

Prospectus



BANCA CARIGE S.p.A. - CASSA DI RISPARMIO DI GENOVA E IMPERIA

(incorporated as a società per azioni in the Republic of Italy)

€160,000,000 8.338 per cent. Perpetual Subordinated Fixed/Floating Rate Notes

The €160,000,000 8.338 per cent. perpetual subordinated fixed/floating rate notes (the "**Notes**") are issued by Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia (the "**Issuer**"). The Issue Price of the Notes is 100 per cent.

The Notes will bear interest on a non-cumulative basis (i) from and including 4 December 2008 to but excluding 4 December 2018 (the "**Reset Date**") at a rate of 8.338 per cent. per annum, payable annually in arrear on 4 December in each year and (ii) from and including the Reset Date at a rate of three month Euribor plus 550 basis points, payable quarterly in arrear on 4 March, 4 June, 4 September and 4 December of each year, beginning 4 March 2019.

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer as described in Condition 7 (*Redemption and Purchase*) of the Terms and Conditions of the Notes. The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Reset Date and on any Interest Payment Date (as defined herein) of the Notes thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*) as described in Condition 7(a) (*Redemption and Purchase - Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes. In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event or a Tax Event (all as defined herein) at a redemption price equal to the greater of (i) the principal amount and (ii) the Make Whole Amount (as defined herein) together, in each case, with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*) as described in Conditions 7(b) (*Redemption and Purchase - Redemption due to a Regulatory Event*) and Condition 7(c) (*Redemption and Purchase - Redemption due to a Tax Event*) of the Terms and Conditions of the Notes. Any redemption of the Notes, save in accordance with the first sentence of this paragraph, is subject to the prior approval of the Lead Regulator (as defined herein).

Interest will accrue on a non-cumulative basis and under certain circumstances described in Condition 5 (*Interest suspension*) of the Terms and Conditions of the Notes the Issuer may elect or even be required to suspend interest payments on the Notes.

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5 of Directive 2003/71/EC (the "**Prospectus Directive**"). Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority in Luxembourg to approve this document as a prospectus under the Luxembourg Law of 10 July 2005 on Prospectuses for Securities (the "**Luxembourg Prospectus Law**"), which implements the Prospectus Directive in Luxembourg. Application has also been made to the Luxembourg Stock Exchange for the Notes issued under this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market (the "**Regulated Market**") of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of Markets in Financial Instruments Directive 2004/39/EC.

An investment in Notes involves certain risks. For a discussion of these risks, see "Risk Factors" on page 16.

The Notes have a denomination of €50,000.

Lead Manager

Société Générale Corporate & Investment Banking

Prospectus dated 2 December 2008

IMPORTANT NOTICES

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

This Prospectus should be read and construed together with any documents incorporated by reference herein.

The Issuer has confirmed to the Manager named under "Subscription and Sale" below (the "**Manager**") that this Prospectus contains all information regarding the Issuer, the Carige Group (as defined herein) and the Notes that is (in the context of the issue of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or the Manager.

No representation or warranty is made or implied by the Manager or any of its respective affiliates, and none of the Manager nor any of its respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) business or prospects of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct at 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 may only be used for the purposes for which it has been published. The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "Subscription and Sale". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and 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 U.S. persons. In addition, this Prospectus has not been submitted to the clearance procedure of *Commissione Nazionale per le Società e la Borsa* (the Italian Securities and Exchange Commission or "**CONSOB**") and may not be used in connection with any offering of the Notes in Italy other than to professional investors, as defined by and in accordance with applicable Italian securities laws and regulations.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Manager or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise), business and prospects of each of the Issuer and the Carige Group.

The Issuer will use its best efforts to adopt a consistent approach with respect to interest payments for holders of both its Parity Securities (as defined herein) and the Notes.

