BANCA CARIGE S.P.A. — CASSA DI RISPARMIO DI GENOVA E IMPERIA

BANCA CARIGE

Cassa di Risparmio di Genova e Imperia

(Incorporated with limited liability in the Republic of Italy)

€5,000,000,000

Euro Medium Term Note Programme

Arranger and Dealer

UBS Investment Bank

IMPORTANT INFORMATION

This prospectus (the "**Prospectus**" or the "**Base Prospectus**") comprises a base prospectus in respect of all Notes (as defined below) other than Exempt Notes (as defined below) issued under the Programme (as defined below) for the purposes of article 5.4 of Directive 2003/71/EC as amended (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer (as defined below) and the Issuer and its subsidiaries and affiliates taken as a whole ("**Banca Carige Group**" or the "**Group**") which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes issued under the Programme. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms (as defined below), must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus (as defined below), each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. The CSSF has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes.

Under the Euro Medium Term Note Programme described in this Prospectus (the "**Programme**"), Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia ("**Banca Carige**", "**Carige**", the "**Issuer**", the "**Bank**", the "**Parent Bank**", the "**Company**" or the "**Parent Company**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed €5,000,000,000 (or the equivalent in other currencies).

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (the "**Prospectus Act 2005**"), for the approval of this Prospectus as a base prospectus for the purposes of the Prospectus Directive. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. Such market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments. References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange.

The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market. The applicable Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and traded on the regulated market of the Luxembourg Stock Exchange (or any other stock exchange).

The Issuer may agree with any Dealer that Notes other than Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event a supplement to the Prospectus or a new Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**", as described under "*Supplement to the Prospectus*" below) which, with respect to all Notes other than Exempt Notes will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "**Pricing Supplement**").

The Issuer has been rated "B-" by Fitch Ratings Limited ("**Fitch**") and "Caa2" by Moody's Investor Service Limited ("**Moody's**"). Each of such rating agencies is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such each of Fitch and Moody's is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. A security 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.

Each Series (as defined under "*Terms and Conditions of the Notes*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**"). If the global notes (the "**Global Notes**") are stated in the applicable Final Terms to be issued in new global note (**NGN**) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") (the "**Common Depositary**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**"). If a Global Certificate is held under the New Safekeeping Structure ("**NSS**") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS may be deposited on the issue date of the relevant Tranche with (i) a common depositary on behalf of Euroclear and Clearstream (the "**Common Depositary**") or (ii) any other agreed clearing system. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Overview of Provisions Relating to the Notes While in Global Form*".

As more fully set out in "*Terms and Conditions of the Notes – Taxation*" and subject to the exceptions therein provided, additional amounts will not be payable to holders of the Notes or of the interest coupons appertaining to the Notes with respect to any withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") (as amended or supplemented) and related regulations of implementation which have been or may subsequently be enacted. In addition, certain other exceptions to the obligation of the Issuer to pay additional amounts to holders of the Notes with respect to the imposition of withholding or deduction from payments relating to the Notes also apply, as more fully set out in "*Terms and Conditions of the Notes – Taxation*".

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in "*Overview of the Programme*"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

No Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the **Securities Act**) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Prospectus, see "*Subscription and Sale*".

The Arranger and the Dealers have not separately verified the information contained in this Prospectus. None of the Dealers or the Arranger makes any representation or warranty, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise save as referred to above, which they might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes.

An investment in Notes issued under the Programme involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

The Prospectus does not describe all of the risks of an investment in the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

The Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "will", "would" or similar words. These statements are based on the Issuer's current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer's and the Group's strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

IMPORTANT – EEA RETAIL INVESTORS - If the applicable Final Terms in respect of any Notes (or the Pricing Supplement in respect of any Exempt Notes, as the case may be) includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes or the Exempt Notes, as the case may be, 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**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or (iii) not

a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or the Exempt Notes, as the case may be, or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or the Exempt Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / target market – The applicable Final Terms in respect of any Notes (or the Pricing Supplement in respect of any Exempt Notes, as the case may be) will include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes or the Exempt Notes, as the case may be, and which channels for distribution of the Notes or the Exempt Notes, as the case may be, are appropriate. Any person subsequently offering, selling or recommending the Notes or the Exempt Notes, as the case may be, (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 Notes or the Exempt Notes, as the case may be, (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 Notes or Exempt Notes, as the case may be, is a manufacturer in respect of such Notes or Exempt Notes, as the case may be, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

Use of a benchmark - Amounts payable under the Notes may be calculated by reference to EURIBOR, LIBOR or CMS which are respectively provided by the European Money Markets Institute ("**EMMI**"), ICE Benchmark Administration Limited ("**ICE**") and International Swaps and Derivatives Association ("**ISDA**"). As at the date of this Base Prospectus, the EMMI, ICE and ISDA do 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 Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**"). As far as the Issuer is aware, the transitional provisions in article 51 of the Benchmark Regulation apply, such that EMMI, ICE and ISDA are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

STABILISATION

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

PRESENTATION OF INFORMATION

In this Prospectus, unless otherwise specified or the context otherwise requires, references to **USD**, **U.S.$** and **$** are to the lawful currency of the United States of America and to **€** or **euro** are to the lawful currency of the member states of the European Union (the "**Member States**") that have adopted the single currency in accordance with the Treaty on the Functioning of the European Union as amended.

FINANCIAL INFORMATION

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

The 2017 Audited Consolidated Financial Statements and the audited consolidated financial statements as of and for the year ended 31 December 2016 (the "**2016 Audited Consolidated Financial Statement**") were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), and the instructions of the Bank of Italy set forth in circular No. 262 of 22 December 2005, as amended.

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

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

The 2017 Audited Consolidated Financial Statements and the 2016 Unaudited Restated Consolidated Financial Information are together referred to in this Base Prospectus as the "**Financial Information**". The 2017 Audited Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements as they appear in the historical financial statements, are together referred to as "**Historical Financial Statements**".

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

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

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

Moreover, although IFRS 5 does not require the restatement of comparative balance sheet figures, Banca Carige reported in this Base Prospectus certain comparative balance sheet figures as of 31 December 2016 further restated to allow a consistent comparison. Banca Carige described the nature of the restatements and presented the reconciliation among the historical comparative audited balance sheet as of 31 December 2016 included in the

2016 Audited Consolidated Financial Statement and in the 2017 Audited Consolidated Financial Statement (as comparative financial data) and the unaudited balance sheet figures restated presented in this Base Prospectus. See "Restatement of the Group's financial information as of and for the year ended 31 December 2016".

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

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

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

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

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

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

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

The risks factors appearing on a group level are the risk factors which are also relevant for the Issuer and there are non additional risks factors in this respect.

WORDS AND EXPRESSIONS DEFINED IN "FORMS OF THE NOTES" AND "TERMS AND* CONDITIONS *OF THE NOTES" OR ELSEWHERE IN THIS PROSPECTUS HAVE THE SAME MEANING IN THIS SECTION. PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE PROSPECTUS.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

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

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

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

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

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

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

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

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

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

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

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

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

The CET1 Ratio is higher than both the regulatory limits and the 9% minimum threshold required by the ECB under the SREP process for 2017, and the Pillar 2 Guidance threshold of 11.25%. Compared to 2016, the increase was due to the sale of the Milan property (+54 bps), the capital increase (+299 bps) and LME (+138 bps) while a negative impact derives from the disposal of non-performing loans (- 65 bps) and from the 2017 results (-221 bps). The increase was verified in the 2017 fourth quarter for a total of over 200 bps.

The TCR is higher than both the regulatory limit and the 12.5% minimum threshold required by the ECB under the SREP process for 2017.

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

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

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

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

to adopt further measures to strengthen capital. Any of the above may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

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

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

Exposure to Non-Performing Loans

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

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

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

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

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

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

ECB Communication in relation to NPL management

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

The above mentioned communication also illustrated a number of the Company's weaknesses identified by the ECB, including the NPL management strategy, governance and operational set-up for NPL management, procedures to identify measures of forbearance, classification of NPLs, valuation process for provisions and valuation of guarantees. See "*Banca Carige Group Structure – Regulatory Proceedings and Litigation - Inspections and thematic reviews by the ECB*".

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

Segment and customer geographic concentration and large exposures

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

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

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

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

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

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

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

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

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

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

(iii) evaluating capital risks; and

(iv) evaluating liquidity risks.

At the end of the annual SREP, the Supervisory Authority delivers a decision ("**SREP Decision**") setting forth capital and/or liquidity quantitative requirements, as well as any additional recommendations regarding organization and internal control which the individual credit institution must comply with, according to the methods and in the timeframe laid down.

As a result of the SREP, the ECB may require Banca Carige to adopt certain corrective measures, which could affect the management of the Group, including the request (i) to hold assets above the regulatory limits; (ii) to undertake actions aimed at strengthening systems, procedures and processes concerning risk management, internal control, and capital adequacy; (iii) to set limits to distribution of income or other assets, as well as, with reference to financial instruments which can be accounted for as total capital, to prohibit the payment of interests, and (iv) to prohibit corporate transactions or otherwise, in order to reduce the risk level. Finally, there is a risk that Banca Carige may be required to apply the resolution tools under the Legislative Decree no. 180/2015 which has transposed in Italy the Directive 2014/59/EU of the European Parliament and of the Council providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time ("**Bank Recovery and Resolution Directive**" or "**BRRD**"). See also "*Description of Banca Carige and Banca Carige Group – Recent Development - SREP 2017*".

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

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

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

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

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

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

In carrying out the probability test on the deferred tax assets recognized of 31 December 2017, assets deriving from deductible temporary differences relating to write-downs of loans and goodwill were considered separately, as the current regulatory framework establishes the conversion to tax credits of such deferred tax assets recognised

in the financial statements where tax and/or statutory losses are realized. This circumstance implies the adoption of an additional method, aimed at ensuring the recovery of eligible deferred tax assets in any situation, regardless of the company's future profitability. The convertibility of deferred tax assets resulting from temporary differences suitable to be transformed into tax credits, therefore constitutes to be an adequate basis for their recognition in the financial statements and renders the associated probability test de facto implicitly superseded (as set out in the joint document from the Bank of Italy, CONSOB and ISVAP no. 5 of 15 May 2012, and subsequent IAS-ABI document no. 112 of 31 May 2012).

Therefore, the probability test focused only on the amount of deferred tax assets not potentially convertible into tax credits. The outcome of the probability test was positive and highlighted a future tax base sufficient enough to absorb the deferred tax assets by the date of 2033.

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

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

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

Risks related to the use of estimates and assumptions

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

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

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

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

Impairment tests on goodwill are conducted at least once a year (on 31 December) or at any time during the year when there are indicators that point to a possible decrease in their book value. The impairment test consists on the valuation of the difference between the book value of the cash generating unit ("**CGU**") to which the goodwill has been allocated and its recoverable value, which is defined as the higher between the value in use and the fair

value (namely, the amount that could be obtained from the sale of an asset, less selling costs) of the CGU. If the recoverable value is lower than the book value, an adjustment must be recorded in the income statement.

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

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

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

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

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

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

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

On 4 October 2017, the ECB launched a public consultation on an addendum to the guidelines for banks on NPLs. The draft addendum specifies the expectations for minimum prudential provisioning levels, for all new exposures classified as non-performing as of 1 January 2018. More specifically, the ECB expects banks to fully cover the unsecured portion of new NPLs at the latest after two years and the secured portion after a maximum of seven years. By the end of the first quarter of 2018, the ECB is expected to present its considerations on further policies to deal with existing NPLs, including appropriate transitional arrangements. If the addendum to the guidelines were to be substantially approved on the same terms used during the consultation (or if further ECB policies will be issued in the first quarter of 2018 in relation to the prudential coverage and regulatory treatment of current NPL stock) it may be necessary for the Company to increase the coverage levels for loans, or adopt other measures in relation to NPLs, resulting in possible failure to reach the objectives of the Business Plan, since the Business Plan did not take into account the possible effects of the addendum at the time it was approved, which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations and/or require Banca Carige to implement further capital strengthening measures. As a result of the emphasis of matter paragraph included in the audit opinion related to the 2016 Audited Consolidated Financial Statements Banca Carige has also been required to provide information to CONSOB, on a quarterly basis, on the

implementation of the Business Plan and the status of the actions contained therein. See "*Banca Carige Group Structure –Recent Developments*".

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

The Group has been subject to a challenge by CONSOB in respect of the consolidated financial statements as of and for the year ended 31 December 2013

On 9 January 2015 CONSOB filed a claim against Banca Carige with the Court of Genoa to have the Court declare the Shareholders' meeting's resolution of 30 April, 2014, approving the unconsolidated financial statements as of and for the year ended 31 December 2013 null and void. In particular, CONSOB alleged that the aforesaid financial statements were in violation of the applicable accounting principles and in particular of IAS 1, 8 and 36. In this respect, CONSOB also requested that the Court ascertain and declare such violation. As a result, Banca Carige restated such data in 2014.

In particular, CONSOB challenged the implementation of CONSOB's requests made on 10 January 2014 (ruling No. 18758), concerning the impairment of goodwill and the interests held in the controlled banking and insurance companies recorded in the financial statements as of and for the year ended 31 December 2012. See "*Banca Carige Group Structure – Regulatory proceedings and litigation —CONSOB proceedings pursuant to article 157(2) of the Consolidated Financial Act*". According to CONSOB, the incorrect application of IAS 8 was due to the failure to perform the restatement of the balances as of 31 December 2012, reflected in the opening balance in the 2013 financial statements, referring to the goodwill booked in the Group's consolidated financial statements and the interests held in the subsidiary banks and insurance companies booked in the Company's statutory financial statements. The breach of IAS 36, as stated in the complaint, relates to the impairment test of goodwill and of the value of the interests held as of 31 December 2012, whose effects are reflected in the corresponding opening balances of the 2013 financial statements. The violation of IAS 1 relates to the general accrual principle (paragraphs 27 and 28) since, as a result of the failure to perform the restatement of the balances as of 31 December 2012 referring to goodwill and equity interests, items originally referred to the 2012 financial year were subject to devaluation in the financial statements 2013.

Specifically, according to CONSOB, the Company, in the financial statements as of 31 December 2013, implemented only a few of the requests made by CONSOB in its ruling dated 10 January 2014, performing only some adjustments to the 2012 financial statements, while in respect of the other items judged non-compliant, the Company failed to implement the observations expressed by said Authority.

CONSOB has subsequently held that the relevant disclosure included in the financial statements, together with the acknowledgement of the error and the new resolutions approving the financial statements and consolidated financial statements as of 31 December 2013 would be sufficient to re-establish a correct overview of information, which would result in the discontinuance of the aforementioned claim. As a result, Banca Carige has initiated the process aimed at ending the action and the financial statements and consolidated financial statements as of 31 December 2013, which replace the previous statements, limited to the supplementary disclosure provided in accordance with accounting standard IAS 8, have been approved by the Shareholders' meeting on 28 September 2017.

At the date of this Base Prospectus, the parties have agreed to abandon the continuation of the litigation and terminate the dispute and are awaiting the formal termination of the proceeding.

The Group is involved in certain criminal proceedings

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

regulatory offenses. See "*Description of Banca Carige and Banca Carige Group – Regulatory proceedings and litigation —Criminal Proceedings*".

In the event of a negative outcome where by Banca Carige are convicted of the alleged regulatory offenses, Banca Carige could be exposed to a fine not exceeding Euro 1.5 million (estimated on the basis of a prudential calculation of the maximum penalties set forth by law) in addition to the amount of profit arising from the offence, the estimate of which is uncertain given the type of offense.

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

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

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

See also "*The periodical assessments by the ECB may result in a further deterioration of the Group's asset quality and adversely affect the Group's financial position and condition*" and "*The Group has been subject to a challenge by CONSOB in respect of the consolidated financial statements as of and for the year ended 31 December 2013*".

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

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

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

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

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

Summarized below are certain ongoing legal proceedings. For more information, see "*Description of Banca Carige and Banca Carige Group – Regulatory proceedings and litigation*".

Article 120 of the Italian Legislative Decree No. 385 of 1 September 1993 as amended (the "**Consolidated Banking Act**") was recently reformed with reference to compound interest. Banca Carige believe that the entry

into force of the CICR[1] resolution should add certainty with regard to the criteria and procedures to be followed to generate interest in banking transactions. See "*Banca Carige Group Structure – Regulatory proceedings and litigation - Disputes regarding compound interest (anatocismo)*". However, disputes regarding compound interest cannot be ruled out for the period between 1 January 2014 to 1 October 2016 due to the approach of some Courts which considered the new wording of article 120(2) of the Consolidated Banking Act to be effective immediately albeit in the absence of the implementing administrative provisions to which this legal provision expressly referred.

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

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

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

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

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

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

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

	Short term debt		Long term debt		Date of last revision
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**	
Moody's	*NP*	*Not on Watch*	*Caa2*	*Stable*	*December 13, 2017*
Fitch	*B*		*B-*	*Negative*	*January 16, 2018*

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

In the event that Banca Carige do not achieve or maintain certain performance measures, or maintain the capital ratios above certain levels, ratings may be downgraded. A downgrading of the ratings could increase the funding costs, limit the funding resources, negatively impact the access to liquidity and force Banca Carige to increase the

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

value of the collateral that Banca Carige are required to provide. Access to the market to obtain capital without having to give collateral depends on the credit rating.

Any reduction in the rating levels could make it less favorable for Banca Carige to access the liquidity instruments and make Banca Carige less competitive on the market. This could lead to an increase in the funding costs or require additional collateral in order to obtain liquidity, with negative effects on the business, financial condition or results of operations. Any suspension, lowering or withdrawal of one or more of these ratings could have a negative impact on the business, financial condition and results of operations. Furthermore, any reduction in the rating assigned to Banca Carige may have an unfavorable effect upon the ability to meet the objectives of the Business Plan, making it more difficult to access funding markets and having negative reputational effects.

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

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

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

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

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

Certain historical information extracted from the 2016 Audited Consolidated Financial Statement cannot be compared and neither sets of information can be compared with financial information as of and for the year ended 31 December 2017 presented in this Base Prospectus.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

by counterparties. See "*Description of Banca Carige and Banca Carige Group - Risk Management - Liquidity Risk*".

Banca Carige has participated in the ECB's Targeted-Longer Term Refinancing Operations ("**T-LTROs**"). In September and December 2014, Banca Carige took part in the first two offers of T-LTROs in the nominal amount of Euro 1,130 million (respectively Euro 700 million and Euro 430 million), against a total that could be requested of Euro 1,140 million (the so-called initial allowance). In addition, Banca Carige obtained funding of Euro 160 million in June 2015, of Euro 710 million in September 2015 and of Euro 300 million in December 2015 with exposure to the T-LTRO program at the end of 2015 of Euro 2.3 billion. In March 2016, no program funding was requested, while in June 2016 the T-LTRO loan of 2.3 billion was repaid in advance in light of the possibility of taking part in the new T-LTRO II program. As of 31 December 2017 Banca Carige benefitted from the T-LTRO II financing program for an amount of Euro 3.5 billion

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

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

The above minimum requirement of 90 per cent. was confirmed by the final decision regarding the outcomes of the SREP 2016, received by the Company in December 2016. As of 31 December 2017, the above parameter stood at 156 per cent. (124 per cent. as of 31 December 2016), above the requirement of 90 per cent.. Although Banca Carige has established monitoring and management systems aimed at managing the liquidity risk (see "*Banca Carige Group Structure —Risk Management—Liquidity Risk*"), the persistence of adverse market conditions and/or any deterioration in such conditions, a deterioration of the economy as a whole, further fall in the credit rating of the Company, and more generally the inability of the Company to obtain from the market the resources required to meet its liquidity needs and/or regulatory requirements as introduced from time to time under Basel 3. In addition, any unfavorable changes in the funding policies established by the ECB or changes in the access requirements for this funding, including changes in the criteria to identify the types of assets that can be used as collateral and/or their valuations, may impact the capital position. Finally, failure to meet the minimum regulatory requirements applicable to the Company for liquidity parameters and specifically for the LCR as well as, the NSFR (a measure which becomes applicable on 1 January 2018 with a minimum requirement of 100 per cent., and establishes the minimum acceptable level of stable funding based on asset liquidity features and the features of transactions over a period of one year) could lead to the imposition by the Supervisory Authorities of specific measures against Banca Carige and, if Banca Carige and/or the Group were not able to adopt these measures or to meet the obligations imposed by the Supervisory Authorities.

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

The Group is exposed to market risk

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

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

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

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

The Group is exposed to interest rate risk

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

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

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

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

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

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

The Group is exposed to counterparty credit risk in derivatives transactions

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

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

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

The Group is exposed to the Italian real estate market

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

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

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

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

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

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

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

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

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

The Group is subject to a number of operational risks

The Group is subject to the operational risk to which all the financial institutions are exposed, that consists in the risk of incurring losses due to internal or external frauds, from the inadequacy or malfunctioning of the Group's policies and procedures, human error, the lack of adequate human resources, deficient internal control systems or

external factors, disruptions or malfunctioning of the services and systems (including the IT systems) the Group's operational risk also includes the Group's legal risk but does not include the Group's risks relating to the Group's strategy or reputation.

With reference to quantitative matters, the impact in terms of operational losses (gross losses, including provisions for risks and charges, recognized for the first time in 2016), at 31 December 2017 at consolidated level is equal to Euro 7,9 million, while at 31 December 2016 it was equal to Euro 11.7 million at consolidated level.

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

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

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

As of the date of the Base Prospectus, Banca Carige are not subject to the control of any Shareholder as defined pursuant to article 93 of the Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**").

However, on 8 May 2015, Fondazione Carige and Malacalza Investimenti S.r.l. ("**Malacalza Investimenti**") entered into a shareholders' agreement (the "**Shareholders' Agreement**") governing the appointment of the members of the Company's board of directors and providing for certain consultation obligations between the two parties. As of the date of this Base Prospectus, Fondazione Carige's shares and Malacalza Investimenti's shares represent approximately 0,33 per cent. and 99,67 per cent., respectively, of the total shares governed by the Shareholders' Agreement. To the Company's knowledge, on 9 October 2017, Malacalza Investimenti announced its termination of the Shareholders' Agreement. The Shareholders' Agreement will expire on 8 May 2018. See: *www.gruppocarige.it/governance/main-shareholders/shareholder-agreements*.

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

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

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

The Group has structures, processes and human resources aimed at developing risk management policies, procedures and assessment methods for its activities, in compliance with the new prudential supervisory instructions for banks including with respect to the Internal Capital Adequacy Assessment Process - ICAAP and Risk Appetite Framework (RAF). The Company coordinates such processes and sets forth specific limitations for

each of its subsidiaries. These methods and strategies may be inadequate for the monitoring and management of certain risks, and, as a result, the Group could suffer greater losses than those contemplated by the methods or suffer losses not previously considered, or there could be an element of human error in evaluate elements of risk in the performance of certain operations within the Group and in providing prompt and adequate information within the risk management structure.

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

The Group operates in a highly competitive environment

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

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

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

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

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

Changes in regulatory framework and accounting policies

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

Any changes in how such regulations are applied or implemented for financial institutions may have a material effect on the Issuer's business and operations. As some of the laws and regulations affecting the Group have only recently come into force, the manner in which they are applied to the operations of financial institutions is still

evolving and their implementation, enforcement and/or interpretation may have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer.

Adverse regulatory developments

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

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

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation which applies from 3 January 2018. The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

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

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

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

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

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

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

Moreover, the European Commission, in the context of the proposed new package, has proposed a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss

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

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

These and other potential future changes in the regulatory framework and how they are implemented may have a material effect on all the European banks and on the Group's business and operations. The manner in which the new framework of banking laws and regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Group. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

Basel III and the CRD IV Package

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

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

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

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

requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**").

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

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

In addition, it should be noted that, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities ("**NCAs**") concerning the exercise of options and national discretions available in European Union law that affect banks which are directly supervised by NCAs (*i.e.* less significant institutions). Both documents are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the SSM (as defined below) applies. The aim is to ensure a level playing field and the smooth functioning of the euro area banking system as a whole.

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

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

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

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

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

December 2018 and (iii) 2.5 per cent. starting from 1 January 2019. Such update entered into force on 1 January 2017;

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

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

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

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

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

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

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

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

On the other hand, the EU Banking Reform includes a proposal aimed at establishing a binding detailed NSFR which will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding with a view to increasing banks' resilience to funding constraints.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to LCR and leverage ratio in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States. Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the LCR buffer. In addition, the CRD IV Package states that the EBA shall report to the European Commission on the operational requirements for the holdings of liquid assets. The CRD IV Package also tasks

the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

The CRD IV Package also introduced a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015, amending the calculation of the leverage ratio compared to the current text of the CRR. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation of the leverage ratio as a Pillar 1 measure and European harmonisation, however, is not expected until 1 January 2018. In this context, it is worth noting that the EU Banking Reform contains a proposal to implement a binding leverage ratio of 3 per cent. which is designed to prevent institutions from excessively increasing leverage (e.g. to compensate for low profitability).

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

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

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Regulation (EU) No. 1024/2013 establishing a single supervisory mechanism (the "**ECB Single Supervisory Mechanism**" or "**SSM**") for all banks in the Banking Union (euro area banks and banks of any EU member state that joins the Banking Union), which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over "significant credit institutions" established in the Banking Union. The SSM framework regulation (Regulation (EU) No. 468/2014 of the ECB) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include any Eurozone bank that (i) has assets greater than Euro 30 billion or – unless the total value of its assets is below Euro 5 billion – greater than 20 per cent. of national gross domestic product;(ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities. Notwithstanding the fulfilment of these criteria, the SSM may declare an institution significant to ensure the consistent application of high-quality supervisory standards.

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

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

The Issuer is a "significant supervised entity" subject to direct supervision by the ECB for prudential supervisory purposes. Following the SREP, the ECB has set the following requirements for 2017 that the Group has to comply with on a consolidated basis:

- a Common Equity Tier 1 ratio of 7.50 per cent.; and

- a Total Capital Ratio of 11.0 per cent.

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

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

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

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

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

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

The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which grants resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**General Bail-In Tool**"), which equity could also be subject to any future application of the General Bail-In Tool.

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

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

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

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities

provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalisation EU state aid rules require that shareholders and junior bond holders contribute to the costs of restructuring. All other kinds of extraordinary public support have the consequence that an institution is deemed to be failing or likely to fail, and in such a case resolution is triggered.

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

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

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

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

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

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

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

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

granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.

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

It is important to note that, pursuant to article 49 of Decree No. 180, resolution authorities may not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

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

Furthermore, article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU (the "**Deposit Guarantee Schemes Directive**") have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Decree No. 181 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. The position concerning the creditor hierarchy is to be further modified by the EU Banking Reform which has proposed to amend article 108 of the BRRD to introduce an EU harmonised approach on subordination. This will enable banks to issue debt in a new MREL eligible statutory category of unsecured debt available in all EU Member States which would rank just below the most senior debt and other senior liabilities in the ranking of liquidation, while still being part of the senior unsecured debt category (only as a lower tier of senior debt). The new creditor hierarchy will apply to new issuances of bank debts. The outstanding debt instrument will be considered as senior non-preferred debt if compliant with the conditions set forth by new article 108 (e.g. grandfathering clause). On 25 October 2017 the European Parliament, the Council and the EU Commission agreed on elements of the review of the BRRD. The proposal of the European Commission resulted in the adoption of Directive (EU) 2017/2399 of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017 and must be transposed into national law by the Member States by 29 December 2018.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes and Subordinated Notes may be subject to write-down/conversion into shares or other instruments of ownership on any application of the general bail-in tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the relevant Issuer, as the case may be, to satisfy its obligations under any Notes.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree no. 30 of 15 February 2016 ("**Decree 30/2016**") – has been published in the Italian Official

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks associated with recent ECB guidance on NPL provisioning

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

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

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

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

In addition, on 4 October 2017 the ECB published for consultation an addendum on its guidance on NPLs dated 20 March 2017. Should such addendum be approved in the current form, banks to which the guidance applies could potentially be required to fulfil specific quantitative requirements to meet the prudential provisioning backstop in relation to NPLs exposures starting from 2018. See "*The introduction of the new accounting principle IFRS9 "Financial Instruments" may have adverse consequences if Banca Carige fail to fully comply with such new principles*".

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 Notes linked to a "benchmark".

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

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

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation applies from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate

indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

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

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

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

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

For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such "benchmarks". On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR "benchmark" after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR "benchmark" or any other "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes 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 Notes.

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 Notes referencing a "benchmark".

Risk related to the disposal of the NPL portfolio

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

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

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

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

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

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

Banca Carige has identified a second portfolio of NPLs with a gross aggregate amount of up to Euro 1.2 billion for disposal as part of the NPE management strategy. The Company is in the process of identifying an investor with which to negotiate and close the transaction. This transaction is in line with refocusing the core business as a commercial bank and aligns with the NPL management strategy and capital strengthening actions. This strategy was reflected confirmed in Business Plan, including the sale of the Bad Loan portfolio for an amount up to approximately Euro 1.4 billion, the sale of the recovery platform, and during 2018, the sale of an Unlikely-to-Pay portfolio for a gross amount of approximately Euro 500 million. See "*Banca Carige Group Structure – Recent Developments - Assets held for sale*".

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

In relation to the disposal of the Company's recovery platform, the Company and Credito Fondiario S.p.A. have entered into a preliminary agreement for the disposal of the recovery platform in which is expected to complete in the first semester of 2018. Certain significant terms of the agreement have yet to be agreed by the parties. Such terms, regarding, among others, the exact perimeter of the disposal, the valuation of the business unit, the servicing contracts and the volumes of loans (including the volumes of Unlikely to Pay Loans) to be managed are expected to be finalized in the first semester of 2018. The financial and economic conditions relating to the sale of the Company's Euro 1.2 billion NPL portfolio and the recovery platform do not, on the whole, involve any substantial changes to the provisions of the Business Plan. The Company's expectation is to proceed with structuring the sale of an additional NPL portfolio for approximately Euro 1 billion by 31 December 2018.

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

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

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

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

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

In particular, Creditis had the following contribution to the Group for the year 2016:

- Net interest income of Euro 40.5 million for the year ended 31 December 2016;
- Net fee and commission income of Euro 1.7 million; and
- Profit of Euro 25.4 million.

For the year 2017 Creditis is classified as asset held for disposal and has a profit of Euro 26.1 million.

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

The future profitability is uncertain

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

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

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

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

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

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

Any failure to implement or complete the actions provided could prevent Banca Carige from achieving pre-established Business Plan targets, including in relation to profitability, which may have a material adverse effect

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

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

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

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

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

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

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

(ii) maintain sufficient capital for such risks;

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

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

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

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

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

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

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

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

Information technology risk is inherent in the services Banca Carige provide

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

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

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

In this regard, it should also be noted that, on 2 February 2018, the Board of Directors of Banca Carige approved the project to outsource the Group's IT system to IBM Italia S.p.A. and consequently start the ECB authorisation process.

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

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

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

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

From September 2013 to January 2014, the Bank of Italy carried out an inspection on the subsidiary Centro Fiduciario, pursuant to article 47(1) of the Legislative Decree n. 231/2007 ("**Anti-money laundering Decree**"). Following the inspection and subsequent investigations by the Public Prosecutor of Genoa, on 26 August 2015, Centro Fiduciario was charged, as a jointly liable party, with violation of obligations under the Anti-money laundering Legislative Decree relating to reporting suspicious operations, punishable with an administrative fine ranging from Euro 124,654.20 to Euro 4,986,169.30. As of date of this Base Prospectus, this proceeding is still in progress. Considering that Centro Fiduciario may not have the financial and capital reserves necessary to cover any charges arising out of the measure in question, on 27 January 2016, the board of directors resolved to undertake any future obligation to pay an administrative fine. See "*Banca Carige Group Structure – Regulatory proceedings and litigation —Inspections relating to anti-money laundering—Centro Fiduciario*".

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

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

Unfavorable media coverage may affect the reputation

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

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

Emphasis of matter paragraphs are included in financial statements only when a matter is of such importance that it is fundamental to a reader's understanding of the financial statements, in the auditor's judgment.

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

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

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

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

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

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

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

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

The Bank of Italy has issued requirements to govern the methods for the identification, approval, execution and disclosure to the market of transactions with related-parties established directly or through subsidiaries, and to ensure compliance with the prudential limits for said activities. Over the last two years, Banca Carige has not carried out any significant transaction that do not fall under the exemptions in the related-party regulation. No

assurance can be given that Banca Carige will not carry out related-party transactions will not be carried out that could be found to violate the Related Party Regulation and/or other applicable legislation, including as a result of transactions being found not to have been entered into at arm's length. Were these to occur, Banca Carige could be subject to liability which may have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations.

The introduction of the new accounting principle IFRS9 "Financial Instruments" may have adverse consequences if Banca Carige fail to fully comply with such new principles

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

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

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

The Group has defined the methods for calculating impairment losses on loans based on the new expected loss model, as well as procedures for determining any increase in credit risk so as to correctly allocate the exposures to the three stages recognised by the accounting standard. See "*Recent Development - The introduction of the new accounting principle IFRS9 "Financial Instruments" and 2017 Consolidated Financial Statements*".

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

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

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

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

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

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

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

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

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

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

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

See *"Banca Carige Group Structure —Recent Developments —Subscription of Atlante Fund"*.

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

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

Risks related to Sanctioned Countries

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

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

As of the date of this Base Prospectus, the Issuer has undertaken and continues to undertake commercial relationships (including both the processing of payments and activities entailing the use of Issuer's own resources, such as bank guarantees, bonds, letters of credit, supplier credits and buyer credits) with counterparties located in Sanctioned Countries or related to the same Sanctioned Countries. Such commercial transactions have all been, and are, carried out in full compliance with sanctions laws and regulations as applicable to Issuer and are not believed to have caused any person or entity to violate any sanctions, nor they are expected to result in the Issuer nor the Banca Carige Group becoming the subject of sanctions. However, should the relevant sanctions be

strengthened and/or should new sanctions be adopted, there may be prejudicial effects on these operations as well as on the reputation of the Issuer and/or the Banca Carige Group. This, in turn, could result in negative effects on the capital, financial and economic situation of the Issuer and/or the Banca Carige Group. Furthermore, it cannot be excluded that the Issuer and/or the Banca Carige Group may become subject to boycotting or monitoring actions by non-governmental activist groups seeking to terminate Banca Carige Group's business relationships with its counterparties in, and its operations connected to, Sanctioned Countries.

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

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes 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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(2) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes 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 Notes, including Notes 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 Notes 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.

In addition, an investment in Senior Non-Preferred Notes may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in "*Risks related to the structure of a particular issue of Notes*" set out below.

Some Notes 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 Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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 (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

Risks applicable to all Notes

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period or during any period where there is an actual or perceived increased likelihood that the Notes may be redeemed (including where there are circumstances giving rise to a right to redeem for tax or regulatory reasons).

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. 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 Notes 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.

Waiver of set-off

In each of Condition 3(a) (*Status of Senior Notes*), Condition 3(b) (*Status of Senior Non-Preferred Notes*) and Condition 3(c) (*Status of Subordinated Notes*), each holder of a Senior Note, Senior Non-Preferred Note or a Subordinated Note, as the case may be, will, unconditionally and irrevocably, waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note, Senior Non-Preferred Note or Subordinated Note, as applicable.

Notes have limited Events of Default and remedies

The Events of Default in respect of Notes, being events upon which the holders of the Notes may declare the Notes to be immediately due and repayable, are limited to circumstances in which the Issuer becomes subject to *Liquidazione Coatta Amministrativa* as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy (as amended from time to time) as set out in Condition 9. Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the holders of the Notes will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Notes to which Condition 4(d) (*Change of Interest Basis*) applies 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. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes 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 Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) 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.

Notes subject to redemption for tax reasons

The Issuer may, at its option, redeem Notes for tax reasons in the circumstances described in, and in accordance with, Condition 5(c) (*Redemption for Taxation Reasons*) (subject to the provisions of Condition 5(j) and Condition 5(k), as the case may be). In the event of a redemption for tax reasons, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of Fixed Rate Notes.

Floating Rate Notes

Where the reference rate used to calculate the applicable interest rate turns negative, the interest rate will be below the margin, if any, or may be zero. Accordingly, where the rate of interest is equal to zero, the holders of such Floating Rate Notes may not be entitled to interest payments for certain or all interest periods.

CMS Linked Interest Notes

The Issuer may issue Notes with interest determined by reference to the CMS Rate (a "**relevant factor**"). Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the relevant factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(iv) if the relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on interest payable is likely to be magnified; and

(v) the timing of changes in the relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of the Reset Notes.

Reset Notes will initially bear interest at the Initial Rate of Interest from and including the Interest Commencement Date up to but excluding the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a **Subsequent Reset Rate of Interest**). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

The credit rating assigned to the Notes may be suspended, reduced or withdrawn

A security 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.

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

The London Interbank Offered Rate ("**LIBOR**"), 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 Notes linked to a "benchmark".

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

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

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation is applicable from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" "benchmarks" in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

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

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

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

Any of the international, national or other reforms (or proposals for reform) 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. 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". The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting (if listed) or other consequence in relation to Notes linked to such "benchmark". Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Risks related to Notes which are linked to "benchmarks"

The LIBOR, the EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of the Terms and Conditions (as further described in Condition 4(m)), or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes or Reset Notes whose interest rates are linked to LIBOR). Amendments to the Conditions and/or relevant fall-back provisions may be required to reflect such discontinuance and there can be no assurance that any such amendments will fully or effectively mitigate all future relevant interest rate risks. Any such consequence could have a material adverse effect on the value or liquidity of, and return on, any such Notes.

Risks relating to Senior Notes and Senior Non-Preferred Notes

Risk of classification of the Senior Non-Preferred Notes

On 1 January 2018, Law 27 December 2017 no. 205 on the budget of the Italian government for 2018, so-called "*Legge di Bilancio 2018*" (the "**Law 2017/205**"), came into force introducing the possibility for banks and companies belonging to banking groups to issue senior non-preferred securities (the so-called "*strumenti di debito chirografario di secondo livello*") by amending the Consolidated Banking Act.

The intention of Banca Carige is for Senior Non-Preferred Notes to qualify on issue as "*strumenti di debito chirografario di secondo livello*" pursuant to and for the purposes of articles 12-*bis* and 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements. Current regulatory practice by the Bank of Italy (acting as lead regulator) does not require (or customarily provide) a confirmation prior to the issuance of the Senior Non Preferred Notes that the Senior Non Preferred Notes will comply with such provisions.

Although it is the Issuer's expectation that the Senior Non-Preferred Notes qualify as "*strumenti di debito chirografario di secondo livello*" pursuant to and for the purposes of articles 12-*bis* and 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements (as defined in Condition 5(f)) there can be no representation that this is or will remain the case during the life of the Senior Non-Preferred Notes. Upon the occurrence of a MREL Disqualification Event (as defined in Condition 5(f)), the Issuer will have the right to redeem the Senior Non-Preferred Notes in accordance with Condition (as defined in Condition 5(f)). Any redemption of Senior Non-Preferred Notes is subject to the provisions of Condition 5(k).

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 Senior Non-Preferred Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time. In addition, if the relevant Issuer has the right to redeem any Senior Non-Preferred Notes at

its option, the exercise of such right is subject to the previsions set forth in Condition 5(k) and, in any case, the relevant redemption amount of the Senior Non-Preferred Notes to be redeemed may be lower than the amount corresponding to the then current market value of such Senior Non-Preferred Notes as of the relevant redemption date.

Furthermore, any prospective investor in the Senior Non-Preferred Notes should be aware that the provisions of articles 12-*bis* and 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act was recently enacted and that, as at the date of this Base Prospectus, no interpretation of the application of such provisions has been issued by any Italian court or governmental or regulatory authority and no regulation has been issued by the Bank of Italy in respect thereof. Consequently, it is possible that any regulation or official interpretation relating to the above will be issued in the future by the Bank of Italy or any different authority, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

Senior Non-Preferred Notes are complex instruments that may not be suitable for certain investors

Senior Non-Preferred Notes are novel and complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in such Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Senior Non-Preferred Notes, including the possibility that the entire amount invested in the Senior Non-Preferred Notes could be lost. A potential investor should not invest in the Senior Non-Preferred Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Senior Non-Preferred Notes will perform under changing conditions, the resulting effects on the market value of the Senior Non-Preferred Notes, and the impact of this investment on the potential investor's overall investment portfolio.

Senior Non-Preferred Notes are new types of instruments for which there is no trading history

Prior to the adoption of the Law 2017/205 and its entry into force, Italian issuers were not able to issue non-preferred securities, so there is no trading history for securities of Italian banks with this ranking.

Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non-preferred obligations. The credit ratings assigned to senior non-preferred securities such as the Senior Non-Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

The Issuer's obligations under Senior Non-Preferred Notes rank junior to unsecured and unsubordinated preferred obligations of the Issuer

The Issuer's obligations under Senior Non-Preferred Notes will be unsecured, unsubordinated and non-preferred obligations and will rank junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to Senior Non-Preferred Notes. Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Notes which rank senior to the Senior Non-Preferred Notes, there is a real risk that an investor in Senior Non-Preferred Notes will lose all or some of his investment should the Issuer become insolvent. In addition, except where the Issuer is wound up or dissolved, holders of Senior Non-Preferred Notes are not entitled to accelerate the maturity of their Senior Non-Preferred Notes.

Credit rating which may be assigned to the Senior Non-Preferred Notes

The Senior Non-Preferred Notes, upon issue, may be rated by one or more credit rating agencies. Such credit rating may be lower than the Issuer's credit rating, since reflect the increased risk of loss in the event of the Issuer's insolvency. As a result, Senior Non-Preferred Notes are likely to be rated by one or more credit rating agencies close to the level of subordinated debt and as such may be subject to a higher risk of price volatility than the Senior Notes which are not issued on a senior non preferred basis. In addition, the rating may change in the future depending on the assessment, by one or more credit rating agencies, of the impact on the different instrument classes resulting from the modified liability structure following the issuance of the Senior Non-Preferred Notes. Moreover, rating organisations may seek to rate any Senior Non-Preferred Notes on an "unsolicited" basis and, if

such "unsolicited ratings" are lower than the comparable ratings assigned to such Senior Non-Preferred Notes on a "solicited" basis, such shadow or unsolicited ratings could have an adverse effect on the value of any Senior Non-Preferred Notes.

Senior Notes as eligible for the purposes of the MREL Requirements is subject to uncertainty

The Senior Notes are intended to be eligible liabilities available to meet the MREL Requirements (as defined in Condition 5(f)). However, there is uncertainty regarding the final substance of the applicable MREL Requirements, and the Issuer cannot provide any assurance that the Senior Notes will be or remain eligible for the purposes of the MREL Requirements. Any changes to MREL under the European Commission's combined legislative proposal may be more restrictive than the European Commission's initial proposals or current regulations. The requirements for an instrument to be MREL-eligible may not ultimately converge or be consistent under the final European laws and regulations. Because of the uncertainty surrounding the substance of any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Senior Notes will ultimately be eligible for the purposes of the MREL Requirements. If they are not eligible for the purposes of the MREL Requirements (or if they initially are compliant with the MREL Requirements and subsequently become ineligible due to a change in the relevant final regulations implementing the MREL requirements), then an MREL Disqualification Event will occur, with the consequences indicated in the risk factor above and in Condition 5(f).

Senior Notes and Senior Non-Preferred Notes could be subject to a MREL Disqualification Event redemption

If the Issuer Call due to MREL Disqualification Event is specified as applicable in the relevant Final Terms, upon the occurrence of an MREL Disqualification Event, the Issuer may, elect to redeem all, but not some only, of the relevant Senior Notes or relevant Senior Non-Preferred Notes. If Senior Notes or Senior Non-Preferred Notes are so redeemed, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes or Senior Non-Preferred Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time. See also "*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*".

Early redemption and purchase of the Senior Notes or Senior Non-Preferred Notes may be restricted

Any early redemption or purchase of Senior Notes or Senior Non-Preferred Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Applicable Banking Regulations at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Senior Non-Preferred Notes at such time as eligible liabilities available to meet the MREL Requirements.

In addition, under the EC Proposals, the early redemption or purchase of Senior Notes or Senior Non-Preferred Notes which qualify as eligible liabilities available to meet MREL Requirements is subject to the prior approval of the Relevant Authority where applicable from time to time under the applicable laws and regulations. The EC Proposals state that the Relevant Authority would approve an early redemption of the Senior Notes or Senior Non-Preferred Notes where any of the following conditions is met:

- on or before such early redemption or purchase of the Senior Notes or Senior Non-Preferred Notes, the Issuer replaces the Senior Notes or Senior Non-Preferred Notes with own funds instruments or eligible liabilities of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer;

- the Issuer has demonstrated to the satisfaction of the Relevant Authority that its own funds and eligible liabilities would, following such redemption or purchase, exceed the requirements for own funds and eligible liabilities set out in the CRD IV Directive or the BRRD (or, in either case, any relevant provisions of Italian law implementing the CRD IV Directive or, as appropriate, the BRRD) or the CRR by a margin that the Relevant Authority considers necessary; or

- the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRR Regulation and in the CRD IV Directive for continuing authorisation.

The Relevant Authority shall consult with the Resolution Authority before granting that permission.

The EC Proposals are in draft form and may be subject to change prior to any implementation (please refer to the risk factor "*The Group is subject to the provisions of the Bank Recovery and Resolution Directive*").

Senior Notes or Senior Non-Preferred Notes may be subject to substitution and modification without *Noteholder consent*

If (i) at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Senior Non-Preferred Notes and the applicable Final Terms for the Senior Notes or Senior Non-Preferred Notes of such Series specify that Issuer Call due to a MREL Disqualification Event is applicable or (ii) in order to ensure the effectiveness and enforceability of Condition 17 (*Acknowledgement of the Italian Bail-In Power*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the Holders of the Senior Notes or Senior Non-Preferred Notes of that Series), at any time either substitute all (but not some only) of such Senior Notes or Senior Non-Preferred Notes, or vary the terms of such Senior Notes or Senior Non-Preferred Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 17 (*Acknowledgement of the Italian Bail-in Power*), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the Senior Notes or Senior Non-Preferred Notes, as applicable. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

Risks relating to Subordinated Notes

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of holders of Senior Liabilities. "**Senior Liabilities**" means any direct, unconditional, unsecured and unsubordinated indebtedness or payment obligations (or indebtedness or obligations which are subordinated but to a lesser degree than the obligations under the relevant Subordinated Notes) of the Issuer for money borrowed or raised or guaranteed by the Issuer, as the case may be, and any indebtedness or mandatory payment obligations preferred by the laws of the Republic of Italy. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is an enhanced risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

In no event will holders of Subordinated Notes be able to accelerate the maturity of their Subordinated Notes; such holders will have claims only for amounts then due and payable on their Subordinated Notes. After the Issuer has fully paid all deferred interest on any issue of Subordinated Notes and if that issue of Subordinated Notes remains outstanding, future interest payments on that issue of Subordinated Notes will be subject to further deferral as described above.

