the Madoff fund were taken in New

York. When filing this motion, the Bankruptcy Receivers could try to obtain proof to the contrary by starting a discovery action on the Bank's activities in New York during the 2007-2010 period.

On 23 March 2012, the liquidator of the insolvency proceeding of the Sentry Fund ordered (i) Banca Carige S.p.A. to refund \$10,532,489.00, received as repayment of the investments held in the Sentry Fund, (ii) Banca Ponti S.p.A. (now Banca Carige S.p.A., following the merger by absorption on 26 November 2010) to refund \$2,182,155.91, received as repayment of the investments held in the Sentry Fund. These two acts -which should be construed in light of the foregoing circumstances- represent for Banca Carige S.p.A. a duplication of the motion filed by the Madoff Fund. The Bank did not respond to the challenge notified by the Liquidator of the Sentry Fund, because all the proceedings initiated by the Liquidator of the Sentry Fund before the Bankruptcy Court of New York (under Section no. 304, aimed at revoking repayments made by investors in the Sentry Fund) were suspended by order of the Bankruptcy Court of New York, following the *lis pendens* brought by the Liquidator of the Sentry Fund before the court of the British Virgin Islands, where the liquidation of the Sentry Fund had been initiated, and which concerns the revocability of repayments made to investors such as the Bank. The proceedings were suspended for about 5 years and, after first and second instance, the Supreme Court of London, which also has jurisdiction over the British Virgin Islands, upheld the defendants' case and declared the clawback suit unfounded. The Liquidator then brought his action before the District Court of New York to revoke the payment between the British Virgin Islands Fund and approximately 600 other defendants, obtaining permission to file a writ of summons in the proceedings that was modified with respect to the original writ which the defendants had objected to. On 6 December 2018, the judge of the Bankruptcy Court of New York issued an order, precluding the ordinary clawback lawsuits, inasmuch as the jurisdiction clause provided for in the contract for the subscription of the fund's units had no value *vis-à-vis* foreign counterparties, whereas the bankruptcy clawback suit based on the British Virgin Islands bankruptcy law was not deemed precluded. Therefore, the Liquidator was granted the right to amend its writ of summons to confine it to claims not precluded by the rejection order and is awaiting a hearing at the Bankruptcy Court of New York. The Liquidator has filed the amended writs of summons and the defendants are likely to file a new motion to dismiss. Moreover, the Liquidator has appealed the decision of the Bankruptcy Court of New York and all other 238 appeals were combined into one single appeal. The trustee filed modified summons and the defendants filed a new rejection request which was accepted on 14 December 2020.

The analyses and deep dives carried out with assistance from the Bank's legal team have led it to conclude that, on the basis of the information available at the moment, the risk of losing is remote.

*Writ of summons brought by Saba Marco before the Court of Genoa for the assignment of money found or compensation for the discovery of money allegedly found and not accounted for among the assets in the financial statements*

In the dispute brought by Mr. Marco Saba and Mana Bond Ltd to obtain the declaration of the "discovery" of off balance-sheet monetary assets amounting to Euro 25,476,000,000.00 and the consequent right to a fee of 5% (Euro 1,273,800,000) pursuant to art. 930 of Civil Code, the judgement of first instance rejected the applicant's claims with an order to pay the costs; the counterparty appealed with a concurrent request to suspend the enforceability of the appealed judgement. The Court of Appeal of Genoa has accepted the request for suspension of the provisional enforcement of the judgement at first instance on conviction point and referred the case for clarification of the Form of Order Sought at the hearing on October 14, 2021. Then, at the next hearing on December 16, 2021, the Court withheld the case for the decision with the usual time limits for filing closing statements and responses.

With the support of its legal advisors, the Bank considers the claim unfounded and the relative risk of losing as remote.

*Criminal proceedings against the Bank's former Chairman Giovanni Berneschi*

Further to investigations by the Genoa Public Prosecutor's Office into the Bank's former chairman, Giovanni Berneschi, criminal proceedings have been initiated in the Court of Rome, for reasons of territorial jurisdiction, charging obstruction of public regulators (Article 2638 of the Italian Civil Code) and market manipulation (Art. 2637 of the Italian Civil Code). The charges have been levelled against Mr. Berneschi and the entire Board of Directors in office at the time of the facts, while the charge of obstruction of public regulators also extends to the General Manager and other executives in office at that time.



Under these proceedings, Banca Carige has been indicted pursuant to Art. 25-ter, letters s) and r) of Legislative Decree No. 231/2001 for its alleged responsibility for offences committed in its interest or for the benefit of senior executives.

Acting as civil plaintiffs in the case are the Bank of Italy and Consob (regarding the obstruction clause only), Codacons (both charges), and various shareholders (market manipulation). The Bank has also received various summons for civil liability.

At the hearing of 18 January, 2021, the Court pronounced a ruling of acquittal because prosecution of the individuals for the offence referred to in Article 2637 of the Italian Civil Code only is time-barred, so all the numerous shareholders who had joined the proceedings as civil parties in relation to this charge were excluded from the trial. The Court then adjourned the case to subsequent hearings in 2022 to examine further defence witnesses and to begin the examination of technical consultants.

The analyses and deep dives carried out with assistance from the Bank's legal team, concerning the Bank's role as criminal defendant pursuant to Legislative Decree No. 231/2001 (possible punishment and seizure of illicit gains) and the claims for damages filed by the plaintiffs, have led it to conclude that, on the basis of the information available at the moment, the risk of losing is possible.

#### *Criminal proceedings against members top management*

On 3 June 2021, Banca Carige was notified of a measure to extend the deadline for conclusion of preliminary investigations in the context of pending criminal proceedings against members top management (Managing Director in office at the time of the facts and Manager in charge) at the Ordinary Court of Milan concerning events that occurred on 3 and 13 August 2018.

On 25 January 2022, a notice of conclusion of the investigations has been received.

The complaint relate to the case of crime provided for by articles 2622 of the Italian Civil Code (false corporate communications of listed companies) and 185 of the Financial Services Act (market manipulation) and concern Banca Carige as they relate to alleged offences constituting crimes assumption of the responsibility of the entities pursuant to Legislative Decree No. 231/2001.

The Bank still can't estimate the risk.

## MATERIAL AGREEMENTS

### Sale of NPLs

In line with the 2019 - 2023 Business Plan and, particularly, the NPE strategy of the Banca Carige Group, the Group continued the derisking process aimed at reducing its portfolio of non-performing loans.

On 15 and 16 November 2019, the banks of the Banca Carige Group and AMCO S.p.A. (former Società per la Gestione di Attività - SGA S.p.A.) entered into two agreements ("project Hydra") for the disposal of non-performing loans, one in relation to the leasing portfolio for a GBV of EUR 177 mln as at 30 June 2019 and another concerning the remaining portion of the non performing portfolio for a GBV of EUR 2,609 mln as at the same date, respectively at a sale price of EUR 48 mln (leasing portfolio) and EUR 1,001 mln (remaining part of NPL portfolio held for sale).

On 10 September 2020, Banca Carige, AMCO S.p.A. (AMCO), operating in the NPE sector, Marinvest S.r.l. (Marinvest) and the company Ignazio Messina & Co. S.p.A. (Messina Group) announced the agreements for the restructuring of the Messina Group, which was the pre-condition for Banca Carige to definitively sell part of its Messina Group receivables to AMCO for an overall GBV of EUR 324.3 mln as at 30 June 2020.

The newco, Ro.Ro. Italia S.p.A., 52% owned by Marinvest and 48% owned by the Messina Group, has taken over the outstanding portion of Carige's loan exposure to the Messina Group, consisting in shipping loans.

On 16 December 2020, AMCO signed an agreement with Banca Carige for the without recourse (*pro soluto*) block purchase - pursuant to Article 58 of Legislative Decree No. 385 of September 1, 1993 - of a portfolio of non-performing exposures. The portfolio has a gross book value of EUR 54 million, mostly related to corporate counterparties (100% unsecured), entirely classified as of non-performing loans (NPLs). The transaction is legally effective as from 16 December 2020 and economically effective as from 1 July 2020.

On 22 March 2021, AMCO and Banca Carige announced the closing of the transaction regarding the transfer of a portfolio of non-performing loans arising from leasing contracts included in the scope of disposal defined by the parties in December 2019.

The above transaction - which became legally effective on 20 March 2021 with economic effects since 1 January 2021 - relates to the disposal of a portfolio of bad loans and UTPs of approximately EUR 70 million of GBV, arising primarily from real estate leasing contracts.

On 20 December 2021, Banca Carige and AMCO announced the closing of the transfer of a portfolio of non-performing assets arising from lease agreements.

Legally effective from 17 December 2021 and economically effective from 1 July 2021, the above transaction sees the disposal of a portfolio of bad loans and UTPs with a GBV of approximately EUR 17.7 million, arising primarily from lease agreements without underlying assets or with underlying real estate or instrumental assets.

### 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 EUR 10.7 million, with an estimated positive impact of approximately EUR 40 million on the TCO ("Total Cost of Ownership") over the time horizon of the 2017-2020 Business Plan.

In June 2020, Banca Carige sold its participation corresponding to approximately 19% of the share capital of Dock to IBM, following the exercise, by the latter, of the irrevocable option to purchase the entire Carige shareholding, contained in the shareholders' agreements entered into by the Bank and IBM at the time of Dock's establishment.

The consideration for the transaction amounts to EUR 2.1 mln and was determined by Deloitte Financial Advisory S.r.l. based on the estimated book value of Carige's shareholding in Dock.

## 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 seven to fifteen directors.

On 1 June 2022, all members of the Board of Directors have irrevocably and unconditionally tendered their resignation from their positions as directors, as of the date of the Ordinary Shareholders' Meeting to be convened on 15 June 2022.

The resignation of the members of the Board of Directors were tendered within the scope of the execution of the agreement for the disposal of the FITD and VIS' controlling interest in the Bank's share capital to BPER Banca S.p.A., as well as in light of stipulations that are strictly necessary for the execution of the transaction between the parties of the disposal agreement.

As of the date of this Base Prospectus, the Board of Directors is composed by the following ten members appointed by the Shareholders meeting on 31 January 2020. The exceptions are Dr. Paolo Ravà, co-opted on 14 October 2020 and appointed by the Ordinary Shareholders' Meeting of 22 February 2021, and Dr. Giuseppe Boccuzzi appointed by the Ordinary Shareholders' Meeting of 22 February 2021.

<i><b>Name</b></i>	<i><b>Position</b></i>	<i><b>Place and date of birth</b></i>
<i>Giuseppe Boccuzzi</i>	<i>Chairman</i>	<i>Bollate (MI), December 7, 1954</i>
<i>Paolo Ravà</i>	<i>Deputy Chairman</i>	<i>Genova, January 24, 1965</i>
<i>Francesco Guido</i>	<i>Chief Executive Officer</i>	<i>Lecce, January 7, 1958</i>
<i>Sabrina Bruno</i>	<i>Director</i>	<i>Cosenza, January 30, 1965</i>
<i>Lucia Calvosa</i>	<i>Director</i>	<i>Roma, June 26, 1961</i>
<i>Paola Demartini</i>	<i>Director</i>	<i>Genova, May 31, 1962</i>
<i>Miro Fiordi</i>	<i>Director</i>	<i>Sondrio, November 20, 1956</i>
<i>Gaudiana Giusti</i>	<i>Director</i>	<i>Livorno, July 14, 1962</i>
<i>Francesco Micheli</i>	<i>Director</i>	<i>Roma, January 3, 1946</i>
<i>Leopoldo Scarpa</i>	<i>Director</i>	<i>Venezia, June 16, 1951</i>

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 (i.e. Via Cassa di Risparmio 15, 16123, Genoa, Italy).

All Board of Directors' 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.

<b>Nome e Cognome</b>	<b>Company Office and/or Stake in the Company</b>	<b>Position</b>
<i>Giuseppe Boccuzzi</i>	/	/
<i>Paolo Ravà</i>	<i>C. Steinweg GMT S.r.l.</i>	<i>Director</i>
	<i>Genova High Tech S.p.A.</i>	<i>Chairman of the board of statutory auditors</i>
	<i>Fos S.p.A.</i>	<i>Chairman of the board of statutory auditors</i>
	<i>Stazioni Marittime S.p.A.</i>	<i>Statutory Auditor</i>
<i>Francesco Guido</i>	<i>Rosa Aulentissima S.r.l.</i>	<i>Partner and Director</i>
<i>Sabrina Bruno</i>	<i>Luxvide Finanziaria per iniziative audiovisive e telematiche –S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Gestore dei Mercati Energetici S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
<i>Lucia Calvosa</i>	<i>ENI S.p.A.</i>	<i>Chairman</i>
	<i>CDP Venture Capital SGR S.p.A.</i>	<i>Director</i>
	<i>AGI S.p.A.</i>	<i>Chairman</i>
<i>Paola Demartini</i>	/	/
<i>Miro Fiordi</i>	/	/
<i>Gaudiana Giusti</i>	<i>A2A S.p.A.</i>	<i>Director</i>
	<i>Saes Getters S.p.A.</i>	<i>Director</i>
<i>Francesco Micheli</i>	/	/
<i>Leopoldo Scarpa</i>	/	/

The Issuer and its corporate bodies have adopted internal measures and procedures to guarantee compliance with the relevant regulation on board member conflict of interest.

\* \* \* \* \*

## 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:

<b>Name</b>	<b>Position</b>	<b>Place and date of birth</b>	<b>Start Date</b>
<i>Gabriele Delmonte</i>	<i>Chief Lending Officer</i>	<i>Parma, May 18, 1961</i>	<i>May 11, 1993</i>
<i>Gianluca Guaitani</i>	<i>Chief Commercial Officer</i>	<i>Milan, December 19, 1969</i>	<i>January 19, 2017</i>
<i>Paolo Sacco</i>	<i>Chief Operating Officer</i>	<i>Genoa, July 4, 1969</i>	<i>April 16, 1993</i>
<i>Fabio Genovese Cicogna</i>	<i>Chief Financial Officer</i>	<i>Venice, February 11, 1959</i>	<i>January 7, 2019</i>
<i>Diego Biondo</i>	<i>Chief Risk Officer</i>	<i>Ivrea, November 10, 1967</i>	<i>September 8, 2020</i>
<i>Mauro Mangani</i>	<i>Manager responsible for preparing the financial statements</i>	<i>Genoa, March 27, 1974</i>	<i>February 3, 2016</i>
<i>Maurizio Zancanaro</i>	<i>Chief Wealth Officer</i>	<i>Turin, July 21, 1957</i>	<i>November 8, 2018</i>

Mr. Paolo Sacco holds the position of Director in Caricese S.r.l. and in ABI Lab – Centro di Ricerca e Innovazione per la Banca; the other senior managers of the Group do not hold positions in other companies outside the Group and do not have any conflicts or potential conflicts of interest between their duties to Banca Carige and their private interests or other duties.

Furthermore, with reference to the Group companies, Mr. Paolo Sacco is Director of Banca Cesare Ponti S.p.A., Gabriele Delmonte is Vice President of Banca del Monte di Lucca S.p.A. while Fabio Genovese Cicogna is Director of Banca del Monte di Lucca S.p.A.

### Board of Statutory Auditors

The Italian Civil Code requires the Issuer to have a Board of Statutory Auditors which functions as a supervisory body.

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 (if appointed), 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.

As of the date of this Base Prospectus, the Board of Statutory Auditors is composed by three members; Prof. Alberto Giussani was appointed by the Shareholders meeting on 31 January 2020. Prof. Biancamaria Raganelli and Mr. Diego Agostino Rigon were appointed by the Shareholders meeting on 28 July 2021.

The following table sets forth the current members of the Company's board of statutory auditors and their respective place and date of birth:

<u>Name</u>	<u>Position</u>	<u>Place and date of birth</u>
Alberto Giussani	Chairman	Varese, August 23, 1946
Biancamaria Raganelli	Statutory Auditor	Palestrina, March 11, 1975
Diego Agostino Rigon	Alternate Auditor	Vicenza, October 15, 1966

The business address for each of the members of the Board of Statutory Auditors is the registered office of the Company (i.e. Via Cassa di Risparmio, 15, 16123, 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; Prof. Giussani and Mr. Rigon are also 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.

<u>Name</u>	<u>Company</u>	<u>Position</u>
Alberto Giussani	Findova S.r.l.	Sole Auditor
	Sorge S.r.l.	Auditor
	Masco Group S.r.l.	Chairman of the board of statutory auditors
	Immobiliare Giulini Tre S.r.l.	Statutory Auditor
	Servizi aziendali Pricewaterhousecoopers S.r.l.	Statutory Auditor
	Osva S.r.l.	Auditor
	Pricewaterhousecoopers S.p.A.	Chairman of the board of statutory auditors

<b>Name</b>	<b>Company</b>	<b>Position</b>
Biancamaria Raganelli	Editrice Minerva Bancaria S.r.l.	Director
	P&G SGR S.p.A.	Director
	Telsy S.p.A.	Statutory Auditor
	TIM Retail S.r.l.	Statutory Auditor
	Telecontact Center S.p.A.	Statutory Auditor
Diego Agostino Rigon	Farmacia Alla Fortuna S.r.l.	Director
	Farmacia Carllassare S.r.l.	Chairman of the Board
	Globus Servizi S.r.l.	Partner
	Helty Pharma S.r.l.	Chairman of the Board
	Helty S.p.A.	Chairman of the Board and Partner
	Ma.He S.r.l.	Chairman of the Board
	A.F. Bioenergie S.r.l.	Chairman of the board of statutory auditors
	Allitude S.p.A.	Chairman of the board of statutory auditors
	Claris Rent S.p.A.	Chairman of the board of statutory auditors
	Essicatoio Cooperativo Prodotti Agricoli Soc. Coop.	Chairman of the board of statutory auditors
	Holding Olivotto S.p.A.	Statutory Auditor
	L.E.G.O. Immobiliare S.r.l.	Statutory Auditor
	L.E.G.O. S.p.A.	Statutory Auditor
	Lovato S.p.A.	Statutory Auditor
	O.M.P.A.R. S.r.l.	Auditor
	Padova star S.r.l.	Statutory Auditor
	Taco Italia S.r.l.	Statutory Auditor
	Trivellato S.p.A. unipersonale	Statutory Auditor
	Trivellato Veicoli Industriali S.r.l.	Statutory Auditor
	Velcofin S.r.l.	Auditor
	Videomedia S.p.A.	Statutory Auditor

### Committees of the Board

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, as of the date of this Base Prospectus:

- the Risks Committee comprising four members: Miro Fiordi (Chair), Paola Demartini, Paolo Ravà and Leopoldo Scarpa;
- the Related Parties Committee comprising three members: Gaudiana Giusti (Chair), Lucia Calvosa and Francesco Micheli;
- the Nomination, Governance and Sustainability Committee comprising three members: Lucia Calvosa (Chair), Giuseppe Boccuzzi and Sabrina Bruno;
- the Remuneration Committee comprising three members: Francesco Micheli (Chair), Sabrina Bruno and Miro Fiordi.

### Conflict of interests

At the date of this Base Prospectus no member of the Board of Directors and the Board of Statutory Auditors is subject to potential conflict of interest between their obligations arising out of their office or employment with the Issuer or the Banca Carige Group and any personal or other interests.

Furthermore, the 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 17 June 2021. 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 in which such officers have an administrative, management or control functions.

As at the date of this Base Prospectus no member of the Board of Directors is subject to potential conflict of interest between their obligations arising out of their office or employment with the Issuer or the Banca Carige Group and any personal or other interests.

The Issuer and its corporate bodies have adopted internal measures and procedures to guarantee compliance with the relevant regulation on board member conflict of interest.

### **Board of Directors' compensation**

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 chairman, the CEO, the members of the Executive Committee (if appointed) 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 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 (if appointed) 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 Company's remuneration policies are submitted to the Shareholders' meeting for review on an annual basis.

The Shareholders' Meeting called for April 20, 2021 approved the document "Report on the Remuneration Policy and the remuneration paid", already approved by the Board of Directors on March 10, 2021 which provides information on the remuneration policies of the Carige Group for the 2021 financial year and on the implementation of the remuneration policies during the 2020 financial year.

The 2021 Report contains, as an attachment, the document "Criteria for determining any amounts to be agreed in the event of early termination of the employment relationship or early termination of office of all personnel".

### **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 has expired after the approval of the Issuer's financial statements as at and for the year ending 31 December 2020.

On 29 May 2020, the Shareholders' Meeting of Banca Carige, based on the justified recommendation issued by the Board of Statutory Auditors pursuant to regulations in force, approved the engagement of the independent audit firm, Deloitte & Touche S.p.A., for financial years 2021-2029 and determined their compensation.

### **RECENT DEVELOPMENTS**

#### **Banca Carige sells shares of the Bank of Italy's share capital**

On 5 February 2021, in line with the Strategic Plan (envisaging the disposal of the Bank of Italy's shares in excess of the 3% dividend-bearing stake), Banca Carige sold 120 shares of the Bank of Italy's share capital, for a nominal value of EUR 25,000 each, to Fondazione Cassa di Risparmio di Carrara at a price equal to an overall nominal value of EUR 3.0 mln, which also coincides with its historical cost.

On 16 February 2021, in line with the Strategic Plan (envisaging the disposal of the Bank of Italy's shares in excess of the 3% dividend-bearing stake), Banca Carige sold 20 shares of the Bank of Italy's share capital, for a nominal value of EUR 25,000 each, to Fondazione Banca del Monte di Lucca at a price equal to the shareholding's overall nominal value of EUR 500,000, which also coincides with its historical cost. Banca Carige concurrently sold 200 shares of the Bank of Italy's share capital, for a nominal value of EUR 25,000 each, to Banca del Veneto Centrale (Gruppo Cassa Centrale Banca – Credito Cooperativo Italiano) at a price equal to the shareholding's overall nominal value of EUR 5,000,000, which also coincides with its historical cost.

On 04 August 2021, in line with the Strategic Plan (envisaging the disposal of the Bank of Italy's shares in excess of the 3% dividend-bearing stake), Banca Carige sold 200 shares of the Bank of Italy's share capital, for a nominal value of EUR 25,000 each, to Banca del Veneto Centrale (Gruppo Cassa Centrale Banca - Credito Cooperativo Italiano) at a price equal to the shareholding's overall nominal value of EUR 5,000,000, which also coincides with its historical cost.