In this Prospectus, unless otherwise specified, references to "**EUR**", "**euro**", "**Euro**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. Unless otherwise specified or where the context requires, references to laws and regulations are to the laws and regulations of Italy.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer and the Issuer's consolidated subsidiaries (the "**Carige Group**"), plans and expectations regarding developments in the business, growth and profitability of the Carige Group and general industry and business conditions applicable to the Carige Group. The Carige Group has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Carige Group or those of its industry to be materially different from or worse than these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

MARKET STATISTICS

Information and statistics presented in this Prospectus regarding business trends, market trends, market volumes and the market share of the Issuer are either derived from, or are based on, internal data or publicly available data from various independent sources. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources. This Prospectus also contains statements by the Issuer relating to its competitive position, on the basis of its specific knowledge and experience of the sector in which it operates and other publicly available data.

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GENERAL OVERVIEW

This general overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this general overview and references to a "Condition" is to such numbered condition in the Terms and Conditions of the Notes.

Overview of the Notes

Issuer:	Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia
Lead Manager:	Société Générale
Principal Amount:	€160,000,000
Issue Price:	100 per cent. of the principal amount of the Notes.
Issue Date:	4 December 2008
Form and Denomination:	The Notes will be issued in bearer form in a denomination of €50,000 each.
Status of the Notes:	<p>The Notes will constitute direct, unsecured and subordinated obligations of the Issuer ranking:</p> <ul style="list-style-type: none">(i) <i>pari passu</i> without any preference among themselves and <i>pari passu</i> with the Parity Securities;(ii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Issuer and to all Less Deeply Subordinated Obligations; and(iii) senior in right of payments to the Junior Securities.
Negative Pledge:	There will be no negative pledge in respect of the Notes.
Events of Default:	There will be no events of default in respect of the Notes. However, the Notes must be redeemed in the event of winding up proceedings instituted in respect of the Issuer in accordance with Condition 7 (<i>Redemption and Purchase</i>) of the Terms and Conditions of the Notes.

Redemption:

The Notes will mature and be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution of the provision of the by-laws of the Issuer (currently, maturity of the Issuer is set at 31 December 2050 though if this is extended, redemption of the Notes will be equivalently adjusted), or (ii) any applicable legal provision, or any decision of any jurisdictional or administrative authority.

The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Reset Date and on any Interest Payment Date (as defined herein) thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*), as described in Condition 7(a) (*Redemption and Purchase - Redemption at the option of the Issuer*).

In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event or a Tax Event (each, as defined herein) at a redemption price equal to the greater of (i) the principal amount and (ii) the Make Whole Amount (as defined herein) together, in each case, with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*) as described in Condition 7(b) (*Redemption and Purchase - Redemption due to a Regulatory Event*).

Any redemption of the Notes, save in accordance with the first paragraph of this section "*Redemption*", is subject to the prior approval of the Lead Regulator (as defined herein).

"Regulatory Event" means that, at any time whilst any of the Notes are outstanding:

- (i) the Issuer is not permitted under the applicable rules and regulations adopted by the Lead Regulator, or an official application or interpretation of such rules and regulations including a decision of any court or tribunal, to

treat the Notes as own funds; or

- (ii) the Issuer is notified by the Lead Regulator that the Notes do not or no longer qualify as own funds,

in each case, for the purposes of (a) Tier 1 Capital or (b) in case of future amendments to the Bank of Italy Regulations, up to such other fraction of the regulatory capital as will apply to non-cumulative perpetual instruments or similar instruments or liabilities pursuant to which the Issuer has a call option linked to an incentive to redeem such as an increase in the amount of payment due in respect of such instruments or liabilities, (save where any inability to so treat the Notes is solely as a result of any applicable limitation on the amount of such regulatory capital);

"Tax Event" means:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) 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 (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) deductibility of interest payable by the Issuer in respect of the Notes is materially reduced for Italian corporate income tax purposes as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards 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 or accounting standards, which change or amendment becomes effective on or after the date of issue of the Notes (save where any non-deductibility of interest payable by the Issuer in respect of the Notes is solely as a result of the Issuer exceeding any applicable

general threshold of aggregate interest expenses that may be deducted by the Issuer in any financial year for Italian corporate income tax purposes); and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Interest:

The Notes will bear interest on a non-cumulative basis (i) from and including 4 December 2008 to but excluding 4 December 2018 (the "**Reset Date**") at a rate of 8.338 per cent. per annum, payable annually in arrear on 4 December in each year and (ii) from and including the Reset Date at a rate of three month Euribor plus 550 basis points, payable quarterly in arrear on 4 March, 4 June, 4 September and 4 December of each year beginning 4 March 2019.