For a full description of the provisions relating to Subordinated Notes, see Condition 3(c) (*Status of Subordinated Notes*).

Call options on the Subordinated Notes are subject to the prior consent of the Relevant Authority

In addition to the call rights described under this section, Subordinated Notes may also contain provisions allowing the Issuer to call them after a minimum period of, for example, five years. To exercise such a call option, the Issuer must obtain the prior written consent of the Relevant Authority.

Holders of such Notes have no rights to call for the redemption of such Notes and should not invest in such Notes in the expectation that such a call will be exercised by the Issuer. The Relevant Authority must agree to permit such a call, based upon their evaluation of the regulatory capital position of the Issuer and certain other factors at

the relevant time. There can be no assurance that the Relevant Authority will permit such a call. Holders of such Notes should be aware that they may be required to bear the financial risks of an investment in such Notes for a period of time in excess of the minimum period.

Regulatory classification of the Subordinated Notes

The intention of the Issuer is for Subordinated Notes to qualify on issue as "Tier II Capital", for regulatory capital purposes. Current regulatory practice by the Bank of Italy does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that they will be treated as such.

Although it is the Issuer's expectation that the Subordinated Notes qualify as "Tier II Capital", there can be no representation that this is or will remain the case during the life of the Notes. If there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from "Tier 2 capital" and, in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Relevant Authority (as defined in Condition 4(k)) considers such a change to be reasonably certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by the Issuer as at the date of the issue of the relevant Subordinated Notes, the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Subordinated Notes in accordance with Condition 5(e) (*Redemption for regulatory reasons (Regulatory Call)*), subject to, *inter alia*, the prior approval of the relevant Competent Authority and in accordance with applicable laws and regulations, including articles 77(b) and 78 of the CRR. At those times, an investor generally would not be able to reinvest the redemption proceedes at an effective interest rate as high as the interest rate on the Subordinated Notes (as the case may be) being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in-tool or at the point of non-viability of the Issuer

Investors should be aware that, in addition to the general bail-in tools, the BRRD contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy, the Single Resolution Board ("**SRB**") or other authority or authorities having prudential oversight of the Issuer at the relevant time be given the power to do so. The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. Any action under it could materially affect the value of any Notes.

Subordinated Notes may be subject to substitution and modification without Noteholders consent

In order to ensure the effectiveness and enforceability of Condition 17 (*Acknowledgement the of Italian Bail-In Power*), then the Issuer may, subject to giving any notice required, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the Holders of the Subordinated Notes of that Series), at any time either substitute all (but not some only) of a Series of Subordinated Notes, or vary the terms of such Subordinated Notes so that they remain or, as appropriate, become, Qualifying Subordinated Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Subordinated Notes are securities issued by the relevant Issuer that, other than in respect of the effectiveness and enforceability of Condition 17 (*Acknowledgement of the Italian Bail-In Power*), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Subordinated Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

Risks applicable to certain types of Exempt Notes

There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed in an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of its investment.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Index Linked notes are subject to the risk of loss of investment

If, in the case of any particular Tranche of Notes, the applicable Pricing Supplement specify that the Notes are Index Linked, there is a risk that any investor may lose the value of their entire investment or part of it if it is possible for such loss to be incurred in accordance with the Conditions of such Tranche of Notes.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

U.S. Foreign Account Tax Compliance withholding

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

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

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

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes 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 Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax.

The value of the Notes could be adversely affected by a change in law or administrative practice.

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus, other than subordination and certain other provisions relating to Subordinated Notes and Senior Notes, which are based on Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English (or Italian) law or administrative practice after the date of issue of this Prospectus and such change could materially adversely impact the value of the any Notes affected by it.

Investors who purchase Bearer Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if these Notes are subsequently required to be issued in definitive form

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive

Bearer Note in respect of such holding (should definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether the Fiscal Agent, any Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders, including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Besides, the Issuer may act as Calculation Agent or appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of a financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Delisting of the Notes

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a "**listing**"), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes 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 (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Issue of subsequent tranche

In the event the Issuer decides to issue further Notes having the same terms and conditions as an already existing Series of Notes (or in all respects except for the Issue Price, the Issue Date and/or the first payment of interest) and so that the further Notes shall be consolidated and form a single series with the original Notes, the greater nominal amount in circulation could lead to a greater offer of the relevant Notes in the secondary market with a consequent negative impact on the price of the relevant Series of the Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Notes. Where an issue of Notes is rated, investors should be aware that:

(i) such rating will reflect only the views of the rating agency and 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 Notes;

(ii) a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency; and

(iii) notwithstanding the above, an adverse change in a credit rating could adversely affect the trading price for the Notes.

Furthermore, 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 EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Impact of events which are difficult to anticipate

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

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

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

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes and, if appropriate, a supplement to the Prospectus or a new Prospectus will be published.

This Overview constitutes a general description of the Programme for the purposes of article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the "**Prospectus Regulation**").

Words and expressions defined in "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	Banca Carige S.p.A.— Cassa di Risparmio di Genova e Imperia
Description:	Euro Medium Term Note Programme
Size:	Up to €5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	UBS Limited
Dealer:	UBS Limited The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "**Permanent Dealer**" are to the persons listed above as a Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealer**" are to the Permanent Dealer and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	Citibank, N.A., London Branch
Luxembourg Listing, Paying and Transfer Agent:	BNP Paribas Securities Services, Luxembourg Branch
Registrar:	Citigroup Global Markets Deutschland AG
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with a supplement to this Prospectus and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the applicable Final Terms for such Tranche (the "**Final Terms**") or, in the case of Exempt Notes, the applicable Pricing Supplement for such Tranche (the "**Pricing Supplement**").

Issue Price: Notes may be issued at their nominal amount or at a discount or premium to their nominal amount, as specified in the relevant Final Terms or the relevant Pricing Supplement (as the case may be). Notes will be issued on a fully-paid basis, or in the case of Exempt Notes, may be issued on a fully-paid basis or a partly paid basis, in which case the issue price of the Notes will be payable in two or more instalments, as specified in the relevant Final Terms or the relevant Pricing Supplement (as the case may be).

Form of Notes: The Notes may be issued in bearer form ("**Bearer Notes**"), in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") or in registered form ("**Registered Notes**"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a Temporary Global Note if such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Selling Restrictions*" below), and otherwise such Tranche will be represented by a Permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**".

Clearing Systems: Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing systems (including without limitation Monte Titoli S.p.A.) as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

Pursuant to regulations of the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**), as from 5 October 1998 all securities cleared through Monte Titoli S.p.A. are required to be in dematerialised form.

Notes which are specified in the relevant Final Terms as having Monte Titoli as a clearing system will be held on behalf of the beneficial owners thereof, from their date of issue until their redemption, by Monte Titoli for the account of the relevant Monte Titoli account holders. The expression "Monte Titoli account holder" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli and includes any financial intermediary appointed by Euroclear and/or Clearstream, Luxembourg for the account of participants in Euroclear and/or Clearstream, Luxembourg.

Initial Delivery of Notes: On or before the issue date for each Tranche, if the relevant Global Note is a NGN (i.e., intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations) or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN (i.e., not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations) or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities:

Senior Notes shall have no maximum or minimum maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Unless otherwise permitted by then current laws, regulations and directives, Senior Non-Preferred Notes (intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer) as defined under article 12-*bis* of the Consolidated Banking Act and as set out in Condition 3 (*Status*) shall have a maturity of not less than twelve months.

Unless otherwise permitted by then current laws, regulations and directives, Subordinated Notes (as defined in Condition 3 (*Status*)) shall have a maturity of not less than five years.

Notes having a maturity of less than one year:

Under the Luxembourg Law of 10 July 2005 on prospectuses for securities, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of part II of such law.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer (see also "*Subscription and Sale*").

Denomination:

Definitive Notes will be in such denominations as may be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) save that the Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Final Terms or Pricing Supplement, as the case may be, save that (i) the minimum denomination of each Note (other than the Senior Non-Preferred Notes) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount 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 relevant Specified Currency and (ii) the minimum denomination of each Senior Non-Preferred Note will be €250,000 (or, if the Senior Non-Preferred Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount 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 relevant Specified Currency, see "*Maturities – Notes having a maturity of less than one year*", above.

Interest:

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate, or interest may initially accrue at a fixed rate and then switch to a floating rate, or *vice versa*.

Fixed Rate Notes:

Fixed interest will be payable in arrears on the date or dates in each year specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.; or

- by reference to the applicable benchmark, as adjusted for any applicable margin.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest periods and the applicable benchmark will be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

CMS Linked Interest Notes: Payments of interest in respect of CMS Linked Interest Notes will be calculated by reference to the CMS Rate as may be specified in the relevant Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

Reset Notes: Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-market swap rate, as adjusted for any applicable margin, in each case, as may be specified in the relevant Final Terms.

Zero Coupon Notes: Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Exempt Notes: The Issuer may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments. The CSSF has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the applicable Pricing Supplement or otherwise.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the applicable Pricing Supplement or otherwise.

Partly Paid Notes: The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Notes redeemable in instalments: The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

Redemption: The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be (and, in the case of Senior Notes or Senior Non-Preferred Notes subject to Condition (k)), or, in the case of Subordinated Notes, for regulatory reasons, subject to the prior approval of the Relevant Authority and in accordance with applicable laws and regulations (as described in Condition (j)), or in the case of Senior Notes or Senior Non-Preferred Notes, for the occurrence of a MREL Disqualification Event (as described in Condition 5(f)), subject to Condition (k), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Maturities - Notes having a maturity of less than one year*" above.

Status of the Notes: Notes may be issued by the Issuer on a subordinated or unsubordinated basis and/or on a senior non preferred basis, as specified in the relevant Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer, present and future (other than obligations ranking junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date) if any) from time to time outstanding, as described in Condition 3(a).

Senior Non-Preferred Notes constitute direct, unsubordinated, and unsecured and non-preferred obligations of the Issuer, ranking junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes, *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act, as amended from time to time.

	The Subordinated Notes will constitute unsecured obligations of the Issuer and, will rank *pari passu* and without any preference among themselves and after all unsubordinated and unsecured creditors (including depositors and holders of Senior Notes and Senior Non-Preferred Notes) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Subordinated Notes, and in priority to the claims of shareholders of the Issuer, as described in Condition 3(b) (*Status – Status of the Subordinated Notes*).
Subordination:	Payments in respect of the Senior Non-Preferred Notes will be subordinated as described in Condition 3(b) (*Status – Status of the Senior Non-Preferred Notes*). Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3(c) (*Status – Status of the Subordinated Notes*).
Rating:	The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). **A 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.** Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) will be disclosed in the Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). 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 EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. Certain information with respect to the credit rating agencies and ratings assigned to the Issuer is also set out under "*Description of Banca Carige and Banca Carige Group – Ratings*" below.
Listing and Admission to Trading:	Application has been made to list the Notes on the Official List and admit them to trading on the regulated market of the Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including United Kingdom, Republic of Italy, Japan, the Netherlands and France) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*". The Issuer is Category 2 for the purposes of Regulation S under the Securities Act. The relevant Final Terms or Pricing Supplement will also specify whether United States Treasury Regulation §1.163- 5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days or should be viewed as being in registered form for US Federal income tax purposes, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

	The Senior Non-Preferred Notes shall be distributed to qualified investors only according to law 27 December 2017 no. 205 on the budget of the Italian government for 2018.
Taxation:	All payments in respect of Notes will be made without deduction for or on account of withholding taxes imposed by the Republic of Italy. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted. All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment 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 (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with English law, except for each of the Condition 3(a), Condition 3(b), Condition 3(c) and Condition 17 which shall be governed by, and construed in accordance with, Italian law.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" above and include risks relating to competition and other operating and general banking risks, such as credit risk and interest rate risk. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and include risks related to the structure of a particular issue of Notes and risks common to the Notes generally.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or which are published simultaneously with this Base Prospectus and which have been filed with the CSSF shall be incorporated by reference in, and form part of this Base Prospectus:

(1) Banca Carige by-laws (*Statuto*) as of the date hereof;

(2) the Banca Carige Group audited annual consolidated financial statements in respect of the year ended 31 December 2016;

(3) the Banca Carige Group audited annual consolidated financial statements in respect of the year ended 31 December 2017; and

(4) The Terms and Conditions of the Notes included in the Base Prospectus dated 20 July 2017 (the "**2017 Base Prospectus**").

Comparative Table of Documents incorporated by reference

Document	Information incorporated	Page numbers
Banca Carige by-laws (*Statuto*) as of the date hereof.	Entire document	
The Banca Carige Group audited annual consolidated financial statements as of and for the year ended 31 December 2016 (contained in the Banca Carige Group 2016 audited consolidated financial statements).		
	Consolidated balance sheet	Pages 57-58
	Consolidated income statement	Pages 59
	Consolidated statement of comprehensive income	Pages 60
	Statement of changes in consolidated shareholders' equity	Pages 61-62
	Consolidated statement of cash flow	Pages 63-64
	Consolidated explanatory notes	Pages 65 - 337
	Independent auditors' report	Pages 340 - 343
The Banca Carige Group annual consolidated financial statements as of and for the year ended 31 December 2017 (which contains the Banca Carige Group 2017 audited consolidated financial statements).		
	Report on operation	Pages 13-65
2017 Audited Consolidated Financial Statements		
	Consolidated balance sheet	Pages 68-69
	Consolidated income statement	Pages 70
	Consolidated statement of comprehensive income	Pages 71
	Statement of changes in consolidated shareholders' equity	Pages 72-73
	Consolidated statement of cash flow	Pages 74-75
	Consolidated explanatory notes	Pages 76-342
	Independent auditors' report on the consolidated financial statements	Pages 345-354
2017 Base Prospectus	Terms and Conditions of the Notes	Pages 66-94

The non-incorporated parts are either not relevant for the investor or covered elsewhere in this Base Prospectus. The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004 (as amended).

The Issuer declares that the English translation of its by-laws (*Statuto*) and the financial statements incorporated by reference in this Base Prospectus is an accurate and not misleading translation in all material respect of the Italian language version of the Issuer's by-laws (*Statuto*) and financial statements. The Issuer takes responsibility for the translation of the financial statements incorporated by reference in this Base Prospectus. The Issuer's by-laws is incorporated by reference for information purpose only.

The financial statements of the Issuer as at and for the years ended on 31 December 2016 and 31 December 2017 have been audited by EY, in their capacity as independent auditors of the Issuer, as indicated in their reports thereon.

The financial statements referred to above have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union under Regulation (EC) 1606/2002.

Availability of Documents

Copies of all documents incorporated by reference herein may be obtained free of charge at the registered office of the Issuer and on the Issuer's website (*www.gruppocarige.it*), and will also be available without charge from the office of the Luxembourg Listing Agent in Luxembourg. Copies of documents incorporated by reference in this Prospectus, the Prospectus, as well as the Final Terms relating to each Tranche of Notes issued under the Programme and listed on the Luxembourg Stock Exchange will also be published on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

SUPPLEMENT TO THE PROSPECTUS AND DRAWDOWN PROSPECTUSES

The Issuer will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuer at least every year after the date of this Prospectus and each subsequent Prospectus.

The Issuer has given an undertaking to the Dealer that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Prospectus pursuant to article 13 of the Luxembourg Law on Prospectuses or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

In addition, the Issuer may agree with any Dealer to issue Notes in a form not contemplated in the section of this Prospectus entitled "**Form of Final Terms**". To the extent that the information relating to that Tranche of Notes constitutes a significant new factor in relation to the information contained in this Prospectus, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) pursuant to article 5.3 of the Prospectus Directive, by separate documents consisting of a securities note containing the necessary information relating to the relevant Notes, and, if necessary, a registration document containing the necessary information relating to the Issuer and a summary note. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, references in this Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the "**Conditions**") that, save for the text in italics and subject to completion in accordance with the provisions of Part A of the applicable Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these Conditions together with the relevant provisions of Part A of the Final Terms or (ii) these Conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

Any reference in the Terms and Conditions to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant in connection with the issue of Exempt Notes. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes.

The Notes are issued pursuant to an amended and restated agency agreement dated 15 March 2018 (as further amended, supplemented or replaced as at the Issue Date, the "**Agency Agreement**") between Banca Carige S.p.A.— Cassa di Risparmio di Genova e Imperia (the "**Issuer**"), Citibank, N.A., London Branch in its capacities as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such) and as transfer agent, Citigroup Global Markets Deutschland AG in its capacity as registrar (the "**Registrar**", which expression shall include any successor to Citigroup Global Markets Deutschland AG in its capacity as such) and BNP Paribas Securities Services, Luxembourg Branch, as paying agent (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agents appointed in accordance with the Agency Agreement) and as transfer agent (together with the transfer agent mentioned above, the "**Transfer Agents**", which expression shall include any successor or additional transfer agents appointed in accordance with the Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Notes (as defined below), the Bank may appoint a calculation agent (the "**Calculation Agent**") for the purposes of such Notes, in accordance with the provisions of the Agency Agreement, and such Calculation Agent shall be specified in the applicable Final Terms. The Notes have the benefit of an amended and restated deed of covenant dated 15 March 2018 (as further amended, supplemented or replaced, the "**Deed of Covenant**") executed by the Issuer in relation to the Notes. Copies of the Agency Agreement and the Deed of Covenant are available for inspection free of charge during normal business hours at the specified offices of the Paying Agents, the Registrar and the Transfer Agents. All persons from time to time entitled to the benefit of obligations under the Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Notes. Each Tranche will be subject to a set of final terms (each, the applicable "**Final Terms**"), a copy of which will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and available for inspection during normal business hours at the specified office of the Fiscal Agent or, as the case may be, the Registrar or the Paying Agent and will be obtainable at the specified office of the Paying Agent in Luxembourg (so long as the Notes are listed on the Luxembourg Stock Exchange). In the case of a Tranche of Exempt Notes, copies of the Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Beneficiary (as defined in the Deed of Covenant) in respect of, such Notes.

References in these Conditions to Notes are to Notes of the relevant Series and any references to Coupons (as defined in Condition 1) and Receipts (as defined in Condition 1) are to Coupons and Receipts relating to the Notes of the relevant Series.

References in these Conditions to **€** or **euro** are to the lawful currency of the member states of the European Union (the "**Member States**") that have adopted the single currency in accordance with the Treaty on the Functioning of the European Union as amended.

References in these Conditions to the "**Final Terms**" or the "**Pricing Supplement**" (in the case of Exempt Notes) are to the Final Terms or Pricing Supplement, as the case may be, prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered to the public in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt Note**"), references herein to these Conditions are to these Conditions as supplemented or modified or (to the extent thereof) replaced by part A of the Pricing Supplement.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("**Registered Notes**") or in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") in each case in the Specified Denomination(s) shown in the applicable Final Terms.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

Unless this Note is a Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a CMS Linked Interest Note, a Reset Note, a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Senior Note or a Subordinated Note or a Senior Non-Preferred Note, as indicated in the applicable Final Terms.

Interest-bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue. Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

Notes will be issued in such denominations as may be specified in the relevant Final Terms or Pricing Supplement (as the case may be), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements save that (i) the minimum denomination of each Note (other than the Senior Non-Preferred Notes) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount 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 relevant Specified Currency and (ii) the minimum denomination of each Senior Non-Preferred Note will be €250,000 (or, if the Senior Non-Preferred Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount 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 relevant Specified Currency.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes), the absence of any such meaning indicating that such term is not applicable to the Notes.

2. EXCHANGES OF EXCHANGEABLE BEARER NOTES AND TRANSFERS OF REGISTERED NOTES

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of the Registrar or any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 6(c)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the approval of the Fiscal Agent, the Transfer Agents and the Registrar. A copy of the current regulations will be made available to Noteholders upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of the Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(b)or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer and/or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the

Registrar or any Transfer Agent (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), **business day** means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Transfer Agent (as the case may be).

(e) **Exchange Free of Charge**

Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. **STATUS**

The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will indicate whether the Notes are Senior Notes, Senior Non-Preferred Notes or Subordinated Notes (the "**Subordinated Notes**"), and in the case of Subordinated Notes, the applicable subordination provisions.

(a) **Status of Senior Notes**

This Condition 3(a) is applicable in relation to Notes specified in the Final Terms as being Senior Notes (and, for the avoidance of doubt, does not apply to Senior Non-Preferred Notes).

The Senior Notes and the Receipts and Coupons relating to them constitute unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future (other than obligations ranking junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date) if any).

Each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

(b) **Status of Senior Non-Preferred Notes**

This Condition 3(b) applies only to Notes specified in the applicable Final Terms as Senior Non-Preferred and being Senior Non-Preferred Notes.

Senior Non-Preferred Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under article 12-*bis* of the Consolidated Banking Act), any related

Receipts and Coupons constitute direct, unconditional, unsubordinated, and unsecured and non-preferred obligations of the Issuer, ranking junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes, *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to article 91, section 1-*bis*, letter c-*bis* of the Italian Legislative Decree No. 385 of 1 September 1993 as amended (the "**Consolidated Banking Act**"), as amended from time to time.

Each holder of a Senior Non-Preferred Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Non-Preferred Note.

(c) **Status of Subordinated Notes**

This Condition 3(c) applies only to Notes specified in the applicable Final Terms as Subordinated Notes.

The Subordinated Notes (meaning Notes intended to qualify as Tier II Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Prudential Regulations for Banks and article 63 of the CRR) and the Receipts and Coupons relating to them constitute unsecured obligations of the Issuer and the Subordinated Notes rank *pari passu* and without any preference among themselves. In the event of the bankruptcy, dissolution or winding-up of the Issuer, the payment obligations of the Issuer under the Subordinated Notes and the Receipts and Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors and holders of Senior Notes and Senior Non-Preferred Notes) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Subordinated Notes, and in priority to the claims of shareholders of the Issuer.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Subordinated Note.

4. **INTEREST AND OTHER CALCULATIONS**

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(j).

(b) **Interest on Floating Rate Notes and CMS Linked Interest Notes**

(i) *Interest Payment Dates:* Each Floating Rate Note or each CMS Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(j). Such Interest Payment Date(s) is/are either shown in the applicable Final Terms If in respect of any particular issue, there is a particular identified use of proceeds, other than making a profit and/or hedging certain risks, this will be stated in the applicable Final Terms (or Pricing Supplement if applicable) as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable Final Terms (or Pricing Supplement if applicable), Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Final Terms (or Pricing Supplement if applicable) as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a

day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day, or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes and CMS Linked Interest Notes:* The Rate of Interest in respect of Floating Rate Notes or CMS Linked Interest Notes for each relevant Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms (or Pricing Supplement if applicable) and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms (or Pricing Supplement if applicable).

(A) **ISDA Determination for Floating Rate Notes and CMS Linked Interest Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity**, **Reset Date** and **Swap Transaction** have the meanings given to those terms in the ISDA Definitions.

(B) **Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes:**

A. Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and CMS Rate is not specified as the Reference Rate in the Final Terms, the Rate of Interest for each Interest Accrual Period will, subject as provided below and subject to Condition 4(m), be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered

quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

B. If the Relevant Screen Page is not available, or if sub-paragraph A(I) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph A(II) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

C. if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (Relevant Financial Centre time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) **Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes:**

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each

Interest Period will be calculated as it follows, subject to letter (h)(ii) below and subject to Condition 4(m):

(i) where "**CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

CMS Rate + Margin

(ii) where "**Leveraged CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

- L x CMS Rate + M
- Min [max (L x CMS Rate + M; F); C]

(iii) where "**Steepener CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

- where "**Steepener CMS Reference Rate: Unleveraged**" is specified in the applicable Final Terms:

  Min {[max (CMS Rate 1 – CMS Rate 2) + M; F]; C}

or:

- where "**Steepener CMS Reference Rate: Leveraged**" is specified in the applicable Final Terms:

  Min {[max [L x (CMS Rate 1 – CMS Rate 2) + M; F]; C]}

Where:

C = Cap (if applicable)

F = Floor

L = Leverage

M= Margin

For the purposes of this sub paragraph (iii):

"**CMS Rate**" shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent. If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Relevant Time on the Interest Determination Date in question. If at least three of the Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality,

one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If on any Interest Determination Date less than three or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice;

"**Cap**", "**CMS Rate 1**", "**CMS Rate 2**", "**Floor**", "**Leverage**" and "**Margin**" shall have the meanings given to those terms in the applicable Final Terms.

"**Designated Maturity**" has the meaning given in the relevant Final Terms;

"**Reference Banks**" means (i) where the Reference Currency is Euro, the principal office of five major banks in the Euro-zone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) where the Reference Currency is U.S. dollars, the principal New York City office of five major banks in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five major banks in the Relevant Financial Centre interbank market, in each case selected by the Calculation Agent in consultation with the Issuer.

"**Reference Currency**" has the meaning given in the relevant Final Terms;

"**Relevant Swap Rate**" means:

(i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;

(ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

(iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

(iv) where the Reference Currency is any other currency of if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms.

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time.

(D) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms or Pricing Supplement if applicable) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms or Pricing Supplement if applicable), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period ***provided however that*** if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(c) **Interest on Reset Notes**

(i) *Application*: This Condition 4(c) (*Interest on Reset Notes*) is applicable to the Notes only if the Reset Note Provisions are specified in the relevant Final Terms (or Pricing Supplement if applicable) as being applicable.

(ii) *Rates of Interest and Interest Payment Dates*: Each Reset Note bears interest:

(a) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the Initial Rate of Interest;

(b) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(c) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the each Interest Payment Date and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 4(j).

For the purposes of this Condition 4(c):

"**First Margin**" means the margin specified as such in the applicable Final Terms;

"**First Reset Date**" means the date specified in the applicable Final Terms;

"**First Reset Period**" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 4(c)(iii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

"**Initial Rate of Interest**" has the meaning specified in the applicable Final Terms;

"**Mid-Market Swap Rate**" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Floating Leg Benchmark Rate**" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro or the Reference Rate as specified in the relevant Final Terms;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 4(c)(iii), either:

(a) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

A. with a term equal to the relevant Reset Period; and

B. commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

(b) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

A. with a term equal to the relevant Reset Period; and

B. commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

"**Rate of Interest**" means, in the case of the Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

"**Reset Date**" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"**Reset Determination Date**" means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

"**Reset Period**" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"**Second Reset Date**" means the date specified in the applicable Final Terms;

"**Subsequent Margin**" means the margin specified as such in the applicable Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the applicable Final Terms;

"**Subsequent Reset Period**" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 4(c)(iii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(iii) *Fallbacks:* If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page (subject to Condition 4(m)), the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

For the purposes of this Condition 4(c)(iii) "**Reference Banks**", in the case of Reset Notes, has the meaning given in the relevant Final Terms or, if none, four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

(d) **Change of Interest Basis**

If Change of Interest Basis is specified as applicable in the applicable Final Terms (or Pricing Supplement if applicable), the interest payable in respect of the Notes will be calculated in accordance with Condition 4(a), Condition 4(b) or Condition 4(c) above, each applicable only for the relevant periods specified in the applicable Final Terms (or Pricing Supplement if applicable).

If Change of Interest Basis is specified as applicable in the applicable Final Terms (or Pricing Supplement if applicable), and Issuer's Switch Option (as defined below) is also specified as applicable in the applicable Final Terms (or Pricing Supplement if applicable), the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 13 on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that:

(A) the Switch Option may be exercised only in respect of all the outstanding Notes,

(B) upon exercise of a Switch Option, the Interest Basis change will be effective form (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and

(C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

"**Switch Option Expiry Date**" and "**Switch Option Effective Date**" shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified to the Issuer pursuant to this Condition and in accordance with Condition 13 prior to the relevant Switch Option Expiry Date.

(e) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).

(f) **Exempt Notes**

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes or CMS Linked Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 4(b) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(g) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).

(h) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**

(i) If any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods or (z) in relation to one or more Reset Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods or Reset Periods, in the case of (y) or (z), calculated, in each case, in accordance with Condition 4(b) or Condition 4(c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph;

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the applicable Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be;

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, **unit** means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.

(i) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount Specified in the applicable Final Terms and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(j) **Determination and Publication of Rates of Interest, Interest Amounts, First Reset Date of Interest, Subsequent Reset Rate of Interest, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

(i) The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, including, in respect of Reset Notes, the calculation of the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate, in respect of Reset Notes, the First Reset Rate of Interest, any Subsequent Reset Rate of Interest, and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange (or other relevant authority) so require, such exchange (or other relevant authority) as soon as possible after their

determination but in no event later than (i) the commencement of the relevant Interest Accrual Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases (including in respect of the calculation of the First Reset Rate of Interest and in respect of a Reset Period, the calculation of the Interest Amount payable on each Interest Payment Date falling in such Reset Period), the fourth Business Day after such determination.

(ii) Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made.

(iii) The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(k) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Italy including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and including, for the avoidance of doubt, as at the Issue Date the rules contained in, or implementing, CRD IV);

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time; and

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a **TARGET Business Day**); and/or

(iii) in the case of a currency and/or one or more Additional Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres;

"**CMS Linked Interest Notes**" means a Note in respect of which payments of interest will be calculated by reference to the CMS Rate as may be specified in Condition 4(b) and in the relevant Final Terms;

"**CRR**" means the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation No. 648/2012, as amended or replaced from time to time;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "**Calculation Period**"):

(i) if "Actual/Actual" or "Actual/Actual—ISDA" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 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);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February, or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date, or (ii) such number would be 31, in which case D_2 will be 30;

(vii) if "Actual/Actual—ICMA" is specified in the applicable Final Terms:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period, and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

X. the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period, and (2) the number of Determination Periods normally ending in any year; and

Y. the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period, and (2) the number of Determination Periods normally ending in any year;

"**Determination Date**" means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Interest Payment Date(s);

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"**Euro-zone**" means the region comprised of member states of the European Union that have adopted the single currency in accordance with the Treaty on the Functioning of the European Union, as amended by the treaty on European Union;

"FATCA" means: (i) sections 1471 to 1474 of the Internal Revenue Code or any associated regulations or other official guidance (or any amended or successor version that is substantially comparable); (ii) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (i) above, including the intergovernmental agreement entered into by and between Italy and the United States on 10 January 2014, ratified by way of Law No. 95 on 18 June 2015; or (iii) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (i) or (ii) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

"**Final Redemption Amount**" means, in respect of any Note (other than any Exempt Note), its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms provided that, in any case, such amount will be at least equal to the relevant par value;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Basis**" means (i) with respect to Notes to which Condition 4(a) (*Interest on Fixed Rate Notes*) applies, the Fixed Rate specified in the applicable Final Terms; (ii) with respect to Notes to which Condition 4(c) (*Interest on Reset Notes*) applies, the Rate of Interest specified in the applicable Final Terms; (iii) with respect to Notes to which Condition 4(b) (*Interest on Floating Rate Notes and CMS Linked Interest Notes*) applies, the Floating Rate or the CMS Rate specified in the applicable Final Terms; and (iv) with respect to Notes to which Condition 4(e) (*Zero Coupon Notes*) applies, the Notes shall be specified to be Zero Coupon in the applicable Final Terms;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the applicable Final Terms;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro, or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the applicable Final Terms;

"**ISDA Definitions**" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Final Terms;

"**Maturity Period**" means the period from and including the Issue Date to but excluding the Maturity Date;

"**Number of Actual Calculation Periods**" means, in relation to Day Count Fraction above, the number of Actual Calculation Periods normally ending in any year;

"**Payment Date**" means, in relation to Day Count Fraction above, the date on which interest for the relevant period falls due;

"**Prudential Regulations for Banks**" means the Bank of Italy's *Disposizioni di Vigilianza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended and supplemented from time to time, including any successor regulations;

"**Rate of Interest**" means, in the case of the Notes other than the Reset Notes, the rate or rates of interest payable from time to time in respect of this Note and that is either specified or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Reference Banks**", in the case of Notes other than the Reset Notes, has the meaning given in the relevant Final Terms or, if none, means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as in the applicable Final Terms;

"**Reference Rate**" means EURIBOR, LIBOR or the CMS Rate as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"**Regulatory Event**" is deemed to have occurred if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier II Capital of the Issuer and, in case the Regulatory Event has occurred within five years of the issue of the relevant Subordinated Notes, both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

"**Relevant Authority**" means the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled having the responsibility of making such decisions) or, to the extent applicable in any relevant situation, the European Central Bank or any successor or replacement entity to either, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms;

"**Reset Notes**" means a Note on which interest is calculated at reset rates payable in arrear on a fixed date or dates in each year and/or at intervals of one, two, three, six or 12 months or at such other date or intervals as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

"SRM" means the Single Resolution Mechanism established pursuant to Regulation (EU) No. 806/2014 of the European Parliament and of the Council, as amended, supplemented or replaced from time to time.

"**Specified Currency**" means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Notes are denominated;

"**Start Date**" means, in relation to Day Count Fraction above, the date from which interest for the relevant period begins to accrue; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

"**Tier II Capital**" has the meaning given to it by (i) the Relevant Authority from time to time or (ii) any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union from time to time, as applicable.

(l) **Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms (or Pricing Supplement if applicable) and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(m) **Benchmark replacement**

Notwithstanding the provisions above in this Condition 4, if the Issuer (in consultation with the 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)) determines that the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) specified in the applicable Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered, then the following provisions shall apply:

(1) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine an alternative rate (the "**Alternative Benchmark Rate**") and an alternative screen page or source (the "**Alternative Relevant Screen Page**") no later than 3 Business Days prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) (the "**IA Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 4(m));

(2) the Alternative Benchmark Rate shall be such rate as the Independent Adviser determines has replaced the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) in customary market usage for purposes of determining floating rates of interest in respect of eurobonds denominated in the Specified Currency, or, if the Independent Adviser determines that there is no such rate, such other rate as the Independent Adviser determines in its sole discretion is most comparable to the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;

(3) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date in accordance with sub-paragraph (2) above, then the Issuer (in consultation with the Fiscal 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)) and acting in good faith and a commercially reasonable manner) may determine which (if any)

rate has replaced the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) of the benchmark in customary market usage for purposes of determining floating rates of interest in respect of eurobonds denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable), and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; provided, however, that if this sub-paragraph (3) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) in accordance with this sub-paragraph (3), the Rate of Interest applicable to such Reset Period or Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of a preceding Reset Period or Interest Period as applicable (which may be the Initial Rate of Interest) (though substituting, where a different Margin is to be applied to the relevant Reset Period or Interest Period from that which applied to the last preceding Reset Period or Interest Period, the Margin relating to the relevant Reset Period or Interest Period, in place of the Margin relating to that last preceding Reset Period or Interest Period);

(4) if an Alternative Benchmark Rate and Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Alternative Benchmark Rate and Alternative Relevant Screen Page shall be the benchmark and the Relevant Screen Page in relation to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 4(m));

(5) if the Independent Adviser or the Issuer determines an Alternative Benchmark Rate in accordance with the above provisions, the Independent Adviser or the Issuer (as the case may be) may also, following consultation with the 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)), specify changes to the Day Count Fraction, Business Day Convention, Business Days, Reset Determination Date, Interest Determination Date and/or the definition of Mid Swap Floating Leg Benchmark Rate or Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Alternative Benchmark Rate, which changes shall apply to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 4(m)) (and, for the avoidance of doubt, the Issuer shall effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 4(m). No Noteholder consent shall be required in connection with effecting the Alternative Benchmark Rate, Alternative Relevant Screen Page or such other changes, including for the execution of any documents or other steps by the Agent (if required)); and

(6) the Issuer shall promptly following the determination of any Alternative Benchmark Rate and Alternative Relevant Screen Page give notice thereof and of any changes pursuant to sub-paragraph (5) above to the Fiscal Agent and the Noteholders.

For the purposes of this Condition 4(m), "**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

5. Redemption, Purchase and Options

(a) Final Redemption

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms (or Pricing Supplement if applicable) at its Final Redemption Amount specified in the applicable Final Terms (or Pricing Supplement if applicable) subject as provided in Conditions 5(j) (*Redemption of Subordinated Notes*).

(b) **Early Redemption**

(i) Zero Coupon Notes

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(e).

Where such calculation is to be a made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable Final Terms.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Conditions 5(c), 5(e) or 5(f) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified in the applicable Final Terms.

(c) **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part (but subject, in the case of Subordinated Notes, to the provisions of Condition 5(j) and, in the case of Senior Notes and Senior Non-Preferred Notes, to the provisions of Condition 5(k)) on any Interest Payment Date (if this Note is a Floating Rate Note or a CMS Linked Interest Note) or, at any time (if this Note is neither a Floating Rate Note nor a CMS Linked Interest Note), on giving not less than 5 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 5(b)) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Republic 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, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts in respect of the Notes then due and (iii) in the case of Subordinated Notes only if the circumstances under points (i) and (ii) above have occurred within five years of the issue of the relevant Subordinated Notes, the Issuer demonstrates to the satisfaction of the

Relevant Authority that such change is material and was not reasonably foreseeable at the Issue Date. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent to make available at its specified office to the Noteholders a certificate signed by two authorised signatories 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 an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer (Issuer Call)**

(i) If Call Option is specified as being applicable in the applicable Final Terms, the Issuer may (but subject, in the case of Subordinated Notes, to the provisions of Condition 5(j) and, in the case of Senior Notes and Senior Non-Preferred Notes, to the provisions of Condition 5(k)), on giving not less than 5 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Final Terms) redeem all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued (if any) to (but excluding) the relevant Optional Redemption Date. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

(ii) The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if the Make-Whole Redemption Amount is specified in the applicable Final Terms, will be an amount calculated by the Fiscal Agent (or delegated to a third party) equal to the higher of:

(a) 100 per cent. of the principal amount of the Note to be redeemed; or

(b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Dealer Rate (as defined below)) plus the Make-Whole Margin,

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

In this condition 5(d):

"**Make-Whole Margin**" shall be as specified in the relevant Final Terms;

"**Make-Whole Redemption Amount**" shall have the meaning as specified in the relevant Final Terms;

"**Reference Bond**" shall be as set out in the applicable Final Terms;

"**Reference Dealers**" shall be as set out in the applicable Final Terms; and

"**Reference Dealer Rate**" means with respect to the Reference Dealers and the Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers.

(iii) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 5(d) (*Redemption at the option of the Issuer (Issuer Call)*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 5(d) (*Redemption at the option of the Issuer (Issuer Call)*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount shall in no event be greater than the maximum or be less than the minimum so specified.

(e) **Redemption for Regulatory Reasons (Regulatory Call)**

This Condition 5(e) applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.

If Regulatory Call is specified as being applicable in the applicable Final Terms, the Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Relevant Authority), in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor a CMS Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or a CMS Linked Interest Note), on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if a Regulatory Event has occurred.

Upon the expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(e). Notes redeemed pursuant to this Condition 5(e) will be redeemed at their Early Redemption Amount referred to in Condition 5(b) above together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Any redemption of Subordinated Notes is subject to the prior approval of the Relevant Authority.

(f) **Issuer Call Due to MREL Disqualification Event**

This Condition 5(f) applies only to Notes specified in the applicable Final Terms as being Senior Notes or Senior Non-Preferred Notes.

If Issuer Call due to MREL Disqualification Event is specified as being applicable in the applicable Final Terms, then any Series of Senior Notes or Non-Preferred Notes may (subject to the provisions of Condition 5(k)) on or after the date specified in a notice published on the Issuer's website be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Note is neither a Floating Rate Note or a CMS Linked Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note or a CMS Linked Interest Note) on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Fiscal Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer determines that an MREL Disqualification Event has occurred and is continuing.

Upon the expiry of any such notice as is referred to in this Condition, the Issuer shall be bound to redeem the Notes in accordance with this Condition. Notes redeemed pursuant to this Condition will be redeemed at their Early Redemption Amount referred to in Condition 5(b) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

As used in these Conditions:

- "**Bail-in Power**" means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements, whether relating to the resolution or independent of any resolution action, of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State in effect and applicable in the relevant

Member State to the Issuer or other Group Entities, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution, investment firm and/or any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person;

- "**CRD IV**" means, taken together (i) the CRD IV Directive, (ii) the CRR, and (iii) the Future Capital Instruments Regulations;

- "**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time;

- "**EC Proposals**" means the amendments proposed to the CRD IV Directive, the CRD IV Regulation and BRRD published by the European Commission on 23 November 2016;

- "**Future Capital Instruments Regulations**" means any regulatory capital rules or regulations introduced after the Issue Date by the Relevant Authority or which are otherwise applicable to the Issuer (on a solo or, if relevant, consolidated basis), which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the own funds of the Issuer (on a consolidated basis) to the extent required by (i) the CRR or (ii) the CRD IV Directive;

- "**Group Entity**" means the Issuer or any legal person that is part of the Group;

- "**MREL Disqualification Event**" means that, by reason of the introduction of or a change in MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Notes, all or part of the aggregate outstanding nominal amount of such Series of Notes are or will be excluded fully or partially from eligible liabilities available to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Senior Notes or Senior Non-Preferred Notes from the MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder, does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Senior Notes from the MREL Requirements due to there being insufficient headroom for such Senior Notes within a prescribed exception to the otherwise applicable general requirements for eligible liabilities does not constitute a MREL Disqualification Event; and (c) any exclusion shall not be 'reasonably foreseeable' by the Issuer at the Issue Date where such exclusion arises as a result of (i) any legislation which gives effect to the EC Proposals differing, as it applies to the Issuer and/or the Group, in any respect from the form of the EC Proposals, or if the EC Proposals have been amended as at the Issue Date of the first Series of the Notes, in the form so amended at such date (including if the EC Proposals are not implemented in full), or (ii) the official interpretation or application of the EC Proposals as applicable to the Issuer and/or the Group (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the first Series of the Notes;

- "**MREL Requirements**" means the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities applicable to the Issuer and/or the Group, from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities adopted by the Republic of Italy, a Relevant Authority or a Relevant Resolution Authority from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer and/or the Group), as any of the preceding laws, regulations,

requirements, guidelines, rules, standards, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;

- "**Regulatory Capital Requirements**" means any requirements contained in the regulations, rules, guidelines and policies of the Relevant Authority, or of the European Parliament and Council then in effect in the Republic of Italy, relating to capital adequacy and applicable to the Issuer and/or the Group from time to time (including, but not limited to, as at the Issue Date of the relevant Series of Notes, the rules contained in, or implementing, CRD IV and the BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority);

- "**Relevant Resolution Authority**" means the Italian resolution authority, the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Resolution Power or Bail-in Power from time to time;

- "**Resolution Power**" means any statutory write-down, transfer and/or conversion power existing from time to time under any laws regulations, rules or requirements relating to the resolution of the Issuer or any other entities of the Group, including but not limited to any laws, regulations, rules or requirements implementing the BRRD and/or the SRM Regulation; and

- "**SRM Regulation**" means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time.

(g) **Specific redemption provisions applicable to certain types of Exempt Notes**

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Conditions 5(b), 5(e) and 5(f), Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the applicable Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the applicable Pricing Supplement.

(h) **Purchases**

The Issuer or any of its Subsidiaries may (but, in the case of Subordinated Notes and subject (if required) to consent thereto having been obtained from the Relevant Authority and in compliance with Applicable Banking Regulations and, in the case of Senior Notes and Senior Non-Preferred Notes, subject to the provisions of Condition 5(k)) at any time purchase Notes in the open market or otherwise and at any price provided that all unmatured Coupons appertaining thereto are purchased therewith.

(i) **Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured

Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(j) **Redemption of Subordinated Notes**

Subordinated Notes shall have a minimum Maturity Period of five years, as provided under the Prudential Regulations for Banks.

Notwithstanding the foregoing provisions of this Condition (i) to the extent required by the Applicable Banking Regulations, the redemption of any series of Subordinated Notes at their Maturity Date shall be subject to the prior approval of the Relevant Authority; and/or (ii) the early redemption of any series of Subordinated Notes shall always be subject to the prior approval of the Relevant Authority. Failure to redeem any such Notes where such consent has not been granted shall not constitute a default of the Issuer for any purpose.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Notes up to that day are received by or on behalf of the Noteholders and (ii) the day which is seven days after the Fiscal Agent, which have been directed to do so by the Issuer, has notified the Noteholders that it has received all sums due in respect of such Subordinated Notes up to such seventh day.

(k) **Conditions to Redemption and Purchase of Senior Notes and Senior Non-Preferred Notes**

Any redemption or purchase in accordance with this Condition 5 of Senior Notes and Senior Non-Preferred Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Applicable Banking Regulations at the relevant time.

6. **PAYMENTS AND TALONS**

(a) **Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts, Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(g)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(g)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in this Condition 6 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall

become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

(c) **Registered Notes**

(i) Payments of principal (which for the purposes of this Condition 6(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of the Registrar or any of the Transfer Agents and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 6(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank in the principal financial centre of the country of such currency, subject as provided in paragraph (a) above, and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and, subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of such currency.

(d) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts, and (iii) such payment is then permitted by United States law, without involving, in the sole opinion of the Issuer, any adverse tax consequence to the Issuer.

(e) **Payments Subject to Fiscal Laws**

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7 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 (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) **Appointment of Agents**

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents and Transfer Agents having specified offices in at least two major European cities, one of which will be Luxembourg so long as the Notes are listed on the

Luxembourg Stock Exchange, and (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (d) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 13.

(g) **Unmatured Coupons and Receipts and unexchanged Talons**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes) such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, a CMS Linked Interest Note, Dual Currency Interest Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(h) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(i) **Non-Business Days**

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, **business day** means any day which is:

(A) a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in:

(i) in the case of Notes in definitive form only, the relevant place of presentation, and

(ii) each such jurisdiction as shall be specified as "Additional Financial Centres" in the applicable Final Terms; and

(B) either (A) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, a day on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or (B) (in the case of a payment in euro) a TARGET Business Day.