On 29 October 2021, in line with the Strategic Plan (envisaging the disposal of the Bank of Italy's shares in excess of the 3% dividend-bearing stake), Banca Carige sold 20 shares of the Bank of Italy's share capital, for a nominal value of EUR 25,000 each, to Fondazione Cassa di Risparmio di Carrara at a price equal to the shareholding's overall nominal value of EUR 500,000, which also coincides with its historical cost.

After the disposal of these stakes in the Bank of Italy's share capital, the Carige Group still holds 9,002 shares, corresponding to a 3.001% shareholding.



## **FITD renews its support for Banca Carige**

On 17 March 2021 Banca Carige acknowledged the waiver by Cassa Centrale Banca - Credito Cooperativo of its right to exercise the call option it was granted on FITD and VIS' controlling interest in the Bank under the framework agreement signed on 9 August 2019.

Even in light of the new scenario, Banca Carige is continuing its day-to-day reorganisation and relaunch activities, fully relying on the commitment for support by FITD and its Voluntary Intervention Scheme in the management's pursuit for a business combination with other potential partners "to make the most of the Bank's full potential, the remarkable work carried out by the Bank's governing bodies and its entire organisation, as well as the significant results achieved despite the adverse conditions caused by the pandemic crisis".

## **Closing of Banca Carige's disposal of a non-performing leasing portfolio to AMCO**

On 22 March 2021, AMCO and Banca Carige announced the closing of the transaction concerning the transfer of a portfolio of non-performing loans arising from leasing contracts included in the scope of disposal defined by the parties in December 2019.

The transaction – which became legally effective on March 2021, with economic effects since 1 January 2021 – relates to the disposal of a portfolio of bad loans and UTPs of approximately €70 million of GBV, arising primarily from real estate leasing contracts.

The transaction is AMCO's first purchase of leasing contracts and marks the substantial completion of Banca Carige's radical derisking strategy set out in 2019.

For Banca Carige, the disposal is a further improvement in asset quality, as reflected in its risk indicators that are already among the highest in the industry: pro-forma gross NPE ratio of 4.5%<sup>1</sup> and net NPE ratio of 2.4%<sup>1</sup> (as at 31 December 2021, calculated pro-forma on the net and gross amount of assets sold).

On 20 December 2021, Banca Carige and AMCO announced the closing of the transfer of a portfolio of non-performing assets arising from lease agreements. Legally effective from 17 December 2021 and economically effective from 1 July 2021, the transaction sees the disposal of a portfolio of bad loans and UTPs with a GBV of approximately EUR 17,7 mln, arising primarily from lease agreements without underlying assets or with underlying real estate or instrumental assets.

For Banca Carige, the disposal is a further development in the derisking process with respect to what has already been achieved in previous years and contributes to the improvement in asset quality, as reflected in its risk indicators that are already among the highest in the industry: gross NPE ratio of 5.0% and net NPE ratio of 2.6% (as at 30 September 2021).

## **Ordinary and extraordinary shareholders' meeting of Banca Carige**

On 20 April 2021, the Ordinary and Extraordinary Shareholders' Meeting of Banca Carige S.p.A. was held under the chairmanship of Giuseppe Boccuzzi, subject to the Covid-19 requirements for shareholders meetings, and resolved upon the items on its agenda.

### **ORDINARY SESSION**

Approval of the Separate Financial Statements and presentation of the Consolidated Financial Statements as at 31 December 2020

The Shareholders' Meeting approved, with 97.57% of favourable votes, the Financial Statements for the period 1 February 2020 - 31 December 2020 of Banca Carige S.p.A., together with the Reports by the Board of Directors, the Independent Auditors and Board of Statutory Auditors, resolving that the net loss for the period of EUR 252,915,971.64 be carried forward and acknowledged the Group consolidated financial statements as at 31 December 2020.

Report on Remuneration Policy and compensation paid

The Shareholders' Meeting approved, with 97.57% of favourable votes, the Banca Carige Group's remuneration policy and implementing procedures for 2021, along with the criteria for determining the compensation to be agreed with all personnel in the event of early termination of the employment relationship or early termination of office.

The Shareholders' Meeting additionally resolved, with 97.57% of favourable votes, to take note of the report on the implementation of the Remuneration Policies in force during the previous financial year and the report on compensation paid in 2020.

### EXTRAORDINARY SESSION

Proposal for an optional reduction of share capital to cover losses: related and ensuing resolutions

The Shareholders' Meeting approved, with 97.57% of favourable votes, the proposal to cover the losses incurred up to 31 December 2020, amounting to EUR 1,383,170,052.05, through the:

- use of the entire share premium reserve for an amount of EUR 623,921,669.95;
- use of the entire unencumbered reserves for an amount of EUR 187,655,499.86;
- reduction by the remaining portion of EUR 571,592,882.24 of the share capital which, therefore, totals EUR 1,343,570,813.76, with no cancellation of shares as they have no indication of par value, with the effect of reducing the so-called implied par value of each share, understood as the ratio between the total amount of share capital and the total number of shares, with the latter number remaining unchanged;

The Shareholders' Meeting approved the ensuing amendments to the Articles of Association, and vested the Board of Directors with the necessary powers to give effect to the foregoing resolutions.

### **Banca Carige's Board of Directors approves consolidated results as at 31 March 2021**

On 12 May 2021, Banca Carige's Board of Directors has approved the Group's consolidated results as at 31 March 2021. The first quarter of 2021 saw confirmation of the evidence of an accelerating commercial momentum following the already positive results observed as of March 2020.<sup>1</sup>

### **Notice of publication of amended Articles of Association**

On 30 June 2021, following the European Central Bank's release of the assessment measure, Banca Carige announced the publication of the amended Articles of Association, as required by the applicable regulations in force, which updates Art. 5 according to the resolution enabling the optional reduction of share capital to cover the losses resolved upon by the Shareholders' Meeting held on 20 April 2021.

### **Closing of the first social ESG securitisation transaction**

On 30 June 2021, Banca Carige announced the closing of a securitisation transaction of a portfolio of high standing loans (MCC-guaranteed loans "PMI100" pursuant to Article 13, Paragraph 1, Letter m) of Law Decree No. 23/2020 (as converted by Law No. 40 of 5/6/2020), called "*Finanziamenti Lettera M*" that fall within the ESG (Environment, Social and Corporate Governance) definitions, as certified by the third-party auditor ISS, testifying to the Group's unwavering social commitment.

The intense support to the economy of the regions in which it operates, achieved through the approval of more than EUR 2.8 bn of loans granted as part of the measures promoted by the Government to support the economy in the context of the pandemic, has created the conditions to be able to proceed with the aforementioned securitisation.

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<sup>1</sup> With the month of January 2020 being included in the Financial Statements for the period under Temporary Administration, the results for the first quarter of 2021 are not comparable with those of the first quarter of 2020. Any comparison with the first quarter of 2020 -if commented on- is the result of a quarterly pro-rata recalculation of the first two months (February/March) of the 2020 ordinary course of administration.

In particular, a portfolio of receivables was sold for a gross book value of approximately EUR 383 mln, with a counterpart issue of two different classes of securities for an amount of, respectively:

- EUR 320 mln of a senior tranche, corresponding to approximately 83.0% of the gross book value, which is rated investment grade A3 by Moody's and A by Standard & Poor's;
- EUR 62.7 mln of a junior tranche.

The senior and the junior notes have a coupon of 0.40% and 3.0% respectively and will be initially subscribed and retained by the originators Banca Carige and Banca Monte Lucca.

### **CONSOB authorises the publication of the prospectus and revokes the resolution suspending Carige securities from trading**

On 21 July 2021, Consob authorised the publication of the prospectus concerning the admission to trading on the Electronic Stock Market (MTA), organised and managed by Borsa Italiana S.p.A., of the Bank's ordinary shares, ISIN code IT0005428195, resulting from the capital increase resolved upon by the Extraordinary Shareholders' Meeting of 20 September 2019 (respectively, the "Shares" and the "Capital Increase") and of the "Warrant Banca Carige S.p.A. 2020-2022", ISIN code IT0005386567 (the "Warrants") assigned free of charge to the shareholders who have subscribed to shares issued as part of the third tranche of the capital increase. The Prospectus also sets out the risk factors relating to Shares and Warrants.

In this regard, it should be noted that trading of securities issued or guaranteed by the Company was suspended on 2 January 2019 as a result of Consob resolution No. 20772 (the "Suspension Resolution") adopted on the same date due to (i) the ECB's decision to place the Bank under temporary administration (ended on 31 January 2020) and (ii) the probable Issuer's inability to provide a complete framework of information.

Following up on the authorisation to publish the Prospectus, necessary for the Issuer to restore a proper framework of information, Consob also decided to revoke the Suspension Resolution, as per resolution No. 21960 of 21 July 2021 (the "Revocation Resolution").

The Revocation Resolution will enter into force on 27 July 2021 pursuant to art. 21 of Regulation (EU) 2017/1129.

As a result of the Revocation Resolution, on that date (27 July 2021), besides Shares, the start of trading will also concern Warrants (whose listing was ordered on 26 November 2019 by Borsa Italiana S.p.A. by means of notice No. 8607, subject to readmission to trading of the Issuer's ordinary shares) and the "Banca Carige S.p.A. 2019-2029 Fixed Rate Reset Callable Tier II" subordinated debt (the "Bond"), ISIN code IT0005389934, for an overall par value of EUR 200mln, fully subscribed by leading institutional investors, with suitable features to be included in the regulatory capital of the Bank (whose listing was ordered on 16 December 2019 by Borsa Italiana S.p.A. by means of provision No. LOL-004154, subject to readmission to trading of the Issuer's ordinary shares).

### **Stress test outcome**

On 30 July 2021, following the new comprehensive assessment, Banca Carige announced that the ECB carried out the stress test exercise, in cooperation with the EBA (European Banking Authority) and other competent Supervisory Bodies.

In the evening, the European Central Bank published the results in an aggregate form referred to every bank under European supervision included in the exercise.

The macroeconomic assumptions of the exercise, relating to the three-year horizon 2021-2023, suppose a baseline scenario marked by a steady development and a highly unfavourable adverse scenario characterised by a further worsening of the economic conditions compared to the end of 2020, which was already critical due to the pandemic.

By its very nature, the stress test exercise is carried out on static bases and with rigorous methodological constraints that do not take into account a series of current and forward-looking elements, setting limits to the progressive revenue growth (cap) and structural cost reduction (floor), which are pivotal for a bank, like Carige,

committed to a radical restructuring process aimed at recovering profitability after a massive de-risking activity that drastically reduced its risk profile.

As expected, the stress test under the adverse scenario was quite severe for the Group (in 2023: impact on CET1 ratio >900 bps; CET1 ratio fully loaded <8%; leverage ratio <4%) since it was applied to an initial balance sheet already affected by highly extraordinary factors, being this the first accounting period after the Temporary Administration, in a time that was affected by the pandemic consequences as well as by the difficulties of restarting operations after 13 months.

In the baseline scenario, which does not factor in highly adverse macroeconomic assumptions, the Bank complies with the minimum regulatory requirement CET1 ratio until 2023.

Furthermore, the Bank's main shareholder - Fondo Interbancario di Tutela dei Depositi (FITD, Italian Interbank Deposit Protection Fund) - has undertaken a Group's business combination process to reduce the reference time horizon of the forward-looking analysis included in the exercise necessarily carried out on a standalone basis.

Nevertheless, the FITD has just publicly confirmed its total and convinced commitment to supporting the Bank in continuing the turnaround process, business development, efficiency-raising and capital optimisation.

### **DBRS Rating**

On 30 July 2021 Banca Carige announced that, for the first time, the ratings agency DBRS Morningstar assigned the following ratings to the Bank's creditworthiness:

Long-Term Issuer rating: "B (low)"

Short-Term Debt: "B (low)"

Short-Term Debt: "R-5"

Long Term Deposits: "B"

Long Term Critical Obligations rating: "B (high)"

- Trend "Stable" on all ratings

### **Banca Carige successfully issues Eur 750 mln worth of benchmark covered bonds maturing in 2028**

On 21 October 2021, Banca Carige finalised the placement of a fixed rate Covered Bond issuance with a 7-year maturity (28 October 2028) for an amount of EUR 750 mln.

The issuance rating is investment grade and the bonds have been listed on the Luxembourg stock exchange.

### **Banca Carige waives ratings by Fitch**

On 3 November 2021, Banca Carige informed that Fitch had withdrawn the ratings previously assigned to the Bank.

Fitch's action is framed within the request for the withdrawal from the agreement of coverage for the Bank's creditworthiness, previously sent by the Bank.

Therefore, Carige is currently covered by the Rating Agencies Moody's Investor Service ('Caa2') and DBRS Morningstar ('B-low'), which published their latest ratings (available on their websites) respectively on 27 January 2021 and on 30 July 2021.

### **Banca Carige's Board of Directors approves the Group's Consolidated Results as at 30 September 2021**

On 10 November 2021, Banca Carige's Board of Directors has approved the Group's consolidated results as at 30 September 2021.

Following the trend in the first nine months of the year totalling a loss of EUR 76.6 mln, the Bank is still focused on achieving the profitability targets of the Plan, since it can count on the "continued, full and convinced commitment to support Banca Carige and to continue its process of turnaround, commercial development, efficiency-raising and capital optimisation of the Bank" as publicly declared on 28 July 2021 by the Italian Interbank Deposit Protection Fund (FITD), the current controlling shareholder, who started the process of selecting a partner for the Group's business combination.

### **The Court of Genoa rejects the lawsuit filed by Malacalza Investimenti and by other shareholders**

With judgement notified on 26 November 2021 to the Bank, the Court of Genoa has rejected all the claims by the plaintiffs against the Bank, as part of the lawsuit filed by Malacalza Investimenti S.r.l. against the capital increase resolution adopted by the Shareholders' Meeting of 20 September 2019, together with the challenging of the same resolution brought against the Bank by other retail shareholders, as well as by the Common Representative of the Savings Shareholder, with a total rejection of the high claims for damages and with the sentence of the plaintiffs to the payment of legal costs.

### **FITD and Schema Volontario di Intervento (VIS) sign with BPER Banca S.p.A. the agreement for the disposal of the controlling interest**

On 10 January 2022, the Management Committee of the FITD - at the end of a comparative evaluation of the non-binding offers received and in-depth analysis and discussions conducted with a considerable number of parties potentially interested in acquiring the equity investment held by the FITD and the Schema Volontario in Banca Carige (79.99%) - resolved to grant BPER Banca S.p.A. an exclusive period of 4 weeks for the completion of a confirmatory due diligence and the definition and execution of a purchase agreement as soon as possible, and in any case no later than 15 February 2022.

BPER Banca S.p.A.'s offer was non-binding and provided for, in the event of completion of the transaction, the launch by BPER Banca S.p.A. of a takeover bid for the remaining shares of Banca Carige not held by the FITD and the Schema Volontario, for a consideration of Euro 0.80 per share.

On 14 February 2022 FITD has signed with BPER Banca S.p.A. the disposal agreement of the controlling interest (of approximately 80%) of the Bank's share capital held by FITD and by the Voluntary Intervention Scheme, with closing expected to take place by 30 June 2022, subject to obtaining the necessary regulatory and statutory authorisations.

### **New SREP decision notified by the ECB**

On 4 February 2022 Banca Carige informed that, further to completion of the annual SREP as at the reporting date of 31 December 2020 and in consideration of the significant information received after that date, the ECB has communicated its final decision (the "**2022 SREP Decision**") concerning the prudential requirements determined on a consolidated basis.

The minimum level of Common Equity Tier 1 ratio ("**CET1 Ratio**") that the Bank is required to meet is 8.83% (CRD V fully loaded), reflecting the sum of a Pillar 1 minimum requirement of 4.50%, an additional Pillar 2 requirement of 1.83%<sup>2</sup> and a Capital Conservation Buffer of 2.50%.

As a result, the Total SREP Capital Requirement ("**TSCR**"), inclusive of a minimum Pillar 1 requirement of 8.00% plus the additional Pillar 2 requirement of 3.25%,<sup>3</sup> is 11.25%, while the Overall Capital Requirement ("**OCR**"), inclusive of the Capital Conservation Buffer of 2.50%, is 13.75%. The restriction on dividend payout has been confirmed.

The ECB has conducted its assessment of the Bank on a stand-alone basis and provided its requirements pending the definition of the business combination process with another banking group. Such requirements are valid as of 1 March 2022 and can be revised by the Authority as this process evolves.

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<sup>2</sup> The ECB confirmed that the additional Pillar 2 requirement may be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital, as a minimum.

<sup>3</sup> The P2R assigned in the previous SREP letter of June 2020 was 2.75%.

On 1 April 2022 Banca Carige informed that the European Central Bank had notified the Bank of its decision to amend the 2022 SREP Decision with which, on 4 February 2022, it communicated the prudential requirements established following the Supervisory Review and Evaluation Process.

In particular, given the occurring on 14 February 2022 of the signing of the agreement based on which it is expected that - within the first half of 2022 and subject to obtaining the necessary authorisations - the BPER Banca Group will acquire the controlling interest of the Bank currently held by the Interbank Deposit Protection Fund and by the FITD's Voluntary Intervention Scheme, the ECB postponed, to a date following the expected completion of the business combination, the deadline within which the Bank is supposed to submit a capital strengthening plan (from the initial deadline of 31 March 2022, to 30 September 2022).

### **DBRS places Banca Carige's ratings under review with positive implications**

On February 2022 Banca Carige informed that DBRS Morningstar had placed the Group's ratings under review with positive implications.

The Rating Agency's action is part of its expectation of an improvement of the Bank's rating ('B low') to reflect the positive impact deriving from the entrance in the BPER Banca Group ('unrated'), set to become the fourth largest banking group in Italy when, without prejudice to the necessary authorisations by the supervisory authorities, Banca Carige's major shareholder (the Interbank Deposit Protection Fund - FITD - and FITD's Voluntary Intervention Scheme) will sell its interest to the BPER Banca Group.

The Rating Agency also clarified that, if the acquisition does not go ahead, the Bank's ratings would revert back to a stable trend.

### **Warrants Banca Carige S.p.A. 2020-2022: results at the end of the exercise period. Notice of change in share capital and publication of the updated Articles of Association**

On 28 February 2022 Banca Carige announced that the exercise period of the "*Warrants Banca Carige S.p.A. 2020-2022*" (ISIN IT0005386567) (the "**Warrants**"), issued within the capital strengthening transaction approved by the Shareholders' Meeting on 20 September 2019, which started on 1 February 2022 (the "**Exercise Period**"), has ended.

During the Exercise Period, no. 5,352,183,000 Warrants have been exercised and, subsequently, no. 5,352,183 newly issued Carige ordinary shares, with no indication of par value and with regular dividend entitlement and the same characteristics as those outstanding at the date of issuance (the "**Conversion Shares**"), have been subscribed for, for a total amount of EUR 2,037,576.05. The Warrants gave right to subscribe no. 1 Conversion Share for every no. 1,000 Warrants held and exercised, at the unitary Exercise Price (as defined in the terms and conditions of the Warrants (the "**Terms and Conditions of the Warrants**") of EUR 0.3807 for each Conversion Share. In compliance with the Terms and Conditions of the Warrants, the Conversion Shares have been made available by Carige through Euronext Securities, Milan, on 1 March 2022.

It should be noted that unexercised Warrants have expired and have become definitively invalid to all effects and purposes.

On 1 March 2022 Banca Carige S.p.A. gave notice, pursuant to art. 85-bis of Consob Regulation no.11971/99, of the new composition of its fully subscribed and paid-in share capital, following the issuance of no. 5,352,183 new Banca Carige ordinary shares, subsequent to the exercise of no. 5,352,183,000 Warrants, at the exercise price of EUR 0.3807 for each newly issued ordinary share.

Banca Carige's share capital therefore amounts to EUR 1,345,608,389.81 divided into a total of 760,723,407 shares with no indication of par value, of which 760,723,387 ordinary shares and 20 convertible savings shares.

The statement of subscription pursuant to art. 2444 of the Italian Civil Code and the amended Articles of Association were filed and registered with the Genoa Companies' Register.

### **Draft Separate and Consolidated Financial Statements as at 31 December 2021 approved**

On 9 March 2022 the Board of Directors of Banca Carige approved the Parent Company's draft separate and the Banca Carige Group's consolidated financial statements for the year ended on 31 December 2021, which will be submitted under the terms of law to the soon-to-be-convened Shareholders' Meeting, scheduled for 21 April 2022.

## **Ordinary and Extraordinary Shareholders' Meeting of Banca Carige**

On 21 April 2022 the Ordinary and Extraordinary Shareholders' Meeting of Banca Carige S.p.A. has been held under the chairmanship of Giuseppe Boccuzzi, subject to the Covid-19 requirements for shareholders meetings, and has resolved upon the items on its agenda.

### **ORDINARY SESSION**

#### **Approval of the separate financial statements and presentation of the consolidated financial statements as at 31 December 2021**

The Shareholders' Meeting approved, with 97.582% of favourable votes, the financial statements of Banca Carige S.p.A. for the year ended on 31 December 2021, together with the reports by the Board of Directors, the Board of Statutory Auditors and the Independent Auditors, resolving that the net loss of EUR 109,524,449.54 be carried forward, and acknowledged the Group consolidated financial statements as at 31 December 2021.

#### **Report on the Remuneration Policy and compensation paid**

The Shareholders' Meeting approved, with 97.581011% of favourable votes, the Banca Carige Group's remuneration policy and implementing procedures for 2022, along with the criteria for determining the compensation to be agreed with all personnel in the event of early termination of the employment relationship or early termination of office.

The Shareholders' Meeting additionally resolved, with 97.581024% of favourable votes, to approve, by advisory vote, the report on the implementation of the remuneration policies in force during the previous financial year and the report on compensation paid in 2021.

### **EXTRAORDINARY SESSION**

#### **Amendments to articles 18, 19, 20, 23, 26 and 27 of the Articles of Association**

The Shareholders' Meeting approved, with 97.582% of favourable votes, the amendments to articles 18, 19, 20, 23, 26 and 27 of the Articles of Association in the proposal included in the Directors' report to the Shareholders' Meeting.