Optional suspension of interest:

The Issuer may elect, by giving notice to the Noteholders pursuant to Condition 15 (*Notices*), not to pay all (or part only) of the interest accrued to an Interest Payment Date if (A) the Issuer does not have Distributable Profits, according to its Latest Accounts; and/or (B) since the Issuer's AGM in respect of the financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution has been declared, made, approved or set aside for payment in respect of any Junior Securities.

"**Distributable Profits**" means in respect of the Latest Accounts, the reported net profits, determined after tax and extraordinary items that are stated as being available for the payment of a dividend or the making of a distribution on any class of the Issuer's Junior Securities.

Where the Issuer elects not to pay interest pursuant to Condition 5(a) (*Interest suspension - Optional suspension of interest*) it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under the Conditions or for any purpose. Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to Condition 5(a) (*Interest suspension - Optional suspension of interest*) will not accumulate or compound and all rights

and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

Mandatory suspension of interest:

The Issuer will be prohibited from (A) paying all (or part only) of the interest accrued to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made such payment of interest on such Interest Payment Date; or (B) paying all (but not part only) of the interest accrued to an Interest Payment Date if (i) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or (ii) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on all classes of its share capital, other than in the case of a Capital Deficiency Event, except in each case that where Condition 5(c)(i) (*Interest suspension - Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding Condition 5(b) (*Interest suspension - Mandatory suspension of interest*).

"**Capital Deficiency Event**" means (A) as a result of losses incurred by the Issuer, on a consolidated or non-consolidated basis, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer, on a consolidated or non-consolidated basis as calculated in accordance with applicable Italian banking laws and regulations, and either (1) reported in the Issuer's reporting to the Lead Regulator (currently *Matrice dei Conti*) or (2) determined by the Lead Regulator and communicated to the Issuer, in either case, falls below the then minimum requirements of the Lead Regulator specified in applicable regulations (currently equal to five per cent. pursuant to the *Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006); or (B) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating such that an event specified in (A) above is likely to occur in the short term.

Where the Issuer is prohibited from paying interest pursuant to Condition 5(b) (*Interest suspension - Mandatory suspension of interest*) it shall not have any

obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under the Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to Condition 5(b) (*Interest suspension - Mandatory suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

Mandatory Payment of Interest: Notwithstanding Condition 5(b) (*Interest suspension - Mandatory suspension of interest*), the Issuer is required to pay interest (including, without limitation, in the event of a Capital Deficiency Event) on any Interest Payment Date in full if and to the extent that during the 12-month period (or 6-month period or 3-month period for securities (other than shares) where remuneration is paid every six months or three months, respectively) prior to such Interest Payment Date the Issuer or any Subsidiary has declared or paid dividends or other distributions on Junior Securities.

Subject to Condition 5(b) (*Interest suspension - Mandatory suspension of interest*) the Issuer is required to pay interest on any Interest Payment Date in full if and to the extent that during the 12-month period prior to such Interest Payment Date the Issuer or any Subsidiary has redeemed, repurchased or acquired any Junior Securities (other than a Permitted Repurchase).

"Permitted Repurchase" means (1) any redemption, repurchase or other acquisition of such Junior Securities held by any member of the Group, (2) a reclassification of the equity share capital of the Issuer or any of its Subsidiaries or the exchange or conversion of one class or series of equity share capital for another class or series of equity share capital, (3) the purchase of fractional interests in the share capital of the Issuer or any of its Subsidiaries pursuant to the conversion or exchange provisions of such security being converted or exchanged, (4) any redemption or other acquisition of Junior Securities in connection with a levy of execution for the satisfaction of a claim by the Issuer or any of its

Subsidiaries, (5) any redemption or other acquisition of Junior Securities in connection with the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plan or similar arrangement, or (6) any redemption or other acquisition of Junior Securities in connection with transactions effected by or for the account of customers of the Issuer or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities.