7. **TAXATION**

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders and the Couponholders (if relevant) after such withholding or deduction shall be equal to the amounts of interest, in case of Senior Notes, Senior Non-Preferred Notes (if permitted by the MREL Requirements) and Subordinated Notes, and principal, in case of Senior Notes and Senior Non-Preferred Notes (if permitted by the MREL Requirements) only, which would otherwise have been receivable by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any payment of any interest or principal either:

(a) in respect of any Note, Receipt or Coupon presented for payment:

(i) in the Republic of Italy; or

(ii) by or on behalf of a Noteholder or Couponholder who is:

- entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption, but has omitted to do so or failed to comply with applicable law in making or procuring such declaration or claim; or

- liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note, Receipt or Coupon; or

(iii) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or

(b) in relation to any payment or deduction of any interest, principal or proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Decree No. 239 as amended, other than in circumstances where the procedures required under Decree No. 239 to benefit from an exemption from *imposta sostitutiva* have not been met or complied with by any Noteholder

or Couponholder eligible to benefit from such exemption from *imposta sostitutiva*, due to actions or omissions of the Issuer; or

(c) in respect of Notes classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September, 1983, as amended; or

(d) where such withholding or deduction is imposed pursuant to FATCA.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or related Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) **interest** shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it, and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

8. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9. EVENTS OF DEFAULT

(i) The Subordinated Notes, the Senior Notes and the Senior Non-Preferred Notes are, and they shall immediately become, due and repayable at their Redemption Amount together with, if appropriate, accrued interest thereon if the Issuer is subject to *Liquidazione Coatta Amministrativa* as defined in the Consolidated Banking Act.

(ii) No remedy against the Issuer other than as specifically provided by this Condition 9 shall be available to Holders of the Subordinated Notes, the Senior Notes and Senior Non-Preferred Notes, Receipts or Coupons whether for the recovery of amounts owing in respect of the Subordinated Notes, the Senior Notes and the Senior Non-Preferred Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Subordinated Notes, the Senior Notes and the Senior Non-Preferred Notes or otherwise.

(iii) If any Event of Default shall occur in relation to any series of Notes, any Holder of a Note of the relevant Series of Notes may, by written notice to the Issuer, at the specified office of the Fiscal Agent or, in the case of Registered Notes, at the specified office of the Registrar, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the Early Termination Amount) (which shall be its Outstanding Principal Amount or, if such Note is non-interest bearing, its Amortised Face Amount or such other redemption amount as may be specified, or determined in accordance with the provisions set out, in the applicable Final Terms), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding.

10. MEETING OF NOTEHOLDERS AND MODIFICATIONS

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any

matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the applicable Final Terms (or Pricing Supplement if applicable), to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

In addition, (i) in the case of Senior Notes or Non-Preferred Senior Notes, if at any time a MREL Disqualification Event occurs or (ii) in the case of all Notes, in order to ensure the effectiveness and enforceability of Condition 17, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the holders of the Notes of that Series, at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become Qualifying Senior Notes, Qualifying Senior Non-Preferred Notes or Qualifying Subordinated Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

In these Conditions:

- "**Qualifying Senior Non-Preferred Notes**" means securities issued by the Issuer that:

  (i) other than in respect of the effectiveness and enforceability of Condition 17, have terms not materially less favourable to a holder of the Senior Non-Preferred Notes (as reasonably determined by the Issuer) than the terms of the Senior Non-Preferred Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Non-Preferred Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes; (D) have the same redemption rights as the Senior Non-Preferred Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Senior Non-Preferred Notes immediately prior to such variation or substitution; and

  (ii) are listed on a recognised stock exchange if the Senior Non-Preferred Notes were listed immediately prior to such variation or substitution.

- "**Qualifying Senior Notes**" means securities issued by the Issuer that:

  (i) other than in respect of the effectiveness and enforceability of Condition 17, have terms not materially less favourable to a holder of the Senior Notes (as reasonably determined

by the Issuer) than the terms of the Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Senior Notes immediately prior to such variation or substitution; and

(ii) are listed on a recognised stock exchange if the Senior Notes were listed immediately prior to such variation or substitution.

- "**Qualifying Subordinated Notes**" means securities issued by the Issuer that:

(i) other than in respect of the effectiveness and enforceability of Condition 17, have terms not materially less favourable to a holder of the Subordinated Notes (as reasonably determined by the Issuer) than the terms of the Subordinated Notes, and they shall also (A) comply with the then current requirements of the Applicable Banking Regulations in relation to Tier II Capital; (B) include a ranking at least equal to that of the Subordinated Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Subordinated Notes immediately prior to such variation or substitution; and

(ii) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution.

These Conditions may be completed in relation to any Series of Notes by the terms of the applicable Final Terms (or Pricing Supplement in the case of Exempt Notes) in relation to such Series.

(b) **Modification of Agency Agreement**

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

11. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other applicable authority regulations, at the specified office of the Fiscal Agent or any of the Paying Agents (including the Luxembourg Paying Agent) (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these conditions of such notes to "**Issue Date**" shall be to the first issue date of the Notes)

and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

13. **NOTICES**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and such notices shall be valid, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, shall be published in electronic form on the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Notices to the holders of Bearer Notes shall be valid so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, shall be published in electronic form on the Luxembourg Stock Exchange (*www.bourse.lu*) in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

14. **CURRENCY INDEMNITY**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) from any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

15. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of any Notes under the Contracts (Rights of Third Parties) Act 1999.

16. **GOVERNING LAW AND JURISDICTION**

(a) **Governing Law**

The Notes, the Receipts, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with the Notes, the Receipts, the Coupons and the Talons, are governed by, and shall be construed in accordance with, English law except for each of the Condition 3(a), Condition 3(b), Condition 3(c) and Condition 17 which shall be governed by, and construed in accordance with, Italian law.

(b) **Jurisdiction**

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons, including any proceedings relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process**

The Issuer irrevocably appoints the representative office of the Italian Chamber of Commerce and Industry for the UK in London located at 1 Princes Street, London W1B 2AY, as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 13. Nothing shall affect the right to serve process in any manner permitted by law.

17. **ACKNOWLEDGEMENT OF THE ITALIAN BAIL-IN POWER**

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by:

(i) the effects of the exercise of the Bail-in Power by the Relevant Resolution Authority, which exercise may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; (ii) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions; (iii) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(ii) the variation of these Conditions, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of the Bail-in Power by the Relevant Resolution Authority.

Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Relevant Resolution Authority.

Upon the Issuer being informed and notified by the Relevant Resolution Authority of the actual exercise of the date from which the Bail-in Power is effective with respect to the Notes, the Issuer shall notify the Noteholders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Notes described in this clause.

The exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal

amount, and any further modification of the terms that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Bail-in Power to the Notes.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Any reference in the Terms and Conditions to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant in connection with the issue of Exempt Notes.

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper.

Where the Global Notes or the Global Certificates issued in respect of any Tranche are in NGN form or to be held under the NSS (as the case may be), the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes or the Global Certificates (as the case may be) are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the applicable Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system (the "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

EXCHANGE

1. **Temporary Global Notes**

   Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the applicable Final Terms, for Definitive Notes.

Each Temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any Permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

In relation to any issue of Notes which are represented by a Temporary Global Note which is expressed to be exchangeable for definitive Bearer Notes at the option of Noteholders, such Notes shall be tradable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and multiples thereof.

2. **Permanent Global Notes**

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Notes*", in part for Definitive Notes or, in the case of (a) below, Registered Notes:

(a) upon notice: if the Permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; or

(b) in limited circumstances: (i) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

Save as described above, where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, so long as the clearing systems so permit and subject to any minimum denomination applicable to Notes issued by the Bank, where the Permanent Global Note may only be exchanged in the limited circumstances described in (b) above (if the relevant Final Terms or Pricing Supplement (as the case may be) specifies "*in the limited circumstances described in the Permanent Global Note*"), Notes may be issued and will be tradable in denominations which represent the aggregate of (i) a minimum denomination of €100,000 (save for the Senior Non-Preferred Notes whose minimum denomination is €250,000), plus (ii) integral multiples of €1,000, provided that such denominations are not less than €100,000 or more than €199,000 (as applicable). For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

3. **Permanent Global Certificates**

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(a) if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(b) if principal in respect of any Notes is not paid when due; or

(c) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (a) or (b) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4. **Partial Exchange of Permanent Global Notes**

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions:

(a) for Registered Notes, if the Permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or

(b) for Definitive Notes, if (i) if principal in respect of any Notes is not paid when due, or (ii) so provided in, and in accordance with, the Conditions (which will be set out in the applicable Final Terms) relating to Partly Paid Notes.

5. **Delivery of Notes**

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange, or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or (iii) if the Global Note is a NGN, the Issuer procures that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6. **Exchange Date**

"**Exchange Date**" means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

7. **Legend concerning United States persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons, Receipts, and Talons appertaining thereto will bear a legend to the following effect:

> "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*"

AMENDMENT TO CONDITIONS

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

1. **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership. Payments of interest on Registered Notes whilst in global form shall be made to the person shown on the Register at the close of business on the record date, being the date immediately preceding the due date for payment, as being the holder of the Notes represented by the Global Certificate. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 6(g)(vi) and Condition 1(a)(iv) will apply to the Definitive Notes only. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 6(i) (*Payments and Talons - Non-Business Days*).

2. **Prescription**

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

3. **Meetings**

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Special Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Special Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4. **Cancellation**

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

5. **Purchase**

Notes represented by a Permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

6. **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

7. **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or other relevant clearing system, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time where the Permanent Global Note is a CGN, presenting the Permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

8. **NGN nominal amount**

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

9. **Events of Default**

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 9 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 15 March 2018 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

10. **Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that

exchange so require, notices shall also be published either in electronic form on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the day on which it was given to Euroclear and Clearstream, Luxembourg.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the applicable Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

The net proceeds of the sale of the Notes will be used by the Issuer for general funding purposes.

DESCRIPTION OF BANCA CARIGE AND BANCA CARIGE GROUP

INTRODUCTION

GENERAL DESCRIPTION

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**")[2].

Banca Carige Group operates in the various sectors of credit and financial intermediation. The Group operates predominantly in the banking sector, concentrating mainly on retail customers and small and medium-sized enterprises (SMEs). The Group's wide range of banking, financial and related activities include deposit taking, lending, securities trading, leasing, factoring, consumer credit and distribution of life and non-life insurance asset management products through bank branches. The Group is also engaged in fiduciary services activities.

The Bank is registered with the commercial registry of Genova under number 03285880104. The Bank's registered office is at Via Cassa di Risparmio 15, 16123, Genova, Italy. The telephone number of the Bank is +39 010 57 91 and its website is www.gruppocarige.it.

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

The following tables set forth Banca Carige Group consolidated financial information as of and for the years ended 31 December 2017 and 2016.

Consolidated Balance Sheet

Assets
in Euro thousand, except for percentages

			Change		
	As of December 31, 2017 (1)	**As of December 31, 2016 (2) Unaudited Restated**	**absolute**	**%**	**As of December 31, 2016 (3)**
Cash and cash equivalents	296,581	297,410	(829)	(0.3)	297,412
Financial assets held for trading	2,453	7,683	(5,230)	(68.1)	7,683
Financial assets available for sale	2,052,898	2,319,613	(266,715)	(11.5)	2,319,613
Loans to banks	2,934,607	1,892,014	1,042,593	55.1	1,958,763
Loans to customers	15,753,934	17,721,321	(1,967,387)	(11.1)	18,246,327
Hedging derivatives	29,581	39,233	(9,652)	(24.6)	39,233
Equity investments	98,569	94,235	4,334	4.6	94,235
Property and equipment	738,442	739,021	(579)	(0.1)	761,274
Intangible assets	35,005	55,468	(20,463)	(36.9)	56,654
Tax assets	1,950,510	2,059,319	(108,809)	(5.3)	2,063,984
current	*794,737*	*985,089*	*(190,352)*	*(19.3)*	*985,651*
deferred	*1,155,773*	*1,074,230*	*81,543*	*7.6*	*1,078,333*
- of which under law no. 214/2011	*527,486*	*613.780*	*(86,294)*	*(14.1)*	*617,758*
Non-current assets held for sale and discontinued operations	608,077	620,902	(12,825)	(2.1)	-
Other assets	419,047	264,785	(154,262)	58.3	265,826
Total assets	**24,919,704**	**26,111,004**	**(1,191,300)**	**(4.6)**	**26,111,004**

(1) 2017 Audited Consolidated Financial Statement
(2) Unaudited figures restated for a consistent presentation
(3) 2016 Audited Consolidated Financial Statement

2 Bank of Italy, matrice dei conti BASTRA1, 30 November 2017.

Liabilities and shareholders' equity

in Euro thousand, except for percentages	As of December 31, 2017 [1]	As of December 31, 2016[2] Unaudited Restated	Change absolute	Change %	As of December 31, 2016 [3]
Due to banks	4,656,624	3,468,322	1,188,302	34.3	3,468,322
Due to customers	12,624,541	13,710,208	(1,085,667)	(7.9)	13,710,208
Securities issued	3,885,829	5,218,774	(1,332,945)	(25.5)	5,443,294
Financial liabilities held for trading	850	2,064	(1,214)	(58.8)	2,064
Financial liabilities designated at fair value through profit and loss	348,459	459,198	(110,739)	(24.1)	459,198
Hedging derivatives	224,971	259,037	(34,066)	(13.2)	259,037
Tax liabilities	16,537	20,410	(3,873)	(19.0)	20,464
current	*3,557*	5,864	(2,307)	(39.3)	5,918
deferred	*12,980*	14,546	(1,566)	(10.8)	14,546
Liabilities associated to non-current assets held for sale and discontinued operations	193,308	229,397	(35,589)	(15.5)	-
Other liabilities	474,579	434,094	40,485	9.3	438,198
Employee termination indemnities	59,417	65,383	(5,966)	(9.1)	65,769
Allowances for risks and charges	165,240	105,838	59,402	56.1	106,171
post-employment benefits	*34,410*	37,179	(2,769)	(7.4)	37,179
other allowances	*130,830*	68,659	62,171	90.6	68,992
Valuation reserves	(140,633)	(158,100)	17,467	(11.0)	(158,100)
Reserves	(684,857)	(392,732)	(292,125)	74.4	(392,732)
Share premium reserve	628,364	175,954	452,410	…	175,954
Share capital	2,845,857	2,791,422	54,435	2.0	2,791,422
Treasury shares (-)	(15,572)	(15,572)	-	-	(15,572)
Non-controlling interests (+/-)	24,125	29,044	(4,919)	(16.9)	29,044
Profit (Loss) for the period (+/-)	(388,435)	(291,737)	(96,698)	33.1	(291,737)
Total liabilities and shareholders' equity	**24,919,704**	**26,111,004**	**(1,191,300)**	**(4.6)**	**26,111,004**

[1] 2017 Audited Consolidated Financial Statement
[2] Unaudited figures restated for a consistent presentation
[3] 2016 Audited Consolidated Financial Statement

The following tables set forth our consolidated income statement and our consolidated statement of comprehensive income for the years ended December 31, 2017, and 2016.

Consolidated Income Statement

in Euro thousand, except for percentages	2017 [1]	2016[2] Unaudited Restated	Change Absolute	Change %	2016 [3]
Interest and similar income	464,312	538,844	(74,532)	(13.8)	580,521
Interest and similar expense	(230,699)	(279,848)	49,149	(17.6)	(281,006)
Net interest income	**233,613**	**258,996**	**(25,383)**	**(9.8)**	**299,515**
Fee and commission income	270,850	274,220	(3,370)	(1.2)	276,730
Fee and commission expense	(31,631)	(34,898)	3,267	(9.4)	(35,675)
Net fee and commission income	**239,219**	**239,322**	**(103)**	**(0.0)**	**241,055**
Dividends and similar income	10,661	14,077	(3,416)	(24.3)	14,077
Net profit (loss) from trading	4,151	18,459	(14,308)	(77.5)	18,459
Net profit (loss) from hedging	(430)	(2,384)	1,954	(82.0)	(2,384)
Profits (losses) on disposal or repurchase of:	(104,309)	48,810	(153,119)	…	48,810
loans	*(321,469)*	*(3)*	*(321,466)*	…	*(3)*
financial assets available for sale	*(7,982)*	*40,302*	*(48,284)*	…	*40,302*
financial liabilities	*225,142*	*8,511*	*216,631*	…	*8,511*
Profits (Losses) on financial assets/liabilities designated at fair value	(1,573)	(3,993)	2,420	(60.6)	(3,993)
Net interest and other banking income	**381,332**	**573,287**	**(191,955)**	**(33.5)**	**615,539**
Net losses/recoveries on impairment of:	(438,724)	(467,917)	29,193	(6.2)	(471,136)

loans	*(427,501)*	*(469,797)*	*42,296*	*(9.0)*	*(473,016)*
financial assets available for sale	*(15,375)*	*(7,563)*	*(7,812)*	*…*	*(7,563)*
other financial activities	*4,152*	*9,443*	*(5,291)*	*(56.0)*	*9,443*
Net income from banking activities	**(57,392)**	**105,370**	**(162,762)**	**…**	**144,403**
	(57,392)	**105,370**	**(162,762)**	**…**	**144,403**
Administrative expenses:	(622,511)	(572,155)	(50,356)	8.8	(578,180)
personnel expenses	*(358,743)*	*(295,757)*	*(62,986)*	*21.3*	*(296,072)*
other administrative expenses	*(263,768)*	*(276,398)*	*12,630*	*(4.6)*	*(282,108)*
Net provisions for risks and charges	(24,224)	(20,745)	(3,479)	*16.8*	(21,176)
Net adjustments to/ recoveries on property and equipment	(14,661)	(26,468)	11,807	*(44.6)*	(26,501)
Net adjustments to/ recoveries on intangible assets	(36,692)	(24,105)	(12,587)	52.2	(24,617)
Other operating income/expense	71,514	87,919	(16,405)	(18.7)	88,661
Operating expenses	**(626,574)**	**(555,554)**	**(71,020)**	**12.8**	**(561,813)**
Profits (Losses) on investments in associates and companies subject to joint control	9,982	6,596	3,386	51.3	6,596
Impairment on goodwill	-	(19,942)	19,942	(100.0)	(19,942)
Profits (losses) on disposal of investments	85,266	(149)	85,415	…	(149)
Profit (loss) before tax from continuing operations	**(588,718)**	**(463,679)**	**(125,039)**	**27.0**	**(430,905)**
Taxes on income from continuing operations	169,284	142,221	27,063	19.0	134,837
Profit (loss) after tax from continuing operations	**(419,434)**	**(321,458)**	**(97,976)**	**30.5**	**(296,068)**
Profits (loss) after tax from discontinued operations	26,070	25,390	680	2.7	-
Net profit (loss) for the year	**(393,364)**	**(296,068)**	**(97,296)**	**32.9**	**(296,068)**
Non-controlling interests	(4,929)	(4,331)	(598)	13.8	(4,331)
Net profit (loss) for the year attributable to the Parent Company	**(388,435)**	**(291,737)**	**(96,698)**	**33.1**	**(291,737)**

(1) 2017 Audited Consolidated Financial Statement
(2) 2016 Unaudited Restated Consolidated Financial Information
(3) 2016 Audited Consolidated Financial Statement

Consolidated Statement of Comprehensive Income

			Change		
in Euro thousand, except for percentages	**2017 (1)**	**2016(2) Unaudited Restated**	**Absolute**	**%**	**2016 (3)**
Net profit (loss) for the period	**(393.364)**	**(296.068)**	**(97,296)**	**32.9**	**(296,068)**
Other comprehensive income after tax not reversed in profit or loss					
Actuarial profits (losses) on defined benefit plans	(47)	(2,530)	2,483	(98.1)	**2,530**
Share of valuation reserves of equity investments valued at equity	89	62	27	43.5	62
Other comprehensive income after tax reversed in profit or loss					
Cash flow hedges	16,754	18,604	(1,850)	(9.9)	18,604
Financial assets available for sale	681	(20,904)	21,585	…	(20,842)
Non-current assets classified as held for sale	-	62	(62)	(100.0)	-
Total other comprehensive income after tax	**(17,477)**	**(4,706)**	**(12,771)**	**…**	**(4,706)**
Comprehensive income (item 10+130)	**(375,887)**	**(300,774)**	**(75,113)**	**25.0**	(300,774)
Consolidated comprehensive income attributable to non-controlling interests	(4,919)	(4,373)	(546)	12.5	(4,373)
Consolidated comprehensive income attributable to the Parent Company	**(370,968)**	**(296,401)**	**(74,567)**	**25.2**	**(296,401)**

(1) 2017 Audited Consolidated Financial Statement
(2) 2016 Unaudited Restated Consolidated Financial Information
(3) 2016 Audited Consolidated Financial Statement

Consolidated statement of cash flow

in Euro thousand	2017 [1]	2016 Unaudited Restated [2]
A. OPERATIONS		
1. Cash flow from (used in) operations	**(57,871)**	**22,219**
- interest income received (+)	444,207	527,360
- interest expense paid (-)	(270,479)	(301,076)
- dividend and similar income (+)	10,661	14,077
- net fees and commissions (+/-)	244,146	244,157
- personnel costs (-)	(298,401)	(301,415)
- other costs (-)	(293,308)	(301,828)
- other income (+)	126,418	150,247
- tax and duties (-)	(46,924)	(34,417)
- costs/revenues from groups of assets held for sale after tax (+/-)	*25,809*	25,114
2. Cash flow from (used in) financial assets	**531,067**	**3,748,444**
- financial assets held for trading	5,762	7,879
- financial assets available for sale	246,086	1,486,624
- loans to customers	1,305,468	2,708,551
- loans to banks: on demand	90,478	46,937
- loans to banks: other	(1,217,250)	(700,809)
- other assets	100,523	199,262
3. Cash flow from (used in) financial liabilities	**(951,966)**	**(3,775,596)**
- due to banks: on demand	126,945	(47,472)
- due to banks: other	897,931	649,280
- due to customers	(1,084,565)	(1,821,439)
- securities issued	(975,788)	(1,899,780)
- financial liabilities held for trading	(7,603)	3,135
- financial liabilities designated at fair value	(110,003)	(101,221)
- other liabilities	201,117	(558,099)
Net cash flow from (used in) operations	(478,770)	(4,933)
B. INVESTMENT ACTIVITIES		
1. Cash flow from	**16,400**	**5,569**
- dividends collected on equity investments	5,361	4,959
- sale of property and equipment	11,039	610
2. Cash flow used in	**(31,066)**	**(27,637)**
- purchase of property and equipment	(14,415)	(4,487)
- purchase of intangible assets	(16,651)	(23,149)
- purchase of subsidiaries and business branches	-	(1)
Net cash flow from (used in) investment activities	(14,666)	(22,068)
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	492,608	18
Net cash flow from (used in) funding activities	492,608	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(828)**	**(26,983)**

[1] 2017 Audited Consolidated Financial Statement
[2] 2016 Unaudited Restated Consolidated Financial Information

RECONCILIATION

ITEM *in Euro thousand*	2017 [1]	2016 Unaudited Restated [2]
Cash and cash equivalents at the beginning of the year	297,412	324,395
Net increase (decrease) in cash and cash equivalents during the year	(828)	(26,983)
Cash and cash equivalents at the end of the year	296,584	297,412

[1] 2017 Audited Consolidated Financial Statement
[2] 2016 Unaudited Restated Consolidated Financial Information

RESTATEMENT OF FINANCIAL INFORMATION

Restatement of the Group's financial information as of and for the year ended 31 December 2016

In connection with the preparation of the 2017 Audited Consolidated Financial Statement, the Bank made restatements of certain comparative data related the prior year respect to the data previously presented in the 2016 Audited Consolidated Financial Statement in accordance with the provisions of IFRS5 to take into account the classification as disposal groups (discontinued operations) of the Creditis Servizi Finanziari S.p.A. ("**Creditis**").

Consolidated Income Statement

The following table sets forth the consolidated income statement for our Group for the year ended December 31, 2016, on a historical basis and as restated in accordance with IFRS 5:

in Euro thousand	2016 [1]	IFRS 5	2016 Unaudited Restated [2]
Interest and similar income	580,521	(41,677)	538,844
Interest and similar expense	(281,006)	1,158	(279,848)
Net interest income	**299,515**	**(40,519)**	**258,996**
Fee and commission income	276,730	(2,510)	274,220
Fee and commission expense	(35,675)	777	(34,898)
Net fee and commission income	**241,055**	**(1,733)**	**239,322**
Dividends and similar income	14,077	-	14,077
Net profit (loss) from trading	18,459	-	18,459
Net profit (loss) from hedging	(2,384)	-	(2,384)
Profits (losses) on disposal or repurchase of:	48,810	-	48,810
a) loans	*(3)*	-	*(3)*
b) financial assets available for sale	*40,302*	-	*40,302*
d) financial liabilities	*8,511*	-	*8,511*
Profits (losses) on finacial assets/liabilities designated at fair value	(3,993)	-	(3,993)
Net interest and other banking income	**615,539**	**(42,252)**	**573,287**
Net losses/recoveries on impairment of:	(471,136)	3,219	(467,917)
a) loans	*(473,016)*	*3,219*	*(469,797)*
b) financial assets available for sale	*(7,563)*	-	*(7,563)*
d) other financial transactions	*9,443*	-	*9,443*
Net income from banking activities	**144,403**	**(39,033)**	**105,370**
Net income from banking and insurance activities	**144,403**	**(39,033)**	**105,370**
Administrative expenses:	(578,180)	6,025	(572,155)
a) personnel expenses	*(296,072)*	*315*	*(295,757)*
b) other administrative expenses	*(282,108)*	*5,710*	*(276,398)*
Net provisions for risks and charges	(21,176)	431	(20,745)
Net adjustments to/ recoveries on property and equipment	(26,501)	33	(26,468)
Net adjustments to/ recoveries on intangible assets	(24,617)	512	(24,105)
Other operating income/expense	88,661	(742)	87,919
Operating expenses	**(561,813)**	**6,259**	**(555,554)**

Profits (losses) on investments in associates and companies subject to joint control	6,596	-	6,596
Impairment on goodwill	(19,942)	-	(19,942)
Profits (losses) on disposal of investments	(149)	-	(149)
Profit (loss) before tax from continuing operations	**(430,905)**	**(32,774)**	**(463,679)**
Taxes on income from continuing operations	134,837	7,384	142,221
Profit (loss) after tax from continuing operations	**(296,068)**	**(25,390)**	**(321,458)**
Profit (loss) after tax from discontinued operations	-	25,390	25,390
Net profit (loss) for the year	**(296,068)**	**-**	**(296,068)**
Minority interests	(4,331)	-	(4,331)
Net profit (loss) for the year attributable to the parent company	**(291,737)**	**-**	**(291,737)**

(1) 2016 Audited Consolidated Financial Statement
(2) 2016 Unaudited Restated Consolidated Financial Information

The following table sets forth the consolidated statement of comprehensive income for the Group for the year ended on 31 December 2016, on a historical basis and as restated in accordance with IFRS 5:

in Euro thousand	**2016 (1)**	**IFRS 5**	**2016 Unaudited Restated (2)**
Profit (loss) for the year	**(296,068)**	**-**	**(296,068)**
Other comprehensive income after tax not reversed in profit or loss			
Actuarial profits (losses) on defined benefit plans	**2,530**	**-**	**2,530**
Non-current assets classified as held for sale	62	-	62
Other comprehensive income after tax reversed in profit or loss			
Cash flow hedges	18,604	-	18,604
Financial assets available for sale	(20,842)	(62)	(20,904)
Non-current assets classified as held for sale	-	62	62
Total other comprehensive income after tax	**(4,706)**	**-**	**(4,706)**
Comprehensive income (item 10+130)	(300,774)	-	(300,774)
Consolidated comprehensive income attributable to non-controlling interests	(4,373)	-	(4,373)
Consolidated comprehensive income attributable to the parent company	**(296,401)**	**-**	**(296,401)**

(1) 2016 Audited Consolidated Financial Statement
(2) 2016 Unaudited Restated Consolidated Financial Information

The following table sets forth the consolidated statement of cash flow for the Group for the year ended on 31 December 2016, on a historical basis and as restated in accordance with IFRS 5:

Consolidated statement of cash flow

in Euro thousand	**2016 (1)**	**IFRS 5**	**2016 Unaudited Restated (2)**
A. OPERATIONS			
1. Cash flow from (used in) operations	**22,219**	**-**	**22,219**
- interest income received (+)	565,043	(37,683)	527,360
- interest expense paid (-)	(302,235)	1,159	(301,076)
- dividend and similar income (+)	14,077	-	14,077
- net fees and commissions (+/-)	246,314	(2,157)	244,157
- personnel costs (-)	(300,081)	(1,334)	(301,415)
- net insurance premiums collected	-	-	-
- other insurance revenues and expenses (-)	-	-	-
- other costs (-)	(309,917)	8,089	(301,828)
- other income (+)	150,392	(145)	150,247
- tax and duties (-)	(41,374)	6,957	(34,417)
- costs/revenues from groups of assets held for sale after tax (+/-)		25,114	25,114
2. Cash flow from (used in) financial assets	**3,748,444**	**-**	**3,748,444**
- financial assets held for trading	7,879	-	7,879
- financial assets designated at fair value	-	-	-
- financial assets available for sale	1,486,624	-	1,486,624
- loans to customers	2,708,551	-	2,708,551

in Euro thousand	2016 [1]	IFRS 5	2016 Unaudited Restated [2]
- loans to banks: on demand	46,937	-	46,937
- loans to banks: other	(700,809)	-	(700,809)
- other assets	199,262	-	199,262
3. Cash flow from (used in) financial liabilities	**(3,775,596)**	**-**	**(3,775,596)**
- due to banks: on demand	(47,472)	-	(47,472)
- due to banks: other	649,280	-	649,280
- due to customers	(1,821,439)	-	(1,821,439)
- securities issued	(1,899,780)	-	(1,899,780)
- financial liabilities held for trading	3,135	-	3,135
- financial liabilities designated at fair value	(101,221)	-	(101,221)
- other liabilities	(558,099)	-	(558,099)
Net cash flow from (used in) operations	(4,933)	-	(4,933)
B. INVESTMENT ACTIVITIES		**-**	
1. Cash flow from	**5,569**	**-**	**5,569**
- sale of equity investments - -	-	-	-
- dividends collected on equity investments	4,959	-	4,959
- sale/reimbursement of financial assets held to maturity	-	-	-
- sale of property and equipment	610	-	610
- sale of intangible assets	-	-	-
- sale of subsidiaries and business branches	-	-	-
2. Cash flow used in	**(27,637)**	**-**	**(27,637)**
- purchase of equity investments	-	-	-
- purchase of financial assets held to maturity	-	-	-
- purchase of property and equipment	(4,487)	-	(4,487)
- purchase of intangible assets	(23,149)	-	(23,149)
- purchase of subsidiaries and business branches	(1)	-	(1)
Net cash flow from (used in) investment activities	(22,068)	-	(22,068)
C. FUNDING ACTIVITIES		**-**	
- issue/purchase of treasury shares	18	-	18
- issue/purchase of equity instruments	-	-	-
- dividend distribution and other purposes	-	-	-
Net cash flow from (used in) funding activities	18	-	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(26,983)**	**-**	**(26,983)**

[1] 2016 Audited Consolidated Financial Statement
[2] 2016 Unaudited Restated Consolidated Financial Information

For further information refer to *"Explanatory Notes—Restatement of prior period accounts in compliance with IFRS 5 (Non-current assets held for sale and discontinued operations"* incorporated by reference in this Base Prospectus.

Balance sheet information

Although IFRS5 does not require the restatement of comparative balance sheet figures, we reported in this Base Prospectus certain comparative balance sheet figures as at December 31, 2016 further restated to allow a consistent comparison.

The following table sets forth the consolidated balance sheet information as of December 31, 2016 for our Group on a historical basis and as restated for comparative purposes:

Assets
in Euro thousand

	As of December 31, 2016 [1]	Adjustments	As of December 31, 2016 Unaudited Restated [2]
Cash and cash equivalents	297,412	(2)	297,410
Financial assets held for trading	7,683	-	7,683
Financial assets available for sale	2,319,613	-	2,319,613

Loans to banks	1,958,763	(66,749)	1,892,014
Loans to customers	18,246,327	(525,006)	17,721,321
Hedging derivatives	39,233	-	39,233
Equity investments	94,235	-	94,235
Property and equipment	761,274	(22,253)	739,021
Intangible assets	56,654	(1,186)	55,468
Tax assets	2,063,984	(4,665)	2,059,319
current	985,651	(562)	985,089
deferred	1,078,333	(4,103)	1,074,230
- of which under law no. 214/2011	617,758	(3,978)	613,780
Non-current assets held for sale and discontinued operations	-	620,902	620,902
Other assets	265,826	(1,041)	264,785
Total assets	**26,111,004**	**-**	**26,111,004**

(1) 2016 Audited Consolidated Financial Statement
(2) Unaudited figures restated for a consistent presentation

Liabilities and shareholders' equity

in Euro thousand	**As of December 31, 2016 (1)**	**Adjustments**	**As of December 31, 2016 Unaudited Restated (2)**
Due to banks	3,468,322	-	3,468,322
Due to customers	13,710,208	-	13,710,208
Securities issued	5,443,294	(224,520)	5,218,774
Financial liabilities held for trading	2,064	-	2,064
Financial liabilities designated at fair value through profit and loss	459,198	-	459,198
Hedging derivatives	259,037	-	259,037
Tax liabilities	20,464	(54)	20,410
current	5,918	(54)	5,864
deferred	14,546	-	14,546
Liabilities associated to non-current assets held for sale and discontinued operations	-	229,397	229,397
Other liabilities	438,198	(4,104)	434,094
Employee termination indemnities	65,769	(386)	65,383
Allowances for risks and charges	106,171	(333)	105,838
post-employment benefits	37,179	-	37,179
other allowances	68,992	(333)	68,659
Valuation reserves	(158,100)	-	(158,100)
Reserves	(392,732)	-	(392,732)
Share premium reserve	175,954	-	175,954
Share capital	2,791,422	-	2,791,422
Treasury shares (-)	(15,572)	-	(15,572)
Non-controlling interests (+/-)	29,044	-	29,044
Profit (Loss) for the period (+/-)	(291,737)	-	(291,737)
Total liabilities and shareholders' equity	**26,111,004**	**-**	**26,111,004**

(1) 2016 Audited Consolidated Financial Statement
(2) Unaudited figures restated for a consistent presentation

HISTORY

Origins

The origins of Banca Carige can be traced back to 1483 with the foundation of Monte di Pietà di Genova.

In 1991, pursuant to the so-called 'Amato' Law, which required the separation between ownership and management of the public savings banks (*casse di risparmio*), the Fondazione Carige contributed its banking business into a newly established joint stock company (*società per azioni*), Banca Carige.

In response to the evolution of the competitive environment of the banking system, Banca Carige developed from a local savings bank (*cassa di risparmio*) into a full-service bank listed on the Italian stock exchange through (i) an initial public offering in 1995, several subsequent capital increases between 1990 and 2008, and the issuance of convertible and subordinated loans, and (ii) its development from a regional player into a network with nationwide distribution, through several new openings and through several acquisitions of banks and branch networks outside Liguria (the number of branches of the distribution network increased from 136 branches at the end of 1990 to 529 branches at 31 December 2017).

Over the years, the interest held by the Fondazione Carige gradually decreased and a stable core of Italian and foreign shareholders, as well as a large number of private investors, became part of its shareholder base.

OWNERSHIP STRUCTURE

As at 31 December 2017, the Issuer's share capital amounts to Euro 2,845,857,461.21 divided into 55,265,881,015 shares without the indication of the nominal value, of which 55,265,855,473 are ordinary registered shares and 25,542 convertible savings shares.

In accordance with article 93 of the Financial Services Act, the Issuer is not currently directly or indirectly controlled by any single shareholder. Pursuant to article 13 of Banca Carige's by-laws, in case a banking foundation is able to exercise the majority of the votes at an ordinary shareholders' meeting, the chairman of the relevant shareholders' meeting, for the purpose of the relevant resolution, shall exclude a number of shares held by such banking foundation equal to the difference plus one between the number of ordinary shares of such foundation and the total amount of ordinary shares of the remaining participants allowed to vote at the time of voting.

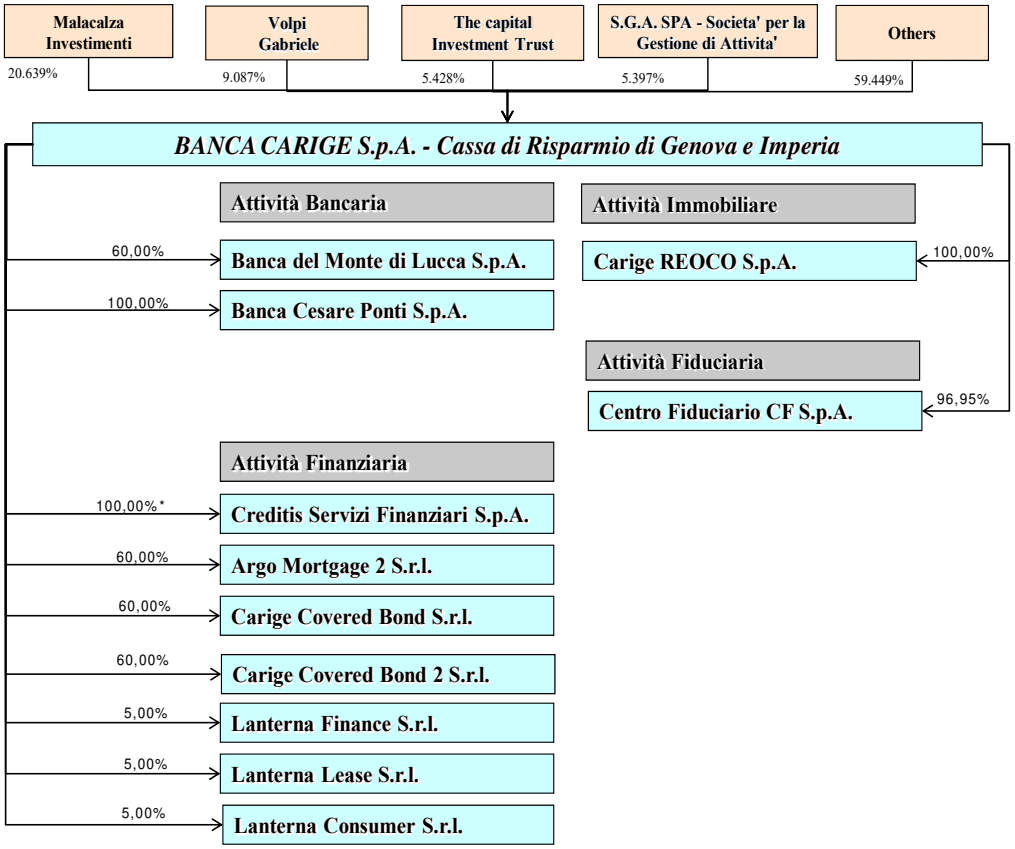
As at the date hereof, according to information available to the Issuer, the following shareholders held, directly or indirectly, more than 5per cent. of Banca Carige's ordinary shares:

Shareholders	Percentage of share capital
Malacalza Investimenti S.r.l.	20.639%
Volpi Gabriele	9.087%
The Capital Investment Trust(*)	5.428%
S.G.A. S.p.A. - Societa' per la Gestione di Attivita'	5.397%
Others	59.449%

(*) Additional information provided pursuant to Consob Communication no. 0066209 of 2 August 2013
Trust type: irrevocable and discretionary trust with unlimited duration
Incorporation law: Jersey law
Trustee: First Names (Jersey) Limited
Protector: not present
Trustee's powers: full powers
Beneficiaries: Raffaele Mincione, his wife and their descendants, subject to the exercise of the Trustee's discretionary power.
Possible overlaps: the Settlor and Beneficiary of the Trust is the Chairman of the Board of Directors of Time & Life SA, a joint stock company under Luxembourg law wholly owned by the Trust.

BANCA CARIGE GROUP STRUCTURE

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



* On 6 December 2017 the Company and Chenavari Investment Managers entered into an agreement for the sale to Chenavari Investment Managers of 32,040 shares held by the Company in Creditis, equal to 80.1 per cent. of the share capital of Creditis (the "**Creditis Sale Agreement**"). The closing of the transaction is expected to take place in the first half of 2018.

RATINGS

Carige is rated by the international rating agencies Fitch Ratings Limited ("**Fitch**") and Moody's Investor Service Limited ("**Moody's**").

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

	Short term debt		Long term debt		Date of last revision
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**	
Moody's	*NP*	*Not on Watch*	*Caa2*	*Stable*	*December 13, 2017*
Fitch	*B*		*B-*	*Negative*	*January 16, 2018*

(1) According to the Moody's rating scale, obligations rated "Caa2" are judged to be of poor standing and are subject to very high credit risk. Issuers rated "NP" or "Not Prime Issuers" do not fall within any of the Prime rating categories.

(2) According to the Fitch rating scale, "B" ratings indicate a material default risk, but a limited margin of safety remains. It indicates that financial commitments are currently being met, however capacity for continued payment is vulnerable to deterioration in the business and economic environment. Short term "B" rating indicates Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such Fitch and Moody's are included in the list of credit ratings agencies published

by the European Securities and Markets Authority on its website in accordance with such Regulation as at the date hereof.

STRATEGY

On 13 September 2017, Banca Carige's Board of Directors approved the 2017-2020 Business Plan (the "**2017-2020 Carige Transformation Programme**", "**Business Plan**" or "**Strategic Plan**") whereby the Bank seeks to give effect to the vision of Carige going back to "doing the job of the Retail Bank well" for its core business having regard to asset quality and cost income levels.

The Bank's strategic vision revolves around four key pillars:

- capital strengthening;
- asset quality;
- operating efficiency;
- commercial relaunch.

The first pillar of the Plan, namely the strengthening of the Group's capital structure, will make it possible to restore higher capital ratios than the ECB's current targets as early as by the end of 2017. The initiatives planned to achieve the goal of this pillar, already identified and partly already implemented or being implemented, are the following:

1. capital increase, completed successfully on 22 December 2017 for a total amount of Euro 544.4 million, of which Euro 498 million with rights of option and Euro 46.4 million subscribed by the holders of the securities subject to the liability management exercise (LME);

2. optimization of liabilities through the aforementioned LME transaction which involved the substitution of subordinated securities for a total amount of Euro 510 million nominal value with a new senior security with a nominal value of Euro 188.8 million and the realization of a profit gross of Euro 221.5 million; and

3. asset disposals, including a group of 8 properties that are ready to be valued, including the building located in Via Vittorio Emanuele in Milan, sold on 16 November 2017 for a total of Euro 107.5 million, Creditis (the sale of 80.1 per cent. of the investment on 6 December 2017 for a total of Euro 80.1 million), the branch of business consisting in the merchant book and the disposal of the NPL management platform for bad loans.

On 29 December 2017, the Bank informed the markets that the phased-in capital ratios CET1 Ratio and Total Capital Ratio, calculated on the basis of management estimates and proformed to include the effects of the capital strengthening operations already completed, without taking into account the impact of management, the results of the last quarter 2017 and the effects of the remaining operations whose closing is expected in the first half of 2018, would be higher than the SREP requirements assigned by the ECB for 2018. In 2020, as shown in the Business Plan, the Bank expects a CET 1 ratio of 13.9% and a TCR of 15.1%.

The strengthening of asset quality, which is the objective of the second pillar of the Business Plan, will be achieved through a major NPE de-risking and de-leveraging effort, which will see the overall stock of NPEs decline from Euro 7.3 billion as at the end of 2016 to Euro 3.1 billion by the end of 2020 (a much lower value than the target required by the ECB). As at 31 December 2017 the NPL stock reduced by 34.5% compared to 2016. A potential EUR 1 billion NPE deleveraging transaction within 2018, announced on 9 February 2017, would make it possible to reach NPE ratios in line with Italy 's market average with a gross NPE Ratio as at 31 December 2020 equal to 16.3% (-52.8% from 2016), a net NPE ratio equal to 8.1% (-64.1% from 2016), a texas ratio[3] equal to 61.8% (170.7% as at 31 December 2016, 165,5% as at 30 September 2017 and 101.6% as at 31 December 2017) and a

[3] Texas Ratio calculated as ratio of Net NPLs to Net tangible equity, net of profit (loss) for the year

coverage, including write-offs, equal to 57.8%. Furthermore, in the Business Plan expects to be a total loans of 18.9 billion.

On 6 December 2017, a binding agreement was signed with Credito Fondiario S.p.A. for the non-recourse assignment of a portfolio of non-performing mortgages and unsecured loans with a gross nominal value at 30 March 2017 equal to approximately Euro 1.2 billion, at a price of about 22.1 per cent., improving with respect to the provisions of Business Plan.

An ad-hoc action plan is envisaged for UTP exposures with a special focus on large tickets and their workout, with a view to maximising recovery from mortgage loan collaterals thanks to the new REOCO, which will step in for individual transactions traceable to loans classified as bad loans and UTPs and will rely on the contribution of key staff already working in the organizational unit.

The combined actions for capital strengthening and asset quality improvement will enable the Bank to obtain a more balanced financial structure with benefits in terms of both cost of funding and funding mix, which will reverberate positively on the Group's liquidity control.

With reference to the third pillar, i.e. greater operating efficiency, the Business Plan will allow for a comprehensive overhaul of the Group's operating and management model, aimed at filling the operating efficiency gaps with respect to market benchmarks. A number of actions for the rationalisation and simplification of the Head Office structure and Branch Network are therefore planned to be implemented, in the aim to reduce both personnel expenses (through headcount optimisation) and other administrative expenses.

Again with a view to improving operating efficiency, ICT will be managed strategically, including the definition of partnerships with leading industrial operators to guarantee quality, efficiency and support digital development. Finally, the objective of improving efficiency will also be pursued through investments that will be directed towards the development of a new branch/service model, digitalising the Bank's processes and upgrading the infrastructure in use.

Once the capital strengthening, asset quality optimisation and operating efficiency improvement actions are implemented, the Group will be in a position to focus on the last pillar of its Business Plan, i.e. the commercial relaunch.

This objective will be pursued by enhancing the strengths of the Carige Group: market coverage and a focus on small-medium customers (retail, the small business and SMEs).