#### **Special Savings Shareholders' Meeting of 21 April 2022**

On 25 April 2022 Banca Carige S.p.A. informed that the Bank's special meeting of savings shareholders, held on 21 April 2022, approved the proposals for resolution on the items on its agenda.

### **AGENDA**

1) Update by the common representative of savings shareholders, approval and ratification of the activities performed, concerning three ongoing legal disputes between the category and the Company (two started by the shareholders through the common representative, respectively in relation to the resolution for the increase of share capital and to the resolutions for the conversion and reverse stock split, and one started by the Board of Directors against the shareholders in relation to the resolution for the increase of the Fund established under art. 146). Related and ensuing resolutions with particular reference to the ratification of the release of the document appointing representatives ad litem in the appeal against the judgements issued by the Court of Genoa in relation to the resolution for the increase of share capital and to the resolutions for the conversion and reverse stock split;

2) Proposal for the mandatory conversion of the Company's savings shares into ordinary shares. Related and ensuing resolutions.

In relation to item 2 on the agenda ("*Proposal for the mandatory conversion of the Company's savings shares into ordinary shares. Related and ensuing resolutions*"), the Bank noted that the Bank's extraordinary meeting of ordinary shareholders has the competence to approve the proposal for the conversion of savings shares and that the Board of Directors has not formulated any conversion proposal to be submitted to the Extraordinary Shareholders' Meeting as well as, for the purposes established in art. 146 of the Financial Services Act, to the special meeting of savings shareholders.

**Carige enters into an agreement with Affide (Custodia Valore - Credito su Pegno S.p.A.) for the sale of its loans against pledge business**

On or around the 12 May 2022, Banca Carige has signed an agreement with Affide (Custodia Valore – Credito su Pegno, Dorotheum Group) for the transfer of the parent company and Banca del Monte di Lucca's loans against pledge business. The transaction fits within the context of the Banca Carige Group's actions to focus on its core business, resulting in the exit from a business whose excellent development can be more effectively pursued by a specialised entity.

The transaction constitutes the sale of a line of business and provides for the payment by Affide of a sales price totalling Euro 8,750,000 at closing, subject to obtaining the necessary approval by the authorities; the closing of the transaction is expected during the second half of the 2022.

For further information please make reference to the press release dated 12 May 2022 and headed "*Carige enters into an agreement with Affide (Custodia Valore - Credito Su Pegno S.p.A.) for the sale of its loans against pledge business*" the section "*Documents incorporated by reference*" included in the section "*Documents incorporated by reference*" of this Base Prospectus.

**Authorisation obtained from the European Central Bank for the acquisition of a controlling interest in Banca Carige S.p.A.**

On 25 May 2022, BPER Banca S.p.A. received authorisation from the European Central Bank for the acquisition of a direct controlling interest in Banca Carige and an indirect controlling interest in its subsidiaries, Banca Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A. The authorisation follows the submission by BPER Banca S.p.A. of the relevant application, subsequent to the signing - on 14 February 2022 - of the agreement for the acquisition of the controlling interest equal to around 80% of the ordinary share capital of Banca Carige, held by the FITD and the Voluntary Intervention Scheme. Once fulfilment of all conditions precedent provided for in the acquisition agreement is verified, it will be possible to proceed with the closing of the transaction.

**Banca Carige: signed the closing for the disposal of the controlling interest held by FITD and VIS in favour of the BPER Banca S.p.A.**

On 3 June 2022, Banca Carige announced that the disposal of the controlling interest (of approximately 80% of Banca Carige's share capital), held by FITD and by VIS, in favour of BPER Banca S.p.A. has been completed.



## REGULATORY ASPECTS

### *Deferred tax assets*

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 and was 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.

### ***Regulations and Supervision of the ECB, European System of Central Banks, Bank Of Italy and CONSOB***

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 on the business, financial condition, cash flows and results of operations of the Issuer.

### ***Basel III and the CRD IV Package***

In December 2009, the Basel Committee on banking supervision ("**BCBS**") approved, in the fourth quarter of 2010, revised global regulatory standards ("**Basel III**") on bank capital adequacy and liquidity, which impose requirements for, *inter alia*, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards.

In January 2013 the BCBS 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 Liquidity Coverage Ratio ("**LCR**") 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 BCBS published the final rules in October 2014 which were to be effective from 1 January 2018. A binding detailed net stable funding ratio was proposed as part of the Capital Requirements Directive reforms released in November 2016.

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

National options and discretions under the CRD IV Package that were previously only exercised by national competent authorities, will now be exercised by the Single Supervisory Mechanism ("**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) No. 2016/445 on the exercise of options and discretions. Depending on the manner in which these options/discretions were 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.

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

- (i) proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (articles 22, 23 and 91 of the CRD IV);

- (ii) competent authorities' powers to intervene in cases of crisis management (articles 102 and 104 of the CRD IV);
- (iii) reporting of potential or actual breaches of national provisions (known as whistleblowing, article 71 of the CRD IV); and
- (iv) administrative penalties and measures (article 65 of the CRD IV).

Moreover, the Bank of Italy published new supervisory regulations on banks in Circular No. 285 on 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, the last updates being the 38<sup>th</sup> update published on 22 February 2022. The CRD IV Package has also been supplemented in the Republic of Italy by technical standards and guidelines finalized by the European supervisory authorities, mainly EBA and the European Securities and Markets Authority, and delegated regulations of the European Commission.

According to Article 92 of the CRR, institutions shall at all times satisfy the following own fund requirements: (i) a CET1 Capital ratio of 4.5 per cent. of the total risk exposure amount; (ii) a Tier 1 Capital ratio of 6 per cent. of the total risk exposure amount; and (iii) a Total Capital ratio of 8 per cent. of the total risk exposure amount. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital, reported below as applicable with reference to 30 June 2021:

- *Capital conservation buffer*: set at 2.5 per cent. from 1 January 2019 (pursuant to article 129 of the CRD IV and Part I, Title II, Chapter I, Section II of Circular No. 285 as amended in October 2016);
- *Counter-cyclical capital buffer*: calculated on a quarterly basis depending on the geographic distribution of the relevant credit exposures of the institution and on the decisions of each competent national authorities setting the specific rates applicable in the home Member State, other Member States or third countries (pursuant to article 130 of the CRD IV and Part I, Title II, Chapter I, Section III of Circular No. 285). The Bank of Italy has set, and decided to maintain, the countercyclical capital buffer rate (relating to exposures towards Italian counterparties) at 0 per cent. for the first quarter of 2022;
- *Capital buffers for global systematically important banks ("G-SIBs")*: represents an additional loss absorbency buffer ranging from 1.0 per cent. to 3 per cent. determined according to specific indicators (e.g. size, interconnectedness, complexity); to be phased in from 1 January 2016 (pursuant to 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 systematically important banks ("O-SIBs")*: up to 3.0 per cent. as set by the relevant competent authority (reviewed at least annually), 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 was not included in the list of financial institutions of global systemic importance published for the year 2020 by the Financial Stability Board. Furthermore, the Bank of Italy did not include the Issuer among the O-SIBs for the year 2021.

In addition to the above listed capital buffers, under Article 133 of the CRD IV, each Member State may introduce a systemic risk buffer in order to prevent and mitigate long-term non-cyclical systemic or macro prudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. Currently, no provision is included on the systemic risk buffer under Article 133 of the CRD IV as the Italian level-1 rules for the CRD IV implementation on this point have not yet been enacted.

On 28 April 2021, the Bank of Italy released a consultation paper containing some proposed amendments to Circular No. 285 which has been closed on 24 February 2022. The Italian regulator is proposing, inter alia, to introduce a systematic sectorial risk buffer, pursuant to Article 133 of the CRD IV. In order to identify an appropriate subset of sectorial exposures to which apply a systematic risk buffer, the Bank of Italy also announced its intention to comply with and, thus, implement the EBA "*Guidelines on the appropriate subset of sectorial exposures to which competent or designated authorities may apply a systematic risk buffer in accordance with Article 133(5)(f) of the CRD IV*" of 30 September 2020. Although the public consultation ended on 28th June

2021, the date of the final approval and entrance into force of the amended Circular No. 285 with regard to the systemic sectorial risk buffer is still uncertain. Depending on the outcome of the public hearing, additional capital requirements may result.

Failure by an institution to comply with the buffer requirements described above may trigger restrictions on distributions and the need for the bank to adopt a capital conservation plan and/or take remedial actions (articles 141 and 142 of the CRD IV).

In addition, the Issuer is subject to the Pillar II requirements for banks imposed under the CRD IV Package, which are potentially impacted, on an on-going basis, by further requirements provided by the supervisory authorities under the Supervisory Review and Evaluation Process ("**SREP**"). In particular, the SREP process is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP process is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system. For more information in this respect reference is made to paragraph "*The Single Supervisory Mechanism*" below.

The quantum of any Pillar II requirement imposed on a bank and the type of capital which a bank is required to apply in order to meet such capital requirements may all impact a bank's ability to comply with the combined buffer requirement.

With reference to the "stacking order" of own funds requirements, as clarified in the "Opinion of the European Banking Authority on the interaction of Pillar I, Pillar II and combined buffer requirements and restrictions on distributions" published on 16 December 2015, competent authorities should ensure that the Common Equity Tier 1 Capital to be taken into account in determining the Common Equity Tier 1 Capital available to meet the combined buffer requirement is limited to the amount not used to meet the Pillar I and Pillar II own funds requirements of the institution. In effect, this would mean that Pillar II capital requirements would be "stacked" below the capital buffers, and thus a firm's CET1 resources would only be applied to meet capital buffer requirements after Pillar I and Pillar II capital requirements have been met in full.

Furthermore, in its publication of the 2016 EU-wide stress test results on 29 July 2016, the EBA has recognised a distinction between "Pillar II requirements" (stacked below the capital buffers) and "Pillar II capital guidance" (stacked above the capital buffers). With regard to Pillar II capital guidance, the publication stated that, in response to the stress test results, competent authorities may (among other things) consider "setting capital guidance, above the combined buffer requirement". Competent authorities have remedial tools if an institution refuses to follow such guidance. The ECB published a set of "Frequently asked questions on the 2016 EU-wide stress test", confirming this distinction between Pillar II requirements and Pillar II capital guidance and noting that "Under the stacking order, banks facing losses will first fail to fulfil their Pillar II capital guidance. In case of further losses, they would next breach the combined buffers, then Pillar II requirements, and finally Pillar I requirements".

This distinction between "Pillar II requirements" and "Pillar II capital guidance" has been introduced in the EU by the EU Banking Reform Package (as defined below) and, in particular, by Directive (EU) 2019/878 of the European Parliament and the European Council (the "**CRD V**") which amends the CRD IV. Whereas the former are mandatory requirements imposed by supervisors to address risks not covered or not sufficiently covered by Pillar I and buffer capital requirements, the latter refers to the possibility for competent authorities to communicate to an institution their expectations for such institution to hold capital in excess of its capital requirements (Pillar I and Pillar II) and combined buffer requirements in order to cope with forward-looking and remote situations. Under the EU Banking Reform Package proposals, and as described above, only Pillar II requirements, and not Pillar II capital guidance, will be relevant in determining whether an institution is meeting its combined buffer requirement.

Non-compliance with Pillar II capital guidance does not amount to failure to comply with capital requirements, but should be considered as a "pre-alarm warning" to be used in a bank's risk management process. If capital levels go below Pillar II capital guidance, the relevant supervisory authorities, which should be promptly informed in detail by the bank of the reasons of the failure to comply with the Pillar II capital guidance, will take into consideration appropriate and proportional measures on a case-by-case basis (including, by way of example, the possibility of implementing a plan aimed at restoring compliance with the capital requirements - including capital strengthening requirements).

The CRD IV Package also introduced a LCR. This is a stress liquidity measure based on modelled 30-day outflows. The LCR was implemented in 1 October 2015, although it was phased-in and became fully applicable from 1 January 2018 and set at 100 per cent.. The Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing the CRR in regard to the liquidity coverage requirement for credit institutions (the "**LCR Delegated Act**") was adopted in October 2014 and published in the Official Journal of the European Union in January 2015. On 10 October 2018, amendments to the LCR Delegated Act were published in the Official Journal (Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018) and apply as of April 2020. Most of these amendments are related to the entry into force of the new securitisation framework on 1 January 2019. The NSFR is part of the Basel III framework and aims to promote resilience over a longer time horizon (1 year) by creating incentives for banks to fund their activities with more stable sources of funding on an on-going basis. The NSFR has been introduced as a requirement in the CRR II published in June 2019 and applies from June 2021.

With regard to the calculation modalities of regulatory requirements, in order to determine weightings in the context of the credit risk standardised approach, the first pillar prudential regime allows for the possibility to use the creditworthiness assessments issued by external credit assessment institutions. In addition, in relation to credit risk, the prudential regime further allows for the possibility to use internal rating-based assessments for the determination of weightings on exposures falling within the validated perimeters.

### The EU Banking Reform Package

On 23 November 2016, the European Commission proposed a comprehensive package of reforms to further strengthen the resilience of EU banks and investment firms (the "**EU Banking Reform Package**"). The EU Banking Reform Package amends many existing provisions set out in the CRD IV Package, the BRRD and the Single Resolution Mechanism (the "**SRM Regulation**").

These proposals were agreed by the European Parliament, the European Council and the European Commission and were published in the Official Journal of the European Union on 7 June 2019 entering into force 20 days after, even though most of the provisions apply as of 28 June 2021, allowing for smooth implementation of the new provisions.

Specifically, the new EU regulatory framework introduced by the CRR II includes:

- revisions to the standardised approach for counterparty credit risk;
- changes to the market risk rules which include the introduction of a reporting requirement pending implementation in the EU of the latest changes to the Fundamental Review of the Trading Book ("**FRTB**") published in January 2019 by the BCBS and then the application of own funds requirements as of 1 January 2023;
- a binding leverage ratio (and related improved disclosure requirements) introduced as a backstop to risk-weighted capital requirements and set at 3 per cent. of an institution's Tier 1 capital;
- a binding NSFR which will require credit institutions and systematic investment firms to finance their long-term activities (asset and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks resilience to funding constraints. This means that the amount of available stable funding will 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 will be expressed as a percentage and set at a minimum level of 100 per cent., indicating 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. at individual and a consolidated level starting from 28 June 2021, unless competent authorities waive the application of the NSFR on an individual basis;
- changes to the large exposure limits;
- the exemption from deductions of prudently valued software assets from CET 1;
- improved own funds calculation adjustments for exposures to SME and infrastructure projects; and

- the CRD V reviews, among other things, the Pillar 2 regulatory framework for capital buffers, which officially introduces the distinction between Pillar 2 Requirements and Pillar 2 capital guidance, also specifying the nature the equity instruments with which banks must satisfy the Pillar 2 Requirement.

Most of the provisions of the Regulation (EU) 2019/876 of the European Parliament and the European Council of 20 May 2019 amending Regulation (EU) 2013/575 apply from 28 June 2021, although certain provisions, such as those relating to definition or own funds, were implemented from 27 June 2019. The elements of the package introduced by the CRD V are also subject to implementation into national law. Member States were required to adopt and publish the measures necessary to comply with this Directive by 28 December 2020. Although gradually implemented, such regulatory evolution, whose aim is to set a higher system stability, may in any case have a significant impact on financial institutions. On 20 April 2021, the Italian Parliament approved the European delegation law (*Legge di delegazione europea*) 2019 – 2020 (Law no. 53/2021) (the "**European Delegation Law 2019**"), which delegated the Italian Government to implement the CRD V and the BRRD II (as defined below) and set forth, respectively, under Articles 10 and 11, the very general principles stemming from the CRD V and BRRD II (as defined below).

On 29 November 2021, the Legislative Decree No. 182, of 8 November 2021, implementing CRD V and CRR II was published in the Official Gazette. It delegates the Bank of Italy to adopt the secondary implementing provisions within 180 days of its entry into force.

On 30 November 2021, the Legislative Decree no. 193 of 8 November 2021, implementing BRRD II (as defined below), was published in the Official Gazette. It entered into force on 1 December 2021.

It should be noted that in response to the COVID-19 pandemic, the Regulation (EU) 2020/873 of the European Parliament and of the Council brought forward the application date of certain CRR II measures to 27 June 2020, including the SME supporting factor, the infrastructure supporting factor and the more favourable treatment of certain loans granted by credit institutions to pensioners or employees, and the application date of the new prudential treatment of software assets to the date on which the EBA's regulatory technical standards enter into force.

Furthermore, this regulation amended the IFRS 9 transitional arrangements to mitigate the impact on regulatory capital and on banks' lending capacity of the likely increases in expected credit loss provisioning under IFRS 9 due to the economic consequences of the COVID-19 crisis, and introduced several temporary measures, such as the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income for exposures to central governments, the temporary treatment of public debt issued in the currency of another Member State and the temporary measures relating to the calculation of the leverage ratio (the exclusion of certain exposures to central banks from the total exposure measure and the revised calculation of the exposure value of regular-way purchases and sales awaiting settlement).

On 27 October 2021, the European Commission published, as part of a legislative package that includes also amendments to CRD IV, the text of the proposal to amend the CRR II (the "**CRR III**"). In particular, the CRR III legislative initiative aims at implementing in the EU the 2017 Basel Accord and further elements not included in such international framework contributing to financial stability and to the steady financing of the economy in the context of the post-COVID 19 crisis recovery. This general objective can be broken down in four more specific objectives:

- (i) to strengthen the risk-based capital framework, without significant increases in capital requirements overall;
- (ii) to enhance the focus on ESG risk in the prudential framework;
- (iii) to further harmonise supervisory powers and tools;
- (iv) to reduce institutions' administrative costs related to public disclosure and to improve access to institutions prudential data; and
- (v) to insert in the CRR a dedicated treatment for the indirect subscription of instruments eligible for internal MREL.

Once the final text will be agreed between the various stakeholders involved in the legislative process (European Commission, European Parliament and Council of the EU) and once implemented in the Union, these regulatory

changes will impact the entire banking system and consequently could determine changes in the capital calculation and increase capital requirements. The analysis carried out by the EBA, published in December 2019 upon request of the European Commission, shows that the adoption of the new Basel III criteria would require banks to increase minimum capital requirements (the "**MCR**") by 23.6 per cent., resulting in a capital deficit of €124 billion. On 21 August 2020, the EBA has been requested by the European Commission to further update its figures and published the new impact analysis on 15 December 2020. The overall impact is presented under two implementation scenarios: the first one updates the impact presented in the previous Call for Advice (the "**CfA**") reports; the second one considers the additional features requested by the European Commission in its CfA, i.e. applying the SME supporting factors on top of the Basel SME preferential risk weight treatment; maintaining EU credit valuation adjustment (the "**CVA**") exemptions; exercising the jurisdictional discretion contemplated in the Basel III framework to exclude the bank-specific historical loss component from the calculation of the capital for operational risk (internal loss multiplier (the "**ILM**")=1). Under the Basel III scenario, the steady-state implementation of the overall reform scheduled for January 2028 could increase the minimum required capital (MRC) amount, which includes Pillar 2 requirements and EU-specific buffers, by +18.5% with respect to the December 2019 baseline. Under the EU-specific scenario, steady-state implementation of the final Basel III framework (i.e. 2028) could increase the MRC amount by +13.1% with respect to the December 2019 baseline.

The EBA has been conducting regular and ad-hoc quantitative impact studies to assess or monitor the impact of various rules on the EU banking sector.

Regular monitoring exercise includes also a monitoring exercise to assess the impact of the Basel III framework on a sample of EU banks that the EBA conducts in coordination and in parallel with the BCBS (the "**Basel III Monitoring Exercise**"). This exercise assesses the impact of the latest regulatory developments at BCBS level in the following area: (a) global regulatory framework for more resilient banks and banking systems; (b) the Liquidity Coverage Ratio and liquidity risk monitoring tools; (c) the leverage ratio framework and disclosure requirements; (d) the Net Stable Funding Ratio; and (e) the post-crisis reforms.

The impact of the Basel III is assessed using mostly the following measures:

- (i) percentage impact on minimum required Tier 1 capital (MRC);
- (ii) impact, in basis point, on the current actual Tier 1 capital ratio; and
- (iii) Tier 1 capital shortfall resulting from the full implementation of Basel III, namely the capital amount that banks need to fulfil the Basel III MCR.

According to EBA Decision concerning information required for the monitoring of Basel supervisory standards published on 18 February 2021 (EBA/DC/2021/373), the Basel III Monitoring Exercise, which is currently only being carried out on a small sample of credit institutions and on a voluntary basis, should be extended to a broader and stable set of credit institutions. In particular, in order to ensure consistency, accuracy and completeness of the data provided, G-SIIs and O-SIIs, as well as credit institutions whose Tier 1 capital equals or exceeds Euro 3 billion, or total assets equal or exceeding Euro 30 billion, should be included in the sample.

Pursuant to EBA Decision, as of 31 December 2021, the Basel III Monitoring Exercise will become mandatory and will be carried out on an annual basis only.

On 4 May 2020, EBA published its final draft technical standards on specific reporting requirements for market risk, in accordance with the mandate set out in the provisions of the CRR II.

In particular, the implementing technical standards (the "**ITS**") introduced uniform reporting templates, the template related instructions, the frequency and the dates of the reporting, the definitions and the IT solutions for the specific reporting for market risk. These ITS introduce the first elements of the FRTB into the EU prudential framework by means of a reporting requirement. Based on the ITS submitted by the EBA, the European Commission adopted the Implementing Regulation no. 2021/453/EU of 15 March 2021 which applies from 5 October 2021.

### ***ECB Single Supervisory Mechanism***

On 15 October 2013, the Council of the European Union adopted regulations establishing the SSM for all banks in the Eurozone, which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over "banks of systemic

importance" in the European banking union as well as their subsidiaries in a participating non-Eurozone Member State. Article 16, paragraph 2 of the Council Regulation (EU) 1024/2013, as amended from time to time (the "**SSM Regulation**") that sets 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, *inter alia*, any Eurozone bank that has: (i) assets greater than Euro 30 billion; (ii) assets constituting at least 20 per cent. of its home country's gross domestic product; or (iii) requested or received direct public financial assistance from the European Financial Stability Facility or the European Stability Mechanism.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which include, *inter alia*, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Eurozone; (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 carrying out supervisory tasks not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting the ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the EU, the EBA is developing a single rule book. The single rule book aims at providing a single set of harmonised prudential rules in which institutions throughout the EU must respect.