**Loss absorption and
reinstatement:**

To the extent that the Issuer at any time suffers losses (also considering profits and losses relating to previous financial years) which would result in a Capital Deficiency Event, the obligations of the Issuer relating to the principal amount of the Notes will be suspended to the extent necessary to enable the Issuer to continue to carry on its activities in accordance with applicable regulatory requirements. In any such case, but always subject to the provisions set out in Condition 5(b) (*Interest suspension - Mandatory suspension of interest*), interest will continue to accrue on the nominal value of the Notes. The obligations of the Issuer to make payments in respect of principal amount of the Notes, will be reinstated (in priority to any Junior Securities and on a *pari passu* basis with any Parity Securities), as if such obligations of the Issuer had not been so suspended:

- (i) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*); and
- (ii) in whole, in the event of early redemption of the Notes pursuant to Conditions 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*), 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) or 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*); and
- (iii) in whole or in part, from time to time, to the extent that the Capital Deficiency Event is no

longer continuing.

**Modification following a
Regulatory Event:**

Where a Regulatory Event occurs and is continuing, the Issuer may, without the consent of the Noteholders and without prejudice to its option to redeem under Condition 7(b) (*Redemption and purchase - Redemption due to a Regulatory Event*), modify the terms of the Notes on the Issuer's giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*), to the extent that such modification is reasonably necessary to ensure that no Regulatory Event would exist after such modification, provided that following such modification:

- (i) the Notes, as so modified (the "**modified Notes**"), are held on terms and conditions which are no more prejudicial to Noteholders than the terms and conditions applicable to the Notes prior to such modification (the "**existing Notes**") and the terms and conditions of the modified Notes shall in all material commercial respects provide the Noteholders with at least the same economic rights and benefits as the existing Notes, *provided that* any modification may be made in accordance with paragraphs (ii) to (v) below and any such modification shall not constitute a breach of this paragraph (i); and
- (ii) the person having the obligation of the Issuer under the Notes continues to be Banca Carige S.p.A.; and
- (iii) the modified Notes may provide that Condition 5(c)(i) (*Interest suspension - Mandatory payment of interest*) shall in all cases be subject to Condition 5(b)(i) (*Interest suspension - Mandatory suspension of interest*); and
- (iv) the modified Notes rank at least equal to the existing Notes and feature the same tenor, principal amount, interest rate (including applicable margins and step-up), interest payment dates and first call date as the existing Notes; and
- (v) the modified Notes continue to be listed on a regulated market of an internationally recognised stock exchange as selected by the Issuer

(provided that the existing Notes were so listed prior to the occurrence of the Regulatory Event),

and *provided further that*:

- (a) the Issuer obtains approval of the proposed modification from the Lead Regulator (if such approval is required) or gives prior written notice (if such notice is required to be given) to the Lead Regulator and, following the expiry of all relevant statutory time limits, the Lead Regulator is no longer entitled to object or impose changes to the proposed modification;
- (b) the modification does not give rise to a change in any published rating of the existing Notes in effect at such time;
- (c) the modification does not give rise to any right on the part of the Issuer to exercise any option to redeem the Notes prior to their stated maturity, without prejudice to the provisions under Condition 7(a) (*Redemption and purchase - Redemption at the Option of the Issuer*); and
- (d) the Issuer has delivered to the Fiscal Agent a certificate, substantially in the form shown in the Agency Agreement, signed by two of Banca Carige's executive officers stating that paragraphs (i) to (v) and (a) to (c) above have been complied with, such certificate to be made available for inspection by Noteholders.

Taxation:

All payments in respect of Notes will be made free and clear of withholding taxes of the Republic of Italy, as the case may be (and subject to certain customary exceptions), unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 9 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

Governing Law:

The Notes will be governed by English law except that Condition 3 (*Status and Subordination of the Notes*) will be governed by Italian law.