Over the next few years, the Business Plan will pursue the objective of filling the gap of productivity between the Bank and the market benchmark; to do so, it will be necessary for the Bank to grow in the areas of asset management, loans to the small business segment and mortgage loans to households. In this respect, for an expansion of funding and lending volumes, Branch Managers will be called to play a key role acting as "businessmen in their local market areas" with the primary objective of reinforcing the advisory service for households and the Small Business. For the purpose of product development, the offering for customers will be reviewed by adopting an Open Architecture model aimed at taking advantage of best market offers for highly advanced, sophisticated products, with Core Commercial Banking products continuing to be developed in-house.

The 2017-2020 Carige Transformation Program provides for a summary of the return to a positive economic result starting from 2018 and full compliance with the regulatory limits relating to the capital endowment and the maintenance of adequate liquidity facilities. The implementation of the Business Plan will also allow constant compliance with the limits imposed by the ECB in its supervision of the levels of capitalization, the stock of impaired loans in the financial statements and their coverage ratio.

DESCRIPTION OF THE BUSINESS

Banking Activities

Banking is the Group's primary business line, with the objective of meeting the financial needs of customers. The banking activity business line consists of all types of deposit taking (mainly through current accounts and term deposits), traditional lending (including mortgage, personal and other types of consumer loans offered by Creditis)

and associated financial services, including, payment services (including debit, pre-paid and credit cards, wire transfers, payment and collection services), private banking and the distribution of asset management.

Banca Carige is one of the leading banking and credit groups in Italy. Banca Carige operate predominantly in the banking sector, concentrating mainly on retail customers and SMEs. The wide range of banking, financial and related activities include deposit taking, lending securities trading, leasing, factoring, consumer credit activities and distributing asset management products through bank branches. The Group is also engaged in fiduciary services activities.

Geographically, the banking activities focus on the core regions of Northern Italy, in particular in the north western region of Liguria, in which Banca Carige has operated for many years and where Banca Carige has deep roots. As of 31 December 2017, 66.2 per cent. of the branches were located in Northern Italy (in particular, Liguria, Piedmont, Lombardy and Veneto). The Group held a leading position in Liguria, with a market share of 16,3 per cent. of total deposits and of 23,0 per cent. of total loans (Source: Bank of Italy, Matrice dei Conti, update to 30 November 2017 (figures based on customers' residency)).

Banca Cesare Ponti (in Lombardy and Liguria) is the "Private Banking" of the Group, therefore oriented towards the Private customers.

The Group also places insurance products of the companies Amissima Vita and Amissima Assicurazioni and it carries out financial activities in the consumer credit sector through the company Creditis, in asset management through the commercial collaboration with Arca SGR S.pA, trustee activities through the Centro Fiduciario S.p.A. and operates in the real estate business through Carige REOCO S.p.A..

As of 31 December 2017, the personal financial advisory service for higher-profile customers is based on a total of 94 private banking relationship managers and 505 affluent banking relationship managers.

In addition to the personal financial advisory service, the Group provides financial advisory services for businesses, through the network of 184 corporate banking advisors, of whom 4 are advisors for the large corporate segment and 180 for the mid corporate segment (organized into 57 teams) and 324 small business advisors.

For the years ended 31 December 2017 and 2016, Banca Carige generated net interest and other banking income of Euro 381.3 million, and of Euro 573.3 million, respectively. As of 31 December 2017, Banca Carige had total direct deposits of Euro 16,858.8 million, compared with Euro 19,388.2 million as of 31 December 2016, as of 31 December 2017, Banca Carige had total indirect deposits of Euro 21,292.1 million, compared with Euro 21,487.9 thousand as of 31 December 2016, and as of 31 December 2017 total net loans to customers amounted to Euro 15,753.9 million, compared with Euro 17,721.3 million as of 31 December 2016.

As at 31 December 2017, direct deposits amounted to Euro 16,858.8 million decreased by 13% compared to 31 December 2016. As part of this aggregate, due to customers amounted to Euro 12,624.5 million as of 31 December 2017, down by 7.9% compared to 31 December 2016, mainly due to the negative trend in current accounts and demand deposits (Euro 11,141.6 million as of 31 December 2017, down by 5.9% compared to 31 December 2016), recorded above all in the last quarter of the year and attributable to tensions occurring at the time the capital increase was launched, and the reduction of repurchase agreements to zero (Euro 351.2 million in December 2016).

The strategic targets for the 2017-2020 period are set out in the Business Plan, the details of which are summarized below. The Banca Carige Business Plan has four pillars: strengthening of capital, asset quality, operational efficiency and a commercial relaunch. The essential element of the business plan is the operation to strengthen the Group's capital, successfully completed for an amount of Euro 544.4 million, which, as early as the end of 2017, had the aim of re-establishing capital ratios above the current ECB targets. At the same time, Banca Carige has set out a broad strategy to improve the quality of assets with significant action for de-risking and de-leveraging non-performing exposures (NPE). The deleveraging operation is accompanied by a renewed proactive approach to recovering NPLs.

RISK MANAGEMENT

The Company, in accordance with applicable law and regulations and the provisions of the Corporate Governance

Code issued by Borsa Italiana in December 2011 of listed companies (the "**Corporate Governance Code**"), has adopted an internal control system ("**ICS**") designed to detect, measure and continually monitor the risks typical of the Company's activities.

The corporate organizational system comprises 5 systems and it is designed and continually monitored to ensure coherence at all times with the supervisory organizational model, i.e. the set of provisions of applicable law and regulations that together govern the processes, procedures and organizational structure: (i) the organizational and corporate governance system; (ii) the operational management system; (iii) the risk measurement and assessment system; (iv) the capital adequacy self-assessment system; and (v) the internal control system.

The strategic supervision unit is in charge of defining the business model, the strategic guidelines, the acceptable levels of risk and approval of the most important company processes (e.g., risk management, assessment of company activities and approval of new products and services).

The individual processes making up the corporate organizational 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 organizational system is to regulate the risks to which the Group is exposed, especially the risk of regulatory non-compliance, i.e. the risk that the processes do not comply with the legislation and supervisory regulations (external rules).

The regulatory framework is therefore designed to: (i) set out, in accordance with applicable laws and regulation, the Company's rules (internal rules) on corporate processes as a whole, including corporate governance and control; (ii) periodically assess the organizational risk of non-compliance of the internal process-governing rules with relative external rules (regulatory compliance), indicating the extent of any deviation from the external rules and the organizational 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 organizational risk of regulatory and operational non-compliance of the processes; and (v) take the steps necessary to eliminate any deficiencies found by the inspections and in particular the most important deficiencies, i.e. those which might impact the management of risk and the pursuit of the Company's targets.

In prior years a number of significant measures were taken to qualitatively and quantitatively strengthen the Internal Auditing, Risk Management and Compliance functions of the Company and further activities are in progress to reinforce the supporting information system. Partly in light of the observations made at a Group level by the ECB within the SREP process and further to subsequent inspections, progress was made throughout the year in improvement initiatives aimed at further strengthening risk management and control. During the year, further to a specific request for clarification sent by the Bank of Italy's FIU (Financial Intelligence Unit) in 2015 in relation to the recording of transaction data in the Single Electronic Database (*Archivio Unico Informatico*) and to additional irregularities likewise identified in the course of 2017, the Group continued with the implementation of activities some of which are still underway aimed at improving anti-money laundering controls and related application architecture; in this regard no provisions for risks and charges were made as the requirements set out by IAS 37 do not apply.

The adequacy and effectiveness of the ICS as a whole is assessed by internal audits.

The Company has defined a system of internal controls for the Group to carry out the following types of controls foreseen by the supervisory regulations and/or by the internal rules:

(1) **Line Controls (level 1)**

These consist of: (i) ongoing line controls (self-assessments) by the organizational 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 organizational 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 organizational monitoring model supported by a special IT application is in place for lending, with a view to ensuring the structured and effective management of any positions that show signs of deterioration and, after an initial 'commercial' management stage, charge dedicated credit specialists with the task of monitoring and guiding the actions of relationship managers and the progress of the positions.

This model is based on checking parameters that are deemed significant for customer assessment (the early warning) for the purpose of identifying and managing promptly any signs of weakness in a customer's creditworthiness and to safeguard the Group's receivables. Ratings are one of the tools used to define the level of priority for intervention on positions within the scope of control.

(2) **Compliance Controls and Risk Controls (level 2)**

These controls are designed to verify the company processes' regulatory and operational compliance with the law and regulations, define risk measurement methods, verify compliance with the limits assigned to the various operating units and monitor the achievement of their risk-return targets. They are performed by a number of distinct structures other than production units:

Compliance

The compliance control function lies with the compliance department which, in accordance with supervisory instructions, has complete independence of judgement and action, is part of the Chief Executive Officer's staff and may report directly to the governing and control bodies of the Company and Group banks.

Compliance performs the compliance risk controls for the Company and the Group companies which outsource this function to the Parent, working in conjunction with other corporate structures and with the support of special representatives in each of the companies concerned.

In particular, the unit (i) performs the regulatory compliance control process (comparing the internal rules with the external rules) and operational compliance control process (comparing the activities performed as part of company processes with those foreseen by the external rules) and issues a judgement on regulatory and operational compliance based on the extent of any deviations identified by the said controls; (ii) periodically informs the board of directors, the board of statutory auditors, the Chief Executive Officer, internal audit and risk management of the results of the compliance controls and the noncompliance risk assessment, and recommends measures to contain or eliminate this risk; and (iii) contributes, through collaboration with the training programs on the applicable regulations, to the dissemination of a corporate culture founded on the principles of honesty, fairness and respect for rules, aimed at preventing illicit and/or non-compliant practices.

Anti-Money Laundering

The Anti-Money Laundering function was set up as part of the Compliance Unit, with the Head of Compliance being also the Head of the Anti-Money Laundering function and the Head of the Anti-Money Laundering office being the Manager responsible for reporting suspicious transactions, pursuant to article 42, paragraph 4, of Legislative Decree no. 231/2007, under powers attributed by the Legal Representative of all the Group banks, Centro Fiduciario and Creditis Servizi Finanziari S.p.A.. The Anti-Money Laundering function operates on behalf of all the Group banks, Centro Fiduciario, and is also authorized to report suspicious transactions for Creditis Servizi Finanziari S.p.A.

The Function's main task is to continually verify that company procedures serve the goal of preventing and combating the violation of external and self-imposed rules against money laundering and the funding of terrorism.

Risk Management

The risk management function lies with the Chief Risk Officer's Area which, in accordance with supervisory instructions, has complete independence of judgement and action, is part of the Chief Executive Officer's staff and can report directly, via its Manager who holds the position of Chief Risk Officer (the "**CRO**"), to the governing and control bodies of the Company and the Group companies, which outsource this function to the Company.

In order to both ensure segregation of risk modelling from risk control functions and adaptation of the structure to the ever-growing need for developing an integrated vision of bank-wide risks, partly via the identification of

middle management roles, the Chief Risk Officer's area is made up of the Risk Management and Risk Control units and the internal validation and risk engineering offices.

The Risk Management function's tasks include the following assessments: (i) correct recognition and measurement of all risks facing the Group; (ii) capital adequacy (overall capital) in relation to the summation of risks (overall internal capital); (iii) operational compliance of the process followed by the organizational units responsible for credit classification, expected loss determination and debt collection; (iv) compliance with the RAF limits laid down by the board of directors; and (v) operational compliance of the ICAAP and ILAAP processes.

The Chief Risk Officer Area performs its functions for the Company and the Group companies which outsource this function to the Parent, working in conjunction with various corporate structures and with the support of special representatives in each of the companies concerned.

Ratings Validation

The activity is carried out by the internal validation office, which is part of the Chief Risk Officer staff. For all risks considered relevant under the ICAAP process, the internal validation office examines both risk measurement methods and risk monitoring and management models, together with the relevant IT processes and systems in all cases where such methods were internally developed by the Group.

Ratings validation consists of: (i) an assessment of compliance with regulations (where applicable) and the soundness of internal risk measurement and control systems, which is summarized in a comprehensive validation score; and (ii) risk control as a model and drive for the Group to achieve the best practices in risk measurement and control.

Furthermore, the internal validation office: (i) reports to the Control Bodies and the strategic supervision body on the outcome of validation activities by preparing the annual Validation Report; and (ii) monitors the ICAAP process by stressing both the weaknesses and areas for improvement and reports to the Management and Control Bodies through the ICAAP self-assessment report, relying on the contribution from other relevant operating units where applicable.

Manager responsible for preparing the Company's financial reports (with the support of Accounting Control)

The "*Governance and Control Model for the Administrative/Accounting Processes of the Group*" covers the whole of the Group's operations and sets out the responsibilities of the various organizational units involved in the financial reporting process to provide reasonable certainty of achieving the Company's objectives, namely: (i) effectiveness and efficiency of operations (operations); (ii) reliability of reporting (reporting); and (iii) compliance with applicable laws and regulations (compliance).

The Operations and Compliance dimensions are seen as important because the underlying activities, if not adequately controlled, can have a material impact on the separate and consolidated financial statements.

The Reporting aspect is seen as the central focus of the Model, covering all communications and disclosures to the market on the annual and interim accounts.

(3) **Internal audit (level 3)**

The Internal Auditing function is performed by the Internal Audit Unit which reports directly to the board of directors. Its task is to assess the adequacy and effectiveness of the first and second level controls and to identify irregular trends, breaches of procedures and regulations, and evaluate the workings of the ICS as a whole.

Internal Audit performs its functions for the Company, Group banks and Group companies, which outsource this function to the Parent, working in conjunction with corporate structures and with the support of special representatives in each of the companies concerned.

In particular, Internal Audit: (i) assesses the effectiveness and adequacy of the ICS as a whole in accordance with the regulation of the Internal Audit process (audit planning, execution of the audit plan, recommendations to improve the corporate system, verification of recommended measures); (ii) carries out annual and multi-year planning of internal audit activities including controls at the operating units (on-site audits) and remote line

controls on the processes followed by the individual units; (iii) assesses the correct execution by the organizational units of line controls on their procedures; (iv) assesses the correct execution by the second level control units of the controls within their remit (risk controls, compliance controls); and (v) carries out investigations related to complex situations that may result from fraud, errors, etc., giving an opinion as required.

Internal Audit carries out its work on the basis of the Group's audit model which rests on a methodology designed to identify and report the risk levels associated with company processes, resulting in a qualitative survey of the residual risk facing the company and a subsequent measurement of the adequacy of the ICS.

The audit model covers all company processes and all Group entities. It applies to both process audits and network audits, throughout the audit life cycle, with the support of dedicated IT tools for the various steps: (i) planning activities; (ii) carrying out audits; (iii) assessing risks and controls; (iv) detailed or summary reporting; (v) follow-ups; and (vi) managing resources.

The Company has steering and supervision functions in respect of all risks, primarily via an integrated risk management of Pillar 1 and Pillar 2 risks under the Bank of Italy's supervisory instructions (Circ. No. 285 of 17 December 2013 and following amendments).

The strategy pursued for the Group's banks has over time led to the centralization of numerous functions within the Parent Bank, in particular internal audit, compliance, anti-money laundering, risk management, accounting, finance, planning and control.

The different categories of risk—as has been mentioned—are monitored by the 2nd level control structures, and their findings are reported periodically to the board of directors, the Risk Committee (and the board of statutory auditors), as well as to the various management committees (Management Committee, Risk Control Committee, Lending Committee, NPE Committee, Commercial Committee, and the Finance and ALM Committee).

The internal control system and its organisation are also discussed in the "Corporate Governance and Ownership Structure Report for 2017" which can be accessed on the website www.gruppocarige.it.

Credit Risk

Credit risk is connected to losses that can be recorded when a party exposed to the Group fails to perform its obligations, both at maturity or subsequently. Credit risk is associated with an unexpected change in creditworthiness of a counterparty, to whom the Group is exposed, generating a corresponding unexpected change in the value of the credit position. A valuation of the amount of possible losses that the Group could incur with respect to its exposure to individual credit risk and the entire loan portfolio may depend on various circumstances, including macroeconomic conditions, performance in specific sectors of the economy, downgrading of individual counterparties, structural and technological changes within debtor companies, a deterioration in the competitive position of borrowers, poor management of debtor companies or counterparties, increasing debt for families, and other external factors such as legal and regulatory requirements.

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

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

The Group credit risk measurement, management and monitoring process involves: (i) Credit Risk Management, aimed at the strategic governance of the Group's lending activities, through portfolio quality monitoring based on the analysis of risk indicators from rating sources (PD and LGD) and other aspects of interest, with accurate control of compliance with the limits envisaged in supervisory regulations on risk concentration and capital adequacy with respect to credit risk taken; some specific controls on the loan portfolio were also introduced in line with the supervisory regulations on second level controls falling within the remit of the Risk Control structure; and (ii) activities of an operational nature, to monitor the quality of loans disbursed. Specifically, a tool for the operational monitoring of credit is in place and allows for the various areas of control activities to be combined

with risk indicators developed according to the IRB approach, with a view to improving monitoring efficiency and managing credit with an approach ever more consistent with customer risk profiles. To this end, the monitoring process was strengthened by defining final deadlines for the solution of credit positions showing major performance irregularities, after which, failing normalization, they are classified as non-performing.

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

Market Risk

Market risks involve losses that can be recorded in respect of positions held by the Group following unfavorable changes in market parameters. These fluctuations could be generated by changes in macroeconomic performance and in the national and international financial markets, propensity to invest, monetary and tax policies, liquidity on the global markets, capital availability and cost of capital, interventions by rating agencies, local and international political events, wars and acts of terrorism. Market risks relate both to the trading book and to the banking book.

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

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

For operational management purposes, the Company Risk Management function ensures daily monitoring of interest rate risk and price risk in the regulatory trading portfolio, at the same time checking compliance with the established operational limits.

Interest rate risk and price risk are measured by calculating the VaR and its breakdown into Interest Rate and Stock Risk factors. Risk Management uses VaR for operational management purposes, with the objective of measuring both the risks associated with financial instruments held in HFT portfolios and the risks associated with financial instruments allocated in available for sale portfolios, monitoring dynamics over time and constantly verifying compliance with the operational limits defined in the Risk Appetite Framework.

The VaR is calculated using a methodology based on a 1 year historical approach, with a 99 per cent. confidence interval and a 10-day holding period. Stress test analyses are also carried out that highlight the impact in terms of both VaR and present value resulting from pre-set shocks that refer to specific past events. Stress scenarios are defined by Risk Management on the basis of particularly severe market conditions, taking into account the actual portfolio composition.

Interest Rate Risk and Price Risk—Banking Book

The interest rate risk of the banking book is the risk that a variation in market interest rates may have a negative effect on the value of equity (a risk associated with equity) and on net interest income (a risk associated with earnings) in relation to assets and liabilities in the Financial Statements that are not allocated to the trading book for supervisory purposes.

From an equity point of view, the objective of monitoring the interest rate risk in the banking book consists in measuring the impact of variations in interest rates on the fair value of the equity in order to maintain its stability. The variability in the economic value of the equity followed by a market interest rate shock is measured according to two distinct approaches:

(i) *Duration analysis*: the variation in the economic value of the equity is approximated by applying the duration to aggregates of transactions classified in a time bucket according to the date of expiry or repricing. As at 31 December 2017, this indicator was lower than the 20 per cent. of own funds requirement; and

(ii) *Sensitivity analysis*: the variation in the economic value of equity is measured, for each individual transaction, as the fair value difference before and after the indicated shock. As at 31 December 2017, this indicator at a consolidated level was lower than the 15 per cent. of the own funds requirement set as the warning threshold.

From an income point of view, the objective of monitoring the interest rate risk in the banking book consists in measuring the impact of variations in interest rates on the interest income expected over a predefined time period (gapping period).

The variability in the interest income following a market interest rate shock is measured via a gap analysis approach, according to which this variability depends on both the reinvestment (refinancing) at new market conditions -not known ex ante- of the capital cash flows maturing during the period of reference, and on the variation of interest cash flows (for floating interest rate transactions).

Operational Risk

Operational risk consists in the risk of incurring losses deriving from internal or external fraud, inadequacy or incorrect functioning of company procedures, human resource or internal system errors or deficiencies, interruptions or malfunctioning of services or systems (including IT), errors or omissions when performing the offered services, or exogenous events. Operational risk also includes legal risk (for example, customer claims and risks connected with the distribution of products that do not comply with regulations governing the provision of banking, investment and insurance services, and sanctions deriving from regulatory violations as well as non-compliance with procedures relative to the identification, monitoring and management of risks), but not strategic or reputational risk.

The main sources of operating risk include the instability of operating processes, poor IT security, increasing use of automation, outsourcing of company functions, use of a reduced number of suppliers, changes in strategy, fraud, errors, recruitment, training and retaining the loyalty of personnel, and finally, social and environmental impacts. It is not possible to identify a permanent prevalent source of operational risk: operational risk differs from credit and market risks because this type of risk is not taken on by Group as a result of strategic decisions, but is inherent to its operations.

In order to increase its control on these risks, in 2015 the Group implemented a framework for measuring, managing and monitoring operational risks in line with the best practices in the banking system, which was adopted in the same year by the Company's board of directors; the framework was put in operation between the end of 2015 and the beginning of 2016.

During 2017, the fine-tuning of both processes and measurement models continued. As regards the process of collection of operating losses—Historical data collection ("**HDC**")—some adjustments were made with a view to gradually migrating from the previously in use method of centralized data collection to a decentralized collection as laid down in the ORM Framework with an ever-increasing involvement of all organizational units and, in particular, of the function-holders playing specific roles within the ORM Framework (e.g. ORM coordinator, Risk Owners). Concerning the Risk Self-Assessment ("**RSA**") process, used to investigate the future level of risk perceived by the various Risk Owners identified in the project activities, it is noted that the first RSA campaign on operational, reputational and IT risks was completed, and its results were submitted to the board of directors in the ICAAP 2018 Report.

As regards the measurement and quantification of operational risk, the Standardised Approach was adopted for regulatory purposes (title 3 of CRR), whereas an ad-hoc Operational Risk VaR model was developed to measure internal capital based on the time-series of operational losses registered at Group level.

Finally, a report on loss trends and key events was prepared which is quarterly submitted to the board of directors.

As part of the ORM Framework, appropriate links and synergies were planned to be established with reputational risk monitoring and management (see below: *Reputational risk*) and with the aspects of IT Risk management monitored in the ICT field, in compliance with the provisions of the 15th update of Circular 285 of the Bank of Italy.

As part of the Operational Risk Management processes, the activities for preparing and populating the Italian Operating Loss Database (*Database Italiano Perdite Operative* ("**DIPO**")) established in 2003 by the Italian Banking Association (ABI), and which the Group has supported since its establishment, were suitably integrated.

System risk

The significant developments in banking operations, the increasingly structured new risk scenarios and the need

to guarantee essential services to the general public have all emphasized the need to develop disaster recovery plans for banks in order to guarantee continuity in services. In this context, the Bank of Italy regulations dated 15 July 2004, on business continuity for banks, defined the concept of business continuity management, which "includes all activities necessary to reduce to an acceptable level damages resulting from incidents and catastrophes that directly or indirectly impact an enterprise" through a combination of preventive organizational measures, emergency procedures and rules for a return to business as usual. These regulations were subsequently supplemented by the new supervisory provisions, effective commencing from July 2014.

Furthermore, the Group has defined a Business Continuity and Disaster Recovery Plan designed to identify the actions required to restore the Group's business as usual in the event of a crisis situation.

In light of the need to define standard criteria for process managing (mapping, archiving, use, etc.) and identify suitable methodological and IT solutions, the "Business Process Management" project is being continued and is undergoing continuous updates. In this respect, the Group has adopted a methodological framework for the rationalization and standardization of the information available in the company and for the simplification of the mechanisms for the production and use of company regulations; therefore organizational guidelines and relevant models have been formulated with regard to the processes, risks and checks defined for each operational area of the company.

Liquidity Risk

The aim of the government for operational (short-term) liquidity is to guarantee that the Group is able to meet its expected and unexpected payment obligations over a period of 12 months, without interfering with day-to-day operations. The measurement and monitoring of operational liquidity is carried out daily by means of the operational maturity ladder. The operational maturity ladder provides the temporal breakdown of positive and negative cash flows and of any gap as well as of the counterbalancing capacity to face that gap.

The Group also routinely carries out a stress test of the operational maturity ladder in order to analyse the effect on liquidity of hypothetical but realistic extraordinary crisis scenarios and assess the adequacy of the liquidity buffer held.

The aim of the government for structural liquidity is to guarantee that a proper relationship between assets and liabilities is maintained, establishing limits to the financing of medium-term assets with short-term liabilities and hence the pressure on funding in the short-term.

The measurement and monitoring of medium/long-term liquidity is carried out with the structural maturity ladder, which is based on a model of maturity mismatch and covers a period from on sight to 20 years and beyond. It includes certain or modelled capital flows arising from all balance sheet items.

In this regard, gap ratio parameters were established for maturities over a year, along with related limits to be monitored by the Risk Management Function.

The main parameters used by the Company to assess the liquidity profile are as follows: (i) LCR, which is the parameter of short-term liquidity and corresponds to the ratio between the amount of high quality liquidity assets and total net outflows over the following 30 calendar days. As of January 2016, the parameter was subject to a minimum regulatory requirement of 70 per cent., increased to 80 per cent. in 2017 and due to go up to 100 per cent. in 2018. The ECB has required the Company to maintain at all times, at the consolidated level, a minimum liquidity requirement of 90 per cent. for the LCR till 31 December 2017; and (ii) NSFR, which is a 12-month structural liquidity parameter and corresponds to the ratio between the available and obligatory amounts of stable stock. The parameter will be subject to a minimum regulatory requirement from 2018 onwards (or from a different date to be established at the European level along with technical parameters not yet decided at the date of the Base Prospectus) and, on the basis of agreements within the framework of the Basel Committee, shall be above 100 per cent..

The medium/long-term liquidity management policies of the Group take account of these limits when drafting strategic plans and budgets. Finally, the Group has adopted a Liquidity Contingency Plan (LCP) to protect the Group itself and individual companies from stress situations or crises of various degrees, ensuring operational continuity in the event of a sudden reduction in available liquidity. To anticipate stress or a liquidity crisis, some *warning indicators* (EWI - Early Warning Indicators) are monitored.

At the end of 2016 and as at 31 December 2017 the NSFR was assessed as above 100 per cent..

REGULATORY PROCEEDINGS AND LITIGATION

The Group is currently a party to numerous civil and administrative proceedings arising from the ordinary course of business, as well as some criminal proceedings.

The Group have made provisions in its financial statements to cover liabilities that could arise from legal and arbitration proceedings based on its assessment of the relevant risk and with the assistance of internal and external advisers. Banca Carige believes that such provisions represent a judgment of the potential loss in connection with each proceeding, in compliance with the applicable accounting standards. However, there can be no assurance that the amounts already set aside in these provisions will be sufficient to cover the potential losses fully in connection with such proceedings if the outcome is worse than expected.

The provision the Group made in its consolidated financial statements to cover potential liabilities that could result from pending disputes amounted to Euro 24.5 million as of 31 December 2017 (as compared with 23.4 million as of 31 December 2016), of which Euro 22.6 million set aside related to lawsuits filed against the Company and bankruptcy claw-back actions, in respect of which future expenditure and the length of the dispute settlement process have been estimated, and Euro 1.9 million for labour disputes.

The above provisions included specific amounts set aside in relation to disputes relating to compound interest (*anatocismo*). Such provisions for risks and charges do not include the provisions in relation to the dispute with the Apollo Group. The provision was established with the intent of dealing with any losses caused by pending lawsuits filed against the Company in respect of which, according to IAS 37, it is possible to make a reliable estimate of the potential costs. In many cases there is considerable uncertainty about the possible outcome of the procedures and the extent of any loss. These cases include criminal proceedings, administrative proceedings by the competent supervisory authority or investigators and/or reviews in relation to which the amount of any alleged compensation and/or potential liabilities borne by the Group is not fixed or determinable, due to the application filed, and/or the nature of the proceedings themselves. In such cases, for as long as it is not possible to reliably estimate the outcome, provisions are not made. Where it is possible to reliably estimate the amount of loss and such loss is considered probable, provisions are made in its balance sheet or those of the Group's companies, to the extent deemed appropriate in its judgement, according to the circumstances and in accordance with international accounting principles. The estimate of the obligations that may reasonably arise are based on information available at the date Banca Carige makes the estimates, however, due to the numerous uncertainties arising from legal proceedings, it is sometimes not possible to produce a reliable estimate, including in situations where the process has not been initiated or when there are uncertainties as to the legal and factual circumstances which would render any estimate unreliable. Therefore, any provisions may be insufficient to entirely cover the charges, costs, penalties and requests for damages. See "*Risk Factors—The Group is subject to risks related to legal proceedings and actions of supervisory authorities which could have a material adverse effect on the business, financial condition and results of operations*".

Below is a summary description of the most significant legal and arbitration proceedings.

Civil and arbitration proceedings

Mediation proceedings with Fondazione CARIGE

In 2017, a procedure of mediation between Banca Carige and Fondazione CARIGE (the "**Foundation**") was carried out at the Genoa Chamber of Commerce concerning a dispute over a credit line of around Euro 80 million, which time has been progressively granted by Banca Carige to the Foundation. This mediation follows a previous mediation initiative that ended with a negative outcome on 7 June 2017, which concerned the management of loans. The mediation concerns in particular the alleged invalidity of the financial assistance provision, through which Banca Carige would have granted the Foundation the subscription of convertible bonds for a nominal value of not less than Euro 32 million, to be converted into shares for the purpose to improve the financing of its capital increase in violation of the prohibition set out in article 2358 of the Civil Code. The Foundation asked Banca Carige to pay compensation and partial repayment without quantifying the values in their application. These claims derive from the presumed correlation between the extension of the aforementioned credit line, which was granted by the Company in July 2009 and progressively increased until 2013 and the registration as part of the

foundation of the convertible bond loan issued by Banca Carige in 2010, for the accusation of violation of the prohibition on the purchase of own shares pursuant to article 2358 of the Italian Civil Code. On 21 December 2017, the dispute was settled between the parties.

Amissima

Proceeding relating to the Distribution Agreement

On 5 June 2015, the Company and Primavera Holdings S.r.l., a company controlled by funds affiliated with Apollo Global Management L.L.C. (together with its subsidiaries, "**Apollo**"), completed an operation in which the Company sold its entire share shareholding in Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A. (the "**Insurance Companies**") to Apollo. The sale was carried out pursuant to a sale and purchase agreement previously entered into by Banca Carige and Apollo on 28 October 2014 (the "**Agreement**"). The purchase price was Euro 310 million. The Agreement also provides that Banca Carige, together with the other banks pertaining to the Group, shall enter into a long-term agreement with Apollo concerning the distribution of life and non-life insurance products (the "**Distribution Agreement**"). The Distribution Agreement will be effective until 31 December 2024 and will be automatically renewable upon expiration, unless terminated by the Insurance Companies with six-month prior notice to be communicated to each distributor.

On 22 November 2016, the Company filed an application for arbitration with the Milan Chamber of Arbitration, seeking a declaration that clauses of the Distribution Agreement entered into with Amissima Vita (formerly *Carige Vita Nuova*) relating to the exclusivity obligation, minimum distribution targets and penalties, are null and void, and accordingly that the Agreement is null or ineffective in its entirety.

On 23 December 2016, Amissima Holdings claimed that the application for arbitration filed by the Company, together with its subsidiaries, allegedly constitutes breach of the warranty given by the Company regarding the validity of the agreement for the sale of equity interests in the Insurance Companies and the Distribution Agreement. Amissima Holdings S.r.l., which intervened in the arbitration proceedings pending between its subsidiary Amissima Vita and the Company (and its subsidiaries) on a voluntary basis on 14 March 2017, applied for verification of the validity and effectiveness and the absence of any cause for termination of the Distribution Agreement. Subordinately, in case of possible loss of the arbitration proceedings, Amissima Holding S.r.l has:

(i) entered a claim for damages (preliminarily quantified in the amount of Euro 200 million) with reference to the possible loss by it of the arbitration proceedings, calculated on the basis of amounts payable by the Company under the Distribution Agreement;

(ii) applied for verification of its right to indemnity as provided by the Agreement;

(iii) applied for verification of a connection between the Agreement and the Distribution Agreement; and

(iv) applied for verification that any declaration of the invalidity, ineffectiveness or any other event that involves termination of the Agreement, the consequences of which are not already governed by provisions contained in the Agreement and Distribution Agreement, would involve the invalidity, ineffectiveness and termination of the Agreement.

On 22 May 2017, Amissima Vita sent a letter announcing its withdrawal from the Distribution Agreement as a result of the acceptance of the condition (i) that a ruling on the outcome of the arbitration proceedings found the invalidity of art. 13 of the Distribution Agreement (allegedly prejudicial to Amissima Vita) and (ii) the arbitration procedure or other subsequent procedure has also established the full validity of clause 22.4 of the same agreement (and hence Amissima Vita's right to obtain the corresponding compensation).

Despite the Company is convinced of the foundation of the reasons asserted in the aforementioned disputes and without prejudice to these reasons, as at 31 December 2017, the provisions for risks and charges relating to any liabilities related to the Agreement and the Distribution Agreement with the Apollo Group amounted to approximately Euro 19.7 million.

The final statements of the case and their counter-arguments were filed by the parties. The Board of Arbitrators' final decision is pending.

Liability action connected to contractual conditions for the sale of equity interests held in the Insurance Companies.

On 17 June 2016, the Company's board of directors resolved to take action against Mr. Cesare Castelbarco Albani, former Chairman of the Company, Mr. Piero Luigi Montani, former Chief Executive Officer of the Company, and the following affiliates of the Apollo Group: Apollo Management Holdings L.P., Apollo Global Management L.L.C., Apollo Management International L.L.P., Amissima Holdings S.r.l., Amissima Assicurazioni S.p.A. and Amissima Vita S.p.A., to obtain compensation for damages arising from the disposal of the Company's equity investments in the Insurance Companies and other conduct of Apollo Group during its presentation to, and an examination by, the Company's board of directors of the proposal submitted by Apollo on 10 February 2016.

The Company sought an order for damages in an amount equal to Euro 1.25 billion, of which Euro 450 million relate to the disposal of the Insurance Companies and Euro 800 million to conduct by the defendants in the context of presentation to and the examination by the Company's board of directors of the proposal submitted by Apollo on 10 February 2016.

The action in question refers to two events, and the material facts and points of law underlying the legal action are illustrated below.

The first event concerns the disposal of equity interests held by the Company in Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A., and the terms of the agreements for the distribution of insurance products for those companies, to be entered into by the insurance companies and the Company and other Group companies. During 2014 and with the assistance of advisors, a selection procedure was launched with various parties expressing an interest in the acquisition of the Insurance Companies, following which the non-binding offer submitted by Apollo Management Holdings together with Apollo Global Management L.L.C. and its affiliates (referred to in brief as "**Apollo**") was selected. Individual negotiations continued with this company.

The Insurance Companies were sold to Apollo, following a resolution by the Company's board of directors on 21 October 2014 and the closing took place on 5 June 2015 and concurrently the insurance product distribution agreements with companies in the Group were entered into.

Decisions by the board of directors were based on the recommendation by the Bank of Italy to sell those companies in view of the Insurance Companies' negative economic performance, reputational problems, criminal implications and requisites connected to compliance by the Company with capital requirements.

However, Banca Carige believes that prior to the aforementioned resolution by the Company's board of directors on 21 October 2014, the situation leading to the recommendation by the Bank of Italy had changed due to change in the Insurance Companies' management, which had successfully realized a positive turnaround in management. However, this change in circumstance was not highlighted during the abovementioned board meeting and therefore was not included in the due diligence and the evaluation process conducted by the Company's directors. In particular, there had been a drastic inversion in the trend illustrated in the six-month reports for 2014, showing profits of Euro 19.5 million for Carige Assicurazioni and Euro 25.7 million for Carige Vita Nuova. Banca Carige believes that, on 21 October 2014, the CEO of the Company was presumably made aware of confirmation, in the second six months of the positive trend that would lead, from 31 December 2014, to profits of Euro 27.9 million for Carige Assicurazioni, and Euro 30.8 million for Carige Vita Nuova.

Following this, the Insurance Companies' appeared to have recovered from their negative performance. In fact, having recorded total losses of Euro 140.6 million in 2013, the Insurance Companies registered total profits of Euro 58.7 million in 2014, with an aggregate difference in the economic result for the two financial years of just under Euro 200 million.

On 23 October 2014, two days after the board of directors' resolution on the disposal, the ECB notified the results of the comprehensive assessment, illustrating the need for further capitalization of the Company, approved by the Company's board of directors on 26 October 2014, including a capital increase in an amount no lower than Euro 500 million (an increase which was subsequently proposed and approved in the amount of Euro 850 million). Due to this development in action in order to meet the Bank of Italy's capital requirements issued in August 2013 the need to dispose of equity interests in the Insurance Companies appeared to have been overcome.

In summary, due to the change in membership of the boards of directors and senior managements of the Insurance Companies, the inversion in the management trend for the Insurance Companies and in consequent results and the

need to recapitalize the Company, the need to dispose of equity interests, at a price justifiably lower than the equity value of the Insurance Companies (offered by Apollo in the amount of 71per cent. of the net value of assets) no longer existed.

In relation to the determination of the value of the equity interests in the Insurance Companies, there was insufficient due diligence in the relative assessments, in consideration of the absence of an element consistently used in practice for the sale of equity interests, or rather a fairness opinion certifying the conformity of the sale price with the value of the equity interests. Furthermore, serious insufficiencies in the evaluation and due diligence process were emphasized in relation to the comparative selection of the Apollo offer over and above other offers received by the Company.

The Company therefore believes that, in relation to the sale of equity interests held in the Insurance Companies, there is specific liability on the part of the former Chief Executive Officer Piero Luigi Montani and the former Chairman Cesare Castelbarco, acting together with Apollo Management Holdings L.P., Apollo Global Management L.L.C. and Amissima Holdings S.r.l.

The second event relates to the conduct of affiliates of the Apollo Group between November 2015 and March 2016 which appears to be linked by pursuit of a single goal: the appropriation, at extremely speculative economic conditions, of the Company's assets and of a majority interest in the Company.

The statement of claim identifies the following unlawful conduct: interruption to negotiations for the acquisition of the interest held by the Company in Creditis Servizi Finanziari S.p.A., as a result of unjustified withdrawal by the Apollo Group; the impact of transactions carried out by the Apollo Group on the Company's liquidity; and the submission of a non-binding offer contemplating the acquisition of NPLs for the Company and the acquisition of a majority equity interest in the Company at conditions functional to Apollo's intensely speculative interest but gravely punitive to the Company and the majority of its Shareholders. Banca Carige believes that due to the procedures and timing of the conduct by Apollo, it interfered with the Company's business, negatively influencing performance in liquidity, attempting to impact free self-determination in business operations and negotiations, with negative effects on the economic reputation of the Company. Equally, the statement of claim identifies elements regarding complicity by the senior management of the Company, and specifically the Chief Executive Officer Piero Luigi Montani, with Apollo.

On 17 June 2016, the Company decided to commence proceedings urgently, with the aim of ending potential negative reputational effects on the Company that as a result of Apollo's non-binding bid for NPLs and a capital increase reserved for Apollo.

In the statement of defense, all of the defendants raised counterclaims seeking damages in the total amount of approximately Euro 300 million and, in any event, sought damages. Amissima Holdings, through a further claim, has sought increased damages in respect of its initial claim, and consequently counterclaims are quantifiable in an amount of approximately Euro 622 million. The defendants have maintained the same amounts referred to above. In relation to such counterclaim, the Company does not believe that the necessary conditions are met for the purposes of a compensation order against it. On 18 January 2018 was held a further hearing for the filing of the claims and at the date of this Base Prospectus Banca Carige is waiting for the final decision.

On 10 March 2017 the Company was served with a petition for an urgent injunction preventing shareholders of Malacalza Investimenti S.r.l. and Fondazione Carige from exercising their voting and participation rights at the Shareholders' meeting called for 28 March 2017. On 24 March the Courts of Genoa dismissed this petition due to lack of grounds.

The Shareholders' meeting held on 28 March 2017 approved the proposal by the Company's board of directors regarding authorization to take liability action against previous directors Piero Montani and Cesare Castelbarco Albani, respectively the Chief Executive Officer and Chairman of the Company at that time.

On 21 June 2017, Amissima Vita served the Company with a statement of claim concerning the challenge to the resolution taken by the Shareholders' meeting on 28 March 2017 relating to this liability action, since it was taken with the casting vote of quotaholders of Malacalza Investimenti S.r.l. and Fondazione Carige, against whom Amissima Vita had sought a prohibition on participation in the Shareholders' meeting on 28 March 2017.

On 20 October 2017, the Company submitted its defense. The judge awarded the parties the time limits to submit statements pursuant to article 183, paragraph 6, of the Italian code of civil procedures. The date of the next hearing was set for 5 May 2018.

Additional labour disputes with Amissima

At the date of this Base Prospectus, an application for arbitration is pending, submitted on 10 July 2017 by Amissima Holdings S.r.l. to the Milan Chamber of Arbitration. The claim concerns reimbursement by the Company, as a result of clauses in the agreement for the disposal of the Insurance Companies, of amounts paid by Amissima to two managers who have retired (a claim of around Euro 907,000) as additional allowances provided by the company labour agreement, which represented a supplement for termination, provided by the applicable national collective labour agreements.

On 8 August 2017, the Company has filed its defense and appointed its arbitrator. On 13 September 2017 the arbitration committee was constituted with the appointment of the third arbitrator. On 27 October 2017, the first hearing of the arbitration committee was held and the second pleadings have been filed. A hearing for oral arguments has been scheduled for 13 February 2018. Banca Carige has set aside provisions in its reserve for risks and charges of Euro 907,085 in relation to such proceeding.

Disputes regarding compound interest (anatocismo)

In decision No. 2374, 1999, the *Corte di Cassazione* changed its previous stance, holding that banking practice involving the capitalization on a quarterly basis of statutory interest payable by their customers was a contractual rather than a legal rule. Considering that the prohibition on compound interest may only be derogated by means of regulation, any contractual clauses that provide for quarterly compounding of interest payable by current accountholders, entered into prior to the effective date of Italian Legislative Decree No. 342, 4 August 1999, ("**Legislative Decree 342/1999**") and of the CICR implementing provisions dated 9 February 2000 (or 22 April 2000) are invalid, since on reregulating this matter, they allowed for infra-annual capitalization of bank account interest, provided that any interest payable or receivable is agreed in writing to be with equal frequency.

Litigation arising out of this case law decision principally concerns agreements entered into prior to the effective date of Legislative Decree No. 342/1999 and CICR resolution of 9 February 2000.

In relation to certain claims by Consumer Associations against certain banks, there have been different decisions issued over time relating to the direct application of article 120 of the Consolidated Banking Act, despite the absence of secondary legislation.

This situation was resolved, following further revisions to article 120 of the Consolidated Banking Act effective since 15 April 2016, providing for the introduction of an obligation for annual capitalization of interest, but requiring the CICR to issue implementing provisions.

On 3 August 2016 the CICR published rules implementing article 120 of the Consolidated Banking Act, which amended the reference rules regarding procedures for the settlement and charging of interest.

The new rules apply to any deposit-taking and lending transaction between intermediaries and customers, including financing through credit cards; in this context, payable interest accrued cannot generate additional interest, save for default interest which accrues in accordance with regulations from time to time applicable.

In relation to current account or payment account relationships, intermediaries must guarantee customers the calculation of interest on the same periodic basis, and any interest payable or receivable must not accrue in under one year.

Criminal proceedings

To the knowledge of the Company, following criminal investigations initiated by the Public Prosecutor of Genoa, formal criminal proceedings have been initiated against the former President of the Company, Giovanni Berneschi, in relation to false social communications on behalf of a company, members or creditors as well as unlawful appropriation. The facts of the case are, in part, taken from the findings of CONSOB and the Bank of Italy on the outcome of inspections relating *inter alia* to the regularity of the granting of loans and the overall

management of creditors as well as the compliance of the internal organizational models inherent in the assignment and management of trusts and the preparation of financial statements in line with legislation.

As such offenses under Legislative Decree 231/01 are considered severe, the Company was entered in the register of suspects for administrative offense for offenses of false corporate communications to the detriment of the company, its Shareholders or creditors and revocation. Irrespective of any evaluation of the allegations on the merits, a financial penalty applicable to the most severe abusive penalty treatment applicable to the Company for the alleged offenses are estimated at no more than Euro 2 million.

Almost all acts of this proceeding were subsequently transferred to the Public Prosecutor of Rome. For the remaining facts that remained the responsibility of the Public Prosecutor of Genoa, the case file was filed in January 2017.

To the knowledge of the Company, at the date of this Base Prospectus, proceedings are still pending before the Public Prosecutor of Rome, in the context of which certain claims relate to the crimes of obstructing supervisory activities and market manipulation. These accusations relate to the Company's board of directors in office at the date of the events for both alleged crimes, while the offense of obstructing supervisory activities relates to the former general manger and other managers of the Company. The Company is under investigation pursuant to Legislative Decree 231/01, for offenses committed in its interest or benefit in relation to regulatory offenses. As far as the Company is aware, the disputed events were in part revealed from findings by the Bank of Italy and CONSOB following inspections carried out by those Authorities.

The proceedings pending before the Public Prosecutor of Rome are at the subsequent phase following closure of the preliminary investigations and the Public Prosecutor will decide whether to request a committal for trial, so that the preliminary hearing can be scheduled during which the Judge for Preliminary Investigations has not yet decided on the formulation of any filing request, or alternatively, whether to request a committal for trial.

Charges relating to obstructing supervisory activities originate from false communications regarding: i) the valuation of amounts receivable with respect to certain groups of loans; ii) the valuation of equity interests held in the Bank of Italy, by Carige Assicurazioni and Carige Vita Nuova; and iii) the valuation and determination of goodwill relating to CGUs (cash generating units—subsidiaries, networks of branches outside Liguria and insurance companies).

The offense (market manipulation) is charged in relation to the diffusion of false information through a press release dated 25 February 2013, which reported that "*At the meeting on March 19, when the 2012 draft budget was approved, the board of directors considered it possible to arrive at a proposal to distribute an adequate cash dividend to shareholders...*", the allegation being that this statement was such as to affect significantly the trust placed by the public in the Company's financial stability.