The ECB is required under the SSM Regulation to carry out a SREP process at least on an annual basis. In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of the SREP. Included in these guidelines were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional Pillar II own funds requirements to be implemented from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the Pillar II requirements to cover certain specified risks of at least 56 per cent. of CET1 Capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own fund requirements in respect of risks which are already covered by the combined buffer requirements (as described above) and/or additional macro-prudential requirements.

On 22 April 2020, the EBA published a statement on additional supervisory measures in the light of the COVID-19. The EBA states that it recognises the need for a pragmatic and effective SREP, specific for the 2020 exercise. In light of the above, on 23 July 2020 the EBA issued the Final Report of the Guidelines "on the pragmatic 2020 supervisory review and evaluation process in light of the COVID-19 crisis", aimed at making available to competent authorities a special procedure for the supervisory review and evaluation process (SREP) for the year 2020. In particular, they identify how flexibility and pragmatism could be exercised in relation to the SREP framework in the context of the COVID-19 pandemic.

According to the SSM Regulation, the national supervisory authorities remain in charge of carrying out those supervisory tasks which are not given to the ECB (such as, among the others, conducting the function of competent authorities over credit institutions in relation to markets in financial instruments).

The Issuer is a "significant supervised entity" subject to direct supervision by the ECB for prudential supervisory purposes. As a consequence, 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. Finally, the Group is also subject to stress test carried out by regulators.

### ***The Regulation establishing the Single Resolution Mechanism***

After having reached an agreement with the Council, in April 2014, the European Parliament adopted the Regulation establishing the Single Resolution Mechanism ("**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 Single Resolution Board ("**SRB**") with national resolution authorities, entered into force on 1 January 2015.

The SRM, which complements the ECB Single SSM, applies to all banks supervised by the ECB SSM. It mainly consists of the SRB and a Securitisation Regulation Framework ("**SRF**").



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

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 SRM Regulation was subsequently updated by Regulation (EU) 2019/877 ("**SRM II Regulation**"), as part of the EU Banking Reform Package, published on 7 June 2019 and entered into force on 27 June 2019. In line with the changes to BRRD II (as defined below), the SRM II Regulation introduces several amendments such as changing the MREL for banks and G-SIBs, in order to measure it as a percentage of the total risk-exposure amount and of the leverage ratio exposure measure of the relevant institution. BRRD and SRM Regulation require institutions to meet MREL at all times, which has to be determined by the resolution authority in order to ensure the effectiveness of the bail-in tool and other resolution tools.

### ***The Bank Recovery and Resolution Directive (BRRD)***

The Directive 2014/59/EU (as amended, the "**BRRD**") completes the legislative framework applicable to banks, identifying the powers and tools which national authorities in charge of resolving banking crisis may adopt for the resolution of a bank's crisis or a collapse situation. This was for the purpose of guaranteeing continuity of the essential functions of the institution, reducing to a minimum the collapse impact on the economy and the financial system as well as on costs for taxpayers. On 9 July 2015, the enabling act for the implementation of the BRRD was approved, identifying, *inter alia*, the Bank of Italy, as national resolution authority pursuant to article 3 of the BRRD. On 16 November 2015, contemporaneously with the publication in the Official Journal, Legislative Decrees no. 180 and 181 of 16 November entered into force and respectively implemented the BRRD and adapted the provisions of the Banking Law to the changed legislative framework.

With specific reference to the bail-in instrument, the BRRD has provided a minimum requirement for own funds and eligible liabilities ("**MREL**") in order to ensure that a bank, in case of an application of the bail-in tool, has sufficient liabilities to absorb losses and to assure compliance with the Common Equity Tier 1 requirement provided for the authorisation to exercise the banking business, as well as to generate confidence in the market. Regulatory technical standards specifying the criteria to determine the MREL requirements are set out in Delegated Regulation EU 2015/1450 which was published in the Official Journal of the European Union on 3 September 2016.

The BRRD also requires Member States to ensure that national insolvency laws contain a prescribed creditor hierarchy. The insolvency hierarchy directive (Directive (EU) 2017/2399), due to be transposed in Member States by 29 December 2018, amends this hierarchy by introducing a new asset class of non-preferred senior debt that can only be bailed-in in resolution after capital instruments but before senior liabilities. In the Republic of Italy, such directive has been implemented by the Italian Law No. 205/2017 which introduced article 12 *bis* into the Banking Law.

### ***Revisions to the BRRD framework***

The EU Banking Reform Package includes Directive (EU) 2019/879, which provides for a number of significant revisions to the BRRD (known as "**BRRD II**") published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. BRRD II provides that Member States are required to ensure implementation into local law by 28 December 2020 with certain requirements relating to the implementation of the total loss absorbency capacity standard ("**TLAC**") applying from January 2022 while the transitional period for full compliance with MREL requirements is foreseen until 1 January 2024, with interim targets for a linear build-up of MREL set at 1 January 2022. The EU Banking Reform Package includes, amongst other things:

- full implementation of the Financial Stability Board's TLAC standard ("**FSB**") in the EU and revisions to the existing MREL regime. Additional changes to the MREL framework that include changes to the calculation methodology for MREL, criteria for the eligible liabilities which can be considered as MREL, the introduction of internal MREL and additional reporting and disclosure requirements on institutions;
- the introduction of a new category of "top-tier" banks, being banks which are resolution entities that are not G-SIBs but are part of a resolution group whose total assets exceed Euro 100 billion;

- the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution; and
- amendments to the article 55 regime in respect of the contractual recognition of bail-in.

In particular, with a view to ensuring full implementation of the TLAC standard in the EU, the EU Banking Reform Package and the BRRD II introduce MREL applicable to G-SIIs with the TLAC standard and to allow resolution authorities, on the basis of bank-specific assessments, to require that G-SIIs comply with a supplementary MREL requirement strictly linked to the resolvability analysis of a given G-SII.

BRRD II introduces a minimum harmonised MREL requirement (also referred to as a Pillar 1 MREL requirement) applicable to G-SIIs only. The BRRD II includes important changes as it introduces a new category of banks, so-called top-tier banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed Euro 100 billion. At the same time, the BRRD II introduces a minimum harmonised MREL requirement (also referred to as a "**Pillar 1 MREL requirement**") which applies to G-SIIs and also top-tier banks. In addition, resolution authorities will be able, on the basis of bank-specific assessments, to require that G-SIIs and top tier banks comply with a supplementary MREL requirement (a "**Pillar 2 MREL requirement**"). A subordination requirement is also generally required for MREL eligible liabilities under BRRD II, but exceptions apply.

In order to ensure compliance with MREL requirements, and in line with the FSB standard on TLAC, the BRRD II provides that in case a bank does not have sufficient eligible liabilities to comply with its MREL requirements, the resultant shortfall is automatically filled up with CET1 Capital that would otherwise be counted towards meeting the combined capital buffer requirement. However, under certain circumstances, BRRD II envisages a nine-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments senior management of the bank and employees take effect due to a breach of the combined capital buffer requirement.

In April 2020, the SRB published a letter which was sent to banks under its remit, outlining potential operational relief measures related to the COVID-19 outbreak. Of particular note, the SRB has stated that;

- it is committed to working on 2020 resolution plans and issuing 2020 decisions on MREL according to the planned deadlines but it will apply a pragmatic and flexible approach to consider, where necessary, postponing less urgent information or data requests related to the 2020 resolution planning cycle; and
- it regards the liability data report, the additional liability report and the MREL quarterly template as essential and it expects banks to make every effort to deliver these documents on time but will assess possible leeway in submission dates for other reports, such as those related to critical functions and access to financial market infrastructures.

On 20 May 2020, the Single Resolution Board published a non-binding policy named "*Minimum Requirements for Own Funds and Eligible Liabilities (MREL) Policy under the Banking Package*", aiming at helping to ensure that MREL is set in the context of fully feasible and credible resolution plans for all types of banks, as well as promoting a level playing field across banks including subsidiaries of non-banking Union (EU) banks. The policy addresses the following topics:

- calibration: the policy provides for modifications and extensions of the SRB's approach to MREL calibration in accordance with the framework set out by the EU Banking Reform Package;
- subordination for resolution entities: the policy sets the following subordination requirements: (i) Pillar 1 Banks are subject to subordination requirements composed of a non-adjustable Pillar 1 MREL requirement that must be met with own funds instruments and eligible liabilities that are subordinated to all claims arising from excluded liabilities; (ii) Pillar 1 Banks' resolution authorities shall ensure that the subordinated MREL resources of Pillar 1 Banks are equal to at least 8% of total liabilities and own funds (TLOF); and (iii) non Pillar 1 Banks will be subject to a subordination requirement only upon the decision of the resolution authority to avoid a breach of the No Creditor Worse Off principle, following a bank-specific assessment carried out as part of resolution planning;
- internal MREL for non-resolution entities: the policy states that the SRB will progressively expand the scope of non-resolution entities for which it will adopt internal MREL decisions, and it may waive

subsidiary institutions qualifying as non-resolution entities from internal MREL at certain conditions. In addition, the policy defines criteria for the SRB's possibility to permit the use of guarantees to meet the internal MREL within the Member State of the resolution entity;

- MREL for cooperative groups: the policy sets out minimum conditions to authorise certain types of cooperative networks to use eligible liabilities of associated entities other than the resolution entity to comply with the external MREL, as well as minimum conditions to waive the internal MREL of the legal entities that are part of the cooperative network;
- eligibility of liabilities issued under the law of a third country: the policy expands on how liabilities issued under the law of third countries can be considered eligible through contractual recognition; and
- transition arrangements: the policy explains the operationalisation of transitional periods up to the 2024 deadline, including binding intermediate targets in 2022 and informative targets in 2023, also stating that transitional arrangements must be bank-specific (since they depend on the MREL tailored to that bank and its resolution plan, and the bank's progress to date in raising MREL-eligible liabilities).

In July 2020, the EBA published a statement on resolution planning in the light of COVID-19. The EBA states that it aims to reaffirm that resolution planning is crucial in time of uncertainty to ensure that resolution is a credible option in case of failure. The focus of the statement is ensuring that the current situation is effectively taken into account by resolution authorities while maintaining a "through the cycle" approach and ensuring that resolvability objectives are achieved.

In September 2020, the European Commission issued a notice aimed at interpreting certain legal provisions of the revised bank resolution framework (*i.e.* BRRD, SRMR, CRR and CRD IV) in reply to questions raised by NCAs, addressing the following issues: (i) the power to prohibit certain distributions; (ii) powers to suspend payment or delivery obligations; (iii) selling of subordinated eligible liabilities to retail clients; (iv) minimum requirement for own funds and eligible liabilities; (v) bail-in tool; (vi) contractual recognition of bail-in; (vii) write down or conversion of capital instruments and eligible liabilities; (viii) exclusion of certain contractual terms in early intervention and resolution; and (ix) contractual recognition of resolution stay powers. As pinpointed by the same Commission, the notice merely clarifies the provisions already contained in the applicable legislation, while it does not extend in any way the rights and obligations deriving from such legislation nor introduce any additional requirements of the concerned operators and competent authorities.

In April 2021, the Implementing Regulation (EU) 2021/763 on disclosure reporting on MREL and TLAC has been published, providing for: (i) draft uniform disclosure formats for MREL and TLAC disclosure according – respectively – to Articles 45i(6) of the BRRD and 434a of the CRR; (ii) draft uniform reporting templates, instructions and methodology for MREL and TLAC reporting according – respectively – to Articles 45i(5) of the BRRD and 430(7) of the CRR. Title I of the Implementing Regulation (EU) 2021/763 applies from 28 June 2021, while Title II applies as of 1 June 2021 as regards the disclosures in accordance with Article 437a and point (h) of Article 447 of CRR, and as of the date of application of the disclosure requirements in accordance with the third subparagraph of Article 3(1) of Directive (EU) 2019/879, as regards the disclosures in accordance with Article 45i(3) of BRRD.

On 1 December 2021, Legislative Decree no. 193 of 8 November 2021 (the "**Decree No. 193**"), implementing the BRRD II into the Italian jurisdiction, entered into force, amending Legislative Decree no. 180/2015 and the Banking Law.

The amendments introduced to Legislative Decree no. 180/2015 aligned the Italian regulatory framework regulating MREL, and the criteria according to which it is determined, to the provisions set forth in BRRD II.

In particular, the amended version of Legislative Decree no. 180/2015 clearly envisages that MREL shall be determined by the Bank of Italy on the basis of the following criteria:

- (i) the need to ensure that the application of the resolution tools to the resolution entity is adequate to meet the resolution's objectives;
- (ii) the need to ensure that the resolution entity and its subsidiaries belonging to the same corporate group subject to resolution have sufficient own funds and eligible assets to ensure that, if the bail-in tool or write-down or conversion powers, respectively, were to be applied to them, losses could be absorbed and that it is possible to restore the total capital ratio and, as applicable, the leverage ratio to a level

necessary to enable them to continue to comply with the conditions for authorisation, according to the regulatory framework currently in force, even if the resolution plan envisages the possibility for certain classes of eligible liabilities to be excluded from bail-in or to be transferred in full to a recipient under a partial transfer;

- (iii) the size, the business model, the funding model and the risk profile of the entity; and
- (iv) the extent to which the failure of the entity would have an adverse effect on financial stability, due to the interconnectedness of the entity with other institutions or entities or with the rest of the financial system.

### ***ECB guidance on NPL provisioning***

On 20 March 2017, the ECB published the "*Guidance to banks on non-performing loans*", and on 15 March 2018 the "*Addendum to ECB Guidance to banks on non-performing loans*", both addressed to credit institutions, as defined pursuant to article 4, paragraph 1, of the CRR. These guidance papers are addressed, in general, to all significant institutions subject to direct supervision in the context of the SSM, including their international subsidiaries. The ECB banking supervision identified in the aforementioned guidance a set of practices which are deemed useful to indicate the expectations of ECB in relation to banking supervision. The documents set out measures, processes and best practices which should be integrated in the treatment of NPLs by banks, for which this issue should represent a priority. The ECB expects full adherence by banks to these guidance papers regarding the treatment of NPLs, which is expected to take into account the length of time a loan has been non-performing and the extent and valuation of collateral (if any). In particular, the addendum issued by the ECB on March 2018 provides that, with respect to all the loans that will be qualified as impaired loans as from 2018, full coverage is expected for the unsecured portion of the NPL within two years and within seven years for secured portion at the latest.

On 17 April 2019 the European Parliament and the Council has adopted Regulation (EU) 2019/630 which is applicable from 26 April 2019 and introduces common minimum loss coverage levels for newly originated loans that become non-performing. Pursuant to this regulation, where the minimum coverage requirement is not met, the difference between the current coverage level and the requirement should be deducted from a bank's CET1 capital. Thus, the minimum coverage levels act as a "statutory prudential backstop". The required coverage increases gradually depending on how long an exposure has been classified as non-performing, being lower during the first years. In order to facilitate a smooth transition towards the new prudential backstop, the new rules should be applied in relation to exposures originated prior to 26 April 2019 and exposures which were originated prior to 26 April 2019 and are modified by the institution in a way that increases the institution's exposure to the obligor.

Following the adoption of the new regulation on the Pillar 1 treatment of NPEs, on 22 August 2019 the ECB revised its supervisory expectations for prudential provisioning of new NPEs specified in the addendum in order to limit the scope to NPEs arising from loans originated before 26 April 2019, which are not subject to Pillar 1 NPE treatment, and to align the treatment with the Pillar 1 framework with reference to: (i) the relevant prudential provisioning time frames; (ii) the progressive path to full implementation; (iii) the split secured exposures; and (iv) the treatment of NPEs guaranteed/insured by an official export credit agency.

In addition, on 26 June 2020, the Regulation (EU) 2020/873 amending CRR and Regulation (EU) 2019/876 as regards adjustments in response to the COVID-19 pandemic has been published, by which it has been provided – *inter alia* - a temporary extension of the preferential treatment under the NPL backstop received by NPLs guaranteed by official export credit agencies (ECAs) to NPLs guaranteed by the public sector in the context of measures aimed at mitigating the economic impact of the COVID-19 pandemic, recognising the similar characteristics shared by export credit agencies guarantees and COVID-19 related public guarantees.

Moreover, on 23 November 2020 the EBA Report on significant risk transfer in securitisation under Articles 244(6) and 245(6) of the Capital Requirements Regulation has been published. Such document includes a set of recommendations addressed to the European Commission on harmonisation practices and procedures applicable to the assessment of the recognition of a significant risk transfer achieved by banks in securitisation transactions, with the aim of increasing the efficiency, consistency and predictability of such assessment within the current securitisation framework. The document included specific recommendations regarding the prudential treatment of NPE securitisations.

### ***New accounting principles and the amendment of applicable accounting principles – IFRS 9, IFRS 15, IFRS 17***

With respect to IFRS 9, IFRS 15 and IFRS 16, the following is to be noted:

- IFRS 9 amended the classification and measurement rules of financial assets which will be based on the business model and cash flow characteristics of the financial instrument. Furthermore, IFRS 9 provided for a new impairment accounting model based on an "expected losses" approach instead of "incurred losses" as per current IAS 39, also characterised by the introduction of the "lifetime" expected loss notion which may lead to an anticipation and a structural increase of value adjustments, specifically those pertaining to loans. IFRS 9 also had an impact on "hedge accounting", rewriting the rules for the designation of a hedging relation and for the verification of its effectiveness with the purpose of guaranteeing a better alignment between hedging accounting recognition and underlying management logics;
- IFRS 15 became applicable from 1 January 2018. Such standard amended the set of International Accounting Standards replacing the standards and interpretations on "revenue recognition" and, specifically, IAS 18. IFRS 15 provides for (i) two approaches for revenue recognition ("at point in time" or "over time"); (ii) a new transaction analysis model ("five steps model") focused on the transfer of control; and (iii) a greater disclosure included in the notes to the financial statement; and
- IFRS 16 amended the current set of International Accounting Standards and interpretations on leasing in force, and specifically IAS 17. IFRS 16 has provided a new leasing definition and has introduced certain criteria based on the control (right of use) of an asset in order to distinguish leasing agreements from service agreements, such as the identification of the asset, the right to substitute such asset, the right to obtain all the economic benefits deriving from the use of the asset and the right to control the use of such asset. In relation to the accounting model to be applied by the lessee, the new standard provides that, for all types of leasing, an asset shall be recognised representing the right of use of the goods, the subject matter of the leasing and, at the same time, the debt relating to the fees provided for by the leasing contract. At the time of the initial recognition, such asset is assessed on the basis of the financial flows associated with the leasing contract, inclusive of, besides the current value of leasing fees, initial direct costs associated with the leasing and the possible costs necessary to restore the asset upon expiry of the contract. After the initial recognition, such asset will be assessed based on the provisions governing tangible assets and, accordingly, at cost net of amortisations and possible value reductions, at "re-determined value" or at fair value according to the provisions of IAS 16 or IAS 40.

### *Revisions to the Basel III framework*

In December 2017, the Basel Committee published its final set of amendments to its Basel III framework (known informally as "**Basel IV**"). Basel IV is expected to introduce a range of measures, including:

- changes to the standardised approach for the calculation of credit risk;
- limitations to the use of Internal Ratings-Based ("**IRB**") approaches, mainly banks will be allowed to use the Foundation Internal Ratings Based approach and the Standardised Approach with the advanced Internal Ratings Based approach still to be used for specialised lending;
- a new framework for determining an institution's operational risk charge, which will be calculated only by using a new standardised approach;
- an amended set of rules in relation to credit valuation adjustment; and
- an aggregate output capital floor that ensures that an institution's total risk weighted assets generated by IRB models are no lower than 72.5 per cent. of those generated by the standardised approach.

According to the Basel Committee, Basel IV should be introduced as a global standard from January 2022, with the output capital floor being phased-in (starting at 50% from 1 January 2022 and reaching 72.5% as of 1 January 2025). The Basel Committee postponed the suggested implementation date for the FRTB to January 2022 to allow it to finalise the remaining elements of the framework and align the implementation date with the other Basel IV reforms.

### *Covered Bond Legislative Package*

In March 2018, the European Commission proposed a dedicated EU legal and regulatory framework for covered bonds, consisting of a directive and a regulation (the "**Covered Bond Legislative Package**").

More in particular, the directive is aimed at providing a common definition of covered bonds, defining the structural features of the instrument and identifying the assets that can be considered eligible in the pool backing

the debt obligations. The directive is also aimed at establishing a special public supervision for covered bonds and setting out the rules allowing the use of the 'European Covered Bonds' label. The regulation is aimed at amending the CRR with the purpose of strengthening the conditions for granting preferential capital treatment to covered bonds, by adding further requirements.

On 18 April 2019, the European Parliament adopted and endorsed the Covered Bond Legislative Package. However, the vote of the European Parliament remained provisional as it had not been translated into all languages of the European Union ahead of the vote.

On 18 December 2019, the Covered Bond Legislative Package was published in the Official Gazette of the European Union and the official entry into force of the Covered Bond Legislative Package occurred on 7 January 2020 – twenty days after the relevant publication. The Member States have had 18 months (after the entry into force) to transpose the directive into national law and the transposed law and the regulation will be applied throughout the European Union within the following 12 months.