Listing and admission to trading:	Application has been made to the Luxembourg Stock Exchange for the Notes 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. Total expenses related to admission to trading are estimated to be €10,500.
Rating:	The Notes will not be rated.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Italy see, "Subscription and Sale" below.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
ISIN:	XS0400411681
Common Code:	040041168

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. 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 the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the 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.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

References to the "Carige Group" are to the Issuer and each of its consolidated subsidiaries. Otherwise, words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meaning in this section. References to a "Condition" is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the entire Prospectus.

Risk Factors in relation to the Issuer

Risks concerning liquidity which could affect the Issuer's ability to meet its financial obligations as they fall due.

The Carige Group businesses are subject to risks concerning liquidity which are inherent to its banking operations, and could affect the Carige Group's ability to meet its financial obligations as they fall due or to fulfil commitments to lend. In order to ensure that the Carige Group continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Carige Group to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The current dislocation in the global and Italian capital markets and credit conditions has led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and has impacted the wider economy. Individual institutions have faced varying degrees of stress. Should the Carige Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Carige Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely impacted.

Risks associated with general economic, financial and other business conditions

The results of the Issuer are affected by general economic, financial and other business conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates in Italy and in other markets in which the Carige Group operates influence the Carige Group's performance.

Changes in interest rates, foreign exchange rates, equity prices and other market factors affect the Issuer's business.

The most significant market risks which the Issuer faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios. The Issuer has implemented risk management methods to mitigate and control these and other market risks to which the Issuer is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance and business operations.

The Issuer's insurance businesses are subject to inherent risks involving claims.

Future claims in the Issuer's general and life assurance businesses may be higher than expected as a result of changing trends in claims experience resulting from catastrophic weather conditions, demographic developments, changes in mortality rates and other causes outside the Issuer's control. Such changes would affect the profitability of current and future insurance products and services. The Issuer re-insures some of the risks that it has assumed.

Operational risks are inherent in the Issuer's businesses.

The Issuer's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and Conduct of Business rules, equipment failures, natural disasters or the failure of external systems, for example, those of the Issuer's suppliers or counterparties. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by the Issuer.

The Issuer's businesses are subject to substantial regulation and regulatory oversight. Any significant regulatory developments could have an effect on how the Issuer conducts its businesses and on the results of operations.

The Issuer is subject to financial services laws, regulations, administrative actions and policies in each location in which the Issuer operates. This supervision and regulation, in particular in Italy, if changed could materially affect the Issuer's business, the products and services it offers or the value of its assets.

Future growth in the Issuer's earnings and shareholder value depends on strategic decisions regarding organic growth and potential acquisitions.

The Issuer devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not meet with success, the Issuer's earnings could grow more slowly or decline.

The Issuer is subject to capital requirements that could limit its operations.

The Issuer is subject to capital adequacy guidelines adopted by the Bank of Italy for a bank or a bank holding company, which provide for a minimum ratio of total capital to risk adjusted assets both on a consolidated basis and on a solo-consolidated basis expressed as a percentage. At least half of the total capital must be maintained in the form of Tier 1 capital. The Issuer's failure to maintain its ratios may result in administrative actions or sanctions against it which may impact the Issuer's ability to fulfil its obligations under the Notes.

The Issuer's businesses are conducted in a marketplace that is consolidating and significant cross-border mergers and acquisitions may happen in the coming years.

In addition to its important strategy of organic growth, one of the Issuer's aims is to remain alert for opportunities to participate in the further consolidation of the financial services industry, both in Italy and overseas. The Issuer cannot be sure that it will ultimately be able to make any such mergers or acquisitions.

The Issuer's businesses are conducted in highly competitive environments.

The market for Italian financial services and the other markets within which the Issuer operates are highly competitive. Management expects such competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors, which could result in a reduction in profit margins.

The Issuer's provisions for credit losses are inherently uncertain and depend on many factors.

The Issuer's provisions for credit losses provide for losses inherent in loans and advances and other credit exposures. Estimating losses is inherently uncertain and depends on many factors, including general economic conditions, rating migration, structural and technological changes within industries and changes in customer preferences that alter competitive positions,

mismanagement by customers and other external factors such as legal and regulatory requirements.