The offense is punishable by an administrative fine up to Euro 1,349,100.

The abovementioned offenses provide for the confiscation of the proceeds of the crime. The determination of the amount of the proceeds that could be confiscated is uncertain.

The order to make payment of the fine and of confiscation of the proceeds will become irrevocable following the three proceedings (not less than five years from the date of this Base Prospectus).

There is a further criminal proceeding pending before the Courts of Genoa and Milan, in which the Company has initiated a civil party against the defendants (including the former Chairman of the board of directors, Giovanni Berneschi) accusing them of fraud-based crime and money laundering, in relation to the management of the Insurance Companies then part of the Group. This trial ended on 22 February 2016, with a sentence of conviction. The Court sentenced Mr. Giovanni Berneschi, amongst others, to eight years and two months imprisonment, and confiscated assets in the amount of Euro 26.8 million, ordering payment of damages to the Company, to be determined in civil proceedings. Following a plea on territorial jurisdiction submitted during the aforementioned proceedings by one of the defendants, the defendant's position has been removed and transferred to new criminal proceedings before the Courts of Milan, currently at the trial phase, in the context of which the Company is a civil claimant.

Finally, there are further criminal proceedings pending before the Courts of Genoa concerning the crimes of obstructing supervisory functions, money-laundering and complicity in the evasion of income taxes, for which

the Company's former chairman, Mr. Giovanni Berneschi, is indicted, together with three seconded employees of the Company with management duties at Centro Fiduciario C.F. S.p.A., and Centro Fiduciario itself. At the hearings held on 7 December 2016 and 9 December 2016, the Judge for the Preliminary Hearing delivered a "no case to answer" judgement with respect to Mr. Giovanni Berneschi and the three employees of Centro Fiduciario, as well as for Centro Fiduciario, in respect of some charges, providing that Mr. Giovanni Berneschi and the other defendants should be committed for trial for the crimes of money laundering, failure to submit tax returns, fraudulent conveyance and abetting. Following the preliminary hearing, Centro Fiduciario settled its position for the remaining charge pursuant to Legislative Decree 231/01, by way of out-of-court settlement with an administrative fine of Euro 400,000.

CONSOB proceedings pursuant to article 157(2) of the Consolidated Financial Act

As disclosed in the press release dated 9 January 2015, CONSOB filed a claim against the Company, initiating civil proceedings before the Court of Genoa, to have the Court declare the Shareholders' meeting resolution dated 30 April 2014 approving the Company's financial statements as of 31 December 2013 null and void, for failure to comply with the rules governing the preparation thereof and, in particular, with the accounting principles IAS 1, 8 and 36, as well as to ascertain the non-compliance of the Company's consolidated financial statements as of 31 December 2013, with the aforementioned Accounting Standards.

In its statement of claim, CONSOB argued that the Company had not properly implemented the observations expressed by CONSOB in its Ruling No.18758 dated 10 January 2014, concerning the impairment of goodwill and equity interests held in the banking and insurance subsidiaries for and as of the year ended 31 December 2012. According to CONSOB the alleged violation resulted in a violation of the accrual principle.

The Company entered an appearance in proceedings, with a statement of defense filed within the deadlines, before the Courts of Genoa, challenging the adverse party arguments, claims and allegations.

The court-appointed expert witness, Professor Mario Massari, filed his final report in March 2017, whereby he upheld CONSOB's findings relating to projections, which were allegedly not prepared by the Company on the basis of reasonable and supportable assumptions as required by IAS 36(33)(a), consequently holding that the financial statements were not compliant with IAS 8 and IAS 36. In particular, the Expert Witness' conclusion was that: "*the opening balances of the non-consolidated and consolidated financial statements as of December 31, 2013 of Banca Carige, relating to the goodwill for the banking CGUs (cash generating units), and corresponding to the relative closing balances in the financial statements as of December 31, 2012, do not comply with IAS 8. Said conclusion is based, in particular, on the finding of non-compliance with IAS 36 of the valuations for impairment purposes of the CGUs and bank subsidiaries in the financial statements as of December 31, 2012*".

In relation to Professor Mario Massari's conclusions illustrated above, for the purpose of reaching a settlement with CONSOB, and providing a fully accurate overview of information, the Company has decided to acknowledge the error referring to the plan projections made by the Company's management in March 2013, which, despite a significant deterioration in the macroeconomic and financial indicators, were not adequately restated in accordance with the indications in the business plan dated May 2012.

The Company, supported by the formal opinion of Professor Mario Massari, has deemed a reformulation of the 2013-2022 plan forecasts impracticable, since albeit being technically feasible in theory, it would lead to results devoid of any acceptable credibility, given that it would require taking into account the historical prospective and information, including internal to the company, referring to the specific time and context in which the management that drew up the relevant plan was operating.

More specifically, since the assumptions underlying the plan forecasts and the parameters selected for valuation make up a single system, it would be incorrect to amend any input or parameter without reconsidering all other inputs and parameters as well. In order to determine which part of the impairment of consolidated goodwill for the banking subsidiary CGUs in September 2013 should have been carried out in the 2012 financial year, it would be necessary to reformulate the plan forecasts made at the time as well as the entire valuation, which would involve a new estimate of the different valuation parameters upon the market data, logic and expectations of that time.

Furthermore, the goodwill subject to the above dispute was fully impaired in the interim report as of 30 September 2013, and consequently, even if it would have been possible to restate the opening balances for the 2013 Financial Statements, this would not have had any effects on the closing balances for the same financial year and any subsequent years.

In light of the above, the opening balances for the 2013 financial statements cannot be restated in any credible manner and that, therefore, the case at hand falls under the scope of application of paragraphs 50-53 of IAS 8, which provides for rectification of the error exclusively by means of the disclosure of information.

CONSOB has held that the relevant disclosure, included in the financial statements, together with the acknowledgement of the error and the new resolutions approving the financial statements and consolidated financial statements as of 31 December 2013, are sufficient to re-establish a correct overview of information, and will therefore result in the discontinuance of the aforementioned claim. At present, the Judge has adjourned the hearing and therefore the proceedings have not formally ended, but are expected to end, according to communications between the law firms involved, once the financial statements are newly approved in compliance with the terms agreed upon with CONSOB, such as to deem the correct overview of information effectively restored.

On 3 August 2017. the Company's board of directors resolved to initiate the process aimed at putting an end to the action challenging the resolutions approving the Company's financial statements and consolidated financial statements for the year 2013 and, subject to the revocation of the resolution approving the Company's draft financial statements and consolidated financial statements as of 31 December 2013, approved the Company's draft financial statements and consolidated financial statements as of 31 December 2013.

Accordingly, the Company called a Shareholders' meeting on 28 September 2017 in which the Shareholders, following the revocation of the approval resolution dated 30 April 2014, newly approved the 2013 financial statements of the Company and acknowledged the consolidated financial statements as of 31 December 2013, solely to the extent of the supplementary disclosure made in accordance with accounting standard IAS 8, while maintaining the rest of the contents unchanged.

At the date of this Base Prospectus, the parties have acknowledged the termination of the dispute and are awaiting the formal termination of the proceeding.

Challenge of the 2013 financial statements

CONSOB filed a claim against the Company, with statement of claim notified on the same date, initiating civil proceedings before the Court of Genoa, to have the Court declare the Shareholders' meeting resolution dated 30 April 2014 approving the Company's financial statements as of 31 December 2013 null and void, for failure to comply with the rules governing the preparation thereof and, in particular, with the accounting principles IAS 1, 8 and 36, as well as to ascertain the non-compliance of the Company's consolidated financial statements as of 31 December 2013, with the aforementioned Accounting Standards. See "*Business—Litigation and other proceedings—CONSOB proceedings pursuant to article 157(2) of the Consolidated Financial Act*".

Further supervisory action by CONSOB relating to the concentration of securities issued by the Company in portfolios held by retail customers

On 1 July 2016, in relation to overall supervision of the provision of investment services by the Company, CONSOB requested the following clarifications pursuant to article 8, (1) of the Consolidated Financial Act: (i) for the required concentration controls in the context of evaluation of the adequacy of customer investments, possible confirmation that this control currently concerns debt securities, illustration of the reasons underlying that choice and an indication of the next steps to be taken for the purpose of evaluating total issuer risk; (ii) confirmation that procedures for the calculation of credit risk adopted by the Company enable it to recognize correlations between the different instruments in a customer portfolio, supplementing the concentration control; and (iii) the number of customers who hold financial products issued by the Company and their relative counter-value, suitably divided into concentration classes for those products, according to wealth bands relative to those customers and customer profiles assigned to them for the evaluation of the adequacy/appropriateness of investments, with separate evidence of that data for subordinated notes.

In a note dated 29 July 2016, the Company provided the requested information, confirming that the concentration control in the context of evaluation of the adequacy of customer investments is limited to debt securities alone, with exclusion from that control of bonds issued by the Italian government and other supranational bodies. In particular, the Company specified that concentration is associated with issuer risk (evaluated separately through the credit risk indicator), further strengthening adequacy controls on issuers of bonds (default risk). The note also specified that procedures for the calculation of credit risk adopted by the Company allow it to recognize correlations existing between various issuers, within a customer portfolio. The calculation mechanisms in fact

take account of the level of diversification in the portfolio. Total credit risk for the portfolio is therefore the final result obtained following an evaluation of the risks inherent in individual financial instruments in that portfolio and those inherent in correlations/decorrelations present in that portfolio. The effect of correlations/decorrelations between financial instruments included in a portfolio, acts also on the measurement of market risk, calculated for all categories of financial instruments and enabling the Company to supplement the concentration control. In the note dated 29 July 2016, the Company also mentioned the upcoming introduction of a new concentration control for highly complex financial instruments, in order to ensure greater customer protection, in accordance with CONSOB communication on the distribution of complex financial products to retail customers. This control commenced on 1 February 2017.

Inspections relating to anti-money laundering

Centro Fiduciario

From 19 September, 2013 to 14 January 2014, the Bank of Italy carried out an inspection on the subsidiary Centro Fiduciario.

Following these inspections, by notice of 25 March, 2014, served on 31 March, 2014, the Financial Intelligence Unit of the Bank of Italy charged the manager of Centro Fiduciario in office at the time of the challenged facts and Centro Fiduciario (jointly and severally liable) with the alleged violation of the obligations to report suspicious operations (pursuant to anti-money laundering regulations), in relation to a fiduciary mandate for the management of liquidity amounting to, in the aggregate, Euro 700,000, entered into on 22 December 2011. In particular, according to the Bank of Italy, the examination of the documentation at Centro Fiduciario reveals that the fiduciary mandate, following its opening, was not subject to either evaluation or monitoring by the Company.

Following the above inspections and subsequent investigations by the Public Prosecutor of Genoa in proceedings on 26 August 2015 Centro Fiduciario was further charged, as a jointly liable party, relating to reporting suspicious operations, punishable with an administrative fine ranging from Euro 124,654.20 to Euro 4,986,169.30 in consideration of the value of the disputed transaction, equal to Euro 12,465,423.40 (of which Banca Carige would be liable for a maximum amount of Euro 4,834,091, as Banca Carige hold a 96.95 per cent. stake in Centro Fiduciario).

At the date of this Base Prospectus, this procedure is still in progress, and, pursuant to applicable laws, the Ministry shall notify any penalty within five years of the date it notified the charges to the persons responsible for the violation.

Furthermore, considering that Centro Fiduciario may not have the financial and capital reserves necessary to cover any charges arising out of the measure in question, on 27 January 2016 the Company's board of directors resolved, in relation to charges relating to the unreported transaction in the amount of Euro 12,465,423.4, to undertake, within the limits of its equity interest in that company, any future obligation to pay an administrative fine.

Banca Carige

Between 1 January 2015 and 31 December 2017 the *Guardia di Finanza* charged the managers of branches of the Company and the Company itself (jointly and severally liable) with violation of article 41 of the Anti-Money Laundering Legislative Decree for failure to report certain suspicious operations: pursuant to article 57 of the Anti-Money Laundering Legislative Decree, effective at the date of events, the disputed violations are punishable by means of a fine ranging from 1 per cent. (i.e. Euro 35,100.58) to 40 per cent. (i.e. Euro 1,408,019.20) of the value of all disputed transactions. With reference to the above-mentioned charges, within the term of 30 days of the date of notification of the report, the Company filed its defense brief with the Ministry of Economy and Finance. Pursuant to applicable laws, the Ministry of Economy and Finance shall notify any penalty within five years of the date on which it notified the charges to the persons responsible for the violations.

Inspections and sanction proceedings by the Bank of Italy

Following a unitary evaluation of the results of inspections conducted on the Company from 3 December 2012 to 13 March 2013 and from 14 March 2013 to 26 July 2013, on 2 September 2014, the Bank of Italy commenced administrative proceedings against the Chairman, directors, auditors and the General Manager of the Company in office at the date of disputed events. In particular, the Bank of Italy disputed: i) violation of the regulations for the prudential supervision of banks of March 4, 2008, in relation to bank corporate governance; (ii) violation of the

regulations of the Bank of Italy in relation to risk management, corporate governance, administrative and accounting organization, internal controls and remuneration and incentive systems, and (iii) violation of supervisory regulations of the Company. In support of such alleged violations, the supervisory authority highlighted, among other things, the exercise by the Chairman (in office during the period of inspections by the Bank of Italy) of a pervasive role in the absence of specific powers and adequate balances, an ineffective system for reporting to the board and delays in informing the directors, as well as the absence of a strong and independent internal and group control structure (with particular reference to risk management, the insurance subsidiaries, the management of credit relations with related parties and affiliated entities, etc.).

The penalty proceedings concluded with the imposition of administrative fines, notified to the Company on 7 August 2014.

In particular, the Bank of Italy alleged the following irregularities:

(1) violation of the governance provisions by the former chairman of the Company's board of directors in office at the time of the alleged facts, certain directors, former directors and the former general manager in office at the time of the alleged facts;

(2) failings in the organization and internal controls by the former chairman of the Company's board of directors in office at the time of the alleged facts, certain directors, former directors and the former general manager in office at the time of the alleged facts;

(3) failings in the management and control of credit by the former chairman of the Company's board of directors in office at the time of the alleged facts, certain directors, former directors and the former general manager in office at the time of the alleged facts; and

(4) failings in the controls carried out by the statutory auditors in office at the time of the alleged facts.

The penalties imposed on certain directors and the general manager of the Company in office at the time of the challenged facts for the irregularities under (1), (2) and (3) ranged from Euro 117,000 to Euro 387,330.

Those imposed for the irregularities under (1) and (2) on certain directors in office at the time of the alleged facts ranged from Euro 78,000 to Euro 121,000.

Those imposed on the statutory auditors in office at the time of the alleged facts for the irregularity under (4) ranged from Euro 52,000 to Euro 129,110.

The Company is jointly liable for the payment of such fines and is required to exercise its right of recourse against those persons responsible for the violations. Considering that some of the persons on whom the sanctions have been applied have represented that they intend to appeal the ruling issued by the Bank of Italy and consequently have expressed their intention not to pay the sanctions, and that the appeal does not suspend the obligation to pay, the Company decided to pay the penalties within the term so as to avoid the accrual of interest on penalties for the delayed payment. In particular, the Company paid penalties for an overall amount equal to Euro 1,105,330 and exercised its right of recourse by submitting to the relevant persons a request for reimbursement of the amount paid by the Company as a party jointly liable for the payment of such fines.

The penalties imposed on representatives of the Company amounted to a total of Euro 1,961,440.0 of which Euro 1,503,330.0 for the Company's directors, Euro 208,000.0 for the Company's general manager and Euro 250,110.0 for the Company's statutory auditors. The general manager and the statutory auditors have made direct payment of their fines.

In respect of the overall fine of Euro 1,503,330.0 imposed in the form of penalties for the Company's directors, the Company has made advance payment of the fines imposed on six of its directors in the total amount of Euro 1,105,330.0, commencing a recourse action, while other representative have made direct payment of the fines.

Moreover, in consideration of the results of the inspections conducted by it, and only in relation to findings and observations relating to anti-money laundering aspects, the Bank of Italy commenced a sanction procedure, against the Company for the violation of provisions of the Anti-Money Laundering Legislative Decree. The findings by the Authority that led to commencement of this procedure by the Bank of Italy relate, in particular, to the absence of forms of coordination within the Group suitable for ensuring the disclosure of information and the

standardization of evaluation criteria, the absence of suitable exchanges of information with units that have relationships with the Judicial Authorities and insufficient supervision of operations by the subsidiary Centro Fiduciario, as well as failings in the performance of suitable audit and registration obligations relating to the Consolidated Computer Archive (such as the obligation to identify the beneficial owner). The Company submitted its considerations and counterarguments to the Bank of Italy in a communication dated 26 September 2013.

The relative proceedings concluded with direct imposition of a fine for the Company in the amount of Euro 113,500.

During the second six months of 2016, the Bank of Italy conducted an inspection of the sale of insurance policies combined with financing provided to consumers. On 28 April 2017 the Authority notified the outcome of the inspection which found that there was adequate consistency between practice for the Company and applicable regulations. It did however identify certain critical aspects relating to management of pre-contractual documents and internal controls.

On 30 May 2017, the Issuer identified the aforementioned communication providing a detail of the initiatives taken to overcome the criticality.

Tax Proceedings

Banca Carige

On 28 February 2014 the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office, notified the Company with a measure whereby it levied a higher amount of registration tax (in addition to fines and interest) with reference to a deed for the purchase of a company business from Banca del Monte dei Paschi di Siena in 2010.

The order is based on the redetermination of the value of goodwill in a greater amount than the value indicated by the parties in that deed. In particular the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office re-determined the goodwill value from Euro 102,461,722 to Euro 140,167,758 and consequently applied greater registration tax in the amount of Euro 455,116 plus fines in an equal amount and interest. The Company promptly filed an appeal.

The Provincial Tax Commission of Genoa filed decision No. 399/1/2016 on 16 February 2016, in which it upheld the appeal in full, ordering the Agency to refund legal costs for the proceedings. The Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office has appealed this decision. The proceedings are currently pending second-level trial. Banca Carige has not made any provisions in the financial statements for this matter.

Merger of Cassa di Risparmio di Carrara into Banca Carige

With reference to the acquisition of the business branch during 2010 by Banca del Monte dei Paschi in Siena, on March 3, 2014 the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office served a settlement and correction notice on the merged company Cassa di Risparmio di Carrara (and to Banca del Monte dei Paschi di Siena S.p.A.) whereby the Tax Controls Office levied a higher amount of registration tax (in addition to fines and interest) with reference to the deed of purchase of the company business signed by the Company in 2010.

The Tax Authority re-determined the goodwill in question from Euro 13,642,160 to Euro 18,925,041 and requested the payment of additional registration tax for a value of Euro 77,248, in addition to fines for the same amount and interest.

The Company promptly filed an appeal.

On 28 January 2016 the Provincial Tax Commission of Genoa deposited judgement No. 282/1/2016 which upheld the Company's appeal in its entirety and ordered the Agency to refund the legal costs. The Tax Authority, has appealed this decision.

The proceedings are currently pending second-level trial. Banca Carige has not made any provisions in the financial statements for this matter.

Merger of Banca Carige Italia into Banca Carige

In relation to the tax risk profiles relating to the legal challenge brought by CONSOB, it is important to note that on 29 December 2016, as a result of a previous inquiry by the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office on Banca Carige Italia S.p.A., the Company, in its capacity as the merging company of Banca Carige Italia, was served a notice of assessment containing two findings. The first relates to the redetermination of a tax credit from the conversion of deferred tax assets for 2013 (reducing it by approximately Euro 205 million); the second is about Euro 2.1 million additional tax (IRES—corporate income tax) payable resulting from partial non-acceptance of relief connected with the Economic Growth Stimulus.

Both of these findings are a consequence of objections raised by the Agency against the results of the impairment test on goodwill conducted by Banca Carige Italia during preparation of its financial statements for the year 2012. In particular, in the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office's opinion, Banca Carige Italia should have partially impaired its previously recognized goodwill by Euro 771.6 million and would thus not have had the possibility to fiscally align it in its entirety as it did. That lesser tax alignment, calculated using the nominal tax rates IRES and IRAP applied to the goodwill value, would have resulted in a lower recognizable amount of alignment-related DTAs and, consequently, in a lower amount convertible into tax credit, upon occurrence of the legally required conditions (as was the case in 2013). In quantitative terms, the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office's ascertainment was reflected in partial non-acceptance of the tax credit arising from conversion of deferred tax assets by the aforementioned amount of approximately Euro 205 million. However, in relation to the foregoing finding, the notice of assessment clarifies that, after settlement of the specific claim, the Company (in its capacity as the merging company of Banca Carige Italia) would be entitled to a pro-rata reimbursement (equal to approximately Euro 99.9 million) of the higher amount of substitute tax paid at that time for the tax alignment of goodwill recognized in 2012 and partly not accepted during the ascertainment. The second reported finding conceptually stems from the same objections raised against the results of the afore-mentioned impairment test. According to arguments provided by the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office in its ascertainment, the financial year 2012, due to the afore-mentioned impairment and its effects on deferred tax assets, should have closed with a loss for the period instead of posting a profit which was allocated to a reserve and thus caused an increase in what is known as the ACE (Economic Growth Stimulus) base. For this finding alone, sanctions were imposed for an amount equal to 90 per cent. of the ascertained higher amount of corporate income tax (IRES).

The Company, supported by the qualified opinions of highly reputed independent experts who, on several occasions, expressed a preliminary judgement of correctness and compliance of the Company's impairment testing conduct with the international accounting principles IAS/IFRS, also with the support of its legal advisors, believes that the findings presented in the foregoing notice of assessment may be objected to in many respects and, therefore, contested the tax claims before the Provincial Tax Commission of Genoa on 23 February 2017 seeking their annulment.

Finally, at the hearing held on 14 June 2017, the parties jointly applied for and obtained an adjournment in the trial to 18 October 2017, 2017 followed by another on 20 December 2017 and on 12 February 2018, in order to explore the possibility of reaching an agreement, also in consideration of developments in civil litigation with CONSOB but the search for an agreement was not successful. The Company still upholds considerations made upon preparing the consolidated financial statements at 31 December 2016 and that led it to hold that the conditions for making specific provisions for that litigation were not existing. Banca Carige has not made any provisions in the financial statements for this matter.

On 28 December 2017, the Revenue Agency delivered the report of findings with final outcome of the audit started on 27 November 2017 against the incorporated company Banca Carige Italia for the purposes of direct taxes and IRAP for the period tax 2014.

The amounts disputed amount to Euro 0.7 million, respectively, for the disclaimer of the DTA credit, Euro 10.7 million for the ACE deduction *(Aiuto alla Crescita Economica - Economic Growth Aid - corresponding to Euro 2.9 million in IRES tax)* and Euro 6.8 million in higher value of production for IRAP purposes (corresponding to Euro 0,4 million of IRAP tax).

Banca del Monte di Lucca

On March 7, 2014 the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office served a settlement and correction notice to Banca del Monte di Lucca (and to Banca del Monte dei Paschi di Siena S.p.A.)

levying the principal registration tax (in addition to fines and interest) with reference to the deed of purchase of a company business signed by the Company in 2010.

The settlement and correction notice in question is based on the redetermination of goodwill to an amount that is greater than the amount indicated by the parties in the afore-mentioned deed of purchase. In particular, the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office re-determined the goodwill in question from Euro 9,210,173 to Euro 12,861,460. As a result of such redetermination the Tax Authority, Regional Revenue Bureau of Liguria—Tax Controls Office requested payment of a higher principal registration tax equal to Euro 53,257, in addition to fines for the same amount and interest.

The appeal lodged with the Provincial Tax Commission of Genoa was entirely upheld with the annulment of the claim and an order for the Agency to refund legal costs. This judgment was appealed against and the proceedings is now pending second-level trial. Banca Carige has not made any provisions in the financial statements for this matter.

Inspections and thematic reviews by the ECB

2016 Inspections and thematic reviews

Activities to be carried out by 10 July 2017 relating to the management of NPLs and involving remuneration policies have been completed, while certain refinements of internal regulations on the strategy for the management of NPLs and second level controls are pending completion.

Supervisory activities concerned the quality of the non-financial companies and personal businesses loan portfolio, with a focus on NPLs (NPL) and performing loans in the worst internal rating classes.

An examination of positions highlighted a deficit in provisions of Euro 348 million, for exposure selected on a judgmental basis by the inspection team, and a further Euro 64 million arising from the impact on portions of the banking book subject to random statistical sampling.

The inspection team revealed further weaknesses in the organizational structures and internal control systems. There were 16 findings revealed by the ECB which are divided into 10 intervention areas containing 28 recommendations.

The 10 intervention areas include: (i) 3 maturing on 30 September 2017, concerning the provisions process, the monitoring process and Internal Audit activities; and (ii) 7 maturing on 31 December 2017, concerning the organizational structure (risk profile and strategies, organizational structure and resources, risk control) pricing policy (pricing and lending process), NPL management (credit policies and recovery process), risk classification process, internal risk assessment model (provisions process and credit policy) management of collateral (provisions process and policy), validation of data quality (examination of positions and data integrity validation).

On 5 April 2017, the Company submitted to the ECB the plan for remediation activities currently being implemented. The plan is periodically monitored.

For more information, see "*Banca Carige Group Structure —Recent Developments —* Inspections and thematic reviews by the ECB".

2017 Inspections and thematic reviews

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

The same communication illustrates the weaknesses of the Issuer identified by the ECB with particular reference to:

- NPL management strategy;

- governance and operational structure in NPL management;
- procedures for identifying positions classified as forbearance;
- classification of NPLs;
- valuation process of provisions;
- assessment of guarantees.

Carige replied to this communication on 9 May 2017 illustrating the planned actions and recalling the document called "*Strategic Plan for NPL Reduction*" approved by the Issuer's Board of Directors on 28 February 2017 and presented to the ECB summarizing the lines for the management of the NPL portfolio and the achievement of the quantitative targets set by the ECB on the portfolio exposure targets and hedging levels.

The main elements of the NPL management strategy are contained in the Business Plan.

In the Business Plan, Banca Carige has outlined corrective actions intended to address these weaknesses, including the reduction of NPLs to achieve the quantitative objectives set by the ECB in relation to the target exposure of the portfolio and levels of coverage.

* * * * *

On 17 August 2017 the draft results of and on 17 October 2017, Banca Carige received the final results of the thematic review of IFRS 9 relating to activities conducted by the ECB between 2 December 2016 and 31 March 2017. On the basis of findings and information collected in the first quarter 2017, the ECB concluded that implementation of IFRS 9 by the Company is only partially consistent with the expectations of the Authority. The ECB identified significant weaknesses in relation to involvement of the board of directors, parallel execution of the IFRS 9 project, failings in IFRS 9 internal policies and procedures and, in particular, in relation to definition of the business model and the SPPI (solely payments of principal and interest) test and the definition of default. Further the ECB established that it is fundamental for the Group to equip itself with IT systems capable of managing and systematically evaluating more significant volumes of information that the new accounting standard requires.

The deadline for interventions is three, six and nine months following the date of receipt of the final results. On 31 October 2017, Banca Carige received a letter from the ECB in relation to the 2017 SREP, in which they highlighted several weaknesses and points of attention in relation to the Group. See "*Banca Carige Group Structure – Regulatory Proceedings and Litigation - SREP 2017 - Draft SREP Decision 2017*".

With reference to the thematic review of profitability and the business model, at the date of this Base Prospectus the Company is waiting for the results.

For more information, see "*Business—History and Recent Developments— Inspections and thematic reviews by the ECB*".

MATERIAL AGREEMENTS

Sale of the shareholding in Amissima Vita (formerly Carige Vita Nuova) and Amissima Assicurazioni (formerly Carige Assicurazioni) and the related distribution agreement

On 5 June 2015, the Company and Primavera Holdings S.r.l., a company controlled by funds affiliated with Apollo Global Management L.L.C. (together with its subsidiaries, "**Apollo**"), completed an operation in which the Company sold its entire share shareholding in Carige Vita Nuova S.p.A. and Carige Assicurazioni S.p.A. (the "**Insurance Companies**") to Apollo. The sale was carried out pursuant to a sale and purchase agreement previously entered into by Banca Carige and Apollo on 28 October 2014 (the "**Agreement**"). The purchase price was Euro 310 million. The Agreement also provides that Banca Carige, together with the other banks pertaining to the Group, shall enter into a long-term agreement with Apollo concerning the distribution of life and non-life

insurance products (the "**Distribution Agreement**"). The Distribution Agreement will be effective until 31 December 2024 and will be automatically renewable upon expiration, unless terminated by the Insurance Companies with six-month prior notice to be communicated to each distributor (the Issuer and the Group banks, with the exception of Banca Cesare Ponti, and Creditis. Together the "**Distributors**").

The Agreement contained a number of representations and warranties in favor of Apollo, which Banca Carige gave as of the date of the Agreement and the closing date. Any breach or inaccuracy of the representations and warranties Banca Carige provided may lead to possible indemnification obligations for Banca Carige, predominantly in relation to reserves set aside for claims against Amissima Assicurazioni, and the lawsuits pending against the Insurance Companies. The indemnity has certain limitations, including an overall cap on the indemnity of 32 per cent. of the purchase price (approximately Euro 99 million). See "*Risk Factors—The Group is subject to risks related to legal proceedings and actions of supervisory authorities which could have a material adverse effect on the business, financial condition and results of operations*".

Distribution Agreement

In the context of the sale of the Insurance Companies, Banca Carige and the Distributors entered into the Distribution Agreement

The Distribution Agreement provides:

(i) for the non-life segment, that the Company guarantees, for the duration of the Distribution Agreement, that the Distributors distribute the products of Amissima Assicurazioni in Italy for an amount not lower than 75 per cent. of the insurance distribution generated on an aggregate basis by such Distributors (to be calculated in terms of gross premiums) (with a tolerance threshold of up to 70 per cent.); and

(ii) for the life insurance segment, for the duration of the Distribution Agreement, the distribution on an exclusive basis of Amissima Vita's products by the Distributors, who may not distribute insurance products of third parties in a percentage exceeding 2 per cent. (with a tolerance threshold of 5 per cent.) of the insurance distribution generated on an aggregate basis by the Distributors (to be calculated in terms of gross premiums) (with the exception of certain products). In addition, Banca Carige has agreed to procure that the distribution of Amissima Vita's products will not fail to meet the minimum targets provided under the Distribution Agreement, amounting to 30 per cent. of the targets provided under the Distribution Agreement, for three consecutive years.

In case of breach of the obligations related to the distribution of products under (i) and (ii) above, the Insurance Companies will be entitled, on the satisfaction of certain conditions, to terminate the Distribution Agreement and to the payment by Banca Carige of a penalty or damages, decreasing over the 10 years period of Distribution Agreement whose amount may not in any case exceed: (i) Euro 200 million as to life insurance products; and (ii) Euro 10 million as to non-life insurance products. In any case, the aggregate amount of such damages or penalties may not exceed Euro 200 million.

As to life insurance products, a set-off mechanism of the commission generated from the distribution of the insurance products is provided for the first period of the Distribution Agreement (*i.e.* until 31 December 2024). This set-off will be calculated and paid on annual basis in relation to the credit or debit matured by Banca Carige based on the comparison between the performances and the targets provided under the distribution plan. Such mechanism applies only in case of the underperformance greater than 10 per cent. of the targets. The penalties to be paid are increasing and proportioned to the spread between the performance and the targets but may not in any case exceed Euro 20 million (Euro 16 million as to traditional products and Euro 4 million as to the unit-linked products).

In any case, the amounts owed by Banca Carige due to the above-mentioned set-off mechanisms and/or penalties and/or damages may not exceed in the aggregate Euro 200 million.

In the context of the Agreement, the Company granted to the purchaser a five-year senior revolving loan in the amount of Euro 77,523,935.00, which is guaranteed by a share pledge over the Insurance Companies' shares. The loan was to be used for the payment of the purchase price of the Companies, for payment of interest on an annual basis, and for repayment of the principal amount on the fifth anniversary of the Agreement.

Other than as indicated above, the Agreement and the Distribution Agreement do not contain other withdrawal and/or termination provisions.

Banca Carige monitors on an ongoing basis, including for management purposes, the trend in production of the life insurance segment, in relation to both Class I and Class III policies. Over the course of 2015 (the first year relevant for purposes of the Distribution Agreement), the production targets were exceeded for both Class I and Class III policies. This led to a surplus that may be used to offset any future under-performance.

In 2016, Banca Carige achieved the targets for net production of Class I policies, while Banca Carige did not achieve those for Class III policies. This led to the accrual of penalties totalling Euro 4 million, which were partially offset by a surplus of Euro 0.5 million accrued by the Company in 2015.

Over the course of 2017, for Class I products, the trend in the distribution business and the sales network's focus on the placement of pension products, carried out strictly in compliance with the relevant legal framework and in line with the customers' actual economic requirements, has led Banca Carige to believe that the Company will be in a position to honour the related commercial targets contained in the Distribution Agreement.

For Class III products, a deviation from the targets has emerged. However, Banca Carige intend to pursue the commercial commitments undertaken, and Banca Carige are of the view that Banca Carige will be in a position to achieve the related commercial targets by the end of the year.

Warranty and Indemnity provisions contained in the Agreement

The Agreement contains a number of warranties and indemnities. In particular, indemnities are envisaged with reference to the following circumstances: (i) certain policies, if liquidations of claims occur in an amount exceeding the reserves set aside as of the date of reference provided under the sale agreement (30 June 2014) or additional provisions set aside referring to the same reserves; and (ii) specific legal proceedings, if the final outlays exceed the provisions set aside existing as 30 June 2014.

Legal proceedings initiated by Banca Carige

On 17 June 2016, the board of directors approved a resolution to commence legal action against Mr. Cesare Castelbarco Albani, former Chairman of the Company, Mr. Piero Montani, former Chief Executive Officer of the Company, and some affiliates of the Apollo Group (Apollo Management Holdings L.P., Apollo Global Management L.L.C., Apollo Management International L.L.P., Amissima Holdings S.r.l., Amissima Assicurazioni S.p.A., and Amissima Vita S.p.A.) to obtain compensation for damages arising from the disposal of the Company's equity investments in the Insurance Companies and other conducts subsequently held by the same group. The Shareholders' meeting held on March 28, 2017 approved the proposal by the Company's board of directors regarding authorization to take liability action against previous directors Piero Montani and Cesare Castelbarco Albani. See "*Regulatory proceedings and litigation—Amissima*".

In the management's opinion, over the period from 2014 – 2016 and in the context of the sale of the Insurance Companies, certain companies of the group headed by Apollo in, benefited from negligent conduct attributable to some of Banca Carige's directors at the time, causing damage to the Company. In response, the defendants filed counterclaims with regard to which we, on the advice of Banca Carige legal counsel, are of the view that conditions have not been met for a judgment against Banca Carige.

For further information, see "*Risk Factors—The Group is subject to risks related to legal proceedings and actions of supervisory authorities which could have a material adverse effect on the business, financial condition and results of operations*".

Sale of NPLs

On 28 April 2017, the board of directors approved the sale of a portfolio of NPLs amounting to approximately Euro 938.3 million, to a securitization vehicle, using the Italian Government Guarantee Scheme (GACS) for the senior tranche.

On 30 May 2017, the board of directors authorized the abovementioned sale and approved the authorization process required by law to obtain the Italian State guarantee (GACS) on the senior tranche and sell the mezzanine and junior notes of the securitization.

On 16 June 2017, the Group transferred a portfolio of non-performing loans, for a gross sum of Euro 938.3 million as of the cut-off date of 31 August 2016, to a special-purpose securitization vehicle, which on 5 July 2017 issued three different classes of notes (senior, mezzanine and junior).

The securitization transaction was structured with the initial subscription by the selling banks (the Company, Banca Cesare Ponti and Banca del Monte di Lucca) of all of the senior, mezzanine and junior notes at their nominal value of approximately Euro 309.7 million (equal to approximately 33 per cent. of the gross value of the loans sold) and the subsequent sale on the market to institutional investors of only the mezzanine and junior tranches. The senior tranche, for which the MEF has issued, through a decree dated 9 August 2017, the guarantee of the Italian state pursuant to Draft Law No. 18 of 14 February 2016, converted with amendment into Law No. 49 of 8 April 2016 (known as "**GACS**"), will be maintained in the selling banks' portfolio.

* * * * *

On 6 December 2017, the Company entered into an agreement for the sale of NPLs with Bramito SPV S.r.l., a special purpose entity incorporated by Credito Fondiario S.p.A. pursuant to Law No. 130 of 30 April 1999 (as amended) (the "**Securitization Law**"), concerning the non-recourse sale for consideration of a portfolio of NPLs valued at Euro 1.2 billion, together with mortgages, collateral and other ancillary rights, in accordance with articles 4 and 7.1 of the Securitization Law (the "**NPL Portfolio Sale Agreement**"). The price for the sale is equal to Euro 265,5 million. The transfer of the NPLs is conditional upon payment of the purchase price, which was paid on 27 December 2017.

The Company made representations and warranties relating to the NPLs and has undertaken indemnity obligations consistent with terms and conditions normally applied to transactions of this type.

In addition, the NPL Portfolio Sale Agreement also includes an indemnity clause granted by the Company relating to indemnity obligations in the case of (i) a breach by the Company of its representations and warranties under the NPL Portfolio Sale Agreement and (ii) the absence of fundamental characteristics of certain loans of this NPL portfolio, as identified in the NPL Portfolio Sale Agreement. In the case of point (ii), the Company's indemnity obligations are capped at 22.5 per cent. of the purchase price of the disposal of the NPL portfolio.

In addition, the NPL Portfolio Sale Agreement provides that the Company shall be exclusively liable, and shall reimburse Bramito SPV S.r.l. for any expenses related to claims for damages, revocatory actions and/or any restitutory actions accounted for prior to and including 31 March 2017.

Bramito SPV S.r.l.'s obligation to pay the purchase price is conditional upon (i) the entering into by the Company and Credito Fondiario S.p.A. a sub-servicing agreement pursuant to which the Company shall agree to continue to carry out its activities regarding the recovery and management of the NPL portfolio subject of the disposal until the sale of the Recovery Platform (as defined below) from the Company to Credito Fondiario S.p.A. has been completed and (ii) the completion of the requirements under article 7.1 of the Securitization Law. As of the date of this Base Prospectus, the aforementioned sub-servicing agreement has not been finalized.

On 6 December 2017, the Company entered into a preliminary sale agreement with Credito Fondiario S.p.A. for the sale of a business unit comprising of a set of assets and legal relationships, and organized for the provision of loan recovery and management services, principally relating to positions classified as "non-performing" (the "**Recovery Platform**").

The parties shall enter, within the tenth business day following the date of fulfilment or waiver by the entitled parties of the last condition precedent (indicated below), or any other date that may be agreed in writing between the parties (the "**Execution Date**"), into a final agreement relating to the disposal of the Recovery Platform. Credito Fondiario S.p.A. shall obtain possession, retention and full availability of the Recovery Platform, commencing from the first day of the month following the Execution Date (the "**Effective Date**").

The price payable for the sale and purchase of the Recovery Platform is fixed at Euro 31,000,000, which shall be paid in a lump sum on the Execution Date. This price shall be subject to adjustment, in the form of an increase and/or decrease, by an amount corresponding to the spread between the net value for the business unit at the date of the reference balance sheet (as at 30 September 2017) and the net book value of the business unit at the Effective Date.

On the Execution Date, at the same time as the signing of the final agreement for the transfer of the Recovery Platform, the parties shall enter into a servicing agreement for the provision by Credito Fondiario S.p.A. in favour of the Company of services for the management and recovery of loans primarily classified as "non-performing", in accordance with Bank of Italy Circular No. 272/2008 (Data Reporting Model).

The Company's indemnity obligations are capped at 10 per cent. of the purchase price of the Recovery Platform.

In addition, the parties have agreed to negotiate in good faith from the date of the entering into the preliminary sale agreement regarding the Recovery Platform and the Execution Date the terms and conditions governing the servicing of the Group's unlikely to pay loans.

Sale of the shareholding in Creditis

On 6 December 2017 the Company and Chenavari Investment Managers entered into an agreement for the sale to Chenavari Investment Managers of 32,040 shares held by the Company in Creditis Servizi Finanziari S.p.A. ("**Creditis**"), equal to 80.1 per cent. of the share capital of Creditis (the "**Creditis Sale Agreement**"). The closing of the transaction is expected to take place in the first half of 2018. In particular, the Creditis Sale Agreement provides for the following:

(i) the total purchase price payable by Chenavari Investment Managers to the Company is equal to Euro 80,100,000, with no price adjustments. Of this purchase price, on the closing date, Chenavari Investment Managers shall pay an amount equal to Euro 50.1 million in cash and transfer the remaining unconditional amount equal to Euro 30 million into an escrow account. The latter funds shall be released (i) in a first tranche in 2019 conditional upon the Company meeting the SREP capital requirements on 30 June 2019 (and if, as of 31 December 2019, these SREP requirements are still not met, the first tranche of Euro 15 million will in any case be released to the Company on 31 December 2022), and (ii) in a second tranche of Euro 15 million on 31 December 2021 save for any potential payment obligations assumed by the Company pursuant to the earn-in mechanism referred to below or as a result of breaches of the Distribution Agreement (as defined below).

(ii) in particular, the agreement provides for an earn-in/earn-out mechanism where the Company shall pay to Chenavari Investment Managers (or vice versa) an amount equal to the underperformance (overperformance, as applicable, and in both cases to be valued as a percentage of the goodwill paid by the Buyer) of the Group's distribution network in executing the Distribution Agreement (as referred to below), compared to the distribution volumes set out in Creditis' business plan, with a floor and a ceiling of 15 per cent.. The determination of the amount to be paid shall be made as at 31 December 2019 and 31 December 2021;

(iii) Chenavari Investment Managers shall have an American call option exercisable from the third year of the distribution agreement for the entire ten-year duration of the same on the remaining shares (equal to 19.9 per cent. of the share capital of Creditis) that the Company will continue to hold. The price shall be equal to the sale price (pro rata), increased by 9 per cent. of the annual cost of carry, including any dividends potentially paid by Creditis; and

(iv) in addition to the provisions set forth in sub-paragraph (iii) above, the Company and Chenavari Investment Managers shall enter into a shareholders' agreement regarding the rights governing transfer of shares and ownership structure of Creditis held by the Company as a minority shareholder of Creditis.

The obligation of the parties to reach the closing of the Creditis Sales Agreement is subject to certain conditions precedent, including: (i) obtaining the authorizations required by the relevant Authorities; (ii) the subscription of the capital increase for an amount equal to at least Euro 500 million; and (iii) the absence of any material adverse effects. The deadline for the fulfilment of the conditions precedent is set at 31 July 2018 that may be extended by a further 4 months, upon request of each party, in the event that none of the conditions precedent occur by 31 July 2018.

Pursuant to the Creditis Sale Agreement, the Company made representations and warranties and has undertaken indemnity obligations consistent with terms and conditions normally applicable in such transactions. The minimum value of claims under the indemnity is equal to Euro 250,000 and the indemnity is capped at 20 per cent. of the purchase price.

Chenavari Investment Managers' purchase of the Creditis shares held by the Company also envisages that upon the closing of the transaction, the Company, Banca Cesare Ponti S.p.A. and Banca del Monte di Lucca S.p.A. – on one side – and Creditis – on the other – enter into a distribution agreement (the "**Distribution Agreement**") setting forth, *inter alia*, Creditis' prohibition to serve other banking networks in the geographical areas where the Group has a significant presence (depending on the Group's share of the relevant markets) and the obligations of the Company, Banca Cesare Ponti S.p.A. and Banca del Monte di Lucca S.p.A. to distribute within Italy the Creditis products over a period of 10 years. The Distribution Agreement envisages mutual exclusivity obligations between the parties; in particular, Creditis's products shall not be distributed by other banks in the territories where the Group's distribution network has a significant market share.

The Distribution Agreement also envisages that, in the event of significant underperformance compared to the provisions of Creditis' business plan (approximately 50 per cent. lower in terms of volumes) in the first three years of the Distribution Agreement, to be measured for the three-year period and subsequently on a biennial basis. The Company may remedy such significant underperformance without penalties by achieving volumes of at least 85 per cent. of the levels provided for in Creditis' business plan over a period of 5 years by the end of the fifth or tenth year of the Distribution Agreement. The earn-in provisions on the one hand and the significant underperformance on the other hand are alternative measures and not cumulative. For clarity, the earn-in mechanisms may involve the payment of a maximum amount equal to 75 per cent. of goodwill (which is equal to approximately Euro 40 million as the difference between the amount paid and the tangible equity of the company) and are not cumulative with other penalties due in case of significant underperformance which, overall, will not exceed the amount equal to the goodwill.

In the case of such significant underperformance: (i) Creditis' exclusivity obligation shall no longer be effective; (ii) the Company shall pay penalties to Creditis.

The penalties shall also be due in the event of a change in control of the Company in favor of a financial group or of a sponsor. The amount of the applicable penalties will however be limited to the value of the aforementioned goodwill.

Sale of the shareholding in Istituto Centrale delle Banche Popolari Italiane

On 18 December 2015, after receiving the relevant authorizations from the competent regulatory authorities, Banca Carige completed the sale of the shareholding in Istituto Centrale delle Banche Popolari Italiane S.p.A. ("**ICBPI**") (representing 2.204 per cent. of the total share capital) to Mercury Italy S.r.l. at a price of Euro 47.6 million. The sale took place in accordance with the provisions set forth in the preliminary purchase and sale agreement entered into on 19 June 2015 between Mercury Italy S.r.l. (a vehicle indirectly held by the funds Bain Capital, Advent International and Clessidra Sgr) and a number of banks including Banca Carige, concerning 85.29 per cent. of the total share capital held in ICBPI by the such banks. As a result of this sale, Banca Carige registered a gross capital gain of Euro 29.7 million.

Sale of the shareholding in CartaSi

On 18 January 2016, the Company sold its entire shareholding in CartaSi S.p.A. (which represented 0.237 per cent. of the share capital) to Istituto Centrale delle Banche Popolari Italiane S.p.A., for the total price of Euro 2,999,250 (Euro 13.33 per share). The sale generated a gross capital gain of Euro 2,370,950.