On 27 October 2020, the European Commission issued a draft delegated regulation aimed at amending Delegated Regulation (EU) 2015/61 (the "**LCR Delegated Regulation**") on the Liquidity Coverage Ratio (LCR). The LCR Delegated Regulation is applicable to all credit institutions, including those issuing covered bonds. Such credit institutions are currently subject to the liquidity coverage requirement applicable for a period of 30 calendar days, during which a covered bond issuer has to ensure it has sufficient liquid assets (in the meaning of the LCR Delegated Regulation) to cover the net liquidity outflows (in the meaning of the LCR Delegated Regulation), including those stemming from the covered bond programme. At the same time, Directive (EU) 2019/2162 (the "**CB Directive**") requires credit institutions issuing covered bonds to maintain at all times a liquidity buffer ('cover pool liquidity buffer') composed of liquid assets available to cover the net liquidity outflows of their covered bonds programmes for a period of 180 days. The cover pool liquidity buffer established by the Directive (EU) 2019/2162 includes assets that meet all but one requirement to be recognised as liquid assets under the LCR Delegated Regulation: assets in the cover pool liquidity buffer are subject to the segregation requirement under the Article 12 of the Directive (EU) 2019/2162, making them encumbered and therefore ineligible in the LCR liquidity buffer, thus duplicating the liquidity requirements covered bonds issuers have to comply with. To ensure that Member States can address such overlap, Directive (EU) 2019/2162 includes an option for Member States to waive the specific cover pool liquidity buffer requirement for the time that the credit institution issuing covered bonds complies with other liquidity requirements under Union law. However, the exercise of the abovementioned waiver to avoid double counting would not be prudentially sound because, after the separation of the credit institution's estates in stress scenarios, it would reduce the liquid assets in the cover pool intended to respond to its own payment obligations (liquid assets fulfilling the general liquidity coverage requirement are by definition unencumbered, meaning that they are freely available for the credit institution and part of its general estate). The draft delegated regulation aims to remove the overlap, by permitting credit institutions to treat liquid assets held as part of the cover pool liquidity buffer as unencumbered up to the amount of net liquidity outflows from the associated covered bond programme. Moreover, several additional changes to the LCR Delegated Regulation are proposed in the context of the draft delegated regulation at hand, in order to align the LCR Delegated Regulation with Article 129 of the CRR, as amended by Regulation (EU) 2019/2160. The consultation has ended on 24 November 2020.

On 8 May 2021, the European Delegation Law 2019 has entered into force. It delegated the Italian Government to implement – inter alia – Directive (EU) 2019/2162. According to the European Delegation Law 2019:

- the Bank of Italy is the competent authority for the supervision on covered bonds;
- the implementing provisions shall provide for the exercise of the option granted by Article 17 of Directive (EU) 2019/2162, allowing for the issue of covered bonds with extendable maturity structures; and
- the implementing provisions shall grant the Bank of Italy with the power to exercise the option to set for covered bonds a minimum level of overcollateralization lower than the thresholds set out under Article 1 of Regulation (EU) 2019/2162 (*i.e.* 2% or 5% depending on the assets included in the cover pool).

The CB Directive was transposed into the Italian legal framework by means of Legislative Decree 5 November 2021, n. 190 which modifies Law 30 April 1999, n.130. The Legislative Decree was published in the Official Gazette No. 285 of 30 November 2021 and entered into force on 1 December 2021. In this respect, it is worth mentioning that the national legislator chose to exercise the following options provided by the CB Directive: (i) the possibility not to apply the liquidity requirement of the cover pool limited to the period covered by the liquidity requirement provided for in Delegated Regulation (EU) 2015/61; (ii) the possibility of allowing the issuance of

covered bonds with extendable maturity structures; (iii) the possibility of allowing the calculation of the liquidity requirement of the cover pool in case of programs with extendable maturity by taking as a reference the final maturity date for the payment of principal.

Moreover, the Legislative Decree 190/2021 designates the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations by 8 July 2022. In these regulations, the Bank of Italy will also have to assess whether to exercise the option provided for in the Directive that allows Member States to lower the threshold of the minimum level of overcollateralization.

### ***Substantial changes in the regulatory environment***

Without prejudice to the foregoing with regard to future legislation, the main changes in the regulatory environment in which the Group operates, which occurred from 31 December 2019 to the date of this Base Prospectus, are set out below.

As of 1 January 2020, the amendments introduced by the Bank of Italy's measure of 18 June 2019 to the Provision on *"Transparency of banking and financial transactions and services - correctness of relations between intermediaries and clients"*, to implement the rules contained in Directive 2014/92/EU (Payment Account Directive - PAD). As of 1 January 2020, the amendments to Section VI on the transparency of payment services, implementing Directive 2015/2366/EU ("**PSD2 - Payment Services Directive 2**"), made by the measure of the Bank of Italy of 19 March 2019, also apply.

For changes in anti-money laundering legislation, see the paragraph "Anti-money Laundering Regulation" below.

As a consequence of the COVID-19 pandemic emergency, further emergency measures have also been issued that have updated the regulatory environment in which the Issuer operates, including the following:

- on 10 March 2020, the Agreement between ABI and the *"Associazioni di impresa"* became operative, by which the possibility of requesting suspension or extension was extended to loans granted up to 31 January 2020. The moratorium refers to financing to micro, small and medium enterprises damaged by the epidemiological emergency "COVID-19". The suspension of the payment of the capital share of the installments of the loans can be requested for up to one year. The suspension is applicable to medium/long-term loans (mortgages), also completed through the issue of agricultural bills of exchange (*"cambiali agrarie"*), and to leasing, real estate or securities transactions. In this last case, the suspension concerns the implicit capital share of the leasing instalments.
- on 1 March 2020, the ESMA (European Securities and Markets Authority) issued the following recommendations to market participants for the management of the possible impact of COVID-19 on financial markets:
  - Business Continuity Planning: All financial market participants, including infrastructures, should be prepared to implement their contingency plans, including the use of business continuity measures, to ensure business continuity in line with regulatory requirements;
  - Market disclosure: Issuers must disclose as soon as possible any relevant information regarding the impacts of COVID-19 on their activities, prospects or financial situation in accordance with transparency requirements under Regulation (EU) No 596/2014 (Market Abuse Regulation, MAR);
  - Financial reporting: issuers must ensure transparency on the actual and potential impacts of COVID-19, on the basis of both a qualitative and quantitative assessment of their activities, financial position and performance in their 2019 year-end financial report, if these have not yet been finalised or otherwise in their interim financial reporting;
  - Fund management: Fund managers must continue to apply risk management requirements and react accordingly
- on 12 March 2020, the ECB announced a series of measures aimed at facilitating the activities of banks, due to the COVID-19 pandemic emergency. Among the measures announced are of particular importance:

- (i) the possibility for banks to operate temporarily below the level of the target component assigned as a result of the SREP process (Pillar 2 Guidance - P2G), the Capital Conservation Buffer (CCB) and the Liquidity Coverage Coefficient (LCR);
  - (ii) flexibility in the partial use of equity instruments that do not qualify as Common Equity Tier 1 to meet Pillar 2 requirements (Pillar 2 Requirement - P2R);
  - (iii) the postponement of the regulatory stress test exercise to 2021;
  - (iv) rescheduling of inspections and granting deferrals for certain requirements;
- ESMA Decision of 16 March 2020 in accordance with point (a) of Article 28(1) of Regulation (EU) No 236/2012 of the European Parliament and of the Council by which ESMA introduced the obligation to report net short positions held by natural or legal persons, which reach or exceed the threshold of 0.1% of the share capital of an Issuer;
  - on 25 March 2020, the Single Resolution Board (SRB) sent a communication to banks on the flexibility measures that can be adopted in the resolution planning processes in the context of the COVID-19 emergency. The SRB identified a set of mandatory information (templates on liabilities and quarterly reports on the progress of the MREL requirement), declaring its willingness to assess flexibility in the deadlines for the other information to be provided annually and in the resolvability work programmes (multi-year plans to adapt to their requests, currently flexible and non-binding). On the MREL requirement the SRB has declared that it is ready to use its discretionary powers to recalibrate the MREL targets in line with the capital requirements, with particular reference to the capital conservation buffer;
  - on 17 March 2020, the "*Decreto Cura Italia*" was adopted. The "*Decreto Cura Italia*", aimed at providing a response, also from an economic-financial point of view, to the emergency situation, is divided into five titles: Title I - Measures to strengthen the National Healthcare System (Articles 1-18); Title II - Measures to support employment (Articles 19-48); Title III - Measures to support liquidity through the banking system (Articles 49-59); Title IV - Tax measures to support the liquidity of households and businesses (Articles 60-71); Title V - Additional provisions (Articles 72-127). The "*Decreto Cura Italia*" contains, inter alia, the provision of "moratoriums" or, more generally, periods of suspension of mortgage installments when certain conditions are met in favor of a wide range of individuals (both consumers and entrepreneurs) in order to mitigate the economic consequences of the pandemic. The "*Decreto Cura Italia*" was converted with amendments into Law No. 27 of April 24, 2020;
  - on 25 March 2020, EBA published a clarification to explain a series of further interpretative aspects relating to the classification of loans in default, the identification and treatment of forborne exposures, moratoria on debt and contactless payment services;
  - on 27 March 2020, the governing body of the Basel Committee for the banking supervision approved a series of measures aimed at providing additional operational capacity to banks and supervisors in response to the COVID-19 emergency. The measures provide for a one-year extension (*i.e.* to 1 January 2023) of the implementation deadlines for the Basel III "package":
    - with reference to the implementation of the Basel III risk assessment measures finalized in December 2017 (instead, the accompanying transitional provisions for the so-called output floor have been extended by one year to 1 January 2028);
    - with reference to the implementation of the revised market risk framework, finalised in January 2019;
    - with reference to the implementation of the disclosure requirements of the so-called third pillar, finalised in December 2018;
  - on 27 March 2020, the ECB also recommended banks to suspend dividend payments to shareholders and to abstain from share buy-back plans, with the aim of strengthening the capacity to absorb losses and support the provision of credit in the context of the COVID-19 emergency. Subsequently, the ECB extended the recommendation on dividends until 30 September 2021 with the new Recommendation ECB/2020/62 that repeals Recommendation ECB/2020/19 of 27 March 2020 and Recommendation ECB/2020/35 of 27 July 2020. The recommendation remained valid until the end of September 2021.



On 23 July 2021, the ECB decided not to extend dividend recommendation beyond September 2021 with the new Recommendation ECB/2021/31. In particular, the ECB considered that the reduced economic uncertainty allows the thorough supervisory assessment of the prudence of bank's plans to distribute dividends and conduct share buybacks on an individual basis with a careful forward-looking assessment of capital plans in the context of the normal supervisory cycle;

- on 1 April 2020 the ECB issued specific guidelines aimed at limiting any procyclical effects deriving from the application of IFRS 9 in the context of the emergence of COVID-19, following the guidelines already expressed by the EBA, ESMA and the International Accounting Standards Board (IASB);
- Bank of Italy Communications of 6 April 2020 and 15 April 2020. The two communications contain within them a series of operational indications aimed at a better operation of intermediaries and a more profitable relationship with customers;
- on 8 April 2020 the SRB published a communication on its website to clarify the Board's approach to the MREL requirement. According to such communication, to ensure that compliance with the requirement does not impede banks' operations vis-à-vis companies and the economic system, in the 2020 resolution planning cycle the targets would be calibrated taking into account the current evolution of MREL data and changes in capital requirements and for banks that would have difficulties in meeting the 2019 targets the Board would take a forward looking approach while waiting for new decisions to become effective;
- on 8 April 2020, the "*Decreto Liquidità*" was approved, by which exceptional measures were taken to guarantee liquidity to companies, and the "*Decreto Liquidità*" also provided for the granting of an additional form of guarantee through SACE Simest ("*SACE*"), a company of the Cassa Depositi e Prestiti group, aims to further strengthen the Fondo di Garanzia per le PMI by redesigning the rules of access, including also companies with no more than 499 employees and professionals, as well as increasing the guarantee coverage percentages already provided by Article 49 of the "*Decreto Cura Italia*" (provision that is repealed). In the wake of the latter provision, the "*Decreto Liquidità*" brought further exceptions to the ordinary rules of the Fondo di Garanzia per le PMI, applicable until 31 December 2020;
- Consob's Warning Notice of 9 April 2020 on the need to comply with the principles governing the financial reporting process in light of the impact of the dissemination of COVID-19. The "*Decreto Liquidità*" was converted with amendments into Law No. 40 of June 5, 2020;
- on 28 April 2020, the EU Commission published a proposal to amend the CRR Regulation (so-called "quick fix") with the aim of alleviating certain prudential requirements and facilitating the provision of credit to households and businesses throughout the European Union with the aim of ensuring that banks can continue to lend money to support the economy and help mitigate the significant economic impact of COVID-19. After weeks of negotiation, the two Co-Legislators (Parliament and Council) agreed on the revisions to be included in the Commission proposal, endorsing the revisions on 8 and 10 June 2020 respectively.

The measures, temporary and exceptional, have been promoted to mitigate the immediate impact of coronavirus-related events:

- the reintroduction of prudential filters to manage the current turbulent situations on the markets and to neutralize the effects relating to losses and gains in value of debt securities held in the portfolio available for sale as if the securities were valued at cost instead of at fair value;
- a temporary approach to market risk to allow supervisory authorities to take appropriate measures to avoid automatic increases in the quantitative addendum (in particular over the period January 2020 and December 2021);
- a more favourable treatment of government guarantees granted during the crisis in relation to banks' provisioning obligations in the event of deterioration of exposures, aligning the timing of coverage of the calendar applied to exposure positions backed by government guarantees with that of loans guaranteed by Export Credit Agencies;
- bringing forward the application of some of the measures provided for by CRR II: i) extension of the so-called *SME Supporting Factor* (i.e. a more favourable weighting for specific types of

exposures to small and medium-sized enterprises); ii) introduction of the *Infrastructure Supporting Factor* (i.e. a more favourable weighting for specific types of financing for infrastructure projects); iii) a more favourable calibration of the weighting for financing guaranteed by salary/pension assignments; iv) more favourable prudential treatment of investments in software (the entry into force of which is subject to the approval of the relative EBA Technical Standards);

- an adaptation of the timetable for the application of international accounting standards to banks' capital (IFRS9);
- the postponement of the date of application of the additional reserve for the leverage ratio for systemic banks ("G-SIB buffer");
- the modification of the methods for excluding certain exposures from the calculation of the leverage ratio, as from June 2021;
- the introduction of a transitional regime for exposures to euro-denominated sovereign bonds of non-euro area countries.

On 18 June 2020, the proposal was approved by the Plenary of the European Parliament.

The "quick fix" Regulation entered into force on 27 June 2020, the day following its publication in the European Official Journal.

- on 19 May 2020, the Decree-Law No. 34 of May 19, 2020 (so-called "*Decreto Rilancio*") was published in the Official Journal, converted with amendments into Law No. 77 of July 17, 2020, which introduces urgent measures in the field of health, support to work and economy, as well as social policies, related to the epidemiological emergency by COVID-19;
- Consob Resolution no. 21434 of 8 July 2020 by which the supervisory authority extended for a period of three months - from 12 July 2020 until 12 October 2020, unless revoked earlier - the provisions of Resolutions no. 21326 and 21327 of 9 April 2020 by which Consob strengthened, respectively, the transparency obligations on changes in significant shareholdings (indicating a threshold of 1% for non-SME companies and 3% for SMEs) and provided for the disclosure of investment objectives for companies with a particularly widespread shareholding when the 5% threshold is exceeded for a period of the following six months; and
- on 28 July 2020, the ECB communicated its expectations regarding the quality management of credit portfolios in the context of the COVID-19 emergency, so that banks can support companies that are in difficulties or are threatened with difficulties as a result of the pandemic;
- on 14 August 2020, Decree Law no. 104 of 14 August 2020 (the so-called "*Decreto Agosto*", converted with amendments into Law no. 126 of 13 October 2020) was published in the Official Gazette, introducing further economic strengthening measures aimed at tackling the Covid-19 pandemic;
- on 28 October 2020, Decree Law No. 137 of October 28, 2020 was published in the Official Gazette (so-called "*Decreto Ristori*") that introduces additional urgent measures on health protection, support to workers and businesses, justice and security, related to the Covid-19 epidemiological emergency;
- on 9 November 2020 the Decree Law No. 149 of November 9, 2020 on "further urgent measures on health protection, support to workers and businesses and justice, related to the Covid-19 epidemiological emergency" (so-called "*Decreto Ristori-bis*") was published in the Official Gazette;
- on 23 November 2020 the Decree Law no. 154 of 23 November 2020 on urgent financial measures related to the Covid-19 epidemiological emergency (so-called "*Decreto Ristori-ter*") was published in the Official Gazette.
- on 22 March 2021, the Decree Law no. 41 of 22 March 2021 on urgent measures for businesses and economic operators (so-called "*Decreto Sostegni*") was published in the Official Gazette, and on 21 May 2021 it was converted into law;

- on 26 May 2021, the Decree Law no. 73, of 25 May 2021 on urgent measures for business (so-called "*Decreto Sostegni-bis*") was published in the Official Gazette, and on 23 July 2021 it was converted into law.

Further regulatory interventions have affected the field of employment law and safety at work.

### ***Anti-money Laundering Regulation***

The Bank is subject to the money laundering provisions aimed at preventing money laundering and terrorism financing, contained mainly in: (i) Legislative Decree 231 of 21 November 2007, as amended, containing the "Implementation of Directive (UE) 2015/849 concerning the prevention of the use of the financial system for the purpose of laundering the proceeds of criminal activities and funding terrorism ("**Decree 231/2007**")", as amended by Directive 2018/843; (ii) the provision which includes the implementation arrangements on organization, procedures and internal controls aimed at preventing the use of intermediaries and other subjects which carry out financial activities for the purpose of money laundering and funding terrorism adopted by the Bank of Italy, 26 March 2019 and in force since 1 January 2020; (iii) the provision containing implementing provisions concerning adequate verification of clients, adopted by the Bank of Italy, on 30 July 2019 and fully in force since 1 January 2020; (iv) the provision containing the implementation arrangements for the storage and making available of documents, data and information to combat money laundering and terrorist financing, issued by the Bank of Italy on 24 March 2020 to which recipients must comply by 31 December 2020; (v) the anomaly indicators and the anomalous behavior patterns periodically issued by the Financial Intelligence Unit of the Bank of Italy ("**FIU**"); and (vi) the provisions of the FIU contained in the resolution of 25 August 2020 relating to the "*Provisions for sending aggregate data*" replacing the resolution of 23 December 2013.

Specifically, pursuant to the regulations, banks are obliged to:

- adequately identify and verify customers and the "effective owner" (in certain situations considered more exposed to the risk of money laundering and terrorism financing, through particularly rigorous identification and verification procedures);
- keep the identification data and other information on relations and transactions with customers;
- send the aggregate data to the FIU;
- report suspicious transactions to the FIU;
- to comply with the obligations to keep records for anti-money laundering purposes; and
- set up internal control measures and ensure the adequate training of employees, also in order to become more familiar with customers, in order to avoid and prevent the realization of operations for money laundering and/or funding terrorism.

## 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 within the scope of the following activities:

- parabanking, such as consumer credit (Credito);
- 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 17 branches in the BML network as at 31 December 2021.

### **Majority Shareholder**

BML's majority Shareholder is Banca Carige. The share capital of BML is equal to 44,140,000.00.

### **Financial Highlights**

As at 31 December 2021, Banca del Monte di Lucca S.p.A.'s overall funding totalled EUR 1,113.3 mln, up from EUR 1,019.9 mln in December 2020 (+8.4%) (958.8 mln in December 2019). In particular, direct deposits amounted to EUR 700.6, up 13.8% 6M/Y, while indirect deposits amounted to 412,.6 mln, up 2.1% Y.

Loans to customers, before value adjustments, amounted to EUR 517,7 mln and were up 4.4% compared to December 2020; net of value adjustments (EUR 9.6mln), loans to customers stood at EUR 508.1 mln (+4.4%). Mid-long term loans 467.9 mln accounted for 90.4% of total loans, up 5.1% Y; short-term loans, totalling EUR 44 mln and accounting for 8.6% of total, decreased by 7.9% Y. The securities portfolio amounted to EUR 15.9 mln and includes EUR 15.6 mln in debt securities at amortised cost.

As at 31 December 2021, the income statement posted a negative result of EUR 0.2 mln, as against a negative EUR 3.4 mln as at December 2020. Net Interest Income totalled EUR 7.3 mln, down 7% from December 2020; net fees and commissions amounted to EUR 8.2 mln, as compared to EUR 7.3 mln as at December 2020 (+11.41%). Net profit (loss) from trading amounted to a positive EUR 94 thousand and Net profit (loss) from hedging amounted to a negative EUR 27 thousand.

Net losses on impairment amounted to EUR 620 thousand as compared to EUR 3.4 mln in December 2020.

Operating expenses amounted to EUR 15.2 mln (EUR 15.3 mln in December 2020); personnel expenses amounted to EUR 7.9 mln, down compared to EUR 8 mln as at December 2020; other administrative expenses totalled EUR 6.8 mln, up as compared to EUR 6.6 mln in December 2020 (+2.5%).

Profit (loss) before tax from continuing operations amounted to a negative EUR 230 thousand; considering EUR 14 thousand in income tax, the net profit (loss) for the period was a negative EUR 244 thousand.

## 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 Legal Entity Identifier (LEI) of the Guarantor is 549300410MTM8QIP1W44.

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.

### **Organisational structure**

As at the date of this Base Prospectus, the Guarantor does not own any of its own quotas or shares in its parent company, either directly or through trust companies.

As at the date of this Base Prospectus, the Guarantor is subject to the activity of direction and coordination (*attività di direzione e coordinamento*), pursuant to article 2497 of the Italian Civil Code, of Banca Carige.

As at the date of this Base Prospectus, the Guarantor does not have any branch offices and has no employees.

### **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. 15 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. Enrico Cardani, 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:

<b>Name</b>	<b>Title</b>
Francesco Isoppi	Chairman
Gianfranco Picco	Statutory Auditor
Maddalena Costa	Statutory Auditor
Francesca Asquasciati	Alternate Statutory Auditor
Marcello Rovida	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 9 April 2019 and until the approval of the financial statements as at and for the year ended 31 December 2021.

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The following table shows the offices held by the members of the Board of Directors and the Board of Statutory Auditors of the Guarantor in companies outside the Issuer at the date of this Base Prospectus.