Risk Factors in relation to the Notes

An investment in the Notes involves certain risks associated with the characteristics of the Notes. Such risks could result in principal or interest not being paid by the Issuer and/or a material impairment of the market price of the Notes. The following is a description of certain risk factors in relation to the Notes.

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 should:

- (i) have 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;
- (ii) have 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;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The 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 the 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.

Perpetual Securities

The Issuer is under no obligation to redeem the Notes at any time before the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer and the Noteholders have no right to call for their redemption.

Redemption risk

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer or as described in Condition 7 (*Redemption and Purchase*). The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Reset Date and on any Interest Payment Date thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*), as described in Condition 7(a) (*Redemption and Purchase - Redemption at the option of the Issuer*). In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event or a Tax Event at a redemption price equal to the greater of (i) the principal amount and (ii) the Make Whole Amount together, in each case, with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*) as described in Conditions 7(b) (*Redemption and Purchase - Redemption due to a Regulatory Event*) and 7(c) (*Redemption and Purchase - Redemption due to a Tax Event*). Any redemption of the Notes, save in accordance with the first sentence of this paragraph, is subject to the prior approval of the Lead Regulator (as defined herein).

If the Issuer calls and redeems the Notes in any of the circumstances mentioned above, the Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield.

No limitation on issuing debt

There is no restriction on the amount of liabilities which the Issuer may issue or guarantee which rank senior to the Notes or on the amount of liabilities which the Issuer may issue or guarantee which rank *pari passu* with the Notes.

The occurrence of such issue or guarantee may reduce the amount recoverable by Noteholders on a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, the Issuer.

Subordination

The Notes will be direct, unsecured, subordinated obligations of the Issuer. Upon the occurrence of any winding-up proceedings of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer (including dated subordinated obligations), except those liabilities which rank *pari passu* with, or junior to, the Notes. In liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the Noteholders may recover proportionally less than the holders of unsubordinated and Less Deeply Subordinated Obligations of the Issuer.

The Noteholders explicitly accept that, in the circumstances described above, payments in respect of the Notes will be made by the Issuer pursuant to the Notes only in accordance with the subordination described above.

No express Events of Default

The Noteholders should be aware that the Terms and Conditions of the Notes do not contain any express events of default.

Optional suspension of interest payments

Noteholders should be aware that the Issuer may, by giving not less than 15 days prior notice, elect in its discretion not to pay all (or part only) of the interest accrued to an Interest Payment Date if (A) the Issuer does not have Distributable Profits, according to its Latest Accounts; and/or (B) since the Issuer's AGM in respect of the financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution has been declared, made, approved or set aside for payment in respect of any Junior Securities. For further details see Condition 5(a) (*Interest suspension - Optional suspension of interest*).

Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to Condition 5(a) (*Interest suspension - Optional suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared made, approved or set aside for payment in respect of any Junior Securities.

Mandatory Suspension of Interest Payments

Noteholders should be aware that the Issuer will be prohibited from (A) paying all (or part only) of the interest accrued to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made the payment of interest (in whole or in part) on such Interest Payment Date; or (B) paying all (or part only) of the interest accrued to an Interest Payment Date if (i) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or (ii) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on all classes of its share capital, other than in the case of a Capital Deficiency Event. For further details see Condition 5(b) (*Interest suspension - Mandatory suspension of interest*).

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to Condition 5(b) (*Interest suspension - Mandatory suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared made, approved or set aside for payment in respect of any Junior Securities.

Loss Absorption and reinstatement

Noteholders should be aware that if the Issuer at any time suffers losses (also considering profits and losses relating to previous financial years) which would result in a Capital Deficiency Event, the obligations of the Issuer relating to the principal amount of the Notes will be suspended to the extent necessary to enable the Issuer to continue to carry on its activities in accordance with applicable regulatory requirements. The obligations of the Issuer to make payments in respect of principal amount of the Notes will under certain circumstances be reinstated in priority to any Junior Securities and on a *pari passu* basis with any Parity Securities as described in Condition 6 (*Loss absorption and reinstatement*).