Disposal of the Milan Property

The disposal of the Milan Property is based on the preliminary sale contract between the Issuer and Antirion SGR S.p.A., signed 31 October 2017 and the final contract signed on 16 November 2017, which provide for the sale of the Milan Property for a total amount of Euro 107.5 million, of which Euro 106.0 million for the building and Euro 1.5 million for a portion of an area of Piazzetta Pattari as public service area for pedestrian transit (the "**Pattari Area**"). The total price of Euro 107.5 million was 10 per cent. paid at the date of signing of the completion of the preliminary contract and, for the remainder of 90 per cent., on 16 November 2017, the date of signing of the final contract. On 28 January 2018, the release of 90 per cent. of the total price was completed.

For the remaining portfolio of valuable properties, the marketing process is expected to be completed in 2018.

Sale of the merchant book business

In July 2017, the sale of the merchant book business was initiated, which has led to the receipt of a binding offer during October 2017. Negotiation is currently underway as to the terms of the sale and related trade agreements.

MANAGEMENT AND EMPLOYEES

Management

General

The Issuer is managed by the Board of Directors which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one chief executive officer. The chairman and the deputy chairman are appointed by the shareholders' meeting pursuant to the Issuer's by-laws. The Board of Directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires the Issuer to have a board of statutory auditors which functions as a supervisory body.

Board of Directors

Members of the Board of Directors

The board of directors is responsible for the ordinary and extraordinary management of the Company.

The board of directors is elected by the Company's Shareholders at a general meeting for a three-year term, unless a shorter term is fixed upon appointment, and individual directors may be re-elected following the expiration of their terms of office.

Under the Company's by-laws, the board of directors may consist of eleven to eighteen directors.

As of the date of this Base Prospectus, the board of directors is comprised of fifteen members: (a) Mr. Tesauro, Mr. Malacalza, Ms. Armella, Mr. Checconi, Mr. Gallazzi, Mr. Pasquale and Mr. Venuti were appointed on March 31, 2016; (b) Mr. Pezzolo (following Giampaolo Provaggi's resignation) and Mr. Pericu (following Beniamino Anselmi's resignation) were appointed to the board on 10 October 2016 and on 10 February 2017, respectively; (c) following the resignations of Ms. Rubini, Ms. Girdinio, Mr. Calabi, Mr. Mocchi and Ms. Squinzi, Mr. Fiorentino, Ms. Balzani, Mr. Lunardi and Ms. Queirolo were appointed by the other board members into the board on 21 June 2017; (d) Ms. Pasotti was appointed by the other board members into the board on 11 July 2017; and (e) following the resignation of Mr. Bastianini, Mr. Fenoglio was appointed by the other board members into the board on 13 September 2017.

On 21 June 2017, following the resignation of Mr. Bastianini, the board of directors appointed Paolo Fiorentino as Chief Executive Officer of the Company. Pursuant to article 18 of Banca Carige by-laws, the directors will remain in office for three financial years, with their term of office ending on the date of the Shareholders' meeting called to approve the financial statements for the last financial year of their term of office. The directors are eligible for re-election.

Following the Shareholder's meeting on 28 September 2017 that confirmed Paolo Fiorentino as Chief Executive Officer, the board of directors confirmed his powers under the role in a meeting held on the same date.

On 10 October 2017, the Company's board of directors verified the possession of the legal requirements for the new directors to be appointed.

The board of directors may appoint one or more general managers or co-general managers.

Name	Position	Place and date of birth
Giuseppe Tesauro[(1)]	Chairman	Naples, November 15, 1942
Vittorio Malacalza[(1)]	Vice Chairman	Bobbio, September 17, 1937

Name	Position	Place and date of birth
Paolo Fiorentino(**)	Chief Executive Officer and General Manager	Naples, January 23, 1956
Sara Armella(*)	Director	Savona, November 20, 1969
Francesca Balzani(1)(2)	Director	Genoa, October 31, 1966
Remo Angelo Checconi(**)	Director	Genoa, March 25, 1932
Giacomo Fenoglio(1)(2)	Director	Cairo Montenotte, January 18, 1975
Giulio Gallazzi(1)(2)	Director	Bologna, January 8, 1964
Stefano Lunardi(1)(2)	Director	Genoa, December 23, 1971
Luisa Marina Pasotti(1)(2)	Director	Gallarate, August 6, 1961
Massimo Pezzolo(1)	Director	Genoa, January 21, 1949
Luciano Pasquale(**)	Director	San Sebastiano Curone, February 22, 1950
Giuseppe Pericu(1)(2)	Director	Genoa, October 20, 1937
Ilaria Queirolo(1)(2)	Director	Genoa, March 18, 1968
Lucia Venuti(1)(2)	Director	Carrara, March 7, 1964

(1) Non-executive director.
(2) Director meets independence requirement pursuant to article 18 of Banca Carige by-laws (which specifies relevant requirements under article 148(3) of the Consolidated Financial Act and the Code of Self-Regulation for listed companies), pursuant to article 147-*ter*(4) of the Consolidated Financial Act, as assessed by the board of directors on 29 April 2016 and, for the directors appointed subsequently to the Shareholders' meeting held on 31 March 2016, by the board of directors on 28 April 2017, 11 July 2017 and 3 August 2017.
(*) Chairman of the Executive Committee.
(**) Member of the Executive Committee.

The business address for each of the foregoing directors is the registered office of the Company (Via Cassa di Risparmio 15, Genoa, Italy).

All Board members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence (in the latter case applicable only to the independent directors).

The following table sets forth the offices held on the boards of directors or on the boards of statutory auditors of other companies by each of the members of the board of directors' incumbent as of the date of this Base Prospectus.

Name	Position	Company Office and/or Stake in the Company
Giuseppe Tesauro	Director	Piaggio & C. S.p.A.
	Director	Fondazione Teatro di San Carlo in Napoli
Vittorio Malacalza	Chairman and quotaholder	Malacalza Investimenti S.r.l.
	Chairman	Hofima S.p.A.
	Chairman	Hofima Real Estate S.r.l.
	Chairman and quotaholder	Stuarta Immobiliare S.p.A.
	Director	Columbus Superconductors S.r.l.
	Director	ASG Superconductors S.p.A.
	Director	Sima & Tectubi S.p.A.
	Sole director and quotaholder	Stuarta Finance S.r.l.
	Quotaholder	AVM Private Equity 1 S.p.A. in liquidazione
Paolo Fiorentino	Director	Banca Cesare Ponti S.p.A.
	Chairman	IVRI S.p.A.
	Director	Italiana Costruzioni S.p.A.
	Chairman	Music Lab Brigade S.r.l.
	General Manager	Music Lab Holding S.r.l.
Sara Armella	Director	Banca Cesare Ponti S.p.A.
	Quotaholder	Sole Immobiliare S.r.l.
Francesca Balzani	Director	Banca Cesare Ponti S.p.A.
Remo Angelo Checconi	Honorary chairman and director	Coop Liguria Società Cooperativa di Consumo a r.l.
Giacomo Fenoglio	/	/
Giulio Gallazzi	Sole director	Incitatus S.r.l.
	Sole director	Social Housing Italia S.r.l.
	Chairman and General Manager	SRI Group - NPV Europe S.r.l.
	Chairman	SRI Group Italia S.r.l.
	Vice Presidente	Ternienergia S.p.A.

Name	Position	Company Office and/or Stake in the Company
	Sole director	GCFC Capital S.r.l.
	Sole director	PHT S.r.l.
	Liquidator	Smeralda S.r.l. in liquidazione
	Quotaholder and Liquidator	Headquarter S.r.l. in liquidazione
	Chairman and General Manager	SRI Global Ltd
	Chairman and General Manager	SRI Capital Advisers Ltd
	Chairman and General Manager	SRI America Sa de C.V.
	Chairman and General Manager	SRI Group NPV China Co, Ltd
	Director	Hept Co. Ltd
Stefano Lunardi	Deputy Chairman	Banca Cesare Ponti S.p.A.
	Director	Banca del Monte di Lucca S.p.A.
	Standing auditor and Quotaholder	BEINTOO S.p.A.
	Standing auditor	Bombardier Transportation Italy S.p.A.
	Standing auditor	Bombardier Transportation (Holding) Italy S.p.A.
	Standing auditor	Bombardier Transportation (Signal)
	Standing auditor	C.I.F.A. S.p.A.
	Chairman of the board of statutory auditors	Casasco e Nardi S.p.A.
	Standing auditor	ERG Eolica Basilicata S.r.l.
	Standing auditor	ERG Eolica Campania S.r.l.
	Standing auditor	ERG Eolica San Cireo S.r.l.
	Standing auditor	ERG Power S.r.l.
	Chairman of the board of statutory auditors	ERG Trade S.p.A.
	Standing auditor	GA.MA. S.p.A.
	Liquidator	Kopernico S.r.l. in liquidazione
	Standing auditor	Il Quadrifoglio S.p.A.
	Revisore dei Conti	Villa Serena S.p.A.
	Quotaholder	Studio Lunardi & Dupont
	Quotaholder	WLF S.r.l.
	Quotaholder	Immobiliare Macaggi S.r.l.
Luisa Marina Pasotti	Director	CARIGE Reoco S.p.A.
	Standing auditor	San Rocco Immobiliare S.p.A. in liquidazione
	Standing auditor	Santa Benessere & Social S.p.A.
	Chairman of the board of statutory auditors	MGM Lines S.r.l.
	Standing auditor	Società Editoriale Varesina S.p.A.
	Chairman of the board of statutory auditors	Marelli & Pozzi S.p.A.
	Auditor	Fondazione del Varesotto per l'Ambiente, il Territorio e la Coesione Sociale
	Quotaholder	Giuliana S.r.l.
	Quotaholder	Ebano S.r.l.
	Quotaholder	Mediterranee S.r.l.
	Quotaholder	City Motel S.r.l.
	Quotaholder	Rovere S.r.l.
	Quotaholder	B.B.C. S.n.c. in liquidazione
	Quotaholder	Luigi Pasotti S.a.s. in liquidazione
Massimo Pezzolo	Director	Autogas Nord S.p.A.
	Director	Malacalza Investimenti S.r.l.
	Director	Paramed S.r.l.
	Director	Columbus Superconductors S.p.A.
	Director	Hofima Real Estate S.r.l.
	Director	Hofima S.p.A.
	Director	Sima & Tectubi S.p.A.
	Director	ASG Superconductors S.p.A.
Luciano Pasquale	Chairman	Creditis Servizi Finanziari S.p.A.
	Director	CARIGE Reoco S.p.A.
	Deputy Chairman	Autostrada dei Fiori S.p.A.
	Chairman	Camera di Commercio Riviere di Liguria - Imperia La Spezia Savona
	Chairman	Istituto Guglielmo Tagliacarne

Name	Position	Company Office and/or Stake in the Company
Giuseppe Pericu	Chairman	Accademia Ligustica di Belle Arti
	Director	Boero Bartolomeo S.p.A.
	Chairman	Conservatorio Niccolò Paganini
	Member of the Executive Committee	Istituto Italiano di Tecnologia
	Director	Fondazione Teatro Carlo Felice
Lucia Venuti	General Director	AMIA S.p.A.

Senior Management

The following table sets out the name and title of each of the senior managers of the Company and the Group and their place and date of birth and the date on which they started working with the Group:

Name	Position	Place and date of birth	Start Date
Gabriele Delmonte	Chief Lending Officer	Parma, May 18, 1961	May 11, 1993
Gianluca Guaitani	Chief Commercial Officer	Milan, December 19, 1969	January 19, 2017
Paolo Sacco	Chief Operating Officer	Genoa, July 4. 1969	April 16, 1993
Andrea Soro	Chief Financial Officer	Genoa, May 31, 1967	July 4, 2017
Mauro Mangani	Manager responsible for preparing the financial statements	Genoa, March 27, 1974	February 3, 2016

Board of Statutory Auditors

Pursuant to article 26 of the Company's by-laws, the board of statutory auditors is comprised of three standing auditors and two alternate auditors appointed at a Shareholders' meeting.

All of the members of the board of statutory auditors have the required level of independence, integrity and professionalism required by the Corporate Governance Code.

The Company's board of statutory auditors is in charge of monitoring Company's management and its compliance with laws, regulations and by-laws, assessing and monitoring the adequacy of the Company's organization, internal controls, administrative, accounting systems and disclosure procedures, independence of the auditors and financial reporting procedures and of reporting any irregularities to CONSOB, the Bank of Italy and the Shareholders' meetings called to approve the Group's financial statements.

Without prejudice to its obligations to the Bank of Italy, the board of statutory auditors reports to the chairman of the board of directors, the board of directors, the Executive Committee, the CEO and the general manager, if appointed. The board of statutory auditors must report on any gaps or irregularities discovered, request the implementation of appropriate corrective measures and verifies their effectiveness over time.

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

Name	Position	Place and date of birth
Carlo Lazzarini	Chairman	Milan, July 24, 1966
Francesca De Gregori[(1)]	Statutory Auditor	Genoa, October 21, 1969
Giancarlo Strada	Statutory Auditor	Genoa, January 13, 1955
Stefano Chisoli	Alternate Auditor	Milan, October 8, 1962

(1) On 25 January 2018 Ms. Francesca De Gregori became a Statutory auditor, following the resignation of Ms. Maddalena Costa.

The business address for each of the members of statutory auditors is the registered office of the Company (Via Cassa di Risparmio, 15, Genoa, Italy).

All Statutory Audit Committee members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence; and are all registered as auditors.

The following table indicates the capital of companies and partnerships of which the members of the board of statutory auditors are members of the management, guidance or control bodies, shareholders or holders of a "qualified" shareholding in the case of listed companies.

Name	Company	Position	Status
Carlo Lazzarini	Banca Cesare Ponti S.p.A.	Chairman of Statutary Auditors	Ongoing
	CARIGE Reoco S.p.A.	Chairman of Statutary Auditors	Ongoing
	ADC Group S.r.l.	Statutory Auditor	Ongoing
	Alicros S.p.A.	Chairman of Statutary Auditors	Ongoing
	Autostradale S.r.l.	Statutory Auditor	Ongoing
	Axa Im Italia Sim S.p.A.	Chairman of Statutary Auditors	Ongoing
	BCS S.p.A.	Statutory Auditor	Ongoing
	Bea Ingranaggi S.p.A.	Statutory Auditor	Ongoing
	Cosmocal S.p.A.	Statutory Auditor	Ongoing
	Energy S.r.l.	Chairman	Ongoing
	FBS Real Estate S.p.A.	Statutory Auditor	Ongoing
	FBS S.p.A.	Director	Ongoing
	Fin-Set Finanziaria Settentrionale S.p.A.	Chairman of Statutary Auditors	Ongoing
	Fly S.p.A.	Statutory Auditor	Ongoing
	Grifols Italia S.p.A.	Statutory Auditor	Ongoing
	Imeas S.p.A.	Statutory Auditor	Ongoing
	Immobiliare Edifara S.r.l.	Statutory Auditor	Ongoing
	Immobiliare Manin S.p.A.	Chairman of Statutary Auditors	Ongoing
	Manuli Rubber Industries S.p.A.	Statutory Auditor	Ongoing
	Miba S.r.l.	Statutory Auditor	Ongoing
	Midea Italia S.r.l.	Statutory Auditor	Ongoing
	Monitor S.r.l., in liquidation	Chairman of Statutary Auditors	Ongoing
	Pietro Carnaghi S.p.A.	Statutory Auditor	Ongoing
	Rivers Properties and Consulting S.A.	Director	Ongoing
	Rotorsim S.r.l.	Statutory Auditor	Ongoing
	Secondo Mona S.p.A.	Chairman of Statutary Auditors	Ongoing
	Schober Italia S.r.l.	Statutory Auditor	Ongoing
	Sicerp S.p.A.	Chairman of Statutary Auditors	Ongoing
	Star Fly S.r.l.	Statutory Auditor	Ongoing
	Star Società Trasporti Automobilistici Regionali S.p.A.	Statutory Auditor	Ongoing
	Stie S.p.A.	Statutory Auditor	Ongoing
	Tacchi Giacomo e Figli S.p.A.	Statutory Auditor	Ongoing
	Vial S.r.l.	Sole Director	Ongoing
Giancarlo Strada	Carige REOCO S.p.A.	Statutory Auditor	Ongoing
	Centro Fiduciario C.F. S.p.A.	Statutory Auditor	Ongoing
	Azimut Financial Insurance S.p.A.	Statutory Auditor	Ongoing
	Compagnia Impresa Lavoratori Portuali S.r.l.	Statutory Auditor	Ongoing
	Fondazione Azimut	Auditor	Ongoing
	G.I.P. 2.0 S.p.A.	Statutory Auditor	Ongoing
	Green Hunter Group S.p.A.	Chairman of Statutary Auditors	Ongoing
	Green Hunter S.p.A.	Chairman of Statutary Auditors	Ongoing
	Logtainer S.r.l.	Chairman of Statutary Auditors	Ongoing
	Porto Turistico Internazionale di Rapallo S.p.A.	Statutory Auditor	Ongoing
	Portosole—Club Nautico Internazionale Sanremo S.p.A.	Statutory Auditor	Ongoing
	QUI! Financial Services S.p.A.	Statutory Auditor	Ongoing
	RB Marinas S.r.l.	Statutory Auditor	Ongoing
	T.P.E. Trading per l'Energia S.p.A.	Chairman of Statutary Auditors	Ongoing
	Yarpa Investimenti Soc. Gestione del Risparmio S.p.A.	Chairman of Statutary Auditors	Ongoing
	Yarpa S.p.A.	Chairman of Statutary Auditors	Ongoing
	YLF S.p.A.	Chairman of Statutary Auditors	Ongoing
Francesca De Gregori	Liguria Patrimonio S.r.l.	Chairman of the Board of Statutory Auditors	Ongoing
	Finoil S.p.A.	Chairman of the Board of Statutory Auditors	Ongoing

Name	Company	Position	Status
	Ylda S.p.A.	Statutory Auditor	Ongoing
	Sebach S.r.l.	Statutory Auditor	Ongoing
	Centro Calor S.r.l.	Statutory Auditor	Ongoing
	Docks Lanterna S.p.A.	Statutory Auditor	Ongoing
	Aster Azienda Servizi Territoriali Genova S.p.A.	Statutory Auditor	Ongoing
	Associazione Genova Smartcity	Auditor	Ongoing
	Tao Te Società Semplice	Partner	Ongoing
Stefano Chisoli	Aria S.p.A.	Statutory Auditor	Ongoing
	Made Italia S.p.A.	Statutory Auditor	Ongoing
	Rivers Properties and Consulting S.A.	Chairman of the Board of Statutory Auditors	Ongoing
	AC Spezia S.p.A.	Chairman of the Board of Statutory Auditors	Ongoing
	Event Beach S.r.l.	Chairman of the Board of Statutory Auditors	Ongoing
	Strike 9 S.r.l.	Chairman of the Board of Statutory Auditors	Ongoing
	Ocean & Oil International Partners LTD	Chairman of the Board of Statutory Auditors	Ongoing
	Tubular Technical Services Limited	Chairman of the Board of Statutory Auditors	Ongoing
	Pipe Coaters Nigeria Limited	Chairman of the Board of Statutory Auditors	Ongoing
	MGM Lines S.r.l.	Chairman of the Board of Statutory Auditors	Ongoing
	CFC Rijeka	Supervisory Committee	Ongoing
	Rochester Holding SA	Chairman of the Board of Statutory Auditors	Ongoing
	Recina Invest SA	Director	Ongoing
	White Fairy Holding SA	Director	Ongoing
	White Fairy Resort Holding SA	Director	Ongoing
	Stichting Social Sport	Director	Ongoing
	Compania Financiera Lonestar	B Director	Ongoing
	Strike 9 S.r.l.	A Director Partner	Ongoing

Committees

Our by-laws provide for an Executive Committee. Our board of directors may establish additional committees within its authority and powers, also specialized committees, with preparatory and advisory duties, and set out the relevant rules for the functioning of the committees. The activities of the committees shall be documented in the relevant minutes.

As of the date of this Base Prospectus, other than the Executive Committee, the following committees have been established the Credit Committee, the Risks Committee, the Remuneration Committee and the Nomination Committee.

Executive Committee

Pursuant to article 25 of our by-laws, the Executive Committee is appointed by the board of directors, which determines the number of members, the term of office and the powers. The Executive Committee is comprised of the CEO, if appointed, as automatic member, and two to four other members.

The board of directors appointed the Executive Committee at the meeting held on 4 April 2016. Each elected member to the Executive Committee's term of office will expire at the Shareholders' meeting for the approval of the financial statements as at 31 December 2018.

As of the date of this Base Prospectus, the Executive Committee is composed of Sara Armella (chairman), Paolo Fiorentino, Remo Angelo Checconi and Luciano Pasquale.

The following delegated powers have been granted to the Executive Committee by the Board of Directors, pursuant to article 21, paragraph 1, of the Company's by-laws:

(a) powers to pass resolutions on the concession, renewal, increase, reduction, confirmation, removal and suspension of credit lines and loans in general in all forms, pertaining both to the Group and treasury and cash services, reserving to the exclusive competence of the board of directors, resolutions on credit lines for amounts exceeding Euro 50,000,000, including powers on: (i) the purchase of real estate properties related to credit recovery activities, with a duty to obtain the prior mandatory opinion of the chief operating officer, up to the limit of Euro 5,000,000 (it is necessary to refer to the purchase value of the real estate property net of transfer costs); and (ii) authorization to sell assets deriving from leasing transactions, regardless of the accounting effects, and without prejudice to the commencement of legal proceedings for the recovery of any excess sum, including expenses and interest up to a limit of Euro 5,000,000. The individual bodies remain entitled to revoke unexposed caps at the client's request and to revoke or suspend on an urgent basis, with subsequent notification to the competent body, for the credit lines revoked;

(b) powers to pass resolutions on transactions involving listed equity instruments and equity-related derivative instruments if the "net position" of the Company (as defined in the Regulatory Instructions for Banks), exceeds: (i) 1 per cent. of the capital of the company forming the subject matter of the transaction; (ii) Euro 25,000,000 (without prejudice to the general manager's powers in all other situations); and (iii) for transactions involving private equity funds in an amount exceeding Euro 10,000,000 (in this type of transaction, powers up to the amount of Euro 10,000,000 are granted to the general manager and for transactions up to Euro 5,000,000 to the head of finance). The exercise of such powers may take place up to the maximum VaR limit annually approved by the board of directors with reference to the Company's finance activities;

(c) general powers to pass resolutions on matters related to expenses (or losses or, in any case, lack of collections for the Company), or on revenues, without any limits on amounts in accordance with the general provisions of the budget resolved by the board of directors, in all matters concerning the administrative and operational management; all subject to a maximum limit of Euro 5,000,000, in managing the Company's real estate assets (purchase and sale of real estate properties) in the context of ordinary management activities and with the chief operating officer's prior mandatory opinion and with mandatory opinion of the responsible of Supply Chain and Real Estate;

(d) powers to pass resolutions on the management of shareholdings, including determinations on the purchase and sale of the same, whether or not to exercise the pre-emption right or option right over shares or quotas in subsidiaries, subject to the board of directors' exclusive competence to purchase and sell significant shareholdings (i.e. shareholdings that allow for the exercise of control within the meaning set forth in article 2359 of the Italian Civil Code or that represent an investment exceeding 10 per cent. of the Company's regulatory capital), pursuant to article 20, paragraph 2 of the Company's By-laws, and for the execution of Shareholders' agreements, the purchase or sale of a significant shareholding, concerns a listed company or concerning, in the Company's view, on matters on the agenda of shareholders' meetings of companies in which the Company holds a significant shareholding;

(e) general powers to pass resolutions on miscellaneous matters such as: (i) the management of human resources (excluding the powers reserved to the board of directors under article 20 of our by-laws on the adoption of possible withdrawal initiatives, pursuant to articles 2118 and 2119 of the Italian Civil Code against executives in the organizational positions of chief officer and general counsel and those reserved to the CEO); (ii) management of treasuries, securities portfolios, use of derivative financial instruments and exchange activities; (iii) the day-to-day management that is not of strategic importance nor capable of being precisely quantified, including the right to accept inheritance related to donations in favour of the Company; (iv) to make determinations on lawsuits to which the Company is part, as claimant or defendant, without limits on amount or in lawsuits having an indeterminate value; and (v) to order the opening, transfer, closure and definition of positioning of the Group's bank desks in the context of the general banking desk plan approved by resolution by the board of directors; and

(f) powers to pass resolutions, subject to the limits on powers as delegated above, for transactions that entail (pursuant to article 136 of the TUB) the direct or indirect undertaking of obligations of any nature toward the Company by members of top management of the Company, in compliance with the procedural methods provided under the above-mentioned legal framework,

with a right to sub-delegate the powers necessary for the perfection and performance of resolutions passed under the powers delegated described above, with the exception of the powers to pass the resolutions referred to in point

(f) above to executives, mid-level managers and, on an exceptional basis to other employees of the Company, executives and mid-level managers of other companies of the Group, provided that it is done on a contractual basis and always in compliance with and following the internal corporate procedures on the disbursement of loans.

The foregoing remains, in any case, subject to the powers of the board of directors, excluding matters already reserved to Committees established within the board of directors.

Credit Committee

On 20 February 2014, the board of directors established the Credit Committee effective from March 3, 2014. One or two members of the board of directors and members of corporate management make up the Credit Committee and hold delegated powers to pass resolutions on credit lines. The Credit Committee provides support to the corporate bodies in management of the Group's credit risk management; the Credit Committee assists in defining the Group's credit and lending policy, assumption of credit risk and control of credit risk by performing prepositive, verification, intervention, deliberative and reporting/disclosure activities.

The Credit Committee is currently composed of Luciano Pasquale, who was appointed by the board of directors at the session held on 4 April 2016, along with the following members of corporate management (i) Chief Lending Officer—Chairman; (ii) Chief Commercial Officer—member; (iii) Head of Credit Policies and Monitoring—member; (iv) Head of Lending Office Retail—member; (v) Head of Lending Office Corporate Liguria—member; and (vi) Head of Lending Office Corporate Outside of Liguria—member.

Committees with advisory functions established within the board of directors

In compliance with the provisions of supervision in the organization and corporate governance of banks and with code of self-regulation, the board of directors of the Company has established a Risks Committee and the Remuneration Committee, in addition to the Nomination Committee, and adopted relevant organizational regulations. The following is a description of the composition and of powers of the Risks Committee, the Remuneration Committee and the Nomination Committee.

Risks Committee

The Risks Committee, established within the board of directors, supports the board of directors on matters regarding controls and risks. These regulations issued by the Bank of Italy set out: (i) the operational characteristics and strategies of the Company and the Group; (ii) the areas of activity and the types of economic reports, including those involving assumptions of risky assets in relation to which may arise conflicts of interest; (iii) the levels of risk propensity consistent with our strategic profile and the organizational characteristics of the Group; (iv) organizational processes designed to identify and assess the transactions in each phase of the relationship with our subjects; and (v) the control processes adapted to ensure the correct measurement and management of risks assumed toward subjects connected and to verify the correct drafting and application of internal policies.

The Risks Committee is composed of non-executive directors, the majority of whom are independent, including the members chosen by the minority Shareholders. The board of directors, when appointing the members of the committee, also establishes their number (which may vary in a range from three to five) taking into account the complexity of the relevant office. The members of the committee shall be chose among individuals that have the professional expertise to carry out the office. In particular, they shall have the required expertise in risks governance and management in order to be able to examine and monitor the positions and strategies adopted on this subject by the competent corporate bodies.

The Risks Committee appoints from among its independent members its chairman, who coordinates the committee's activities.

In performing its role on related parties and related entities, the Risks Committee is comprised of at least three independent members who are not related or by three members who are not related, the majority of whom must be independent, in compliance with the requirements provided under the applicable legal framework and the internal rules on related party and related entity procedures.

If, with reference to a given transaction, at least two unrelated independent directors are not present, the transaction may be approved with the unbinding reasoned opinion of the unrelated independent directors who are present on the board of directors or, in their absence, on the board of statutory auditors.

The current members of the Risks Committee are Giulio Gallazzi (chairman), Francesca Balzani and Stefano Lunardi who are non-executive and independent directors and have adequate experience in accounting, financial and risk management matters.

At least one member of the board of statutory auditors and one representative of the Company and Group Corporate Affairs Office, who is responsible for drafting the minutes, attends the Risks Committee meetings.

The Chairman is entitled to invite other representatives and heads of company departments and to the Risks Committee meetings.

The Risks Committee discloses the details of each of its meetings to the directors at the following board of directors' meeting.

In particular, the Risks Committee: (i) provides its assessments and formulates opinions to the board of directors on compliance with the principles applicable to the internal controls system and corporate organization and with the requirements that must be fulfilled by the corporate control functions. In this context, the Risks Committee brings to the board of directors' attention any weaknesses and corrective actions to be taken; (ii) in collaboration with the Nomination Committee, identifies and proposes the persons in charge of the corporate control functions and the executive in charge of the drafting of corporate accounting documents, and the requisites (experience and professional qualifications) that such figures must possess; (iii) expresses an opinion on the remuneration of the person in charge of the internal audit function, in line with corporate policies; (iv) assesses the correct use of accounting standards for the drafting of annual stand-alone and consolidated financial statements, and to such end, coordinates with the executive in charge of the drafting of accounting documents and with the control body; (v) verifies that the corporate control functions follow the indications and guidelines of the board of directors and assists them in drafting the documentation for the coordination of control functions (bodies, committees, control functions and the Supervisory Committee); (vi) contributes, through assessments and opinions, toward defining corporate policy on the outsourcing of important operational functions and/or control functions; and (vii) in relation to its risk management and control function, the Committee provides support to the board of directors under the strategic guidelines and risk governance policies in the Risk Appetite Framework.

The Committee performs assessment-based and prepositive activities the enable the board of directors to define and approve:

(a) risk objectives (risk appetite), in line with the strategic plan and business model;

(b) the maximum risk that may be assumed (risk capacity) with reference to the Company's technical capacities, while honouring regulatory requirements and other measures taken by the regulatory authorities;

(c) the overall risk, and specific risk by individual type, that may be assumed for purposes of achieving the objectives set in the above-mentioned plan (risk appetite and propensity toward risk);

(d) the tolerance threshold (the maximum deviance from the risk appetite that may be tolerated is referred to as risk tolerance) for operating in conditions of stress within the maximum limit of risk that may be assumed:

  (i) defining operating risk limits, taking into account risk appetite which may be established for each type of risk, business unit, business line, product line and customer category;

  (ii) reviewing plans of action prepared in the event that risk tolerance is exceeded;

  (iii) assessing the criteria for determining adequacy of capital to fully cover business risks in current, forward-looking and stress scenarios and adequacy of liquidity to cover liquidity risk in current, forward-looking and stress scenarios;

  (iv) in relation to its tasks on related parties, performs the requisite regulatory process;

(v) assesses the effectiveness of the scenarios and analyses set out in the Business Continuity and Disaster Recovery Plan and in its subsequent updates and provides reasoned opinion which is submitted to the board of directors;

(vi) assesses and expresses a reasoned opinion on the current state of recovery, for its subsequent representation to the board of directors; and

(vii) assesses and expresses a reasoned opinion, on the basis of the disclosure provided by the Executive Committee and the Risk Control Committee, the current conditions for the closure of the state of recovery, for its subsequent representation to the board of directors; and

(e) supports, through its adequate review activities, the assessments and decisions of the board of directors on the management of risks deriving from adverse events that have been brought to the board of directors' attention and expresses to the board of directors, at least on an annual basis: (i) an opinion on the adequacy and the effectiveness of the internal control and risk management system in relation to the characteristics of the Company and the Group, and the relevant risk appetite; and (ii) an opinion on the adequacy of the characteristics, described in the corporate governance report, of the internal control system and the methods followed to coordinate the persons involved and the risk management methods followed.

The Risks Committee also verifies: (i) at least on a half-yearly basis, the legal and regulatory process followed by the Risks Committee incorporated in the Risks Committee rules and, in such manner, verifies the adequacy of the individual members to perform their role and the maintenance of the professional qualifications and expertise required. The verification process is carried out in accordance with the rules governing the self-assessment process followed by bodies and committees formed within boards of directors; (ii) at least on a half-yearly basis, the level of compliance with the principles adopted for the definition of internal controls and the corporate organization system established under the legal and regulatory framework; (iii) at least on a half-yearly basis, the level of compliance with the control function requirements established under the legal and regulatory framework and by the board of directors; (iv) at least on an annual basis, the plans of activities (including the audit plan) and the reports drafted by corporate control functions before they are submitted to the board of directors for approval. The Risks Committee may request the control functions, to the extent that they within their remit, to carry out verifications in specific operating areas; (v) examines the periodic reports concerning the assessment of the internal control and risk management system and those of particular importance prepared by the control functions; (vi) at least on a quarterly basis, the correct implementation of risk governance and management strategies, policies and the Risk Appetite Framework; (vii) on a continuous basis, policies and processes for the assessment of the Company's business operations and the verification that prices and conditions of transactions with customers are in line with the Company's business model and risk management strategies; (viii) at least on an annual basis, without prejudice to the responsibilities of the Remuneration Committee, the incentives underlying the Company's remuneration and incentive system are in line with the Risk Appetite Framework; (ix) the correct application of the criteria for the measurement and assessment of risks and the ICAAP report to be submitted to the board of directors, in order to verify its adequacy with respect to the general guidelines set by the board of directors, before the report is sent to the Bank of Italy; and (x) the correct application of the criteria for the measurement and assessment of liquidity risk and the ILAAP report to be submitted to the board of directors, in order to verify its adequacy with respect to the general guidelines set by the board of directors.

The Risks Committee periodically informs the board of directors, the board of statutory auditors and the Supervisory Committee, pursuant to Legislative Decree 231/01, on the activities it performs, taking into account the information it receives from the operating and control functions. In practice, the Risks Committee reports to the board of directors at least on a half-yearly basis and, generally on the occasion of the approval of the annual and half-yearly financial reports, on the activities performed and adequacy of the Internal Control and Risk Management System.

However, the Risks Committee may report orally or in writing to the board of directors and to the board of statutory auditors through the chairman on an *ad hoc* basis if necessary.

The Committee manages the relationships with the director in charge of the Internal Control and Risk Management System, where appointed, the board of statutory auditors, the certified auditor or auditing firm and the established Supervisory Committee (pursuant to Legislative Decree 231/01) for the performance of activities considered of mutual interest, honouring the specific areas of competence of each.

In performing its functions, the Risks Committee has the power to acquire the corporate information and functions necessary to perform its tasks, and to avail itself of external consultants and is endowed with an adequate autonomous financial budget.

Remuneration Committee

The Remuneration Committee, established within the board of directors, supports the board of directors on matters regarding policies and practices relating to remuneration and incentives of personnel.

The Remuneration Committee is composed of non-executive directors, the majority of whom are independent, including the members chosen by the minority Shareholders. The board of directors, when appointing the members of the committee, also establishes their number (which may vary in a range from three to five) taking into account the complexity of the relevant office. The members of the committee must have the professional experience required for this office. At least one member of the committee must have an adequate expertise, to be assessed by the board of directors, on matters regarding policies and practices relating to remuneration and incentives and, in particular, in relation to risk, capital and liquidity management in order to ensure that the incentives related to the remuneration system are consistent with the application of such policies and practices. The statutory auditors may attend the committee's meetings. The Remuneration Committee appoints among its independent members its chairman, who coordinates the committee's works.

The chairman (who is appointed by the members of the committee) may invite other representatives and heads of the corporate functions as well as external consultants to attend the meetings, provided that they are not in conflict with the items of the agenda related to remuneration policies.

The current members of the Remuneration Committee are Giulio Callazzi (chairman), Luisa Marina Pasotti and Ilaria Queirolo who are non-executive and independent directors and have adequate expertise and experience in financial matters or remuneration policies.

The Remuneration Committee (on the basis of information sent by the CEO, the board of statutory auditors, the board and executive committees, corporate departments and, in particular, the competent control) supports the board of directors in the drafting of remuneration and incentive policies for the Group's personnel, ensuring that such policies are consistent with the Group's long-term goals and overall corporate governance and internal controls structure.

The Remuneration Committee collaborates with the other committees formed within the board of directors and, in particular, with the Risks Committee which examines whether the incentives envisaged in the remuneration system take into account capital and liquidity risks. The committee provides the Risks Committee with the information flows necessary to verify that incentives underlying the Company's remuneration and incentive system are consistent with the Risk Appetite Framework.

The Remuneration Committee may exchange views with the corporate functions in charge of liquidity risk and capital risk. In order to perform its tasks effectively and responsibly, the Remuneration Committee has access to corporate information and has the necessary financial resources to ensure its operational autonomy.

The Remuneration Committee provides recommendations and opinions to the board of directors on the matter of remuneration. In particular, the committee, based on the documentation prepared by the competent corporate functions: (i) proposes the additional compensation, in addition to that set by the Shareholders' meeting, for the chairman, the deputy chairman, the CEO, the members of the Executive Committee and of the committees within the board of directors; (ii) proposes the compensation of personnel whose remuneration and incentive systems are decided by the Company's board of directors; (iii) proposes the criteria for the determination of the remuneration policies for the Group's personnel, financial agents, insurance agents and financial planners who are not party to subordinated employment relationships; (iv) proposes the criteria for the determination of any "incentive bonus" for each of the categories of the Group's personnel; (v) assesses the scenarios and analyses resulting from the application of the process for the identification of the most important personnel and expressing an opinion in such regard to be submitted to the board of directors; (vi) proposes the criteria for the determination, with reference to the Group's most important personnel, of disbursements assigned on an exceptional basis to newly hired personnel only for the first year of their employment ("welcome bonus"), and of the compensation granted in the event of early cessation of employment; (vii) assists in establishing the criteria for Group's most important personnel's compensation; (viii) makes recommendations on the use of other personnel incentive systems based upon financial instruments (for example, stock options). Specifically, the Remuneration Committee formulates proposals on the

incentive system deemed most advisable, monitoring its development and application over time; and (ix) for other members of the Group formulates proposals on the remuneration of directors, CEO, general manager and executives with strategic responsibilities vested with particular mandates.

The Remuneration Committee verifies: (i) at least on a half-yearly basis, the process it follows with respect to legal and regulatory requirements and the adequacy of the individual members to perform their roles. This process is performed in accordance with the rules governing the process of self-assessment of bodies and Committees formed within the board of directors; (ii) the correct application of the rules on the remuneration of persons in charge of corporate control functions, working closely with the board of statutory auditors; and (iii) the achievement of the performance objectives for the disbursement of the incentive plans' bonus schemes and other conditions of the compensation disbursement for each category of the Group's personnel and availing itself of the information received from the competent corporate functions.

The Remuneration Committee periodically informs the board of directors and the board of statutory auditors on its activities, in accordance with the rules governing the management information flow process, taking into account the information received from the operational and control functions. The Remuneration Committee also provides updates on its activities to the Shareholders' meeting.

Nomination Committee

The Nomination Committee, established within the board of directors, supports the board of directors on matters regarding nominations.

The Nomination Committee is composed of non-executive directors, the majority of whom are independent, including the members chosen by the minority Shareholders. The board of directors, when appointing the members of the committee, also establishes their number (which may vary in a range from three to five) taking into account the complexity of the relevant office. The members of the committee must have the professional experience required for this office. The statutory auditors may attend the committee's meetings.

The chairman of the board of statutory auditors (or another statutory auditor designated by the chairman) attends the committee meetings and other representatives in charge of corporate functions and external consultants may attend upon the chairman's invitation if their attendance is necessary to clarify items on the agenda, provided that there is no conflict with the items on the agenda concerning the appointments to corporate offices. A representative of the corporate and Group affairs office, who is responsible for preparing the meeting minutes, also attends the Nomination Committee meetings. Reports on each meeting are provided to the board of directors at its next meeting.

The chairman calls the Appointment Committee's meetings with the frequency necessary to ensure an effective performance of the mandate granted to the committee. The Nomination Committee meets whenever it may be necessary in light of the functions assigned to it and, in particular, prior to meetings of the board of directors whose agenda includes matters pertaining to the Nomination Committee's activities.

Giuseppe Pericu (chairman), Massimo Pezzolo and Lucia Venuti make up the Nomination Committee as of the date of the Base Prospectus.

The Nomination Committee supports (on the basis of information sent by the CEO, the board of statutory auditors, the Committees established within the board of directors and other executive committees, corporate functions and, in particular, the competent control functions) the board of directors in appointing members to the board of directors. The committee has access to all corporate information provided by the competent corporate departments in its decision-making process, and also avail itself of external consultants who may be invited to attend the meetings where deemed necessary by the chairman.

The Nomination Committee makes proposals and supports the board of directors on the appointment of the directors. In particular, the committee supports the board of directors in:

(a) the identification of its optimal qualitative and quantitative composition relating to the objectives and size of the Company and the Group. In particular, the committee proposes the number of members of the board of directors, taking into account the limits under our by-laws, the operational size of the Group and the complexity of the Company's organizational structure. The committee considers the management and operational characteristics of each company comprising the Group and the requisite degree of

diversification of directors in terms of age, gender, geographical origin and professional experience to encourage different interpretations and dialogue on issues on the agenda and the effective management of risks in the Company's business areas; and

(b) the verification of the optimal qualitative and quantitative composition matches the effective composition resulting from the appointment process.

The Committee supports the board of directors in determining:

(i) the number of non-executive directors present on any committee within the board of directors and scope of their mandates, with a view to balance the number of executive directors and managers present on the board of directors;

(ii) the minimum number of independent directors required by law and regulation present on the board of directors and on committees within the board of directors in order to facilitate deliberation and contain the risk of possible conflicts of interests;

(iii) a target quota for gender representation and developing strategies to meet the target, without prejudice to the legal obligations imposed upon listed companies. The target quota, the plan and its implementation are rendered public in the context of the disclosure which the Company is required to make in accordance with the Third Tier (pursuant to article 435 of the CRR);

(iv) the number of roles undertaken by directors of other companies, in accordance with the applicable laws and regulations and taking into account the level of involvement required from them in the context of the Group's ordinary operations;

(v) the required professional profile for candidates when appointing and co-opting directors. The committee, following an in-depth and formalized review, must express: (a) its view *ex ante* on the legal, technical, administrative and economic expertise that the candidates must have in order to ensure the proper performance of their duties and responsibilities; (b) an opinion on the suitability of candidates who, based upon a preliminary analysis, the board of directors has appointed to office. The results of such analyses conducted by the committee to support the board of directors, if the appointment of the directors falls under the competence of the Shareholders' meeting, must be brought to the Shareholders' attention in order to enable them to select the candidates for the directorship, taking into account the determined profession qualifications candidates must have;

(vi) an opinion on any requests by the Shareholders who recommend candidates;

(vii) the process of self-assessment of the bodies. The Nomination Committee supports the chairman of the board of directors in identifying the persons to be placed in charge of the self-assessment process;

(viii) the verification of the suitability characteristics (integrity, professional qualifications, independence) for the performance of a mandate, pursuant to article 26 of the Consolidated Banking Act;

(ix) the appointment and removal of the CEO and/or general manager;

(x) the designation of the corporate officers (directors and statutory auditors) of the companies of the Group;

(xi) any replacements of the members of the Executive Committee or the committees established within the board of directors;

(xii) the plan to form the Nomination Committee and the board of directors in its entirety; and

(xiii) the plan of succession of the CEO or general manager, in accordance with the rules established under the regulatory provisions on corporate governance.

In addition, the Nomination Committee collaborates with the Risks Committee to identify and appoint the persons in charge of corporate control functions and the executive in charge of drafting corporate accounting documents.

The Nomination Committee supports the corporate bodies during their self-assessments and verifies: (i) at least on a half-yearly basis, compliance of its and other corporate bodies' processes under the laws and regulations incorporated in the Company's by-laws. In this way, the Nomination Committee verifies the competency of individual members to perform their roles. This verification is carried out in accordance with the rules governing the self-assessment of the bodies and committees formed within the board of directors; (ii) that corporate officers meet the requirements imposed under the applicable laws and regulations, before and after their appointment; and (iii) that candidates for the role of director carry the required qualities (professional qualifications, expertise and experience).

Organization and management model pursuant to Legislative Decree 231/01 and the Supervisory Committee

The Company's board of directors approved the "*Organization and management models of Banca Carige S.p.A.—Cassa di Risparmio di Genova e Imperia, pursuant to Legislative Decree 231/2001*" (the "**Model**"). The Model sets out the organization and management framework of the Company (delegated powers, rules governing services, codes of conduct, etc.), examines possible criminal offenses, identifying each (or for each group of similar offenses) of the areas at risk and provides specific preventative measures.

The Model aims to prevent the commission, in the Company's interest, by top-level officers, executives or employees of criminal offenses deemed significant under the relevant legal framework and is updated from time to time in order to adapt to any changes in applicable legislation.

The Company's Supervisory Committee, established pursuant to Legislative Decree 231/01, oversees the functioning, updating and compliance with the Model. In performing its duties, assigned on an exclusive basis in order to ensure greater impartiality in its opinion and assessment, the Supervisory Body holds specific powers of initiative and control. The Supervisory Committee, as a structure dedicated to overseeing the Model, must monitor its implementation on a continuous basis.

The Supervisory Committee was appointed by the board of directors at the meeting held on 10 May 2016, having a term coinciding with that of the board of directors (and therefore under the date of approval of the financial statements as at 31 December 2018) and until the appointment of a new Supervisory Committee.

As of the date of the Base Prospectus, the Supervisory Committee is composed of Professor Adalberto Alberici as Chairman, an expert on banking and finance, Mr. Massimo Leandro Boggio, an expert in criminal law (who does not act and has not acted as defence counsel on behalf of the Company or its officers or executives) and the *pro tempore* head of the Company's internal audit function.

The Supervisory Committee also oversees the revision of the organization and management models and makes specific reports, where necessary, to the board of directors.

The Supervisory Committee must also propose and verify the most suitable initiatives for raising awareness within the Company's Bodies, the personnel and suppliers of goods and services with a view to fostering knowledge of and compliance with the Company's Code of Ethics and Organization and management models.

The Supervisory Committee has autonomous powers of verification in accordance with the independence principle. The Supervisory Committee avails itself of the internal audit function and assigns it, where deemed useful or necessary, general or specific mandates to conduct verifications on its behalf.