<b>Name</b>	<b>Company Office and/or Stake in the Company</b>	<b>Position</b>
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<b>Federico Illuzzi</b>	<i>Continentale Italiana S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Porto Petroli di Genova S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Cyber Partners S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Dicomi S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Q8oils Italia S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Rina Consulting S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Sigemi S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Ventura S.r.l.</i>	<i>Auditor</i>
	<i>Ansaldo Green Tech S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Alba Servizi Aerotrasporti S.p.A.</i>	<i>Statutory Auditor</i>
<b>Emilio Gatto</b>	<i>Monti &amp; Barabino S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Chemiba S.r.l.</i>	<i>Auditor</i>
	<i>Azienda Agraria Anfossi S.r.l.</i>	<i>Auditor</i>
	<i>Compagnia del Basilico S.c.r.l.</i>	<i>Auditor</i>
	<i>Italian Fine Food S.r.l.</i>	<i>Auditor</i>
	<i>L'Orto di Liguria S.r.l.</i>	<i>Auditor</i>
	<i>/</i>	<i>/</i>
	<i>Immobiliare XXV Aprile S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Finsystems S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Medical Systems S.p.A.</i>	<i>Statutory Auditor</i>
<b>Enrico Cardani</b>	<i>4G Immobiliare S.r.l.</i>	<i>Auditor</i>
	<i>Edilvetta S.r.l.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Golf della Pineta S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Silomar S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Terme di Acqui S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Depositi Costieri Savona S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Holding Franchi S.p.A.</i>	<i>Statutory Auditor</i>
	<i>S.T.A. S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Lapidei S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Marmi Carrara S.r.l.</i>	<i>Statutory Auditor</i>
<b>Gianfranco Picco</b>	<i>Massarosa Golf S.r.l. in liquidazione</i>	<i>Statutory Auditor</i>
	<i>Intership S.p.A.</i>	<i>Statutory Auditor</i>
	<i>General Abrasivi S.r.l.</i>	<i>Statutory Auditor</i>
	<i>SAM Società Apuana Marmi S.r.l.</i>	<i>Director</i>
	<i>D.Wire S.r.l.</i>	<i>Chairman of the board of directors</i>
	<i>D.Wire Holding S.r.l.</i>	<i>Chairman of the board of directors</i>
	<i>Costa Crociere S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Agorà S.C.S.</i>	<i>Statutory Auditor</i>
	<i>AMIU Bonifiche S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Blufin S.p.A.</i>	<i>Statutory Auditor</i>
<b>Francesco Isoppi</b>	<i>F21 RE S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Finbeta S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Francesco Panarello S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>General Packaging S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Welcome Travel Group S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Iren Acqua S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
<b>Maddalena Costa</b>		



<b>Francesca Asquasciati Marcello Rovida</b>	<i>Interporto Rivalta Scrivia S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Korber Tissue S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Merlata Mall S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Patrimonio Real Estate S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Relife Recycling S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Relife S.p.A.</i>	<i>Statutory Auditor</i>
	<i>S. Andrea S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Rivalta Terminal Europa Real Estate S.p.A.</i>	<i>Chair of the board of statutory auditors</i>
	<i>Rina Services S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Rina Consulting S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Venezia Investimenti S.r.l.</i>	<i>Statutory Auditor</i>
	<i>Venezia Terminal Passeggeri S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Galleria Cinisello S.r.l.</i>	<i>Statutory Auditor</i>
	/	/
	<i>Alfatech S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Alluminio di Qualità S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Centro Calor</i>	<i>Statutory Auditor</i>
	<i>Samo S.p.A.</i>	<i>Statutory Auditor</i>
	<i>Nikion S.r.l.</i>	<i>Auditor</i>

### Independent Auditors

The financial statements of the Guarantor as of and for the year ended 2020, 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 19 April 2021 conferred Deloitte & Touche S.p.A. the task of carrying out the legal audit of the accounts for the three-year period 2021-2023, pursuant to Decree No. 39. Therefore, the financial statements of the Guarantor starting from the year ending on December 2021 have been audited by Deloitte & Touche S.p.A., independent auditors.

Deloitte & Touche S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance (the MEF) and registered under No 132587 on the special register of auditing firms held by the MEF. The registered office of Deloitte & Touche S.p.A. is at Via Tortona, 25, 20144 Milan, Italy. Deloitte & Touche S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili.

The Deloitte & Touche report on the financial statements of the Guarantor as of and for the year ended December 31, 2021, issued on March 28, 2022, an English translation of which is incorporated by reference herein, contains the following emphasis of matter paragraph:

*"We draw attention to the Section 2, Part A.1 of the explanatory notes to the financial statements where the Directors state that the Company has the sole purpose of acquiring loans through funding pursuant to Law n. 130 of April 30, 1999, in connection with covered bonds transactions. The Company has disclosed the acquired loans and the other transactions connected with the covered bonds in the explanatory notes consistently with the provisions of Law n. 130 of April 30, 1999 according to which the loans involved in each securitisation are, in all respect, separated from the assets of the Company and from those related to other securitisation transactions. Our opinion is not qualified in respect of this matter."*

EY has included in the Guarantor's financial statements audit report as of December 31, 2020 the following paragraph of emphasis of matter:

*"We draw attention to the "Preparation Criteria" section of the explanatory notes to the financial statements where the Directors state that the Company has the sole purpose of acquiring loans through funding pursuant to Law n. 130 of 30 April 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 consistently with the provisions of Law n. 130 of 30 April 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 of the other securitisation transactions. Our opinion is not qualified in respect of this matter."*

The above paragraph is included to recall the attention of the reader of the financial statements of the Guarantor to the preparation criteria paragraph where the Company highlights the fact that the receivables acquired for the securitisation purposes are not part of the assets of the Company and are reported in the financial statements only for disclosure purposes in accordance with the applicable Italian regulations. This paragraph of emphasis of matter is a standard practice for the audit opinions on securitizations vehicles entities in Italy.

### **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 2021, 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. 07722780967 and 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 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.

## 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 31 March 2022, each Mortgage Loan from which the Eligible Assets arise matures between 31 March 2022 (inclusive) and 31 January 2054 (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:***

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;

which did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati*);

which have not been granted to public entities (*enti pubblici*), clerical entities (*enti ecclesiastici*) or public consortium (*consorzi pubblici*);

which are not consumer loans (*crediti al consumo*);

which are not a *mutuo agrario* pursuant to Articles 43, 44 and 45 of the Banking Law;

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;

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;

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;

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;

which are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

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);

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;

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;

which are governed by Italian law;

which have not been granted to individuals that as of the origination date were employees of a bank of the Carige Group;

which are denominated in Euro (or disbursed in a different currency and then re-denominated in Euro);

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;

which are identified by a SAE code lower than 700;

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**

The strategy put in place by the Banca Carige Group (hereinafter also the "**Carige Group**") for approving and managing loans is consistent with following objectives:

- (a) balance between primary needs for credit risk containment and sales and business planning and growth;
- (b) effectiveness and efficiency in the management of information and adequate control over each step of the process;
- (c) prompt and flexible responses to credit-worthy customers.

In pursuing objectives that are consistent with the above guidance, the Carige Group has adopted differentiated organisational structures and management behaviours.

In performing its management and coordination activities in its role as Parent Company, Banca Carige issues appropriate guidelines on the control of credit risk and establishes the related operating limits for its subsidiaries.

***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***

Loan management involves a variety of organisational parties, both at a head-office (offices in the Lending Unit, etc.) and branch network (Bank branches, Commercial Areas, Financial Advisory for Businesses) level.



The Banca Carige Group has set up a multi-year implementation programme to have access to the tools necessary to meet the capital and management requirements ("experience/use requirement") under the Internal Rating Based (IRB) approach.

In the meantime, the Carige Group has determined the requirement according to the standardised approach, which, in brief, weighs credit exposures based on their inclusion in one of the regulatory portfolios, defined in relation to the characteristics of the borrower or transaction entered into with the customer, which the Basel Committee recognises as having uniform risk profiles. The Standardised approach also uses different risk-weightings based on the external rating of specialised agencies (External Credit Assessment Institutions, ECAIs), specifically approved by the Supervisory Authority.

With reference to credit risk assessment, the authorisation system adopted by the Banca Carige Group for loan disbursement and review is based on the expected loss. In order to provide more effective guidelines on credit and commercial policies, a multiplier coefficient of the expected loss or a parameter that can be applied with different degrees of granularity to set management axes (footprint area, products, rating classes) is applied solely for decision-making purposes.

With regard to credit risk, for the purposes of determining the authorisation process for loan applications directly filed with the subsidiaries, the Parent Company - as mentioned above - sets operating limits above which applications must be submitted in advance to the Parent Company's Board of Directors (or to the bodies expressly delegated by it), which will issue an obligatory opinion.

The Parent Company's obligatory opinion is provided for requests with the following minimum amount limits:

***Banca del Monte di Lucca***

**1. RATED SEGMENTS**

**(a) Granting, increase, and confirmation:**

Risk amount: EUR 6,500,000;

Expected Loss amount: EUR 45.000;

**(b) Renewal and "risk flag" loan:**

Risk amount: EUR 6,500,000;

Expected Loss amount: no limits;

**(c) Reduction and "risk flag" loan with no exposure: opinion not required.**

**2. UNRATED SEGMENTS**

**(a) Granting, increase, and confirmation**

Maximum amount: EUR 6.500.000, with the following sub maximum amounts:

loans falling within category A (on-balance-sheet loans or similar receivables and non-self-liquidating trade receivables): up to EUR 1,500,000;

loans falling within category B (self-liquidating trade receivables): up to 2,000,000;

loans falling within category C (collateralised loans): up to 3,000,000.

**(b) Renewal and "risk flag" loan:**

Maximum amount: EUR 6,500,000;

Sub maximum amount for risk category: no limit.

- (c) Reduction and "risk flag" loan with no exposure: opinion not required.

Finally, no opinion is required for requests for mandatory treasury advances or cash advances arising from contracts for the provision of the service.

### ***Decision, Stipulation and Loan Issuance***

In addition to the limits imposed by the Supervisory Authority, the Bank has independently identified stricter management rules aimed at further reducing an excessive level of risk concentration.

These rules result in lower maximum risk limits per corporate group with respect to the Banking Group. A maximum Banking Group risk limit of no more than EUR 50 mln is identified, with a sublimit for each individual bank as follows:

	Concentration limits (€)	Group concentration limit (€)
Banca Carige Spa	50 millions	} 50 millions
Banca del Monte di Lucca Spa	2.5 millions	
Banca Cesare Ponti Spa	1 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 <sup>(1)</sup>	Max amount (Euro) "Mutuo fondiario"	Max amount (Euro) "Mutuo edilizio e Mutuo fondiario a s.a.l."	Max amount (Euro) "Mutuo di liquidità" ("mortgage backed credit facility")
Senior Branch Manager	1.2%	300,000	0	0
Corporate Lending Manager	3%	500,000	0	0
Corporate banking branch manager	12%	400,000	0	0
Corporate Lending Analyst	13%	1,500,000	0	1,000,000
Corporate Lending Manager <sup>(2)</sup>	30%	8,000,000	8,000,000	8,000,000
Lending Committee <sup>(3)</sup>	<sup>(4)</sup>	8,000,000 - 40,000,000	8,000,000 - 40,000,000	8,000,000 - 40,000,000
Board of Directors <sup>(5)</sup>	-	Over 40,000,000	Over 40,000,000	Over 40,000,000

(1) The percentage limit is obtained: Total e EL amount/Total risk amount (direct, indirect, of the group)

(2) Delegated by the Chief Lending Officer

(3) Lending Committee is composed of Chief Lending Officer as a President, Chief Commercial Officer as a Vice President and Chief Executive Officer. The Chief Risk Officer or a Risk Management representative takes part in Lending Committee sessions and express his opinion on competence risks

(4) Lending Committee: expected loss < Euro 500,000

(5) Replaced (with the same powers) by the Board of Temporary Administrators from 2/1/2019 to 31/1/2020

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 liquidità"("mortgage backed credit facility")
	EL <sup>(1)</sup>	Households/Small Business and POE	Households/Small Business and POE	Small Business and Small Business and POE
Senior Branch Manager	1.2%	400,000	0	0
Retail Lending Analyst	5%	500,000	0	100,000
Retail Lending Manager <sup>(2)</sup>	30%	8,000,000	8,000,000	8,000,000
Lending Committee <sup>(3)</sup>	<sup>(4)</sup>	8,000,000 - 40,000,000	8,000,000 - 40,000,000	8,000,000 - 40,000,000
Board of Directors <sup>(5)</sup>	--	Over 40,000,000	Over 40,000,000	Over 40,000,000

(1) The percentage limit is obtained: Total e EL amount/Total risk amount (direct, indirect, of the group)

(2) Delegated by Chief Lending Officer

(3) Lending Committee is composed of Chief Lending Officer as a President, Chief Commercial Officer as a Vice President and Chief Executive Officer. The Chief Risk Officer or a Risk Management representative takes part in Lending Committee sessions and express his opinion on competence risks.

(4) Lending Committee: expected loss < € 500,000

(5) Replaced (with the same powers) by the Board of Temporary Administrators from 2/1/2019 to 31/1/2020

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. **Banca Carige Collection policies**

Effective January 2021, with the aim of further boosting the business relaunch initiated in the first part of the year, Banca Carige's Board of Directors has approved the review of the Group Service Model via a reorganisation of the whole commercial supply chain and sizeable IT investments designed to ensure the best customer proposition and service standards.

Across its footprint, the "Retail Banking Segment" will be reorganised from its current 13 "Commercial areas" into 25 "Retail Banking Areas" for better coverage of a smaller number of "Retail Banking Branches" in each Area.

As part of the "Corporate Banking Segment", 2 "Corporate Banking Areas" (one for Liguria, Piedmont and Tuscany and one for the remaining part of the network) and 18 "Corporate Banking Branches" have established, which share the premises of the Retail Banking Branches, attaching priority to their logistic and physical proximity to corporate customers.

### HEAD-OFFICE UNITS

On the recommendation from the Board of Directors, the Credit Committee was established, which is chaired by the Chief Executive Officer and comprised of the Chief Lending Officer (CLO), the Chief Commercial Officer (CCO) and the top managers of the Loan Department.

The Credit Committee supports the corporate bodies in managing the credit risk which the individual entities of the Group and the Group as a whole are exposed to in terms of:

- (a) definition and proposal of the credit policy;
- (b) assumption of credit risk;
- (c) credit risk control, including classification of loan;
- (d) opinions on proposals beyond its own remit to be submitted to the Board of Directors;
- (e) assessment of the quality of the loan portfolio and proposal of measures to improve its risk profiles.

At a head-office level, the credit area is headed by the CLO, who is responsible for Credit Policies and Monitoring, Corporate and Retail Lending, Pre-Problem Loans, NPE and Credit Secretariat. In particular:

- (a) Credit Policies and Monitoring supports the CLO in defining lending and management policies and supervising the loan classification process;
- (b) Corporate Lending, divided at a regional level between Liguria and Outside Liguria, resolves upon granting/renewal/withdrawal requests for Corporate customers, Banks and Institutional customers;
- (c) Retail Lending resolves upon granting/renewal/withdrawal requests for Retail customers;
- (d) the Pre-Problem structure ensures the proper management of pre-problem credit positions in order to prevent deterioration with consequent economic and financial benefits for Banca Carige;

- (e) the NPE Unit defines the strategies, models and processes for the management of non-performing exposures, as well as monitoring, accounting and reporting of non-performing exposures;
- (f) Credit Secretariat examines the files to be submitted to the Management Bodies from a formal point of view and follows up on reporting to the Central Risk Register.

### ***Credit Monitoring***

The Banca Carige Group has adopted a credit monitoring model based on indicators of irregular conditions that are detected on a daily basis by the tool and which are pivotal to discriminate between positions to be managed promptly and those to be monitored.

The items in question are processed to determine the management process into which the positions are to be placed:

- (a) To be monitored: positions with non-critical irregular conditions or with marginal draw downs (from EUR 0 to 1,000) or forborne performing without any other irregular condition for which there no set management times exist;
- (b) Pre-problem loan: performing positions for which relevant irregular conditions are present or non-performing positions with operating exposures other than "Unlikely-To-Pay exposures" (i.e., Past Due or Forborne Cure Period or other Unlikely-To-Pay originating from the criteria of the "New Definition of Default" such as Contagion/Probation Period). The management of these positions provides for certain timeframes for the assessment of "Unlikely-to-pay exposures" or derogation;
- (c) Problem loan: non performing positions classified as "Unlikely-To-Pay exposures".

## **6. Regular payment contracts and management of late payments**

### **6.1. Regular payment contracts**

#### ***Method of payment***

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.

#### ***Right of renegotiation***

In the case of loans that have been duly fulfilled, it is possible, at the request of the borrower, to renegotiate the relevant loan agreement.

The renegotiation concerns the change in the type of rate (from variable to fixed and vice versa), the conditions applied and the duration of the amortisation.

The renegotiation tool is also used for positions with abnormal trends or delayed payments; in such cases, the change in repayment terms (extension of the amortization plan, change in the conditions applied) is finalised on the base of the proven ability to repay and a state of distress of the customer that is reasonably deemed as temporary.

### **6.2. First Payment Irregularities**

In the event of non-payment, IT procedures automatically issue a reminder letter which is sent to the defaulting borrowers. 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.

The procedural automatisms do not prevent, where deemed necessary, to immediately take legal initiatives aimed at collecting debt.

### 6.3. Pre-problem loans

In 2018, a new structure called "Pre-Problem Management Unit" was set up, which is in charge of positions showing signs of criticality or for which it is necessary to strengthen credit monitoring actions.

The Unit consists of two departments:

- (a) Large Ticket Credit Management: for positions of a significant amount (exposure exceeding EUR 250,000) that are pre-problematic or in forbore Probation Period formerly non performing. The office consists of pre-problem loans analysts; each analyst is assigned a client portfolio on which they have to implement intervention strategies with a view to regularising relations, taking into account the timing of the credit monitoring process;
- (b) Small Ticket Credit Management: supervises and controls small amount positions in the Retail sector (exposure less than or equal to EUR 250,000), including with the support of external providers specialised in reminder and debt collection actions.

### 6.4. Past Due

Following the update of the supervisory regulations, effective as of 1/1/2015, the definitions of impaired financial assets have been amended. As a result of the regulatory intervention, three categories of impaired assets were created: Past due, Bad loans, Unlikely-To-Pay exposures.

The rules for classifying loans were then substantially revised as of 1 January 2021, with the application of the so-called "New Definition of Default". The new European regulatory package, which consists of the "EBA Guidelines on the application of the definition of default" (EBA/GL/2017/07) and the Commission Delegated Regulation (EU) 2018/171 on the materiality threshold for credit exposures in arrears (RTS (EU) 2018/171), aims to clarify and supplement the regulatory principles, governed by Article 178 of Regulation (EU) No 575/2013 (the "CRR"), for the identification of defaulted credit exposures by focusing on the following aspects:

- new objective materiality threshold for assessing the materiality of the arrears/default of the customer, consisting of an absolute component (i.e. 100 euros for retail customers, 500 euros for non-retail customers) and a relative component (i.e. 100 euros for retail customers, 500 euros for nonretail customers) and a relative component (i.e. 1% of the total balance sheet exposure);
- mandatory period of at least 90 consecutive days of regularity and absence of default events in preparation for the customer's return to performing status (the so-called "probation period");
- the existence of certain conditions (objective and/or subjective as the case may be), "contagion" of default status within joint credit obligations (e.g. joint ventures) and related client groups (e.g. client-corporate, corporate-group, etc.).
- new objective criterion for classifying forbearance measures as unlikely to pay where the measures are "onerous restructurings" (i.e. where the reduced financial obligation, understood as a percentage change in the Net Present Value pre/post measure, is greater than 1%).

Therefore, under the so called "New Definition of Default", for a counterparty to be classified as Past Due, the following components of the materiality threshold, calculated on a daily basis, must both be exceeded for a continuous period of 90 days:

- absolute threshold:
  - retail: all unpaid cash exposures (including interest and fees) > €100;
  - non-retail: all unpaid cash exposures (including interest and fees) > €500;

- Relative threshold: ratio of all unpaid exposures (including interest and fees) and an amount equal to the overall amount of all exposures vis-à-vis the same borrower reported on the balance sheet (including interest and fees, but excluding equity exposures as defined for regulatory purposes) greater than 1%.

Past due loans are subject to an automatic classification as they are not determined by company evaluations, but rather by automatic procedural procedures.

Positions with past due status are highlighted to the position's managers in the monitoring tool and through the production of a printout for the purpose of timely monitoring.

The condition for exit from the category of past due exposures occurs when 90 consecutive days of "probation" have elapsed. In particular, the trigger for the probation period is automatic and is represented by the resetting of the past due days counter in the past due calculation engine. From that moment, a daily check on the regularity of the position is carried out, with resetting of the probation period counter in the following cases:

- a new default event resulting in a change of accounting classification (e.g. from past due to probable default or default); or
- activation of the days past due counter within the past due engine (i.e. both materiality thresholds are exceeded).

#### 6.5. Unlikely-To-Pay exposures (UTPs)

Article 178(1)(a) of the CRR provides the definition of a default of a debtor. In this definition, *inter alia*, unlikely to pay are described, i.e. those positions for which the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security.

This assessment shall be made independently of the presence of any amounts (or instalments) that are past due and unpaid. Therefore, it is not necessary to wait for the explicit symptom of anomaly (non-repayment), where there are elements that imply a situation of risk of default by the debtor (e.g., even a crisis in the industrial sector in which the debtor operates could be sufficient).

The total of cash and off-balance sheet exposures to the same debtor in the above situation is referred to as "unlikely to pay", unless the conditions for classification as non-performing are met. With the entry into force of the New Definition of Default, the relevance of cost to the Bank for the purposes of assessing the forbearance measure has been further strengthened, becoming the objective criterion in which the licensed debtor, although performing, may be classified directly as unlikely to pay.

As of 1 January 2021, if a forbearance measure results in a reduced financial obligation, i.e. a cost to the Bank of more than 1% of the Net Present Value (NPV) of the loan granted, the position itself is classified as a "costly restructuring" and, as such, classified as a unlikely to pay, falling within the category of "Forborne non-performing".

Similarly, irrespective of the amount of the reduced financial obligation, any concession extended to a debtor already in default qualifies as onerous restructuring and leads to automatic classification as a "Forborne non-performing".

#### 6.6. Forbearance

The European Commission, with the (EU) Enforcement Regulation 2015/1278 of 9 July 2015, which amended EU Regulation 680/2014, introduced a sub-category for both performing and non-performing loans: Forborne exposures. This sub-category identifies performing or nonperforming loans that benefit from concessions or renegotiation of contractual conditions (including moratoriums and suspensions) -objective assumption- due to current or impending financial difficulties of the debtor -subjective assumption. For an exposure to be classified as Forborne, it is necessary that both assumptions (objective and subjective) are met.