Fixed Rate Notes

Until the Reset Date in respect of the Notes, the Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "Market Interest Rate"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes and lead to losses for Noteholders if they sell Notes before the Reset Date.

Variation of the terms and conditions of the Notes

The Issuer may in certain circumstances modify the terms and conditions of the Notes without any requirement for the consent or approval of the Noteholders to the extent that such modification is reasonably necessary to ensure that no Regulatory Event would exist after such modification, as described in Condition 13(c) (*Modification following a Regulatory Event*).

Qualification of the Notes under Italian taxation law

Italian tax law does not provide for any specific and proper definition of the categories of "bonds" and "debentures similar to bonds" referred to in Article 1 and following of Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"). The statements contained in the section "*Taxation - Italy*", as for the applicability of the tax regime provided for by Decree No. 239 to the Notes, are based on the clarifications given by the Italian Revenue Agency in Circular No. 4/E of 18 January 2006, according to which bonds may have a maturity which is not scheduled at a specific date, but it is linked to the maturity of the issuing company (as in the case of the Notes whose maturity is linked to the maturity of the Issuer) or to the liquidation thereof, if the company has been set-up with an undetermined maturity pursuant to Article 2328 (2), No. 13, of the Italian Civil Code. Prospective purchasers and holders of the Notes must take into account that the above clarifications (as well as the Italian tax provisions

in effect as of the date of this Prospectus) are subject to changes, which could also have retroactive effects. Should, following a change in the Italian tax provisions or in the interpretation followed by the Italian tax authorities, the Notes be qualified as "atypical securities" pursuant to Article 5 of Law Decree No. 512 of 30 September 1983 (instead of being qualified as "bonds" or "debentures similar to bonds" subject to the tax regime described in the section "*Taxation - Italy*"), interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of the Notes could be subject to an Italian withholding tax at a rate of 27 per cent. if owed to beneficial owners that are not resident of Italy for tax purposes or to certain categories of Italian resident beneficial owners, depending on the legal status of the beneficial owner of such interest and other proceeds. Reduced rates provided for by double taxation treaties entered into by Italy would be applicable in relation to interest and other proceeds paid to non-Italian resident beneficial owners, provided that the relevant requirements are met.

The applicability of such a withholding tax in relation to interest and other proceeds paid to non-Italian resident beneficial owners would give rise to an obligation of the Issuer to pay additional amounts pursuant to Condition 9(a) (*Taxation - Gross up*) and would, as a consequence, allow the Issuer to redeem the Notes at the greater of (x) the principal amount of the Notes and (y) the Make Whole Amount, together, in each case, with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*).

On the other hand, based on Condition 9(a)(ii) and (iv) (*Taxation - Gross up*), the above withholding tax, when levied in respect of interest and other proceeds paid to certain Italian resident beneficial owners, would not give rise to any obligation of the Issuer to pay additional amounts.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

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

The Notes are represented by Global Notes. Such Global Notes will be deposited with a common depositary 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 a Global Note, 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 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.

Credit ratings may not reflect all risks

The credit ratings assigned to the Notes 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. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to the 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 market generally

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

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very 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 would generally 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 the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. 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 Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro 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 Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) 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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit risk

Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

DOCUMENTS INCORPORATED BY REFERENCE

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

1. the audited annual consolidated financial statements of the Issuer as at and for the financial years ended 31 December 2006 and 31 December 2007, together with the notes and audit reports prepared in connection therewith;
2. the half-yearly consolidated financial reports of the Issuer as at and for the six months ended 30 June 2007 and 30 June 2008 which have been subject to a limited review by Deloitte & Touche S.p.A., together with the notes and limited review reports prepared in connection therewith; and
3. the 10 November 2008 press release published by the Issuer in relation to its results as at and for the nine months ended 30 September 2008.

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein. Request for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. In addition such documents will be available, without charge, at the principal office of the Fiscal Agent in Luxembourg and on the Luxembourg Stock Exchange's website (www.bourse.lu).