Due to its mandate to be autonomous and independent, the Company's Supervisory Committee reports exclusively to the Company's board of directors and one of the board of directors' staff unit. However, the Supervisory Committee is completely detached and independent from other hierarchical reporting lines.

Each employee and collaborator must report to the Supervisory Committee non-anonymously in writing any perceived breach of the Company's Code of Ethics or the organization and management models. Confidentiality of the procedure and the rights of the person allegedly in violation must be ensured. The Supervisory Committee must hear from the alleged person before any specific determinations are made against them.

The Supervisory Committee advises the board of directors on proposed revisions to the Code of Ethics.

The Supervisory Committee informs in a timely manner the competent corporate bodies or functions and, where appropriate, the board of directors its discovery of any breaches of the Code of Ethics and/or of the organization and management models. In addition, the Supervisory Committee will highlight any reports received in view of any sanctioning measures solicited from the Company and in accordance with procedures provided by law and/or contract.

The Supervisory Committee reports directly to the board of directors in half-yearly reports in view of the board of directors' meetings of January and July of each year. The failure to draft a half-yearly report gives rise to the automatic cessation of the body.

The Supervisory Committee, through its chairman, may report, either in writing or orally, and/or through its delegated member of the Supervisory Committee, to the board of directors and/or the board of statutory auditors where deemed necessary and whenever deemed useful.

Conflict of interests

As of the date of this Base Prospectus, certain members of the board of directors, the board of statutory auditors and senior management of the Company hold, directly or indirectly, ordinary shares in the Company and/or hold corporate roles in companies that hold a shareholding in the Company.

The following table sets out the members of the board of directors and the board of statutory auditors who hold, directly or indirectly, shareholdings in the Company's share capital as of the date of the Base Prospectus on the basis of the information available to the Company.

Name	Number of shares in the Company owned
Vittorio Malacalza	88,450,000
Paolo Fiorentino	30,000,000
Luciano Pasquale	1,550,000
Lucia Venuti	1,230,000
Giuseppe Pericu	762,500
Giulio Gallazzi	250,000
Remo Angelo Checconi	134,688
Marina Luisa Pasotti (directly and indirectly)	80,000
Stefano Lunardi (directly and indirectly)	79,165
Giancarlo Strada	2,816,980
Stefano Lunardi	17,997

Executives with strategic responsibilities (totaling seven executives in office as of 31 December 2017) hold 9.347.151 shares.

Except as indicated, to the best of the Issuer's knowledge, there are not potential conflicts of interests between any duties to the Issuer and any member of the Board of Directors, or of the Board of Statutory Auditors or any of the principal managers of the Issuer and their private interests and or other duties held within the Issuer or the Group.

In this regard, the persons indicated above, in cases of resolution upon, or performance of, transactions that may present conflicts of interest and/or transactions with related parties or associated persons, must comply with applicable laws, internal regulations adopted in accordance with sectoral regulation and Code of Self-Regulation.

In particular:

- pursuant to article 2391 of the Italian Civil Code, directors are obliged to notify fellow directors and the board of statutory auditors of any interest that they may have, on their own behalf or on behalf of a third party, in a specific company transaction, specifying the nature, terms, origin and scope; the Board of Directors' resolution shall adequately explain reasons and advantages of transaction;

- pursuant to article 2391-*bis* of the Italian Civil Code, the CONSOB's regulation concerning related party transactions and the Bank of Italy's regulation concerning associated persons, the Issuer adopted an internal regulation on transactions with related parties and associated persons, updated on 22 July 2013.

The said regulation provides for: (a) procedures aimed at ensuring transparency and formal and substantial fairness of related party transactions, pursuant to relevant CONSOB Regulation; and (b) procedures aimed at ensuring integrity of decisional processes in the context of transactions with associated persons, pursuant to the Bank of Italy circular concerning the "Risk activities and conflicts of interest with associated persons";

- the Issuer has also approved, pursuant to the Bank of Italy's regulation concerning associated persons, the document known as "Internal policies concerning controls on risk activities and conflicts of interest with associated persons", which determines: (a) in relation to operational features and the Issuer's and Group's strategies, sectors and types of economic relations, not limited to those relations implying assumption of risk, which may present conflicts of interest; (b) risk appetite degrees consistent with strategic profile and organisational features of the Issuer and the Group; (c) organisational processes for identifying and recording the associated persons and determining and quantifying relevant transactions at each stage of the relation; (d) control processes aimed at ensuring the correct determination and management of risks assumed towards the associated persons and verifying the correctness of framework and actual implementation of internal policies; and

- the Issuer adopted, pursuant to article 136 of the Banking Law, a specific procedure for the approval of transactions implying obligations for the Issuer's officers: this procedure is currently being used by the banks of the Group for resolutions on transaction involving their directors, statutory auditors and general managers, and creating obligations of any nature whatsoever, direct or indirect, of the aforementioned persons towards the respective companies direct or indirect, of the aforementioned persons towards the respective companies.

Board of Directors

Under the Company's by-laws the annual amount of compensation to be paid to the individual directors is determined by the Shareholders' meeting and includes a fixed component assigned to the directors, including a compensation token for attendance at meetings of the board of directors and Committees.

The board of directors, at the Remuneration Committee's proposal, and after consulting the board of statutory auditors, may establish additional compensation in favor of directors with particular roles, including the chairman, the deputy chairmen, the CEO, the members of the Executive Committee and the additional committees within the board of directors. In relation to committees, additional compensation may be granted to the chairman of the committee.

The amount of the chairman's compensation may not exceed the fixed remuneration received by the CEO and general manager.

Non-executive directors may only receive fixed remuneration.

The CEO may receive a variable component of additional compensation governed by the provisions of individual contracts and must be in line with applicable provisions of law and the Company's current remuneration policies.

Individual directors are awarded attendance tokens for each board meeting and Executive Committee meeting they attend. If more than one committee meeting or board meeting occurs on the same day, only one attendance token per day will be granted.

Directors may receive reimbursement for expenses incurred in relation to their role. The reimbursements are made on a lump-sum basis and calculated on the basis of parameters such as the frequency of meetings and the distance from the director's domicile to the Registered Office.

The Company's remuneration policies are submitted to the Shareholders' meeting for review on an annual basis. The ordinary Shareholders' meeting on March 28, 2017 approved the Group's remuneration policy for 2017, the related implementing procedures and the criteria for the determination of compensation agreed in the event of early termination or early cessation of employment. Limits on compensation, in terms of years of fixed remuneration and the maximum fiscal amount, would also fall under these criteria.

External Auditors

The Issuer's annual financial statements, in accordance with applicable law and regulations, must be audited by external auditors appointed by the shareholders. The external auditors, among other things, examine the Issuer's annual financial statements and issue an opinion regarding whether the Issuer's annual financial statements comply with the Italian regulations governing their preparation (i.e., whether they are clearly stated and give a true and fair view of the financial position and results of the Issuer and the Group). Their opinion is made available to the Issuer's shareholders prior to the annual general shareholders' meeting.

The shareholders' meeting of the Issuer held on 29 April 2011 resolved to appoint EY as external auditor for the period 2012-2020. The engagement of EY will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2020.

RECENT DEVELOPMENTS

2017-2020 Business Plan Banca Carige's Transformation Programme

On 14 September 2017 Banca Carige's Board of Directors has approved the Business Plan.

The new Business Plan seeks to give effect to the vision of Carige going back to "doing the job of the Retail Bank well" for its core business (customers, geographies, products), leaving its past legacy behind, particularly in terms of asset quality and cost income levels.

The Group's new strategic vision revisits all the areas of the Bank and is set to strengthen its capital base and increase profitability, by taking advantage of a number of significant relaunch opportunities and leveraging the good potential for a recovery of productivity and its strong local roots.

The new strategic vision rests on four main pillars: capital strengthening, asset quality, operating efficiency and commercial relaunch.

A fundamental element of the Plan is the comprehensive effort to strengthen the Group's capital structure which will make it possible to restore higher capital ratios than the ECB's current targets as early as by the end of 2017.

In parallel, the Bank has defined a comprehensive strategy to strengthen asset quality through a major effort of de-risking and de-leveraging of non performing exposures (NPEs). The extensive clean-up of non-performing exposures, which will see the total stock decreasing from EUR 7.3 bn at the end of 2016 to EUR 3.1 bn by the end of the Plan period (far below the targets required by the Supervisory Authority), will be coupled with a de-risking and deleveraging strategy, in addition to a more stringent discipline for new loans.

Deleveraging will be flanked by a revised proactive approach in non-performing loan collection activities through a new management model, the main pillars of which are the set up of the NPE Unit, the outsourcing of small-ticket UTPs and pre non-performing loans (Past Due), and new debt collection strategies based on the transformation of assets, in order to maximize recovery from mortgage loan collaterals thanks to the REOCO.

These actions will allow the Group to significantly reduce the total NPE stock (-54%) from Euro 7.3 billion at the end of 2016 to Euro 3.4 billion by 2018 (Euro 3.1 billion in 2020, -58% from 2016) and below the ECB's targets (Euro 3.7 billion in 2019). The Net NPE ratio will therefore decrease from 21.9% to 8.1% in line with market best practices. The coverage ratio for the NPE aggregate (including write-offs) is expected to increase by over 8 p.p. over the Business Plan period, from 49.7% in 2016 to 57.8% in 2020 mainly on the back of provisions taken for the UTP portfolio. The cost of risk will therefore be back to sustainable levels of approximately 55 bps by 2020 (270 bps as at 31 December 2017; an extra 204 bps derived from Euro 2.1 billion bad loan disposal).

The combined actions for capital strengthening and asset quality improvement will reinforce the Bank's current financial structure with benefits in terms of cost of funding and the funding mix, which will enable a further strengthening of liquidity control, in the presence of fully adequate ratios.

Within the scope of the measures designed to accelerate the Group's turnaround, specific actions are envisaged for each individual area in view of a comprehensive overhaul of the operating and management model aimed at filling the operating efficiency gaps with respect to market benchmark.

Around Euro 100 million worth of investments in the Group's business turnaround and evolution throughout the Plan period will be directed towards the development of a new branch model centred on the role of the Branch Manager, the digitalisation of processes and human resources (performance management and skills), and the ongoing upgrading of infrastructures, thus ensuring compliance with regulatory requirements.

Wealth Management will instead fully unlock the value of the Banca Cesare Ponti brand.

A return to profit (Euro 25 million) is expected as of 2018, which will be consolidating up to a profit of Euro 146 million in 2020 (6.5% ROTE).

Disposal of bad loans and bad loan management platform

On 6 December 2017, Banca Carige entered into a binding agreement with Credito Fondiario S.p.A., a specialised player in the NPL investment and servicing market, for the non-recourse disposal of a portfolio of mortgage and signature bad loans for a gross nominal value of approximately Euro1.2 billion as at 30 March 2017.

The consideration for the transaction is Euro 265.5 million, corresponding to a sale price equal to approximately 22.1 per cent. of the portfolio gross book value (GBV), higher than anticipated in the Business Plan approved on 13 September 2017.

The transaction will raise Banca Carige's total bad loan disposal volume as of the second half of the year to approximately Euro 2.2 billion. The disposal fits within the de-risking programme included in the Business Plan, which targets an overall NPL stock level of approximately Euro 3.1 billion by 2020.

The closing of the deal was completed in the same month of December 2017.

Banca Carige additionally announces that it has signed a binding agreement with Credito Fondiario for the disposal of the branch of business consisting in the bad loan management platform in addition to a multi-year servicing agreement.

The consideration for the transaction is Euro 31 million, again with more positive effects than anticipated in the Business Plan. The transaction is aimed at improving debt collection performance by leveraging the industrial partnership with Credito Fondiario, to ensure higher quality standards in line with best market practices.

The closing of the deal is expected by the end of the first half of 2018 and is subject to the approval of the Regulatory Authorities.

Creditis sold to Chenavari Investment Managers

Banca Carige also announces that on 6 December 2017 it entered into a binding agreement with Chenavari Investment Managers for the disposal of an 80.1 per cent. shareholding in the consumer credit company, Creditis Servizi Finanziari S.p.A. ("**Creditis**"), along with a distribution agreement and other transaction ancillary agreements.

The consideration for the transaction is Euro 80.1 million, on economic terms essentially in line with those anticipated in the Business Plan approved on 13 September 2017; the closing of the deal is expected by the end of the first half of 2018 and is subject to the approval of the regulatory authorities.

Capital increase

On 28 September 2017, the extraordinary shareholders' meeting, having acknowledged the authorisation received from the European Central Bank, resolved to vest the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, with the power to increase the share capital by an aggregate amount of up to Euro 560 million of which up to Euro 500 million with inclusion of rights of option and up to Euro 60 million with exclusion or limitation of the rights of option possibly to be reserved for holders of subordinated financial instruments included in the scope

of a liability management exercise ("**LME transaction**"), vesting the Board of Directors with the authority to determine the procedures, terms and conditions for the capital increase.

On 29 September 2017, the Board of Directors resolved upon the terms and conditions of the LME transaction which consists in: (i) an Exchange Offer (the "**Offer**"), and (ii) a consent solicitation for the substitution of subordinated notes – for an aggregate nominal amount of Euro 510 million – with new senior notes issued under the Bank's EMTN programme, with 100 per cent. issue price, 5-year maturity, 5 per cent. fixed rate annual coupon.

The exchange price - with prices equal to 30 per cent. for the Tier 1 notes and 70 per cent. for the Tier 2 notes (if tendered within 7 business days from the launch of the LME transaction) – will be increased, exclusively in the case of Tier 2 notes, by the interest accrued on such notes from the last coupon payment date to the relevant LME settlement date, which shall in any case remain subject to the successful completion of the capital increase.

The Board of Directors, in execution of its delegated powers to implement the capital increase, may possibly reserve a tranche of the capital increase for one or more categories of investors taking part to the LME transaction for an amount of up to Euro 60 million.

The subordinated notes included in the LME are identified in the following table:

Notes	Issuer	Series	ISIN	Aggregate Outstanding amount (Euro)
Tier1	Banca Carige S.p.A.	416 - Euro 160 million 8.338% "Perpetual Tier I Junior Subordinated Notes due 2018"	XS0400411681	160,000,000
Tier II	Banca Carige S.p.A.	525 - Euro 200 million 7.321% "Lower Tier II Subordinated Notes due 2020"	XS0570270370	200,000,000
Tier II	Banca Carige S.p.A.	511 - Euro 50 million 5.7% "Lower Tier II Subordinated Notes due 2020"	XS0542283097	50,000,000
Tier II	Banca Carige S.p.A.	389 - Euro 100 million floating rate "Lower Tier II Subordinated Notes due 2018"	XS0372143296	100,000,000

With regard to the capital increase transaction, the Board of Directors of Banca Carige, at its meeting of 15 November 2017, resolved:

- with reference to the rights issue:

  (1) to issue up to 49,810,870,500 new ordinary shares with no indication of par value and having regular dividend entitlement, to be offered on option to the holders of the Bank's ordinary and/or savings shares;

  (2) to set the allotment ratio at 60 new shares for every ordinary and/or savings share held;

  (3) to set the issue price for each new ordinary share at Euro 0.01.

The total subscription amount of the rights issue will therefore be a maximum of Euro 498,108,705.

- with reference to the tranche reserved for holders of subordinated financial instruments:

  (1) to issue up to 6,000,000,000 new ordinary shares with no indication of par value and having regular dividend entitlement. The total subscription amount of the reserved tranche will therefore be a maximum of Euro 60,000,000.

On 22 December 2017 Banca Carige announced that the capital increase (inclusive of the reserved tranche) was subscribed for a total amount of Euro 544,356,998.40 (of which Euro 54,435,699.84 as share capital and Euro 489,921,298.56 as share premium) through the issue of 54,435,699,840 new Banca Carige ordinary shares, in excess of the ECB's target of Euro 500,000,000 to be achieved by the end of 2017. The capital increase fits within

the Group's capital strengthening plan for an amount of over Euro 1 billion which was announced on 14 September 2017.

In the same date, as part of the LME transaction, the 4,638,000,000 new ordinary shares arising from the reserved tranche were settled for a total amount of Euro 46,380,000 and the new senior notes with an overall par value of Euro 188,807,000 were delivered.

As at 31 December 2017, Banca Carige's new share capital therefore amounts to Euro 2,845,857,461.21, divided into 55,265,855,473 ordinary shares and 25,542 savings shares, with no indication of par value.

Trade Union Agreement

On 18 December 2017, Banca Carige S.p.A. announced that it reached an agreement with the national and corporate trade-union representations on the methods for addressing the impacts of the 2017-2020 Business Plan.

The agreement signed envisages in the first place the use of the solidarity allowance mechanism for the banking sector (*Fondo di Solidarietà*) for 490 voluntary redundancies which, together with the confirmed retirement incentives, allow to manage the staff redundancies expected.

Banca Carige's Board of Directors approves Group IT System outsourcing and 2018 budget

On 2 February 2018 Banca Carige's Board of Directors discussed about several items on the agenda, including the IT outsourcing, 2018 Budget and CEO Report on the letter which was sent to the Board of Directors by the shareholder, Malacalza Investimenti Srl.

The Board of Directors approved the project to outsource the Group's IT system to IBM Italia S.p.A., and consequently start the ECB authorisation process; it also approved the guidelines for the 2018 Budget, with a focus on the Bank's business as usual to revert to profitability. The Business Plan targets were confirmed and special attention will be given to reducing the cost/income ratio, as a major objective to be pursued in the next three years.

Shareholders' meeting to be convened on 29 March 2018

On 27 February 2018 the Board of Directors of Banca Carige convened the Shareholders' meeting on 29 March 2018 with the following Agenda: i) Approval of the 2017 financial statements; ii) Reconstitution of the Board of Auditors; iii) Remuneration policies; iv) Adjustment of the remuneration of the external auditor.

Board of Directors approves parent company's Draft Separate and Group Consolidated Financial Statements as at 31 December 2017

On 6 March 2018 the Board of Directors of Banca Carige approved the Draft Bank Separate and Group Consolidated Financial Statements for the year ending 31 December 2017, the annual Corporate Governance and Ownership Structure Report for 2017 pursuant to art. 123-bis of the Financial Services Act, as well as the Group's 2017 Non-Financial Report pursuant to Law Decree no. 254/2016.

A loss of Euro 388.4 million was posted for the year 2017 - as against the amount of Euro 380.5 million reported in the preliminary results approved and disclosed to the market on 9 February 2018- due to the recognition of additional provisions on non-performing exposures classified as bad loans for an amount of approximately Euro 11.0 million before tax.

As at 31 December 2017, the phased-in CET1 ratio and Total Capital Ratio were 12.4% and 12.6% respectively.

The introduction of the new accounting principle IFRS9 "Financial Instruments"

With reference to the new classification, measurement and impairment rules for financial instruments introduced by IFRS 9, the Group has defined the methods for calculating impairment losses on loans based on the new expected loss model, as well as procedures for determining any increase in credit risk so as to correctly allocate the exposures to the three stages recognised by the accounting standard.

The quantitative effects, estimated on a preliminary basis, amount to a total of approximately - Euro 360 million (corresponding to an estimated -210 bps impact on the fully-loaded CET1 ratio), mainly traceable to the introduction of sale scenarios in the calculation of loan loss provisions in relation to the deconsolidation of non-performing loans planned for the year in a GBV amount of approximately Euro 1.5 billion, with an impact estimated in the region of - Euro 280 million. Following the adoption of the phase-in regime provided for in Regulation (EU) 2017/2395 of the European Parliament and of the Council ("First Time Adoption"), which allows for the impact of impairment of loans on own funds to be diluted over a period of 5 years, the impact of the new rules on the 2018 CET1 ratio is estimated at +12 bps.

The ownership structure

On 6 March 2018 the Board of Directors of Banca Carige acknowledged the letter dated 23 February 2018 from Mr. Raffaele Mincione, in his capacity as Chairman of Time & Life S.A., the new shareholder of the Bank with a stake of 5.428% acquired through POP 12 Sarl, wherein he stated that, given the recent reorganisation of the bank's shareholding structure, his company should in his opinion be represented in the Bank's Board of Directors.

Considering that the conditions are not there for currently accepting the new shareholder's request for representation in its current composition, the Board of Directors has nonetheless reasserted its commitment and proneness towards fulfilling the interests of all stakeholders of the Bank in its changing shareholding structure over time.

OVERVIEW OF FINANCIAL INFORMATION OF BANCA CARIGE GROUP

The following tables set forth summary consolidated financial information as of and for the years ended 31 December 2017 and 2016 (restated).

Financial data included below has been derived from our 2017 Audited Consolidated Financial Statements, including restated financial information contained therein for comparative purposes and our 2016 Unaudited Restated Consolidated Financial Information, including restated financial information contained therein for comparative purposes.

In particular, Banca Carige has restated certain comparative data related to 2016 with respect to the data previously presented in the 2016 Audited Consolidated Financial Statement in accordance with the provisions of IFRS 5 to take into account the classification as disposal groups (discontinued operations) of Creditis Servizi Finanziari S.p.A. ("**Creditis**"). This Base Prospectus hereto includes a statement of reconciliation between the 2016 Audited Consolidated Financial Statements and the 2016 Unaudited Restated Consolidated Financial Information, presented as comparative to the 2017 Audited Consolidated Financial Statements. For further details on the restatement, refer to the 2017 Consolidated Financial Statements ("*Explanatory Notes—Restatement of prior period accounts in compliance with IFRS 5 (Non-current assets held for sale and discontinued operations)*") incorporated by reference in this Base Prospectus".

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

Because of the restatements made to our financial information, prospective investors may find it difficult to make comparisons between our different sets of financial information. You should read the following summary consolidated financial and other information in conjunction with the information contained in "*The description of Banca Carige and Banca Carige Group*" and our 2017 Audited Consolidated Financial Statements and the related notes thereto appearing elsewhere in this Base Prospectus. For additional information see "*Risk Factors. Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme - The Base Prospectus contains restated and reclassified financial statements, and it may be difficult for an investor to compare between the various financial periods for which data is presented herein".*

The following tables set forth Banca Carige summary consolidated financial information for the years ended 31 December 2017 and 2016 (unaudited restated).

	For the year ended December 31,		2017 / 2016	
	2017	2016 Unaudited Restated[(1)]	Change	%
	(in Euro thousand, except for percentages)			
Net Interest Income	233,613	258,996	(25,383)	(9.8)
Net fee and commission income	239,219	239,322	(103)	(0.0)
Net interest and other banking income	381,332	573,287	(191,955)	(33.5)
Net losses on impairment of loans, financial assets available-for-sale, other financial activities	(438,724)	(467,917)	29,193	(6.2)
Net income from banking and insurance activities	(57,392)	105,370	(162,762)	…
Operating expenses	(626,574)	(555,554)	(71,020)	12.8
Loss before tax from continuing operations	(588,718)	(463,679)	(125,039)	27.0
Loss after tax from continuing operations	(419,434)	(321,458)	(97,976)	30.5
Profit after tax from discontinued operations	26,070	25,390	680	2.7
Net Loss for the year	(393,364)	(296,068)	(97,296)	32.9
Net Loss for the year attributable to the Parent Company	(388,435)	(291,737)	(96,698)	33.1

(1) 2016 Unaudited Restated Consolidated Financial Information

For the year 2017, the Parent Company's share of loss for the year amounts to Euro 388.4 million, as against the Euro 291.7 million loss posted for the year 2016.

Compared to the same period of the previous year, the performance reflects negative trends in net interest income and net fees and commissions, in addition to an increase in operating expenses.

For the year 2017, in addition, Carige recorded provisions for loans of Euro 427.5 million and losses deriving from the disposals of loans amounting to Euro 321.5 million.

Net interest and other banking income therefore fell, despite Euro 221.5 million gross profit deriving from the LME transaction, also due to the effect of losses from the sale of receivables, mainly connected to the two transactions carried out by the Group during the year (the first , through the securitisation of a portfolio of non-performing loans of approximately Euro 940 million, the second through the non-recourse assignment of a portfolio of mortgage and unsecured exposures classified as bad loans for an amount of approximately Euro 1.2 billion) which led to a total loss of Euro 308 million.

The Group's profit and loss account also shows higher operating costs compared to those recorded in the previous financial year, due to the impact of non-recurring items related to staff costs of Euro 61.5 million (of which Euro 50 million to provisions for the Solidarity Fund provision) attributable to the trade union agreement reached in December (in addition, the item had benefited in 2016 of non-current positive components for Euro 19.3 million), as well as the costs closely related to the one-off transactions required for implementing the Group's Business Plans for an amount of 10.4 million and the write-down of Euro 15 million worth of intangible assets.

Lastly, the loss for the year was partly offset by the capital gain (for Euro 85 million) posted after the Milan property was sold.

More specifically for the year 2017, net interest income amounted to Euro 233.6 million, down 9.8% in the year, as it was weighed down by a negative interest rate effect associated with market rates continuing their downward trend, and a reduction in funding and lending volumes.

Interest and similar income stood at Euro 464.3 million for the year 2017 (decrease of 13.8% compared to the year 2016), mainly weighed down by the reduction in interest on loans to customers, whilst interest and similar expense totalled Euro 230.7 million for the year 2017 down 17.6% compared to the year 2016. The reduction in interest expense is specifically attributable to debt securities in issue and loans to customers.

Net fees and commissions income amounted to Euro 239.2 million for the year 2017 essentially stable compared to the year 2016. Fee and commission income stood at Euro 270.9 million, down 1.2% compared to December 2016 primarily on the back of the trends in fees for maintaining and managing current accounts. Fee and commission expense decreased to Euro 31.6 million for the year 2017 (decreased 9.4% compared to the year 2016), primarily as a result of trends in commissions for guarantees received (Euro 1.6 million compared with Euro 6.8 million in December 2016).

For the year 2017, operating expenses stood at Euro 626.6 million, with respect to Euro 555.6 million as at December 2016 (+12.8%). Other net operating income stood at Euro 71.5 million for the year 2017 (Euro 87.9 million in December 2016); the 18.7% gap is mainly attributable to the reduction in items relating to the recovery of tax and credit facility application fees, which are partly offset by the corresponding cost item "indirect taxes".

In light of the considerations above and having regard to gains on both equity investments and disposal of investments for an aggregate amount of Euro 95.2 million for the year 2017, loss before tax from continuing operations was a negative Euro 588.7 million, as against a negative result of Euro 463.7 million in December 2016.

Tax recovery totalled Euro 169.3 million for the year 2017, lower than in December 2016 when it totalled Euro 142.2 million.

Profit from disposal of assets held for sale amounted to Euro 26.1 million for the year 2017 and represents the contribution to the consolidated financial accounts for the year 2017 attributable to the subsidiary Creditis.

Net of the non-controlling interests' share of loss for the year, the Parent Company's share of loss for the year 2017 amounted to a negative Euro 388.4 million, compared to a loss of Euro 291.7 million in December 2016.

Including the income components directly booked to equity, the Parent Company's share of total comprehensive income was a negative Euro 371 million for the year 2017.

The following tables set forth Banca Carige summary of consolidated balance sheets as of 31 December 2017 and 2016 (unaudited restated).

	As of December 31,		2017 / 2016	
	2017	2016 Unaudited Restated[(1)]	Change	%
	(in Euro thousand, except for percentages)			
Total assets	24,919,704	26,111,004	(1,191,300)	(4.6)
Direct deposits	16,858,829	19,388,180	(2,529,351)	(13.0)
Due to banks	4,656,624	3,468,322	1,188,302	34.3
Loans to customers[(a)]	17,734,030	21,161,797	(3,427,767)	(16.2)
Loans to Banks[(b)]	2,938,895	1,894,508	1,044,387	55.1
Securities portfolio[(c)]	2,298,638	2,326,682	(28,044)	(1.2)
Group's share capital and reserves	2,244,724	2,109,235	135,489	6.4

[(1)] Unaudited figures restated for a consistent presentation.
[(a)] Gross of value adjustments (for Euro 2,224,346 thousand as of 31 December 2017 and for Euro 3,440,980 thousand as of 31 December 2016) and net of debt securities classified as L&R (for Euro 244,250 thousand as of 31 December 2017 and for Euro 504 thousand as of 31 December 2016).
[(b)] Gross of value adjustments (for Euro 4,288 thousand as of 31 December 2017 and for Euro 7,813 thousand as of 31 December 2016) and net of debt securities classified as L&R (zero as of 31 December 2017 and for Euro 5,319 thousand as of 31 December 2016).
[(c)] Balance sheet items 20 (net of derivatives), 40, 60 (only for L&Rs) and 70 (only for L&Rs) are included in the aggregate.

Net of the equity investment in the Bank of Italy, Italian government bonds represent 83.9% of the total Securities portfolio.

The following tables set forth Banca Carige summary of consolidated cash flow statement for the year ended 31 December 2017 and 2016 (unaudited restated).

	For the year ended December 31,	
(in Euro thousand)	2017	2016 Unaudited Restated[(1)]
Net cash flow used in operating activities	(478,770)	(4,933)
Net cash flow used in investing activities	(14,666)	(22,068)
Net cash flow from funding activities	492,608	18
Net decrease in cash and cash equivalents during the period	(828)	(26,983)

(1) 2016 Unaudited Restated Consolidated Financial Information.

The following tables set forth a breakdown of Banca Carige direct deposits and net interbank as of 31 December 2017 and 31 December 2016 (unaudited restated).

	As of December 31, 2017	As of December 31, 2016 Unaudited Restated[(1)]	Change	%
		(in Euro thousand, except for percentages)		
Current account and demand deposits	11,141,642	11,841,106	(699,464)	(5.9)
Repurchase agreements	-	351,226	(351,226)	(100.0)
Term deposits	1,313,280	1,344,401	(31,121)	(2.3)
Loans	4,021	5,085	(1,064)	(20.9)
other payables	165,598	168,390	(2,792)	(1.7)
Due to customers	**12,624,541**	**13,710,208**	**(1,085,667)**	**(7.9)**
Bonds	3,884,698	5,215,698	(1,331,000)	(25.5)

	As of December 31, 2017	As of December 31, 2016 Unaudited Restated[1]		Change	%
other securities	1,131	3,076		(1,945)	(63.2)
Securities issued	**3,885,829**	**5,218,774**		**(1,332,945)**	**(25.5)**
Bonds	348,459	459,198		(110,739)	(24.1)
Liabilities designated at fair value through profit and loss	348,459	459,198		(110,739)	(24.1)
Direct deposits	**16,858,829**	**19,388,180**		**(2,529,351)**	**(13.0)**
Due to banks	4,656,624	3,468,322		1,188,302	34.3
Loans to banks[*]	2,934,607	1,886,695		1,047,912	55.5
Net interbank	(1,722,017)	(1,581,627)		(140,390)	8.9

[1] Unaudited figures restated for a consistent presentation.
[*] Net of debt securities classified as L&R amounting to 5,319 thousand at 31 December 2016.

Direct deposits decreased by 13% compared to December 2016, to Euro 16,858.8 million as of December 2017. As part of this aggregate, due to customers amounted to Euro 12,624.5 million as of 31 December 2017, down by 7.9% compared to 31 December 2016, mainly due to the negative trend in current accounts and demand deposits (Euro 11,141.6 million as of 31 December 2017, decreased by 5.9% compared 31 December 2016), recorded above all in the last quarter of the year and attributable to the tensions occurring at the time the capital increase was launched, and the reduction of repurchase agreements to zero (Euro 351.2 million in December 2016).

Securities issued, almost entirely consisting in bonds to customers, totalled Euro 3,885.8 million as of 31 December 2017 (-25.5% compared to December 2016), mainly affected by Euro 1.3 billion in senior bonds and Euro 20 million of a Lower Tier 2 subordinated bond series coming to maturity in 2017, in addition to the LME transaction completed at the end of December 2017 by substituting subordinated bonds for an aggregate nominal amount of Euro 510 million with new senior securities with a nominal amount of Euro 188.8 million.

More specifically, direct retail funding, for a total amount of Euro 13,985.5 million as of 31 December 2017, was down by 11% in the year, whereas institutional funding (Euro 2,873.4 million) was down 21.8%.

With regard to the average term to maturity, short-term funding totalled Euro 11,964.3 million (Euro 13,124.2 million as at December 2016), accounting for 71% of total funding (67.7% as at December 2016), whilst medium-to-long term funding totalled Euro 4,894.5 million (Euro 6,263.9 million as at December 2016), accounting for 29% of total funding (32.3% as at December 2016).

Amounts due to banks amounted to Euro 4,656.6 million, up from Euro 3,468.3 million in December 2016, due to the effect of the last tranche of the TLTRO II programme underwritten in March 2017 for an amount of Euro 500 million and repurchase agreements entered into for an amount of Euro 746.9 million following the initiatives implemented to rationalise the Group's funding needs.

Loans to banks, net of debt securities classified as L&R and gross of adjustments for an amount of Euro 4.3 million as of 31 December 2017, totalled Euro 2,938.9 million, up from Euro 1,894.5 million at the beginning of the year; 89.9% of this aggregate was accounted for by short-term loans.

The net interbank position (difference between deposits from and loans to customers, net of securities re-classified as L&R) showed a debt exposure of Euro 1,722 million as of 31 december 2017, as compared to Euro 1,581.6 million in December 2016.

Net of the institutional component, direct deposits at December 31, 2017 amounted to Euro 14.0 million (Euro 15.7 million at December 31, 2016) of which Euro 11.8 million for short-term and Euro 2.2 million for medium-long term (Euro 12.6 million and Euro 3.1 million at December 31, 2016 respectively).

Funding from customers (retail and corporate) recorded a negative trend especially in the last quarter of the 2017 due to the tensions that occurred when the capital increase was launched and for the cancellation of repurchase agreements.

In relation to the above, the cost of funding for the Issuer, understood as average rate on average deposit amount, is equal to 1.12% at December 31, 2016 and 1.03% at December 31, 2017.

The following tables set forth the breakdown of Banca Carige loan portfolio by category for the years ended 31 December 2017 and 2016 (unaudited restated):

	As of December 31, 2017[(1)]					
(in Euro thousand)	**Gross exposure**	**%**	**Value adjustment**	**Net exposure**	**%**	**Coverage Ratio %**
	(a)		**(b)**	**(a-b)**		**(b/a)**
Total non-performing loans	**4,785,588**	**27.0**	**2,145,354**	**2,640,234**	**17.0**	**44.8**
Bad loans	1,677,882	9.5	1,077,590	600,292	3.9	64.2
Unlikely to pay	3,026,986	17.1	1,053,270	1,973,716	12.7	34,8
Past due loans	80,720	0.5	14,494	66,226	0.4	18.0
Performing loans[(*)]	**12,948,442**	**73.0**	**78,992**	**12,869,450**	83.0	**0.6**
Total loans to customers[(*)]	**17,734,030**	**100.0**	**2,224,346**	**15,509,684**	**100.0**	**12.5**

(1) Figures reclassified from 2017 Audited Consolidated Financial Statement.
(*) Net of debt securities classified as L&R amounting to Euro 244,250 thousand.

	As of December 31, 2016 Unaudited restated (1)					
(in Euro thousand)	**Gross exposure**	**%**	**Value adjustment**	**Net exposure**	**%**	**Coverage Ratio %**
	(a)		**(b)**	**(a-b)**		**(b/a)**
Total non-performing loans	**7,309,036**	**34.5**	**3,310,315**	**3,998,721**	**22.6**	**45.3**
Bad loans	3,704,673	17.5	2,329,733	1,374,940	7.8	62.9
Unlikely to pay	3,485,770	16.5	961,893	2,523,877	14.2	27.6
Past due loans	118,593	0.6	18,689	99,904	0.6	15.8
Performing loans[(*)]	**13,852,761**	**65.5**	**130,665**	**13,722,096**	**77.4**	**0.9**
Total loans to customers[(*)]	**21,161,797**	**100.0**	**3,440,980**	**17,720,817**	**100.0**	**16.3**

(1) Figures reclassified from unaudited figures restated for a consistent presentation.
(*) Net of debt securities classified as L&R, amounting to Euro 504 thousand.

With reference to the gross NPE ratio of the main peers, the level stands at 17.7% (9.6% net NPE ratio)[4].

Furthermore it should be noted that:

- Coverage Ratio NPE, including write-offs, is equal to 46,7% in 2016 and to 47,7% in 2017;
- Coverage Ratio bad loans, including write-offs, is equal to 64,6% in 2016 and to 68,8% in 2017; and
- Coverage Ratio UTP, including write-offs, is equal to 27,7% in 2016 and to 35,1% in 2017.

Gross non-performing loans to customers on-balance-sheet and signature loans to customers amounted to Euro 4,785.6 million as of 31 December 2017, down by 34.5% compared to the levels as at December 2016; this change is attributable for about Euro 2.2 billion to the aforementioned transactions for the sale or securitisation of non-performing loan portfolios during the year. Because of this, the corresponding incidence of gross non-performing

[4] Source: 3Q17 reports UCG, ISP, MPS, UBI, BBPM, BPER, Credem, POPSO and Creval.

loans to customers on total gross loans to customers ("gross NPE ratio") decreased from 34.5% in 2016 to 27% in 2017.

In particular, gross non-performing loans relating to customers amounted to Euro 1,677.9 million as of 31 December 2017, down by 54.7% compared to 31 December 2016 (mainly, as a result of the aforementioned de-risking transactions) and represent 9.5% of the reference aggregate.

Gross probable defaults amounted to 3,027 million, decreasing by 13.2%.

Past due loans, also consisting entirely in loans to customers, totalled Euro 80.7 million, decreasing from Euro 118.6 million as at December 2016.

The percentage coverage of non-performing deposits from customers is of 44.8% compared to 45.3% recorded at the end of 2016; in particular, non-performing loans show a coverage of 64.2%, (68.8% including write-offs), unlikely to pay loans of 34.8% (35.1% inclusive of write-offs) and past-due exposures of 18%, values that guarantee full compliance with the coverage targets set by the ECB.

Non-performing signature loans amounted to Euro 96.4 million, down by 11.3% compared to December 2016, and were written down by 21.7%.

In 2017 there was a significant reduction (Euro 2,523.4 million) of non performing exposure (NPE) mainly due to the sale of these assets. In particular, against a growth of 3.2% in the fourth quarter of 2016 (on a quarterly basis), there was a reduction of 11,9% in the third quarter and 24.2% in the fourth quarter of 2017 (- 5.1% net of the sale to Bramito SPV of non-performing loans portfolio of Euro 1.2 billion).

In 2017, the NPE positions returned to performing status amounted to Euro 364.9 million (Euro 430.1 million at 31 December 2016 of which 276.6 million in the fourth quarter) while the new positions classified as non performing amounted to Euro 534.3 million in 2017 (Euro 70 million traceable to a single name), while in 2016 they amounted to Euro 998.9 million, of which 644.3 million in the fourth quarter (Euro 500 million traceable to a single position).

Alternative Performance Measures

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

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

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

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

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

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

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

iv. investors should therefore not place undue reliance on APMs and read these APMs together with the Group's financial information from the Issuer's consolidated financial statements for the year period 2016 -2017;

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

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

The APMs below were selected and represented in the Prospectus because the Group believes that:

- Cost income is one of the key indicators of a bank's operating efficiency (the owner the value, the more efficient the bank) and help to illustrate trends in our operating performance.
- ROE and ROE Adjusted[5] are indicators of most interest to shareholders as it allows to evaluate the profitability of risk capital.
- Net Bad loans / Net Loans[6] to customers is a measures of is a key asset solvency indicator for the financial community in the rating of bank shares.

The APMs shown below are indicated in the 2017 Audited Consolidated Financial Statement.

The following tables set forth the Group's profitability, productivity and efficiency ratios for the year ended 31 December 2017 and 31 December 2016 (unaudited restated):

	Note	2017(*)	2016(*) Unaudited Restated
Cost/Income *Ratio*	(1)	98.5%	89.2%
ROE	(2)	-14.8%	-12.2%
ROE Adjusted	(3)	-14.0%	-11.4%

(*) Analysis prepared by the Company.

	Note	2017	2016 Unaudited Restated(1)
Net Bad loans / Net loans to costumers	(4)	3.9%	7.8%

(1) 2016 unaudited figures restated for a consistent presentation.

Note (1) Cost Income Ratio

The Cost / Income ratio, calculated as the ratio between operating expenses and net operating income, is one of the main indicators of the Bank's and the Group's management efficiency; the lower the value expressed by this indicator, the greater the efficiency.

The following table shows the reconciliation of operating expenses and total net operating income (reclassified figures) with the related balance sheet data:

[5] ROE and ROE Adjusted - ROE is the ratio between the net loss for the year and the shareholders' equity net of loss for the year whereas ROE Adjusted is the ratio between the net loss for the year and the shareholders' equity net of valuation reserves and loss for the year.

[6] Bad loans: a loan which is unlikely to be paid back because the customer is in a state of insolvency (even if not legally ascertained) or in similar situations.

	For the year ended December 31, (*)	
	(in Euro thousand)	
	2017	**2016 Unaudited Restated**
Other administrative expenses	(263,768)	(276,398)
Expenses related to the extraordinary transaction carried out to implement the Group business plan	10,402	1,598
Recovery of taxes	46,167	49,030
Contribution to the National Resolution Fund and FITD	18,273	35,598
DTA charges	13,891	13,874
Personnel expenses	(358,743)	(295,757)
Personal expenses - Severance	61,483	(19,371)
Value adjustments/write-backs		
-Property and equipment	(14,661)	(26,468)
-Property and equipment (equipment)	-	6,695
-Intangible assets	(36,692)	(24,105)
-Intangible assets (software)	14,934	-
A. Total operating expenses	**(508,714)**	**(535,304)**
Net Interest Income	233,613	258,996
Net fee and commission income	239,219	239,322
Other operating income	71,514	87,919
Recovery of taxes	(46,167)	(49,030)
Dividends and similar income	10,661	14,077
Net profit (loss) from trading	4,151	18,459
Net profit (loss) from hedging	(430)	(2,384)
Profits (losses) on disposal or repurchase of		
-*Financial assets available for sale*	(7,982)	40,302
-*Financial liabilities*	225,142	8,511
Profit (losses) on financial assets/liabilities designated at *fair value*	(1,573)	(3,993)
Non-core trading - LME	(221,522)	(12,100)
Losses on disposal of the equity investment in three banks held by the FITD voluntary scheme	9,870	-
B. Total net operating income	**516,496**	**600,079**
A/B *Cost Income Ratio*	**-98.5%**	**-89.2%**

Note (2) ROE

ROE is the ratio between the net loss for the year and the shareholders' equity net of loss for the year.

	For the year ended December 31,(*)	
(in Euro thousand)	**2017**	**2016 Unaudited Restated (1)**
A. Loss attributable to the Parent Company	(388,435)	(291,737)
B. Group Shareholders' Equity	2,244,724	2,109,235
C. Group Shareholders' Equity net of Loss attributable to the Parent Company (B - A)	2,633,159	2,400,972
A/C. ROE	(14.8)%	(12.2)%

(*) Analysis prepared by the Company.
(1) 2016 unaudited figures restated for a consistent presentation.

Note (3) ROE Adjusted

ROE is the ratio between the net loss for the year and the shareholders' equity net of valuation reserves and loss for the year.

(in Euro thousand)	For the year ended December 31,(*) 2017 Unaudited	2016 Unaudited Restated (1)
A. Loss attributable to the Parent Company	(388,435)	(291,737)
B. Group Shareholders' Equity	2,244,724	2,109,235
C. Valuation Reserves	(140,633)	(158,100)
D. Group Shareholders' Equity net of Loss attributable to the Parent Company and of Valuation Reserves (B - C - A)	2,773,792	2,559,072
A/D ROE Adjusted	(14.0)%	(11.4)%

(*) Analysis prepared by the Company.
(1) 2016 unaudited figures restated for a consistent presentation.

Note (4) Net Bad loans / Net loans to customers

Net Bad loans / net loans to customers is the ratio between the net bad loans to customers and the total loans to customers (item 70 of the Balance Sheet net of debt securities classified as L&R)

(in Euro thousand)	As of December 31, 2017	As of December 31, 2016 Unaudited Restated(*)
A. Bad Loans	600,292	1,374,940
B. Net Loans to Customers	15,753,934	17,721,321
C. Debt securities classified as Loans & Receivable	244,250	504
D. Loans to Customers net of Debt securities classified as L&R (B - C)	15,509,684	17,720,817
A/D. Bad Loans / Loans to Customers	**3.9%**	**7.8%**

(*) 2016 unaudited figures restated for a consistent presentation.

Other Information

Liquidity Measures

The following table sets forth the Company's liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and loan-to-deposit ratio as of the indicated dates.

	Regulatory Requirement 2017	As of December 31, 2017	As of December 31, 2016(1)
LCR(*)	80%	156%	124%
NSFR	—	> 100%	> 100%

(*) SREP Decision 2017 required to maintain at all times and on a consolidated basis a minimum liquidity coverage ratio of 90%.
(1) 2016 Audited Consolidated Financial Statement

(in Euro thousand)	As of December 31, 2017 Unaudited	As of December 31, 2016 Unaudited Restated[1]
A. Loans to customers[*]	15,509,684	17,720,817
B. Direct Deposits [2]	16,858,829	19,388,180
C. Loan to Deposit Ratio (A/B)	92.0%	91.4%

[1] 2016 unaudited figures restated for a consistent presentation.
[*] Net of debt securities classified as L&R (for Euro 244,250 thousand as of 31 December 2017 and for Euro 504 thousand as of 31 December 2016).
[2] Include Balance Sheet items 20, 30 and 50 are included in the aggregate.

With reference to the Unencumbered Cash and Available Collateral, it should be noted that, as of 31 December 2017, the cash component amounted to Euro 0.8 million and other eligible assets amounted to Euro 1.1 million (Euro 0.6 million and Euro 1.3 million at December 31, 2016 respectively).

Other information

Own Funds

The following table sets forth the Group's Own Funds as of 31 December 2017 and as of 31 December 2016 (unaudited restated).

(in Euro thousand)	As of December 31, 2017 Bis III p.i.	As of December 31, 2016 Bis III p.i.
Common Equity Tier 1	1,902,156	1.942.445
Tier 1	1,904,157	2,040,169
Tier 2 Capital	28,084	317,739
Own Funds	**1,932,240**	**2,357,908**
RWAs	**15,329,671**	**17,028,774**

(in Euro thousand)	As of December 31, 2017 Bis III p.i.	As of December 31, 2016 Bis III p.i.
CET 1 *Ratio*	12.4%	11.4 %
Tier 1 Capital Ratio	12.4%	12.0 %
Total Capital Ratio	12.6%	13.8 %

As at 31 December 2017, the Group had a phased-in Total Capital Ratio of 12.4%, a phased-in Tier I Ratio of 12.4% and a phased-in Common Equity Tier 1 Ratio of 12.6%, higher than the minimum regulatory levels.