As regards the very concept of "Forborne" (which can be translated into "granting measures"), the ECB subsequently intervened by issuing the "Guidelines for banks on impaired loans" on 20 March 2017. This document sets out in detail the key features of the Forbearance Measures:

- (a) forbearance measures must be granted with the key objective of laying the foundations for the exposures to be reclassified as of performing or avoiding the downgrading of performing exposures;
- (b) forbearance measures must be economically sustainable; the assessment of the borrower's financial resources must be based on the current and prospective future capacity to repay debt;
- (c) the net present value (NPV) of loan resulting from the application of forbearance measures should be preferable to the NPV resulting from alternative options such as enforcement of guarantees or other liquidation options;
- (d) a distinction should be made between short-term forbearance measures (temporary debt restructuring aimed at addressing short-term financial difficulties) and long-term forbearance measures.

In addition, the ECB has reiterated that concession measures consist of "concessions" granted to any exposure to a debtor that is experiencing, or is about to experience, difficulties in meeting its financial commitments ("**financial difficulties**"). Consequently, an exposure may only be considered to be the subject of lending measures if the debtor is in financial difficulties, which has led Banca Carige to grant a credit facility to the debtor.

## 7. "Risk Flag" loan

### 7.1. Criteria for "risk flag" loan

#### Description of Criteria

When the so-called "creditworthiness" ceases to exist or the presence of prejudicial facts that undermine the fiduciary relationship, the position must be revoked.

#### Decision-making body

Each body is competent to decide on revocations within the framework of its deliberative powers of granting.

### 7.2. Effects of "risk flag"

"Risk flag" usually is irreversible and must be formalised for all co-obligated persons. It:

- (a) determines the default of the principal and any guarantors (credit is no longer granted, but they remain debtors of the bank);
- (b) it renders the claim due, liquid and enforceable;
- (c) it may be a prelude, as the case may be, to payment (including, where appropriate, by repayment plan) or to the initiation of enforcement action.

"Pre-litigation" is defined as "risk flag" loan positions for which it is still considered possible, in the light of the debtor's concrete behaviour, to settle the dispute out of court.

These positions, unless they relate to persons deemed to be insolvent or in substantially comparable situations (a circumstance that leads the Bank's loans to be classified as bad loans), are classified as Unlikely-To-pay, albeit with distinct anomaly indices.

On a case-by-case basis, the management of such items is:

- (a) managed at decentralised level by the footprint areas units;
- (b) centralised at the Bad loan & Collection Unit;
- (c) entrusted to third party companies specialised in debt collection (signature loans only).

The Bad loan & Collection Unit is responsible for "risk flag" loan for which:

- (a) the exposure detected is higher than EUR 100,000 ("individual limit of amount");
- (b) the exposure recorded is equal to or less than the "individual limit of amount" but positions belonging to the same group of which at least one exceeds EUR 100,000 are revoked or in the process of being revoked;
- (c) the decision-making body, regardless of the exposure, considers that objective conditions are there for the Bad loan & Collection Unit to manage the file;
- (d) "risk flag" loan for which -in the opinion of the decision-making body- it is appropriate to start the enforcement action promptly (e.g.: to obtain judicial mortgages on coobligatory assets not liable to bankruptcy), to carry out acts of preservation of the asset guarantee (ordinary revocations, preservation seizures, etc.) or for other particular reasons (requests of the same degree or extension of the benefits of mortgages not yet consolidated lent by parties liable to bankruptcy proceedings; need to execute mortgage guarantees, etc.);
- (e) "risk flag" loan motivated by the insolvency (or similar) of the entrusted person (inferable from repeated protests, foreclosures or judicial mortgages, proposals for payment in instalments or out-of-court settlement, etc.);
- (f) "risk flag" loan motivated by the submission of debtors to insolvency proceedings (or even only by the certain prospect of their submission to such proceedings, for notice of applications or appeals made to that effect).
- (g) The "risk flag" loan is decentralised to the Footprint Areas in all other cases.

### 7.3. Classification of positions as bad loans

#### Criteria

The criteria adopted by Carige for the posting and classification of nonperforming loans reflect what is expressly provided for by the Bank of Italy's regulations: in essence, therefore, the position is revoked when there is evidence that the customer is "in a state of insolvency, even if not judicially ascertained".

#### New Organisational Model

On 10 May 2018, Banca Carige signed the final agreement for the disposal of the bad loan loans management platform to Credito Fondiario. The agreement provides for the transfer of 53 FTEs and the formal start of a 10-year partnership between the Group and Credito Fondiario for the management and collection of part of the Group's bad loans.

As part of the updating of the Bank's organisational model the NPE (Non Performing Exposure) Unit was also updated, which will be responsible for the accounting and administrative management of bad loans managed internally or entrusted to the outsourcer, the Retained Organisation activities and coordination of the outsourcer for positions classified to UTP (Unlikely to Pay) or to bad loans, as well as the internal management of bad loans not entrusted to the outsourcer and the management of "*credito anomalo*" with the creation of 3 teams (Team Big ticket, Team Medium ticket, Team Real Estate).



## **BML Collection policies**

In the credit disbursement and management process, BML operates on the basis of management guidelines formulated by the parent company Banca Carige, consistent with the following objectives:

- (a) balance between primary needs for credit risk containment and sales and business planning and growth;
- (b) effectiveness and efficiency in the management of information and adequate control over each step of the process;
- (c) prompt and flexible responses to credit-worthy customers.

In pursuing objectives consistent with the above guidelines, Banca del Monte di Lucca has adopted different organisational set-up and management behaviours, in line with the guidelines on credit risk control issued by Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia, In performing its management and coordination activities in its role as Parent Company of the Banca Carige Group.

The Bank's lending service is essentially decentralised.

### **Footprint Areas**

- (a) Bank branches are in charge of loan granting and management in their own area of marketing and credit management activities;
- (b) Financial Advisory for Businesses offers medium and large enterprises a differentiated approach to ensure an adequate level of operational efficiency and commercial effectiveness together with careful monitoring of credit quality.

### **Head-Office Units**

The Lending Office finalises the credit facility origination process of applications and renewals of positions that exceed the decision-making powers of the bank branches. It also resolves on requests falling within its powers and produces an opinion on requests falling within the competence of higher bodies.

The Lending Office is also responsible for the management of non-performing positions that are not centralised, while the pre-litigation activity described below is delegated to the Lending Control Office.

Other activities falling within the credit management process (legal department, debt collection, other support activities) are centralised with the Parent Bank, including in order to generate significant economies of scale.

\* \* \*

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 an 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:

- (i) 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**

- (ii) 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 become 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 become 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 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.

### **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 (also as successor of Cassa di Risparmio di Savona S.p.A., Banca Carige Italia S.p.A. and Cassa di Risparmio di Carrara S.p.A.) and BML 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 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 Informativo" ("**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 the corporate services agreement entered into between the Corporate Servicer and the Guarantor dated 1 December 2008 in the context of the Programme, as extended in the context of the OBG3 Programme through the amendment for the extension of the Corporate Services Agreement dated 6 December 2016, 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 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.

## **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 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.

## **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 20<sup>th</sup> 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  $1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series of Covered Bonds} / 365)$ .

"**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***

In the context of the Programme the Quotaholders entered into a Quotaholders' Agreement whereby the Quotaholders agreed to provide certain corporate management services for the Guarantor in the context of the Programme. In the context of the OBG3 Programme each of the Quotaholders intended to confirm the

undertakings and assumed under the Quotaholders' Agreement and to extend the benefit of it to the OBG3 Programme by way of an agreement for the extension of the Quotaholders' Agreement.

The Quotaholders' Agreement 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.

### ***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 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.

### **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 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.

### **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 may 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 (if any) 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*). Articles 7-bis and 7-ter, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

Law 130 was further amended by, *inter alia*, (i) 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"), (ii) 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**") and (iii) most recently by legislative decree No. 190 of 5 November 2021 (the "**Decree 190/2021**"), which transposed into the Italian legal framework Directive (EU) 2019/2162 and designated the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations by 8 July 2022. In these regulations, the Bank of Italy will also have to assess whether to exercise the option provided for in the Directive that allows Member States to lower the threshold of the minimum level of overcollateralization. Furthermore, article 3, paragraph 2, of Decree 190/2021 provides that the implementing measures of the Title I-bis of Law 130, as amended, will be adopted by 8 July 2022. In this respect, the provisions of Law 130, as amended by Decree 190/2021, will be applied to covered bonds issued as of the date of entry into force of the implementing measures as referred to under article 3, paragraph 2, of Decree 190/2021. On the other hand, on the basis of the current interpretation of Decree 190/2021, articles 7-bis, 7-ter and 7-quarter of Law 130 (before being amended by Decree 190), and the relevant implementing measures, will continue to apply to any series or tranche of covered bonds issued before the earlier of (i) 8 July 2022 or (ii) the entry into force of the implementing measures of Decree 190/2021.

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 5<sup>th</sup> 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.

The BoI Regulations introduced provisions, *inter alia*, regulating:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;
- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- criteria to be adopted in the integration of the assets constituting the cover pools;
- the identification of the cases in which the integration is permitted and its limits; and
- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

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"	$T1R \geq 9\%$ and $CET1R \geq 8\%$	No limits
Group "b"	$T1R \geq 8\%$ and $CET1R \geq 7\%$	Assignment allowed up to 60% of the eligible assets
Group "c"	$T1R \geq 7\%$ and $CET1R \geq 6\%$	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.

The BoI Regulations clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the "**b**" range total capital ratio but falls within the "**c**" range with respect to its tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the "**c**" range.

### 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.

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:

- 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;
- 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**"));
- 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**

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:

- the aggregate nominal amount of the Cover Pool shall be equal to, or greater than, the aggregate nominal amount of the outstanding Covered Bonds;
- 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;
- 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.

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:

- 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;
- 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*:

- the quality and integrity of the assets sold to the Guarantor securing the obligations undertaken by the latter;
- 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;
- compliance with the Limits to the Assignment and the rules on, and Limits to, the Integration set out by the BoI Regulations;
- the effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction;
- 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. Furthermore, the internal auditors of banks must comprehensively review every 12 months the monitoring activity carried out with respect to each covered bond transaction, basing such review, *inter alia*, on the evaluations supplied by the asset monitor.

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*).

## **Taxation**

Article 7-bis, sub-paragraph 7, of the Law 130 provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, **provided that**:

- the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and
- the subordinated loan is granted by the same bank acting as cover pool provider.

It is likely that the provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with article 106 of Presidential Decree No. 917 of 22 December 1986.

### ***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 until recent times, while 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.

Indeed, only recently the Italian Supreme Court (*Corte di Cassazione*) joint sections (*Sezioni Unite*) (n. 19597 dated 18 September 2020) stated that, in order to assess whether a loan complies with the Usury Law, also default interest rates shall be included in the calculation of the remuneration to be compared with the Usury Rates. In this respect, should that remuneration be higher than the Usury Rates, only the 'type' of rate which determined the breach shall be deemed as null and void. As a consequence, the entire amount referable to the rate which determined the breach of said threshold shall be deemed as unenforceable according to the last interpretation of the Supreme Court.

#### ***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.

Article 17-*bis* of law decree 18 of 14 February 2016 as converted into Law No. 49 of 8 April 2016 amended article 120, paragraph 2, of the Banking Law, providing that the accrued interest shall not produce further interest, except for default interest, and is calculated exclusively on the principal amount. Paragraph 2 of article 120 of the Banking Law also requires the Comitato Interministeriale per il Credito e il Risparmio ("**CICR**") to establish the methods



and criteria for the compounding of interest. Decree No. 343 of 3 August 2016 of the CICR, implementing paragraph 2 of Article 120 of the Banking Law, has been published in the Official Gazette No. 212 of 10 September 2016. 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 and was required to be implemented in Member States by 21 March 2016. On 1 June 2015, in accordance with article 18, article 20(1) and article 28 of the Mortgage Credit Directive, the European Banking Authority published its final Guidelines on creditworthiness assessment, as well as its final Guidelines on arrears and foreclosure, that support the national implementation by Member States of the Mortgage Credit Directive.

In Italy, the Government has approved the Legislative Decree No. 72 of 21 April 2016, implementing the Mortgage Credit Directive and published on the Official Gazette of the Republic of Italy on 20 May 2016 (the "**Mortgage Legislative Decree**"), which introduced article 120-*quinquiesdecies* of the Consolidated Banking Law.

The Mortgage Legislative Decree applies to (i) residential mortgage loans and (ii) loans relating to the purchase or preservation of the property right on a real estate asset.

The Mortgage Legislative Decree sets forth a regulatory framework of protection for consumers, including certain rules of correctness, diligence, information undertakings and transparency applicable to lenders and intermediaries which offer and disburse loans to consumers.

Furthermore, under the Mortgage Legislative Decree, the parties to a loan agreement may agree, at the time the relevant loan agreement is entered into, that should the Borrower fail to repay an amount at least equal to eighteen loan instalments, the transfer of the title to the lender either over the mortgaged real estate asset or the proceeds deriving from the sale of such real estate asset extinguishes in full the repayment obligation of the Borrower under the relevant loan agreement even if the value of the relevant real estate asset or the amount of proceeds deriving from the sale of such real estate asset is lower than the remaining amount due by the Borrower under the loan agreement.

On the other hand, if the value of the real estate asset or the proceeds deriving from the sale of the real estate asset are higher than the remaining amount due by the Borrower under the loan agreement, the excess amount shall be paid or returned to the Borrower.

On 29 September 2016, the Ministry of Economy and Finance issued the decree No. 380 implementing the provisions of the Mortgage Legislative Decree.

No assurance can be given that Mortgage Legislative Decree will not adversely affect the ability of the Guarantor to make payments under the Covered Bond Guarantee.

## 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 5<sup>th</sup> 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 22<sup>nd</sup> 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 BNP Paribas Securities Services, Milan 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 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> 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:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and



"D<sub>2</sub>" 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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<sub>2</sub> 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" 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<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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<sub>2</sub> 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:**

<b>DBRS</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
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 Europe SE, NatWest Markets N.V. 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 25<sup>th</sup> 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](http://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 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 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 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 BNP Paribas Securities Services, Milan 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.
- (i) **Benchmark Discontinuation:** If a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any CB Interest Period remains to be determined by reference to such Reference Rate (or any component part thereof), then the Issuer shall notify the party responsible for determining the Rate of Interest applicable to the Covered Bond (being the Principal Paying Agent, or such other party specified in the relevant Final Terms) and use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 6(i)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 6(i)(c)), and whether any Benchmark Amendments (in accordance with Condition 6(i)(d)) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Independent Adviser appointed by the Issuer pursuant to this Condition 6(i) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer.

In the absence of wilful misconduct, fraud or negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the party responsible for determining the Rate of Interest applicable to the Covered Bond (being the Principal Paying Agent, or such other party specified in the relevant Final Terms), the Representative of the Covered Bondholders or the Covered Bondholders for any determination made by it pursuant to this Condition 6(i).

- (a) If following the occurrence of a Benchmark Event (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine and notify in writing both the Issuer and the party responsible for determining the Rate of Interest applicable to the Covered Bond of a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(i) prior to the relevant Interest Determination Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine and notify in writing the party responsible for determining the Rate of Interest applicable to the Covered Bond of a Successor Rate, or failing which, an Alternative Rate, provided however that, if the Issuer is unable or unwilling to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(i)(a) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following CB Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first CB Payment Date, the Reference Rate shall be the Reference Rate applicable to the first CB Interest Period. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) is to be applied to the relevant CB Interest Period from that which applied to the last preceding CB Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) relating to the relevant CB Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding CB Interest Period (as applicable). For the avoidance of doubt, any adjustment pursuant to this Condition 6(i)(a) (Benchmark Discontinuation) shall apply to the immediately following CB Interest Period only. Any subsequent CB Interest Period may be subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(i).
- (b) If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine and notify a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(i) prior to the relevant Interest Determination Date) acting in good faith and in a commercially reasonable manner determines in its discretion that:
  - (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(i)(c)) be promptly notified in writing to the Issuer and/or the party responsible for determining the Rate of Interest applicable to the Covered Bond, as the case may be, and only after being so notified subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for the immediately following CB Interest Period and all following CB Interest Periods, subject to the further application to such Successor Rate of this Condition 6(i) in the event of a further Benchmark Event affecting the Successor Rate; or
  - (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 6(i)(c)) be promptly notified in writing to the Issuer and/or the party responsible for determining the Rate of Interest applicable to the Covered Bond, as the case may be, and only after being so notified subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for the immediately following CB Interest Period and all following CB Interest Periods, subject to the subsequent operation of this Condition 6(i) in the event of a further Benchmark Event affecting the Alternative Rate.
- (c) If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(i) prior to the relevant Interest Determination Date) acting in good faith and in a commercially reasonable manner determines in its discretion (A) that an Adjustment Spread is

required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be promptly notified in writing to the Issuer and/or the party responsible for determining the Rate of Interest applicable to the Covered Bond, as the case may be, and apply to the Successor Rate or the Alternative Rate (as the case may be).

- (d) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(i) and the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(i) prior to the relevant Interest Determination Date) acting in good faith and in a commercially reasonable manner determines in its discretion (i) that amendments to these Conditions, including but not limited to Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread and/or necessary or appropriate to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by the competent regulatory authority (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Principal Paying Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with this Condition 6(i) and subject (only to the extent required) to giving any notice required to be given to, and receiving any consent required from, or non-objection from, the competent regulatory authority, without any requirement for the consent or approval of relevant Representative of the Covered Bondholders or Covered Bondholders, vary these Conditions and the other Transaction Documents to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, subject to paragraph (A) below, the Representative of the Covered Bondholders will consent to and effect, at the direction and expense of the Issuer such consequential amendments to the Cash Management and Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6(i)), provided that:
- (A) (i) the Representative of the Bondholders shall not be obliged to concur in making any modification (including, for the avoidance of doubt, any consequential amendments as may be required in order to give effect to this Condition 6(i)), which, in the sole opinion of the Representative of the Covered Bondholders, would have the effect of (a) exposing the Representative of the Covered Bondholders to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights or protection, of the Representative of the Covered Bondholders in the Transaction Documents and/or these Conditions; (ii) at the request of the Issuer, subject to paragraph (i) above, the Representative of the Covered Bondholders together with the Guarantor, without any requirement for the consent or approval of the Covered Bondholders, will concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of an amendment agreement to the Transaction Documents) and the Representative of the Covered Bondholders shall not be liable to any party for any consequences thereof; (iii) in connection with any such variation in accordance with this Condition 6(i), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading;
- (B) if a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) is to be applied to the relevant CB Interest Period from that which applied to the last preceding CB Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) relating to the relevant CB Interest Period shall be substituted in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) relating to that last preceding CB Interest Period.

- (e) The Representative of the Covered Bondholders, the Covered Bondholders and the Paying Agents shall have no duty to monitor compliance by each of the Issuer and/or the Independent Adviser with their obligations under this Condition 6(i) and shall rely without liability to any person and without further enquiry or investigation on the determinations, calculation, computations and certificates provided under this Condition 6(i) by the Issuer and/or the Independent Adviser. For the avoidance of doubt, the Representative of the Covered Bondholders shall have no duty to review or check the determinations, calculations and computations made by the Issuer or the Independent Adviser pursuant to this Condition 6(i).
- (f) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 6(i) will be notified promptly by the Issuer to the Representative of the Covered Bondholders, the Calculation Agent, the Paying Agents and, in accordance with Condition 17 (Notices), the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (g) No later than notifying the Representative of the Covered Bondholders of the same, the Issuer shall deliver to the Representative of the Covered Bondholders a certificate signed by two authorised signatories of the Issuer:
  - (A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6(i); and
  - (B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.
- (h) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Representative of the Covered Bondholders, the Calculation Agent, the Paying Agents and the Covered Bondholders.

Without prejudice to the obligations of the Issuer under Condition 6(i), the Reference Rate and the fallback provisions provided for in Condition 6 (Floating Rate Provisions) will continue to apply unless and until a Benchmark Event has occurred.

As used in this Condition 6(i):

**"Adjustment Spread"** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonable practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Covered Bondholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in

international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or

- (C) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Adviser or the Issuer determines that no such industry standard is recognised or acknowledged) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Covered Bondholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

**"Alternative Rate"** means an alternative benchmark or screen rate which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in accordance with this Condition 6(i) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the same Specified Currency as the Covered Bonds.

**"Benchmark Event"** means:

- (A) the relevant Reference Rate has ceased to be published for a period of at least 5 (five) Business Days on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it will, by a specific date within the following 6 (six) months, cease publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (each a **"Specified Future Date"**); or
- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a Specified Future Date, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a Specified Future Date, be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Covered Bonds; or
- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market; or
- (F) it has or will, by a specified date within the following 6 (six) months, become unlawful for the Principal Paying Agent, any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Covered Bondholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C) or (D) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark

Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

"**Benchmark Amendments**" has the meaning given to it in Condition 6(i) (d).

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser with appropriate experience in the international capital markets, in each case appointed discretionary (for the avoidance of doubt without any consent or approval by the Representative of the Covered Bondholders and/or the Covered Bondholders) by the Issuer at its own expense under Condition 6(i).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is a successor to or replacement of the Reference Rate, which is formally recommended by any Relevant Nominating Body.

## 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 of 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](http://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 and should not 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 (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), 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 (as amended, 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 EU PRIIPs Regulation.]

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK 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.

**[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (the "**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the "**UK MiFIR**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer[s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the [Covered Bonds] (by either adopting or refining the manufacturer[s/s'] 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 13 June 2022 [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 Regulation (Regulation EU 2017/1129) (the "**Prospectus Regulation**"), as subsequently amended and supplemented. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8 of the Prospectus Regulation. 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](http://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](http://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*]
- (ii) Extended Instalment Date of Guaranteed Amounts corresponding to Instalment Amount under the Covered Bond Guarantee: [Not Applicable/Applicable]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [[[•] month [EURIBOR/Other] +/- [*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.	<b>Floating Rate Provisions</b>	[Applicable/Not Applicable]
(i)	CB Interest Period(s):	[•]
(ii)	Specified Period:	[•]  <i>(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")</i>
(iii)	CB Payment Dates:	[•]  <i>(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")</i>
(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, EURIBOR]
	Interest Determination Date(s):	[•]

	Relevant Screen Page:	[For example, Reuters EURIBOR 01]
	Relevant Time:	[For example, 11.00 a.m. Luxembourg time/Brussels time]
	Relevant Financial Centre:	[For example, Luxembourg/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.	<b>Zero Coupon Provisions</b>	[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.	<b>Call Option</b>	[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.   | <b>Put Option</b>   | [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.   | <b>Final Redemption Amount of Covered Bonds</b>   | [•] 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/[•]]   |
|     |   | <i>[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]</i> |
| 22. | <b>DISTRIBUTION</b>   |  |
|     | 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]   |
|     |   | <i>(If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should</i>  |

*be specified. If the Covered Bonds may constitute "packaged" products and no key information document ("KID") will be prepared, "Applicable" should be specified.)*

Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

*(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a key information document ("KID") will be prepared in the UK, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.)*

### **THIRD PARTY INFORMATION RELATING TO THE COVERED BONDS**

*[(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/( <i>specify other</i> )/None]  |
| (ii)  | Admission to trading                                       | <p>[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/<i>specify other regulated market</i>] with effect from [•] [Not Applicable.]</p> <p>(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)</p> |
| (iii) | Estimate of total expenses related to admission to trading | [•]   |

### 24. RATINGS

Ratings:

[Applicable/Not Applicable]

The Covered Bonds to be issued [[have been]/[are expected to be]] rated:

[Moody's: [•]]

[DBRS]

[[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.)*

*(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)*

*[DBRS] / [Moody's] / [Others] are established in the EEA and are registered under Regulation (EU) No 1060/2009, as amended (the "EU CRA Regulation"). [DBRS] / [Moody's] / [Others] appears on the latest update of the list of registered credit rating agencies on the ESMA website*  
<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

[The rating [•] has given to the Covered Bonds is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by



the European Union (Withdrawal Agreement) Act 2020) (the "**UK CRA Regulation**").]

[[•] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the "**UK CRA Regulation**").] / [[•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the "**UK CRA Regulation**") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

[Not applicable (if not rated)]

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 23 of the Prospectus Regulation)*

26 **USE OF PROCEEDS AND ESTIMATED NET AMOUNT**

(i) Use of proceeds [•]

(ii) Estimated net amount of the proceeds [•]

27. Fixed Rate Covered Bonds only – YIELD

Indication of yield: [•]/[Not Applicable]

28. Floating Rate Covered Bonds only - HISTORIC INTEREST RATES

[[•] / Not Applicable]

Details of historic [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, [[•]does/do not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that

regulation] / [the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [•] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]]

29. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[CFI: ( <i>paying agent to confirm</i> )	[Not applicable/[•]] as published on the website of the Association of National Numbering Agencies ( <b>ANNA</b> ) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.
[FISN: ( <i>paying agent to confirm</i> )	[Not applicable/[•]] as published on the website of the Association of National Numbering Agencies ( <b>ANNA</b> ) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.
Any Relevant Clearing System(s) other than Monte Titoli S.p.A., Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> 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]  <i>[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]</i>

**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 5<sup>th</sup> 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 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> 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 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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<sub>2</sub> 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" 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<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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<sub>2</sub> 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<sup>th</sup>) 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 3<sup>rd</sup> 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)  | [•]   |
|      |   | <i>[N.B. Specify the Interest Determination Date(s) up to and including the Extended Maturity Date, if applicable]</i>                              |
| 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;
- 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 (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).

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*) that meets the requirements from time to time applicable as set forth by Italian law.

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 non-real estate 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 non-real estate SICAF, accrued at the end of each tax period. The Fund, the SICAV or the non-real estate 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*) that meets the requirements from time to time applicable as set forth by Italian law.

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*) that meets the requirements from time to time applicable as set forth by Italian law.

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.
- (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. 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. 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*) that meets the requirements from time to time applicable as set forth by Italian law.

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 non-real estate SICAF will be included in the result of the relevant portfolio accrued at the end of the tax period. The Fund, SICAV or non-real estate 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 non-real estate 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*) that meets the requirements from time to time applicable as set forth by Italian law.

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 "case of use" (*caso d'uso*), in case of "explicit reference" (*enunciazione*) or in case of voluntary registration (*registrazione volontaria*).

### ***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 9 February 2011, as subsequently amended, supplemented and restated) 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***

In accordance with Article 19 of Decree No. 201 of 6 December 2011, converted with amendments by Law No. 214 of 22 December 2011, as amended, Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions 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 (*IVAFE*). For taxpayers other than individuals IVAFE cannot exceed Euro 14,000 per year. 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.

### ***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.

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 the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are 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.

## 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.

## 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 Sales 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 Base 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, 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 Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II.

If the Final Terms (or Base Prospectus, as the case may be) in respect of any Covered Bonds does not include a legend entitled "Prohibition of Sales to EEA Retail Investors", in relation to each Member State of the European Economic Area, 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 made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Base Prospectus, as the case may be) to the public in that Member State except that it may make an offer of such Covered Bonds in that Member State:

- (a) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) Fewer than 150 offerees: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) Other exempt offers: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,



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 Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any 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 for the Covered Bonds and (ii) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

### **Prohibition of sales to UK Retail Investors**

Unless the Final Terms (or the Base Prospectus, as the case may be) in respect of any Covered Bonds specifies "Prohibition of Sales to UK 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 Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) ("EUWA"); or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

If the Final Terms (or Base Prospectus, as the case may be) in respect of any Covered Bonds does not include the legend "Prohibition of Sales to UK Retail Investors", 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 made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Base Prospectus, as the case may be) to the public in the United Kingdom except that it may make an offer of such Covered Bonds to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA) in the United Kingdom 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 section 86 of the FSMA,

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 section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA.

For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds 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 for the Covered Bonds and (ii) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

### *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 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 has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

#### *Selling Restrictions Addressing Additional United Kingdom Securities Law*

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 has represented agreed that it has only offered or sold and will only offer or sell, directly or indirectly, Covered Bonds in France to qualified investors (*investisseurs qualifiés*) as defined in Article L.411-2 1° of the French Code monétaire et financier and it has only distributed or caused to be distributed and will only distribute or cause to be distributed in France to such qualified investors this Base Prospectus, any Final Terms or any other offering material relating to the Covered Bonds.

#### *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) all applicable provisions of the European Union (Markets in Financial Information) Regulations 2017 (the "**MiFID Regulations**"), if operating in or otherwise involving Ireland, and of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 and Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) (together, "**MiFID**");
- (b) if acting under the terms of an authorisation for the purposes of MiFID, the terms of that authorisation and any applicable codes of conduct or practice and any applicable requirements of the MiFID Regulations or as imposed, or deemed to have been imposed, by the Central Bank of Ireland pursuant to the MiFID Regulations or the Central Bank Acts 1942 to 2018;
- (c) if acting under the terms of an authorisation granted to it for the purposes of 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 supervisions of credit institutions and investment firms, the Central Bank Acts 1942 to 2018, any codes of conduct or practice made under section 117(1) of the Central Bank Act 1989, any applicable requirements of the MiFID Regulations, any applicable requirements imposed, or deemed to have been imposed, by the Central Bank of Ireland pursuant to the MiFID Regulations or the Central Bank Acts 1942 to 2018 and, where applicable, any applicable requirements imposed by the European Central Bank pursuant to European Union legislation;

References in this section to any legislation (including, without limitation, European Union legislation) shall be deemed to refer to such legislation as the same has been or may from time to time be amended, supplemented or replaced and shall include reference to all implementing measures, delegated acts and guidance in respect thereof.

#### *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 with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") 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 in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

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 Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations; 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 Regulation, 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 Base 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 Regulation.

### **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 19 January 2022 and by the resolution of the Board of Directors of the Guarantor on 21 January 2022.

### **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*").

### **Significant or material change**

Except as disclosed in the section "*Description of Banca Carige Group and Banca Carige – Recent Developments*" above (commencing on page 120), there has been no significant change in the financial position or financial performance of the Issuer or of the Group since 31 March 2022 and no material adverse change in the financial condition or prospects of the Issuer or of the Group since 31 December 2021.

Since 31 December 2021 there has been no material adverse change in the financial condition or prospects of the Guarantor and since 31 December 2021 there has been no significant change in the financial position or financial performance of the Guarantor.

### **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*) updated as of 21 April 2022;  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/3aa67439-58bb-4882-8de9-d9b3a51878c6/2022+04+Statuto+Assemblea+2022+04+21\\_ENG+Clean.pdf?MOD=AJPERES&CVID=o40l5bX](https://www.gruppocarige.it/grpwps/wcm/connect/3aa67439-58bb-4882-8de9-d9b3a51878c6/2022+04+Statuto+Assemblea+2022+04+21_ENG+Clean.pdf?MOD=AJPERES&CVID=o40l5bX)
- (u) the Guarantor's by-laws (*Statuto*) as of the date hereof;  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/e45e0a92-9e2f-43fa-aa2a-e1c64e305417/STATUTO+VIGENTE+CARIGE+COVERED+BOND\\_09042019\\_ENG.pdf?MOD=AJPERES&CVID=nq9waza](https://www.gruppocarige.it/grpwps/wcm/connect/e45e0a92-9e2f-43fa-aa2a-e1c64e305417/STATUTO+VIGENTE+CARIGE+COVERED+BOND_09042019_ENG.pdf?MOD=AJPERES&CVID=nq9waza)
- (v) press release dated 3 June 2022 and headed "*Banca Carige: signed the closing for the disposal of the controlling interest held by FITD and SVI in favour of the BPER Banca Group*";  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/56921ed4-219d-4cdc-b609-1b8dd29002ac/Closing+BPER\\_FITD\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-56921ed4-219d-4cdc-b609-1b8dd29002ac-o4HyW2x](https://www.gruppocarige.it/grpwps/wcm/connect/56921ed4-219d-4cdc-b609-1b8dd29002ac/Closing+BPER_FITD_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-56921ed4-219d-4cdc-b609-1b8dd29002ac-o4HyW2x)
- (w) press release dated 1 June 2022 and headed "*Resignation of all members of the Board of Directors*";  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/0a954010-8fae-47f0-acd6-a1c6310e54c8/06+Comunicato+stampa+dimissioni+Amministratori\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0a954010-8fae-47f0-acd6-a1c6310e54c8-o4w19ya](https://www.gruppocarige.it/grpwps/wcm/connect/0a954010-8fae-47f0-acd6-a1c6310e54c8/06+Comunicato+stampa+dimissioni+Amministratori_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0a954010-8fae-47f0-acd6-a1c6310e54c8-o4w19ya)
- (x) press release dated 27 May 2022 and headed "*Resignation of Statutory Auditor*";  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/b5aff6de-a783-4616-8a1d-3cbcc9aeaa64/01%2BComunicato%2Bstampa%2Bdimissioni%2BSindaco\\_ENG+%28002%29.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-b5aff6de-a783-4616-8a1d-3cbcc9aeaa64-o4UbgVD](https://www.gruppocarige.it/grpwps/wcm/connect/b5aff6de-a783-4616-8a1d-3cbcc9aeaa64/01%2BComunicato%2Bstampa%2Bdimissioni%2BSindaco_ENG+%28002%29.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-b5aff6de-a783-4616-8a1d-3cbcc9aeaa64-o4UbgVD)
- (y) press release dated 19 May 2022 and headed "*Resignation of alternate member of the Board of Statutory Auditors*";  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/1f3aab1f-f1e1-40f8-a6d6-23a46d38e565/05+Dimissioni+Sindaco+supplente+ENG\\_clean.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-1f3aab1f-f1e1-40f8-a6d6-23a46d38e565-o3wQZbP](https://www.gruppocarige.it/grpwps/wcm/connect/1f3aab1f-f1e1-40f8-a6d6-23a46d38e565/05+Dimissioni+Sindaco+supplente+ENG_clean.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-1f3aab1f-f1e1-40f8-a6d6-23a46d38e565-o3wQZbP)
- (z) press release dated 12 May 2022 and headed "*Carige enters into an agreement with Affide (Custodia Valore - Credito Su Pegno S.p.A.) for the sale of its loans against pledge business*";  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/e83076b2-36db-4a4b-95e5-454486b8fa01/Cessione+Pegno\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-e83076b2-36db-4a4b-95e5-454486b8fa01-o2V2SNX](https://www.gruppocarige.it/grpwps/wcm/connect/e83076b2-36db-4a4b-95e5-454486b8fa01/Cessione+Pegno_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-e83076b2-36db-4a4b-95e5-454486b8fa01-o2V2SNX)
- (aa) press release dated 11 May 2022 and headed "*Banca Carige's Board of Directors approves the Groups' consolidated results as at 31 March 2022*";  
  
[https://www.gruppocarige.it/grpwps/wcm/connect/4d3da01f-c900-4121-a964-cb9f57b3985e/1Q22\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-4d3da01f-c900-4121-a964-cb9f57b3985e-o2OUOXY](https://www.gruppocarige.it/grpwps/wcm/connect/4d3da01f-c900-4121-a964-cb9f57b3985e/1Q22_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-4d3da01f-c900-4121-a964-cb9f57b3985e-o2OUOXY)

- (bb) the Banca Carige Group's audited consolidated financial statements as of 31 December 2021;  
[https://www.gruppocarige.it/grpwps/wcm/connect/44f96f47-b911-4733-8357-264c5d2501cb/2021+CONS\\_ENG\\_DEF.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-44f96f47-b911-4733-8357-264c5d2501cb-o3WZTTP](https://www.gruppocarige.it/grpwps/wcm/connect/44f96f47-b911-4733-8357-264c5d2501cb/2021+CONS_ENG_DEF.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-44f96f47-b911-4733-8357-264c5d2501cb-o3WZTTP)
- (cc) press release dated 30 March 2022 and headed "*Notice of publication of documents*";  
[https://www.gruppocarige.it/grpwps/wcm/connect/5488ba62-8e40-4d71-a597-5ebef7d5d958/03+Comunicato+stampa+pubblicazione+bilancio+e+altri+documenti\\_clean\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-5488ba62-8e40-4d71-a597-5ebef7d5d958-n.s01R-](https://www.gruppocarige.it/grpwps/wcm/connect/5488ba62-8e40-4d71-a597-5ebef7d5d958/03+Comunicato+stampa+pubblicazione+bilancio+e+altri+documenti_clean_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-5488ba62-8e40-4d71-a597-5ebef7d5d958-n.s01R-)
- (dd) press release dated 9 March 2022 and headed "*Draft separate and consolidated financial statements as at 31 December 2021 approved*";  
[https://www.gruppocarige.it/grpwps/wcm/connect/6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5/Cda\\_9\\_03\\_2022\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5-nZK-9h5](https://www.gruppocarige.it/grpwps/wcm/connect/6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5/Cda_9_03_2022_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-6ebb8c22-4ba1-4bf4-abc8-f5b29976adf5-nZK-9h5)
- (ee) press release dated 9 February 2022 and headed "*Clarifications on the press release published today*";  
[https://www.gruppocarige.it/grpwps/wcm/connect/0c4b7fcf-c2e7-4363-938c-c544927d98a4/Precisazioni+FY21\\_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0c4b7fcf-c2e7-4363-938c-c544927d98a4-nXvHSIH](https://www.gruppocarige.it/grpwps/wcm/connect/0c4b7fcf-c2e7-4363-938c-c544927d98a4/Precisazioni+FY21_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-0c4b7fcf-c2e7-4363-938c-c544927d98a4-nXvHSIH)
- (ff) the Banca Carige Group's audited consolidated financial statements as of 31 December 2020 and for the eleven month period then ended;  
[https://www.gruppocarige.it/grpwps/wcm/connect/32ada000-2d66-4d5f-8280-1242f5eba619/Rel+dic+2020+CONS\\_EN+07.05.2021.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-32ada000-2d66-4d5f-8280-1242f5eba619-nB6Y7Et](https://www.gruppocarige.it/grpwps/wcm/connect/32ada000-2d66-4d5f-8280-1242f5eba619/Rel+dic+2020+CONS_EN+07.05.2021.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-32ada000-2d66-4d5f-8280-1242f5eba619-nB6Y7Et)
- (gg) the Guarantor audited annual financial statements in respect of the year ended on December 2021;  
[https://www.gruppocarige.it/grpwps/wcm/connect/a2293c7a-64a5-4bdf-9292-08fdf9b0cdcf/CCB+Progetto+bilancio+31.12.2021\\_ENG\\_DEF.pdf?MOD=AJPERES&CVID=o3r8cxm](https://www.gruppocarige.it/grpwps/wcm/connect/a2293c7a-64a5-4bdf-9292-08fdf9b0cdcf/CCB+Progetto+bilancio+31.12.2021_ENG_DEF.pdf?MOD=AJPERES&CVID=o3r8cxm)
- (dd) the Guarantor audited annual financial statements in respect of the year ended on December 2020;  
<https://www.gruppocarige.it/grpwps/wcm/connect/478b7d6a-899e-4a35-b0c6-c09e59e6ca5a/BILANCIO+2020+EN.pdf?MOD=AJPERES&CVID=nMMSydc>

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 <https://www.bourse.lu>.

In any case, copy of this Base Prospectus together with any supplement and final terms thereto, if any, or further Base Prospectus, as well as any document incorporated by reference will remain publicly available in electronic form for at least 10 years at <https://www.gruppocarige.it/grpwps/portal/en/gruppo-carige/investor-relations/covered-bonds/obg-1>

The Covered Bond Guarantee will be available on the internet site of the Issuer, at <https://www.gruppocarige.it/grpwps/portal/en/gruppo-carige/investor-relations/covered-bonds/obg-1>

### **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**

Deloitte & Touche S.p.A. is independent auditors of the Issuer and the Guarantor.

Deloitte & Touche S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance (the "MEF") and registered under No 132587 on the special register of auditing firms held by the MEF. The registered office of Deloitte & Touche S.p.A. is at Via Tortona, 25, 20144 Milan, Italy. Deloitte & Touche S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili.

The 2021 consolidated financial statements of the Group included the report by Deloitte & Touche S.p.A., under the assignment granted by the Shareholders' Meeting of Banca Carige S.p.A. on 29 May 2020 for the nine-year period 2021-2029.

The Deloitte & Touche S.p.A. report on the consolidated financial statements of the Group as at 31 December 2021 issued on 30 March 2022, an English translation of which is incorporated by reference in this Base Prospectus presents the following emphasis of matter paragraph:

*"We draw attention to the matters described by the Directors in the Explanatory Notes to the Consolidated Financial Statements as at December 31, 2021 - Part A, Accounting Policies - Section 2, Preparation criteria - paragraph "Going Concern".*

*In particular, the Directors highlighted the existence of significant uncertainties that may cast significant doubt on the Bank's ability to continue to operate as a going concern.*

*Nonetheless, considering the compliance with the prudential requirements of the current regulatory framework, including liquidity indicators which are consistently above the required level, the positive results of the analyses carried out in relation to the Bank's future profitability, the potential business combination with BPER Banca S.p.A. as well as the approval by the Interbank Deposit Protection Fund (FITD) of a preventive strengthening of the Bank's capital, the Directors reasonably believe that the Group will continue to operate as a going concern for the foreseeable future and, therefore, the consolidated financial statements as at December 31, 2021 have been prepared on a going concern basis.*

*Our opinion is unqualified with respect to this matter.*

*The following main audit procedures were performed as part of the audit:*

- *understanding of the assessments made by the Directors, as well as analysis of the reasonableness of the underlying assumptions made, with regard to the Bank's ability to continue as a going concern;*

- *meetings and discussions with Management in order to obtain information deemed useful in the circumstances;*
- *obtaining and analysing the documentation deemed relevant with regard to the potential business combination;*
- *critical reading of the Corporate Governance meetings' minutes;*
- *analysis of the subsequent events occurring after the reference date of the financial statements;*
- *review of the adequacy of the disclosure provided by the Directors in the explanatory notes."*

The audited consolidated financial statements of the Group (i) as of January 31, 2020 and for the thirteen month period then ended, prepared in accordance with IFRS as adopted by the European Union, 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 Lombardia 31, 00187 Rome, Italy.

The EY audit report on the 2020 audited consolidated financial statements of the Group as of 31 January 2020 and for the thirteen month period then ended, issued on 28 May 2020, an English translation of which is incorporated by reference herein, presents the following emphasis of matter paragraph:

*"Without modifying our conclusions, we draw attention on the material uncertainties on the Company's ability to continue as a going concern in a foreseeable future described in paragraph "Going concern" of the explanatory notes of the consolidated financial statements for the period of the Temporary Administration.*

*Specifically, the Temporary Administrators inform that they have assessed both the execution of the Capital Strengthening and the reconstitution of an ordinary and stable governance the significant uncertainties connected to the current macroeconomic context and to the potential consequences of the spread of the coronavirus pandemic, of which the Temporary Administrators point out that they are not able to fully measure the effects on the Group's activity and on its accounts after January 31, 2020, and on the achievement of the 2019-2023 Strategic Plan objectives within the expected timetable.*

*The extraordinary Commissioners also report that, at the closing date of the Temporary Administration, not all the derisking actions planned by them in the 2019-2023 Strategic Plan were completed, even if they remain planned for the financial year 2020 despite the macroeconomic context following the Covid-19 pandemic, which significantly increased the uncertainty associated with their completion both in terms of time and modality.*

*Finally, the Temporary Administrators highlight how the aforementioned uncertainties are however mitigated, in addition to the complex countercyclical measures implemented by the Italian Government and, within the European Union, also by the specific and recent interventions of the ECB of March 12, 2020 which allow the banks, given the current situation, to operate temporarily below the minimum capital thresholds provided by the Pillar 2 Guidance and the Capital Conservation Buffer, respectively.*

*On the basis of the foregoing, despite the significant uncertainties described above, the Temporary Administrators believe that the Group has the reasonable expectation of continuing in operational existence in the foreseeable future and of complying with the minimum prudential requirements regarding own funds and of liquidity and, therefore, have prepared the consolidated financial statements for the period of the Temporary Administration on a going concern basis."*

## **The Legal Entity Identifier**

The Legal Entity Identifier (LEI) code of the Issuer is F1T87K3OQ2OV1UORLH26.

The Legal Entity Identifier (LEI) of the Guarantor is 549300410MTM8QIP1W44.

## **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.*

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