The CET1 Ratio is higher than both the regulatory limits and the 9% minimum threshold required by the ECB under the SREP process for 2017, as the Pillar 2 Guidance threshold of 11.25%.

The TCR is higher than the regulatory limit and the 12.5% minimum threshold required by the ECB under the SREP process for 2017.

(in Euro thousand)	As of December 31, 2017	As of December 31, 2016
A. Common Equity Tier 1 (CET 1) prior to the application of prudential filters	2,258,572	**2,120,523**
Of which CET 1 instruments subject to grandfathering/transitional adjustments	13,852	11,379
B. CET1 prudential filters (+/-)	**87,117**	**80,190**
C. CET1 gross of deduction and effects from transitional adjustments (A+/-B)	**2,345,689**	**2,200,713**
D. Items to be deducted from CET1	(549,895)	**(407,399)**
E. Transitional adjustments – Effect on CET1 (+/-), including minority interest subject to transitional adjustments	**106,368**	**149,131**
F. Total Common Equity Tier 1 capital (CET1) (C-D+/-E)	**1,902,162**	**1,942,445**
G. Additional Tier 1 Capital (AT1) gross of deductions and effects from transitional adjustments	427	96,091
Of which AT1 instruments subject to grandfathering/transitional adjustments	426	96,000
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional adjustments	**1,575**	**1,633**
L. Total Additional Tier 1 capital (AT1) (G-H+/-I)	**2,002**	**97,724**
M. Tier 2 Capital (T2) gross of deductions and effects from transitional adjustments	26,837	316,305
Of which T2 instruments subject to grandfathering/transitional adjustments	26,837	64,000
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional adjustments	1,249	1,434
P. Total Tier 2 capital (T2) (M-N+/-O)	**28,086**	**317,739**
Q. Total own funds (F+L+P)	**1,932,250**	**2,357,908**

Capital Adequacy

The following table set forth Group's capital adequacy level as of 31 December 2017 and 2016 (unaudited restated) according to the regulatory framework in force at those dates.

	Unweighted amounts		Weighted amounts / requirements	
(in Euro thousands)	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
A. RISK ASSETS				
A.1 Credit and counterparty risk	26,395,455	27,376,508	14,291,741	15,915,609
1. Standardised	26,350,540	27,368,814	14,224,368	15,914,070
2. Internal rating-based (IRB) approach[(1)]				
2.1 Foundation				
2.2 Advanced				
3. Securitisation	44,915	7,694	67,373	1,539
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty			1,143,339	1,273,249
B.2 Credit valuation adjustment risk			194	570
B.3 Settlement risk				—
B.4 Market risk			148	260
1. Standardised			148	260
2. Internal models				—

(in Euro thousands)	Unweighted amounts		Weighted amounts / requirements	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
3. Concentration risk				—
B.5 Operational risk			82,693	87,685
1. Foundation approach				—
2. Standardised			82,693	87,685
3. Advanced				—
B.6 Other calculation elements				—
B.7 Total prudential requirements[2]			1,226,374	1,362,302
C. RISK ASSETS AND REGULATORY CAPITAL RATIO				
C.1 Risk-weighted assets			15,329,671	17,028,774
C.2 Common Equity Tier 1 capital / Risk Weighted Assets (CET1 *capital ratio*)			12,4%	11.4%
C.3 Tier 1 capital / Risk Weighted Assets (Tier 1 *capital ratio*)			12,4%	12.0%
C.4 Total Own Funds / Risk Weighted Assets (*Total capital ratio*)			12,6%	13.8%

[1] Exposures in Equity instruments are included.
[2] Basel 3 regulations do not provide for a 25% discount on capital requirements for banks belonging to banking groups.

TAXATION

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this 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 Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in security or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

Republic of Italy

Tax treatment of Notes issued by the Issuer

Italian Legislative Decree No. 239 of 1 April, 1996 ("**Decree No. 239**") sets out the applicable 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 notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks.

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.

The tax regime set forth by Decree No. 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian Resident Noteholders

Pursuant to Decree No. 239, where the Italian resident holder of Notes, who is the beneficial owner of such Notes, is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected; or

(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; or

(d) an investor exempt from Italian corporate income taxation.

Interest payments relating to the Notes, are subject to a 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 Notes. All the above categories are qualified as "net recipients" (unless the Noteholders referred to under (a), (b) and (c) above have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so called "*regime del risparmio gestito"* (the "**Asset Management Regime**") according to article 7 of Italian Legislative Decree No. 461 of 21 November, 1997, as amended ("**Decree No. 461**").

Where the resident holders of the Notes described above under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional income 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 conditions, Interest in respect of Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni*, including Notes intended to qualify as Tier II Capital for regulatory capital purposes, received by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant article 1, paragraph 100 – 114, of Law No. 232 of 11 December 2016 ("**Law No. 232**").

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* (**"SGRs"**), stock brokers and other qualified entities identified by a decree of the Ministry of Finance ("**Intermediaries**" and each an "**Intermediary**") resident in Italy, or by permanent establishments in Italy of a non Italian resident Intermediary, that intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

Where the Notes are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer.

Payments of Interest in respect of Notes are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are:

(i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;

(ii) Italian resident partnerships carrying out commercial activities (*'società in nome collettivo'* or *'società in accomandita semplice'*);

(iii) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, SICAFs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December, 2005 ("**Decree No. 252**"), Italian resident real estate investment funds; and

(iv) Italian resident holders of the Notes included in the abovementioned "net recipients" categories who have entrusted the management of their financial assets, including the Notes, to an authorised financial Intermediary and have opted for the Asset Management Regime. Such categories are qualified as "gross recipients".

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iv) must: (a) be the beneficial owners of payments of Interest on the Notes and (b) deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary). Where the Notes are not deposited with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer.

Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due. Interest accrued on the Notes shall be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – "**IRAP**") of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident investors who have opted for the Asset Management Regime are subject to a 26 per cent. annual substitute tax (the "**Asset Management 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 Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

If the investor is resident in Italy and is a Fund, a SICAV or a SICAF and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the financial results of the Fund, the SICAV or the SICAF. The Fund, SICAV or SICAF will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September, 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or of the 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.

Italian resident pension funds subject to the regime provided by article 17 of Legislative Decree No. 252 of 5 December, 2005 are subject to a 20 per cent. annual 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 Notes). Subject to certain conditions, Interest in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to article 1, paragraph 100 – 114, of Law No. 232.

Non-Italian resident Noteholders

According to Decree No. 239, payments of Interest in respect of the Notes will not be subject to the *imposta sostitutiva* at the rate of 26 per cent. if made to beneficial owners who are non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected provided that:

(a) such beneficial owners are resident for tax purposes in a state or territory which allows an adequate exchange of information with the Italian tax authorities and listed in the Italian Ministerial Decree dated 4 September, 1996 as amended and supplemented from time to time (last amendment being made by Italian Ministerial Decree dated 23 March, 2017) (the "**White List**"). According to article 11, par. 4, let. c) of Decree No. 239 the White List will be updated every six months period; 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.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes;

(b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Italian Intermediary, or a permanent establishment in Italy of a non-Italian Intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) file with the relevant depository a statement (*autocertificazione*) in due time stating, *inter alia*, that he or she is resident, for tax purposes, in a State listed in the White List. Such statement (*autocertificazione*), which must comply with the requirements set forth by Ministerial Decree of 12 December, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to

the same depository. The statement (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident holder of the Notes 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 non-resident holder of the Notes.

Non-resident holders of the Notes 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 holder of the Notes.

Atypical Securities

Interest payments relating to Notes that are not deemed to be bonds (*obbligazioni*), debentures similar to bonds (*titoli similari alle obbligazioni*) or qualifying as regulatory capital financial instruments, shares or securities similar to shares pursuant to article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 26 per cent under *Law Decree No.* 512 of 30 September, 1983. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation 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.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty, subject to timely filing of required documentation.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) and qualify as *titoli atipici* ("atypical securities") pursuant to article 5 of Law Decree No. 512 of 30 September 1983 if such Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to article 1, paragraph 100 -114 of Law No. 232.

Capital gains tax

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by:

- an Italian resident individual not engaged in entrepreneurial activities to which the Notes are connected;
- an Italian resident partnership not carrying out commercial activities;
- an Italian private or public institution not carrying out mainly or exclusively commercial activities; or

on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "*regime della dichiarazione*" ("tax declaration regime") which is the standard regime for taxation of capital gains, the 26 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised, pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to

the fourth subsequent fiscal year. Capital losses realized from 1 January 2012 to 30 June 2014 may be offset against capital gains realized after that date for an amount equal to 76.92 per cent. of the same capital losses.

Alternatively to the tax declaration regime, holders of the Notes who are:

- Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected;
- Italian resident partnerships not carrying out commercial activities;
- Italian private or public institutions not carrying out mainly or exclusively commercial activities,

may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes under the so called "*regime del risparmio amministrato*" (the "**Administrative Savings Regime**"). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the Administrative Savings Regime being made in writing in due time by the relevant holder of the Notes.

The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes 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 holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Capital losses realized from 1 January 2012 to 30 June 2014 may be offset against capital gains realized after that date for an amount equal to 76.92 per cent. of the same capital losses. Under the Administrative Savings Regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder.

Special rules apply if the Notes are part of a portfolio managed under the Asset Management Regime by an Italian asset management company or an authorised intermediary. The capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 26 per cent. *imposta sostitutiva* on capital gains but will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the following years up to the fourth. Depreciations of the managed assets reported during the period from 1 January 2012 to 30 June 2014 may be offset against increases in value of the managed assets accrued after that date for an amount equal to 76.92 per cent. of the same depreciation. Also under the Asset Management Regime the realised capital gain is not required to be included in the annual income tax return of the Noteholder.

Subject to certain conditions, capital gains in respect of Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni* realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant article 1, paragraph 100 – 114, of Law No. 232.

In the case of Notes held by Funds, SICAVs and SICAFs, capital gains on Notes contribute to determinate the increase in value of the managed assets of the Funds, SICAVs or SICAFs accrued at the end of each tax year. The Funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September, 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as 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 Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No 252 of 5 December, 2005) will 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. Subject to certain conditions, capital gains realised in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to article 1, paragraph 100 – 114, of Law No. 232.

The 26 per cent. *imposta sostitutiva* on capital gains may, in certain circumstances, be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to article 23 of Decree No. 917, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Decree No. 461 non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes: (a) 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. Under these circumstances, if non Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes 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; and

(b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply upon condition that they promptly file with the Italian authorised financial intermediary a self-declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October, 2006, converted with amendments by Law No. 286 of 24 November, 2006 effective from 29 November, 2006, and Law No. 296 of 27 December, 2006, the transfers of any

valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);

(b) 6 per cent. if the transfer if made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);

(c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and

(d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

If the donee sells the Notes for consideration from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to article 13 par. 2/*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October, 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to their clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and it cannot exceed €14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the face value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of the financial assets (including the Notes) held.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June, 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to article 19 of Decree No. 201/2011, as amended by article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory.

A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax, if such financial assets are administered by Italian financial intermediaries pursuant to an administration agreement.

Tax Monitoring Obligations

Italian resident individuals, non commercial entities, non commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June, 1990 converted into law by Law Decree No. 227 of 4 August, 1990, as amended from time to time, for tax monitoring purposes, the amount of Notes 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) Notes 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 Notes 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 €15,000 threshold throughout the year.

The European proposed financial transactions tax (the "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

Subject to the terms and conditions contained in an amended and restated dealer agreement dated 15 March 2018, as amended or supplemented from time to time (the "**Dealer Agreement**") among the Issuer, the Permanent Dealer and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealer. However, the Issuer has reserved the right to sell Notes directly on its own behalf to any Dealers that are not Permanent Dealer. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes).

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under 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 or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) 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 Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States 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 thereunder.

The Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States 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.

Each issuance of Exempt Notes which are Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Union - Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes, or the applicable Pricing Supplement in the case of Exempt Notes, 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 Notes

or Exempt Notes, as the case may be, which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes or Exempt Notes, as the case may be, to be offered so as to enable an investor to decide to purchase or subscribe the Notes or Exempt Notes, as the case may be.

If the Final Terms of any Notes, or the applicable Pricing Supplement in the case of Exempt Notes (as the case may be), specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the relevant Final Terms or the applicable Pricing Supplement, as the case may be, in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(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 Directive), 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 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

United Kingdom

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) **No deposit-taking**: in relation to any Notes which have a maturity of less than one year,

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) **General compliance:** it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Luxembourg

The Notes may not be offered or sold to the public within the territory of the Grand-Duchy of Luxembourg unless:

(a) a prospectus has been duly approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") pursuant to part II of the Luxembourg law dated 10 July 2005 on prospectuses for securities, as amended from time to time and implementing the Prospectus Directive (the "**Luxembourg Prospectus Law**") if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or

(b) if Luxembourg is not the home Member State as defined under Luxembourg Prospectus Law, the CSSF and ESMA have been notified by the competent authority in the home Member State with a certificate of approval attesting that a prospectus in relation to the Notes has been duly approved in accordance with the Prospectus Directive and with a copy of that prospectus; or

(c) the offer of Notes benefits from an exemption from or constitutes a transaction not subject to, the requirement to publish a prospectus under the Luxembourg Prospectus Law, as amended from time to time.

Republic of Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(b) in other circumstances which are exempt from the rules on offers to the public pursuant to article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Italian Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Banking Act**"), as amended;

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to article 129 of the Consolidated Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Japan

The Notes 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 the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

France

The 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 or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier.*

The Netherlands

(A) Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of the Issuer or a member firm of Euronext Amsterdam N.V., admitted in a function on one or more markets or systems held or operated by Euronext Amsterdam N.V., in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations.

No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Global Note; (b) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals who do not act in the conduct of a business or profession; (c) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof; or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series or Tranche are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter.

In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with.

As used herein "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

(B) The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make an offer of Notes which are the subject of the

offering contemplated by this Prospectus, as completed by the Final Terms (or Pricing Supplement, in the case of Exempt Notes) in relation thereto, to the public in The Netherlands and in reliance on article 3(2) of the Prospectus Directive, unless:

(a) such offer is made exclusively to legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (in Dutch: *Wet op het financieel toezicht*, the "**Dutch Financial Supervision Act**") and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or

(b) standard logo and exemption wording are disclosed, as required by article 5:20(5) of the Dutch Financial Supervision Act; or

(c) such offer is otherwise made in circumstances in which article 5:20(5) of the Dutch Financial Supervision Act is not applicable,

provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.

General

The 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 Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes 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 nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer or the Dealer represents that Notes 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.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes).

FORM OF FINAL TERMS FOR USE IN CONNECTION WITH ISSUES OF SECURITIES WITH A DENOMINATION OF €100,000 OR MORE, OTHER THAN EXEMPT NOTES

The form of Final Terms that will be issued in respect of each Tranche of Notes which are not Exempt Notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more, is set out below:

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes 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**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of each of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.]

Final Terms dated [*date*]

Banca Carige S.p.A.—Cassa di Risparmio di Genova e Imperia
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €5,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 15 March 2018 [and the supplement to the Prospectus dated [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus.

The Prospectus [and the supplement] is [are] available for viewing at the registered office of the Issuer at Via Cassa di Risparmio, 15, Genova, Italy, during usual business hours of any weekday (Saturdays and bank holidays excepted) and free of charge. The Prospectus [and the supplement] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2017 Base Prospectus.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 20 July 2017 which are incorporated by reference in the Prospectus dated 15 March 2018. This document constitutes the Final Terms of the Notes described herein for the purposes of article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated 15 March 2018 [and the supplement to the Prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated 20 July 2017 and 15 March 2018 [and the supplement dated [•]]. The Prospectuses [and the supplement] are available for viewing at the registered office

of the Issuer at Via Cassa di Risparmio, 15, Genova, Italy, during usual business hours of any weekday (Saturdays and bank holidays excepted) and free of charge. The Prospectuses [and the supplement] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

[*Include whichever of the following apply or specify as "Not Applicable". 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.	Issuer:		[•]
	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series and be interchangeable for trading purposes with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [*date*]][Not Applicable]
2.	Specified Currency or Currencies:		[•]
3.	Aggregate Nominal Amount of Notes:		[•]
	(i)	Series:	[•]
	(ii)	[Tranche:	[•]]
4.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	Specified Denomination(s):		[•] (*N.B. Notes must have a minimum denomination of €100,000 (or equivalent*). *In the case of Senior Non-Preferred Notes, such Notes must have a minimum denomination of €250,000 (or equivalent)*). [Note—where multiple denominations above €100,000 (or equivalent) are being used the following sample wording should be followed: [€100,000] and integral multiples of [€1,000] in excess thereof [up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]].] (*Unless paragraph 23 (Form of Notes) below specifies that the Global Note is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Note", Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. Where paragraph 23 (Form of Notes) does so specify, Notes may be issued in denominations of €100,000 and higher integral multiples of €1,000 up to a maximum of €199,000, as applicable. In such circumstances, insert the wording below.*)

	(i) Calculation Amount:	[•] [*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*]
6.	Issue Date:	[•]
	(i) Interest Commencement Date:	[•]
7.	Maturity Date:	[•] [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
8.	Interest Basis:	[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate] [Floating Rate: CMS Linked Interest] [•] per cent. to be reset on [•] [and [•]] and every [•] anniversary thereafter [Zero Coupon] (*further particulars specified in paragraph[s] [13/14/15/16/17] below*)
9.	Redemption[/Payment] Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
10.	Change of Interest Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or cross refer paragraphs to 13 and 15 below (as appropriate) if any fixed to floating or fixed reset rate change occurs] [•] [Not Applicable*] [(further particulars specified in paragraph 16 below)]
11.	Call Options:	 [Issuer Call] [Regulatory Call] [Issuer Call due to MREL Disqualification Event] (*further particulars specified in paragraph[s] [18/19/20] below*)
12.	Status of the Notes:	[Senior/ Senior Non-Preferred/Subordinated Notes (see Condition 3 (*Status*))]
	(i) [Date [Board] approval for issuance of Notes obtained:	[•] [and [•], respectively]] *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[•] in each year (*Amend appropriately in the case of irregular coupons*)
	(iii)	Fixed Coupon Amount(s): (Applicable to Notes in definitive form.)	[•] per Calculation Amount
	(iv)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on]] [•] [Not Applicable]
	(v)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(vi)	Determination Dates:	[[•] in each year] [Not Applicable] [*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*] [*N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*]
14.	Reset Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Initial Rate of Interest:	[•] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii)	First Margin:	[+/-][•] per cent. per annum
	(iii)	Subsequent Margin:	[[+/-][•] per cent. per annum] [Not Applicable]
	(iv)	Interest Payment Date(s):	[•] [and [•]] in each year up to and including the Maturity Date [until and excluding [•]]
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[•] per Calculation Amount][Not Applicable]
	(vi)	Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]][Not Applicable]
	(vii)	First Reset Date:	[•]
	(viii)	Second Reset Date:	[•]/[Not Applicable]
	(ix)	Subsequent Reset Date(s):	[•] [and [•]][Not Applicable]

	(x)	Relevant Screen Page:	[ISDAFIX1]/[ISDAFIX2]/[ISDAFIX3]/[ISDAFIX4]/[ISDAFIX5]/[ISDAFIX6]/[•]/[Not Applicable]
	(xi)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(xii)	Mid-Swap Maturity	[•]
	(xiii)	Reference Banks	[•]
	(xiv)	Day Count Fraction:	[Actual/Actual / Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]
	(xv)	Reset Determination Dates:	[•] in each year
	(xvi)	Business Day Convention:	[Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention]/[Not Applicable]
	(xvii)	Business Centre(s):	[•]
	(xviii)	Party responsible for calculating the Rate(s) of Interest and the Interest Amount(s) (if not the Fiscal Agent):	[•]/Not Applicable
	(xix)	Mid-Swap Floating Leg Benchmark Rate:	[•]
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether LIBOR, EURIBOR or CMS is the appropriate reference rate*.)
	(i)	Interest Period(s):	[•]
	(ii)	Specified Interest Payment Dates:	[•]
	(iii)	First Interest Payment Date:	
	(iv)	Interest Period Date:	[•] [Not applicable] (Not applicable unless different from Interest Payment Date)

(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Business Centre(s):	[•]
(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 Interest Amount(s) (if not the Agent):	[•] shall be the Calculation Agent / Not Applicable [(*no need to specify if the Principal Paying Agent is to perform this function*)]
(ix)	Screen Rate Determination:	
	- Reference Rate:	Reference Rate: [•] month [LIBOR/EURIBOR/[CMS Reference Rate/Leveraged CMS Reference Rate/Steepener CMS Reference Rate: [Unleveraged/Leveraged]].
	- [Reference Currency:	[[•]]
	- (only relevant where the CMS *Rate is the Reference Rate)*]	
	- [Designated Maturity: (*only relevant where the CMS Rate is the Reference Rate*)]	[[•]/[The CMS Rate having a Designated Maturity of [•] shall be CMS Rate 1 and the CMS Rate having a Designated Maturity of [•] shall be CMS Rate 2]] (*Where more than one CMS Rate, specify the Designated Maturity for each relevant CMS Rate*)
	- Interest Determination Date(s):	[•] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*) (*In the case of a CMS Rate where the Reference Currency is euro*): [Second day on which the TARGET2 system is open prior to the start of each interest Period] (*In the case of a CMS Rate where the Reference Currency is other than euro*): [Second (*specify type of day*) prior to the start of each Interest Period]
	- Relevant Screen Page:	[•] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) (*In the case of a CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)
	- [Relevant Time:]	[•] (*For example, 11:00 a.m. London time/Brussels time*)

	- [Relevant Financial Centre:]	[[•] (*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*))]
	- [Reference Banks:]	[Not Applicable]/ [•]
	- [CMS Rate definitions:]	[Cap means [•] per cent. per annum] [Floor means [•] per cent. per annum] [Leverage means [•] per cent.]
(x)	ISDA Determination:	
	- Floating Rate Option:	[•]
	- Designated Maturity:	[•]
	- Reset Date:	[•] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period. In the case of a CMS Linked Interest Note, if based on euro then the first day of each Interest Period and if otherwise to be checked*)
(xi)	Linear Interpolation:	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xii)	Margin(s):	[+/-][•] per cent. per annum
(xiii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiv)	Maximum Rate of Interest:	[•] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond basis] [30E/360 (ISDA)] (*See Condition* 4 *(Interest) for alternatives*)
16.	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Amortisation Yield:	[•] per cent. per annum
(ii)	Reference Price	[•]
(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360]

			[Actual/365]
17.	Change of Interest Basis Provisions		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph) (*N.B. To be completed in addition to paragraphs 13, 14 and 15 (as appropriate) if any fixed to floating or fixed reset rate change occurs*)
	(i)	Switch Options:	[Applicable – [*specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies*]]/[Not Applicable] (*N.B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 13 on or prior to the relevant Switch Option Expiry Date*)
	(ii)	Switch Option Expiry Date:	[●]
	(iii)	Switch Option Effective Date:	[●]

PROVISIONS RELATING TO REDEMPTION

18.	Call Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/Make-Whole Redemption Amount]
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[[●] per Calculation Amount / Not Applicable]
		(b) Maximum Redemption Amount:	[[●] per Calculation Amount / Not Applicable]
	(iv)	Notice period:	[Not Applicable/[●]] [Minimum period: [●] days Maximum period: [●] days] (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)

	(v)	Reference Bond:	[*insert applicable reference bond*] [Not Applicable] [*Only applicable to Make-Whole Redemption Amount*]
	(vi)	Reference Dealers:	[[•] / [Not Applicable] [*Only applicable to Make-Whole Redemption Amount*]]
	(vii)	Make-Whole Margin:	[[•] [Not Applicable] [*Only applicable to Make-Whole Redemption Amount*]]
19.	Regulatory Call		(*N.B. Only relevant in the case of Subordinated Notes*)
	(i)	Early Redemption Amount payable on redemption for regulatory reasons (in the case of Subordinated Notes only and subject to the prior approval of the Relevant Authority and in accordance with applicable laws and regulations) as contemplated by Condition 5(e) and/or the method of calculating the same (if required or if different from that set out in Condition 5(b) (*Redemption, Purchase and Options –Early Redemption*)):	[•] per Calculation Amount/as set out in Condition 5(b) (*Redemption, Purchase and Options – Early Redemption*)
20.	Issuer Call due to MREL Disqualification Event:		[Applicable]/[Not Applicable] (*Only relevant in the case of Senior Notes or Senior Non-Preferred Notes*)
	(i)	Notice period for Condition 5(f):	[Minimum period: [•] days Maximum period: [•] days] (*Please consider that not less than the minimum period nor more than maximum period of notice has to be sent to the Fiscal Agent and, in accordance with Condition 13, the Noteholders*) (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
	(ii)	Early Redemption Amount payable on redemption upon the occurrence of a MREL Disqualification Event as contemplated by Condition 5(e) and/or the method of calculating the same (if required or if different from that set out in Condition 5(b) (*Redemption, Purchase and Options –Early Redemption*)):	[Not Applicable/[•] per Calculation Amount/as set out in Condition 5(b) (*Redemption, Purchase and Options – Early Redemption*)]

21.	Final Redemption Amount:	[•] per Calculation Amount
22.	Early Redemption Amount payable on redemption for taxation reasons (as contemplated by Condition 5(c) or on event of default (in the case of (i) Senior Notes and Senior Non-Preferred Notes and (ii) Subordinated Notes, subject to, respectively, (i) Condition 5(k) and Condition 5(j) (including the prior approval of the Relevant Authority, as applicable, and in accordance with applicable laws and regulations)) and/or the method of calculating the same (if required or if different from that set out in Condition 5(b) (*Redemption, Purchase and Options – Early Redemption*)):	[•] per Calculation Amount [See also paragraph 19 (Regulatory Call)] (*Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [60] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [60] days' notice] / [in the limited circumstances specified in the Permanent Global Note]] (*N.B. The exchange upon notice/at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph* 5 *includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*) [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.][7] [Registered Notes] [Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
24.	New Global Note	[Yes] [No]

[7] Include for Notes that are to be offered in Belgium.

25.	Financial Centre(s):	[Not Applicable/state the financial centre]. (*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraph 15(vi) relates*)
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

[(*Relevant third party information)* has been extracted from [*specify source*]. The Issuer 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 [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: …….
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and admission to trading:	[Application has been made for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange/[*specify relevant regulated market*]] and listing on the [Official List of the Luxembourg Stock Exchange]/[•] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant, regulated market*] and listing on the [*Official List*] with effect from [•].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
(ii)	Estimate of total expenses related to admission to trading:	[•]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]/[are not expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. [Each of [*defined terms*] is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of [defined terms] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation.]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. 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*)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under article 16 of the Prospectus Directive.)]

4. Fixed Rate Notes only—YIELD

Indication of yield:	[[•] / Not Applicable]

5. Floating Rate Notes and CMS Linked Interest Notes only—HISTORIC INTEREST RATES

[Details of historic [LIBOR/EURIBOR/ CMS] rates can be obtained from [Reuters]. / Not Applicable]

6. OPERATIONAL INFORMATION

(i)	ISIN Code:	[•]
(ii)	Common Code:	[•]
(iii)	CFI	[Not Applicable/[•]]
(iv)	FISN	[Not Applicable/[•]] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*)
(v)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s) [and address(es)*]]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[•]/Not Applicable
(viii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSD acting as common safekeeper, that is, held under the NSS] and does not necessarily mean that the Notes 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 the Eurosystem eligibility criteria have been met.] [No. Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSD acting as common safekeeper, that is, held under the NSS]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]

(ii)	If syndicated, names and addresses of Managers:	[Not Applicable/*give names, addresses and underwriting commitments*] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
(iii)	Date of Subscription Agreement:	[•]
(iv)	Stabilising Manager(s) (if any):	[Not Applicable/*give name and address*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

FORM OF PRICING SUPPLEMENT FOR USE IN CONNECTION WITH ISSUES OF EXEMPT NOTES

The form of Pricing Supplement that will be issued in respect of each Tranche of Exempt Notes, whatever the denomination of those Notes, is set out below:

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Exempt Notes 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**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Exempt Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Exempt Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of each of the manufacturer's product approval process, the target market assessment in respect of the Exempt Notes has led to the conclusion that: (i) the target market for the Exempt Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Exempt Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Exempt Notes (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 Exempt Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.]

Pricing Supplement dated [*date*]

Banca Carige S.p.A.—Cassa di Risparmio di Genova e Imperia
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €5,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive or to supplement a prospectus pursuant to article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement of the Notes described herein. This document must be read in conjunction with the Prospectus dated 15 March 2018 [as supplemented by the supplement[s] dated [*date[s]*]] (the "**Prospectus**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus. Copies of the Prospectus may be obtained, free of charge, from [*address*].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Prospectus.

[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 20 July 2017 [and the supplement dated [*date*]] which are incorporated by reference in the Base Prospectus.][8]*[Include whichever of the following apply or specify as "Not Applicable". Note*

[8] Only include this language where it is a fungible issue and the original Tranche was issued under the 2017 Base Prospectus.

that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination /may need to be £100,000 or its equivalent in any other currency.]

1.	Issuer:	Banca Carige S.p.A. — Cassa di Risparmio di Genova e Imperia
2.	Series Number:	[•]
	(i) Tranche Number:	[•]
	(ii) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series and be interchangeable for trading purposes with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:	[•]
4.	Aggregate Nominal Amount:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	Specified Denominations:	[•] (*N.B. Notes must have a minimum denomination of €100,000 (or equivalent*). *In the case of Senior Non-Preferred Notes, such Notes must have a minimum denomination of €250,000 (or equivalent)*). [Note—where multiple denominations above €100,000 (or equivalent) are being used the following sample wording should be followed: [€100,000] and integral multiples of [€1,000] in excess thereof [up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]].] (*Unless paragraph 25 (Form of Notes) below specifies that the Global Note is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Note", Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. Where paragraph 25 (Form of Notes) does so specify, Notes may be issued in denominations of €100,000 and higher integral multiples of €1,000 up to a maximum of €199,000, as applicable. In such circumstances, insert the wording below.*)
	(i) Calculation Amount:	[•] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a*

		common factor in the case of two or more Specified Denominations.)
7.	Issue Date:	[•]
	(i) Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:	[*Fixed rate - specify date*/ *Floating rate* - Interest Payment Date falling in or nearest to [*specify month*]]
9.	Interest Basis:	[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate] [Floating Rate: CMS Linked Interest] [[•] per cent. to be reset on [•] [and [•]] and every [•] anniversary thereafter] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] ((*further particulars specified in paragraph[s] [14/15/16/17/18/19] below*))
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or cross refer paragraphs to 14 and 15 below] [•] [Not Applicable*] [(further particulars specified in paragraph 19 below)]
12.	Call Options:	[Regulatory Call] [Issuer Call] [Issuer Call due to MREL Disqualification Event] (*further particulars specified in paragraph[s] [20/21/22] below*)
13.	Status of the Notes:	[Senior/ Senior Non-Preferred / Subordinated] Notes (see Condition 3 (*Status*))
	(i) [Date [Board] approval for issuance of Notes] obtained:	[•] [and [•], respectively]

(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[•] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(iii)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[•] per Calculation Amount
	(iv)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]][Not Applicable]
	(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/*specify other*]
	(vi)	Determination Date(s):	[[•] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes:	[None/*Give details*]
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether LIBOR, EURIBOR or CMS is the appropriate reference rate.*)
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[•]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]]
	(iii)	Additional Business Centre(s):	[•]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(v)	Party responsible for calculating the Rate of	[•]/Not Applicable

	Interest and Interest Amount (if not the Agent):	
(vi)	Screen Rate Determination:	
	• Reference Rate:	[•] month [LIBOR/EURIBOR/[CMS Reference Rate/Leveraged CMS Reference Rate/Steepener CMS Reference Rate: [Unleveraged/Leveraged]].
	• [Reference Currency: (*only relevant where the CMS Rate is the Reference Rate*)]	[[•]]
	• [Designated Maturity: (*only relevant where the CMS Rate is the Reference Rate*)]	[[•]/[The CMS Rate having a Designated Maturity of [•] shall be CMS Rate 1 and the CMS Rate having a Designated Maturity of [•] shall be CMS Rate 2]] (*Where more than one CMS Rate, specify the Designated Maturity for each relevant CMS Rate*)
	• Interest Determination Date(s):	[•] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*) (*In the case of a CMS Rate where the Reference Currency is euro*): [Second day on which the TARGET2 system is open prior to the start of each interest Period] (*In the case of a CMS Rate where the Reference Currency is other than euro*): [Second (specify type of day) prior to the start of each Interest Period]
	• Relevant Screen Page:	[•] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall-back provisions appropriately*) (*In the case of a CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)
	• [Relevant Time:]	[[•] (*For example, 11:00 a.m. London time/Brussels time*)]
	• [Relevant Financial Centre:]	[[•] (*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*))]
	• [Reference Banks:]	[Not Applicable]/ [•]
	• [CMS Rate definitions:]	[Cap means [•] per cent. per annum] [Floor means [•] per cent. per annum] [Leverage means [•] per cent.]
(vii)	ISDA Determination:	
	• Floating Rate Option:	[•]

	• Designated Maturity:	[•]
	• Reset Date:	[•] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period. In the case of a CMS Linked Interest Note, if based on euro then the first day of each Interest Period and if otherwise to be checked*)
(viii)	Linear Interpolation:	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(ix)	Margin(s):	[+/-][•] per cent. per annum
(x)	Minimum Rate of Interest:	[•] per cent. per annum
(xi)	Maximum Rate of Interest:	[•] per cent. per annum
(xii)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA) [*Other*] (*See Condition* 4 *(Interest and other Calculations) for alternatives*)
(xiii)	Fall-back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions:	[•]
16.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Accrual Yield:	[•] per cent. per annum
(ii)	Reference Price:	[•]
(iii)	Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes:	[•]
(iv)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360]

			[Actual/360]
			[Actual/365]
17.	Index Linked Interest Note		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula:	[*give or annex details*]
	(ii)	Calculation Agent	[*give name*]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[•]/Not Applicable
	(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Dates:	[•]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Centre(s):	[•]
	(viii)	Minimum Rate of Interest:	[•] per cent. per annum
	(ix)	Maximum Rate of Interest:	[•] per cent. per annum
	(x)	Day Count Fraction:	[•]
18.	Dual Currency Interest Note Provisions		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[•]/Not Applicable
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•]

19.	Change of Interest Basis Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) (*N.B. To be completed in addition to paragraphs 13 and 14 (as appropriate) if any fixed to floating or fixed reset rate change occurs*)
	(i)	Switch Options:	[Applicable – [s*pecify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies*]/[Not Applicable]] (*N.B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 13 on or prior to the relevant Switch Option Expiry Date*)
	(ii)	Switch Option Expiry Date:	[•]
	(iii)	Switch Option Effective Date:	[•]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount] [Make-Whole Redemption Amount]
	(iii)	If redeemable in part:	
		(A) Minimum Redemption Amount:	[[•] per Calculation Amount / Not Applicable]
		(B) Maximum Redemption Amount:	[[•] per Calculation Amount / Not Applicable]
	(iv)	Notice periods:	[Not Applicable/[•]] [Minimum period: [•] days Maximum period: [•] days] (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
	(v)	Reference Dealers:	[[•] / [Not Applicable] [Only applicable to *Make-Whole Redemption Amount*]]

	(vi)	Reference Bond:	[*insert applicable reference bond*] [Not Applicable] [*Only applicable to Make-Whole Redemption Amount*]
	(vii)	Make-Whole Margin:	[[•] per cent.] [Not Applicable] [*Only applicable to Make-Whole Redemption Amount*]
21.	Regulatory Call		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) (*N.B. Only relevant in the case of Subordinated Notes*)
	(i)	Early Redemption Amount payable on redemption for regulatory reasons (in the case of Subordinated Notes only and subject to the prior approval of the Relevant Authority and in accordance with applicable laws and regulations) as contemplated by Condition 5(e) and/or the method of calculating the same (if required or if different from that set out in Condition 5(b) (*Redemption, Purchase and Options – Early Redemption*)):	[[•] per Calculation Amount/as set out in Condition 5(b) (*Redemption, Purchase and Options –Early Redemption*)]
22.	Issuer Call due to MREL Disqualification Event:		[Applicable]/[Not Applicable] (*Only relevant in the case of Senior Notes or Senior Non-Preferred Notes*)
	(i)	Notice period for Condition 5(g):	[Minimum period: [•] days Maximum period: [•] days] (*Please consider that not less than the minimum period nor more than maximum period of notice has to be sent to the Fiscal Agent and, in accordance with Condition 13, the Noteholders*) (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
	(ii)	Early Redemption Amount payable on redemption upon the occurrence of a MREL Disqualification Event as contemplated by Condition 5(e) and/or the method of calculating the same (if required or if different from that set out in Condition 5(b) (*Redemption, Purchase and*	[Not Applicable/[•] per Calculation Amount/as set out in Condition 5(b) (*Redemption, Purchase and Options – Early Redemption*)]

	Options –Early Redemption)):	
23.	Final Redemption Amount:	[[•] per Calculation Amount/*specify other*/see Appendix]
24.	Early Redemption Amount payable on redemption for taxation reasons (as contemplated by Condition 5(c) or on event of default (in the case of (i) Senior Notes and Senior Non-Preferred Notes and (ii) Subordinated Notes, subject to, respectively, (i) Condition 5(k) and Condition 5(j) (including the prior approval of the Relevant Authority, as applicable, and in accordance with applicable laws and regulations)) and/or the method of calculating the same (if required or if different from that set out in Condition 5(b) (*Redemption, Purchase and Options – Early Redemption*)):	[[•] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:

(i) Form: [Bearer Notes] [Exchangeable Bearer Notes]

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes [on 60] days' notice]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice] / [in the limited circumstances specified in the Permanent Global Note]]

(*N.B. The exchange upon notice/at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.][9]

[Registered Notes]

[Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream,

[9] Include for Notes that are to be offered in Belgium.

			Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
	(ii)	New Global Note:	[Yes][No]
26.	Additional Financial Centre(s):		[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 15(iii) relates*)
27.	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment.		[Not Applicable/*give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
29.	Details relating to Instalment Notes:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Instalment Amount(s):	[*give details*]
	(ii)	Instalment Date(s):	[*give details*]
30.	Other final terms:		[Not Applicable/*give details*]

[The Issuer accepts responsibility for the information contained in this Pricing Supplement. [*Relevant third party information*] has been extracted from [*specify source*]. The Issuer 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 the Issuer:

By: …….
Duly authorised

PART B – OTHER INFORMATION

1.	**LISTING**	[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify market - note this must not be a regulated market*] with effect from [•].] [Not Applicable]
2.	**RATINGS**	
	Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*] [(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

4. **OPERATIONAL INFORMATION**

(i)	ISIN Code:	[•]
(ii)	Common Code:	[•]
(iii)	CFI:	[Not Applicable/[•]]
(iv)	FISN:	[Not Applicable/[•]] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*)
(v)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[•]/Not Applicable
(viii)	Deemed delivery of clearing system notices for the purposes of Condition 13 (*Notices*):	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
(ix)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSD acting as common safekeeper, that is, held under the NSS] and does not necessarily mean that the Notes 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 the Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "No" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

5. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names and addresses of Managers:	[Not Applicable/*give names and underwriting commitments*] [(*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)]
(iii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name and address of the relevant Dealer:	[Not Applicable/*give name and address*]
(v)	U.S. Selling Restrictions:	Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

GENERAL INFORMATION

1. **Authorisations**

The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Italy in connection with the establishment and 2018 update of the Programme. The establishment and update of the Programme were authorised by resolutions of the Board of Directors of the Bank passed on 9 October 2000 and 9 February 2018, respectively.

2. **Listing of Notes, Admission to Trading and Approval**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU Directive of the European Parliament and of the Council on markets in financial instruments.

3. **Significant or Material Change**

Except as disclosed in the section "*Description of Banca Carige Group and Banca Carige – Recent Developments*" above (pages 168-172), there has been no significant change in the financial or trading position of the Issuer or of the Group and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.

4. **Litigation**

Save as disclosed in section "*Description of Banca Carige Group and Banca Carige – Regulatory Proceedings and Litigation*" (pages 133-146), neither the Issuer nor any of its respective subsidiaries over the period of the past 12 months is or has been involved in any governmental, legal or arbitration proceedings relating to claims or amounts that may have or have had in the recent past significant effects, in the context of the issue of the Notes, on the financial position or profitability of the Issuer, nor so far as the Issuer is aware are any such governmental, legal or arbitration proceedings pending or threatened.

5. **Material Contracts**

Save as disclosed in section "*Description of Banca Carige Group and Banca Carige – Material Agreements*" (pages 146-152), neither the Issuer nor any of its respective subsidiaries has not 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 Noteholders.

6. **United States restrictions**

Each Bearer Note with an original maturity of more than one year, and the corresponding Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

7. **Clearing Systems**

Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN), the Financial Instrument Short Name (FISN), the Classification of Financial Instruments (CFI) code (as applicable) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes).

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any

alternative clearing system will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes).

8. **Conditions for determining price**

The issue price and the amount of the relevant Notes will be determined before filing of the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) of each Tranche, based on then prevailing market conditions.

9. **Documents Available**

For so long as Notes are outstanding, the following documents will be available, during usual business hours, on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent and the offices of the Paying Agent in Luxembourg (so long as any of the Notes are listed on the Luxembourg Stock Exchange) and, in the cases of (g), (g) and (h) below, a copy will be obtainable at the specified office of the Paying Agent in Luxembourg:

(a) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(b) the Deed of Covenant;

(c) the By-Laws (*Statuto*) of the Issuer;

(d) the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 and 2017, together in each case with the audit report thereon;

(e) the terms and conditions included in the 2017 Base Prospectus;

(f) each set of Final Terms for Notes that are listed on the Official List and admitted to trading on the regulated market or the Luxembourg Stock Exchange or any other stock exchange;

(g) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus; and

(h) all reports, letters and other documents, balance sheets, valuations and statements by any expert, any part of which is extracted or referred to in this Prospectus.

In addition, this Prospectus is and, in the case of Notes to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be, available on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

Copies of the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 and 2017, together in each case with the audit report thereon may be obtained, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

10. **Independent Auditors**

The Historical Financial Statements of the Group as of and for the years ended 31 December 31 2017 and 2016, prepared in accordance with IFRS as adopted by the European Union, an English translation of which is included or incorporated by reference in this Base Prospectus, have been audited by EY, independent auditors.

EY is authorized and regulated by the Italian Ministry of Economy and Finance ("**MEF**") and registered under No. 70945 on the special register of auditing firms held by the MEF. The registered office of EY is at via Po, 32, 00198 Rome, Italy.

The English translation of the reports of EY, dated 7 March 2018 and 6 March 2017, with respect to the Historical Financial Statements are incorporated by reference into this Base Prospectus.

The report issued by EY on the 2017 Audited Consolidated Financial Statements presents the following emphasis of matter paragraph:

"*Without modifying our conclusions, we draw attention to the disclosure provided by the directors in the report on operations and in paragraph "Going concern" of the explanatory notes with reference to the approval by the Board of Directors of the 2017-2020 Business Plan, to the capital strengthening measures and to the liability management exercise already completed and to the further actions in course of execution.*"

The report issued by EY on the 2016 Audited Consolidated Financial Statements presents the following emphasis of matter paragraph:

"*We draw attention to the disclosure provided in the Report on Operations and the explanatory notes with reference to the approval by the Board of Directors, on 28 February 2017, of the update to the Group Strategic Plan. That Plan includes the assessment on the adequacy of the Group capital position to absorb the impacts arising from the achievement of the targets required by the European Central Bank on 9 December 2016.*

On the basis of the assessments performed, subject to the realization of the actions described in the Plan, principally those aimed to strengthen the capital position, the Directors, also considering the uncertainties arising from the current scenario, prepared the consolidated financial statements on a going concern basis.

Our opinion is not qualified in respect of the above matters."

11. **Dealers transacting with the Issuer**

The Dealer, any further Dealer appointed under the Programme and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business and may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In the ordinary course of their business activities, the Dealer, any further Dealer appointed under the Programme and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Dealer, any further Dealer appointed under the Programme or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealer, any further Dealer appointed under the Programme and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

12. **Post-issuance information**

The Issuer does not intend to provide any post-issuance information, except if required by any applicable laws and regulations.

13. **Yield**

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

14. **The Legal Entity Identifier**

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

15. **Use of a benchmark**

Amounts payable under the Notes may be calculated by reference to EURIBOR, LIBOR or CMS which are respectively provided by the European Money Markets Institute ("**EMMI**"), ICE Benchmark Administration Limited ("**ICE**") and International Swaps and Derivatives Association ("**ISDA**"). As at the date of this Base Prospectus, the EMMI, ICE and ISDA do 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 Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**"). As far as the Issuer is aware, the transitional provisions in article 51 of the Benchmark Regulation apply, such that EMMI, ICE and ISDA are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

REGISTERED OFFICE OF THE ISSUER

Banca Carige S.p.A.—Cassa di Risparmio di Genova e Imperia
Via Cassa di Risparmio, 15
16123 Genova
Italy

REGISTRAR

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

FISCAL AGENT, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LUXEMBOURG PAYING AND TRANSFER AGENT

BNP Paribas Securities Services, Luxembourg Branch
60 avenue JF Kennedy
L-2085 Luxembourg

CALCULATION AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

ARRANGER AND DEALER

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch
Corporate Trust Services Luxembourg
60 avenue J.F. Kennedy
L-1855 Luxembourg

INDEPENDENT AUDITORS

EY S.p.A.
Via Po, 32
00198 Rome
Italy

LEGAL ADVISERS

To the Issuer as to English and Italian law

Chiomenti
Via Giuseppe Verdi, 2
20121 Milan
Italy

To the Arranger and the Dealer as to English and Italian law

Clifford Chance Studio Legale Associato
Piazzetta M. Bossi, 3
20121 Milan
Italy