Cross reference list

The following table shows where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 can be found in the above-mentioned documents.

Audited annual consolidated financial statements of the Issuer

	2007	2006
Balance sheet	Pages 69-70	Pages 59-60
Statement of income	Page 71	Page 61
Cash flow statement	Pages 74-75	Pages 64
Notes to the financial statements	Pages 76-302	Pages 66-275
Audit report	Pages 310-312	Page 287-288

Limited reviewed half-yearly consolidated financial reports of the Issuer

	2008	2007
Balance sheet	Page 7	Page 11
Statement of income	Page 8	Page 12
Cash flow statement	Page 12	Page 16
Notes to the financial statements	Page 13-29	Page 17-26
Limited review report	Pages 105-106	Pages 99-100

Any information not listed in the cross-reference list, but included in the documents incorporated by reference, is given for information purposes only.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will be endorsed on each Note in definitive form.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions Relating to the Notes While in Global Form" below.

The issue of the €160,000,000 8.338 per cent. perpetual subordinated fixed/floating rate notes (the "**Notes**") issued by Banca Carige S.p.A. (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer passed on 22 September 2008. The Notes are the subject of a fiscal agency agreement dated 4 December 2008 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Fortis Banque Luxembourg S.A. as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are a summary of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) and talons for further Coupons ("**Talons**") which form part of each Coupon sheet of the Notes, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**AGM**" means the annual general meeting of shareholders convened for the approval of the non-consolidated annual financial statements of the Issuer;

"**Bank of Italy Regulations**" means the Regulations of the Bank of Italy relating to the capital adequacy of banks (*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006) as amended and supplemented;

"**Business Day**" means a TARGET Settlement Day;

"**Calculation Agent**" means the Fiscal Agent or any successor calculation agent appointed from time to time in connection with the Notes;

"**Capital Deficiency Event**" means:

- (A) as a result of losses incurred by the Issuer, on a consolidated or non-consolidated basis, the total risk-based capital ratio (*coefficiente*

patrimoniale complessivo) of the Issuer, on a consolidated or non-consolidated basis as calculated in accordance with applicable Italian banking laws and regulations, and either (1) reported in the Issuer's reporting to the Lead Regulator (currently *Matrice dei Conti*) or (2) determined by the Lead Regulator and communicated to the Issuer, in either case, falls below the then minimum requirements of the Lead Regulator specified in applicable regulations (currently equal to five per cent. pursuant to the *Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006); or

- (B) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating such that an event specified in (A) above is likely to occur in the short term;

"Comparable German Bund Issue" means the German Bund security selected by the Calculation Agent as having a maturity comparable to 4 December 2018 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities having a maturity of 4 December 2018;

"Comparable German Bund Price" means (A) the average of five Reference German Bund Dealer Quotations for the relevant Make Whole Event Redemption Date, after excluding the highest and lowest such Reference German Bund Dealer Quotations; or (B) if the Calculation Agent obtains fewer than five such Reference German Bund Dealer Quotations, the average of all such Reference German Bund Dealer Quotations;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"Decree No. 239" has the meaning given in Condition 9 (*Taxation*);

"Distributable Profits" means in respect of the Latest Accounts, the reported net profits, determined after tax and extraordinary items that are stated as being available for the payment of a dividend or the making of a distribution on any class of the Issuer's Junior Securities;

"Euro-zone" means the region comprised of member states of the European Union which adopt the Euro in accordance with the Treaty establishing the European Community, as amended;

"Extraordinary Resolution" has the meaning given in the Agency Agreement;

"Financial Year End Date" means 31 December in any year;

"Fixed Rate Day Count Fraction" means in respect of the calculation of an amount for any period of time in the Fixed Rate Interest Period (for the purposes of this definition, the **"Calculation Period"**) the actual number of days in the Calculation Period divided by the actual number of days in the relevant calendar year;

"Fixed Rate Interest Payment Date" means 4 December of each year beginning on 4 December 2009 up to and including the Reset Date;

"Fixed Rate Interest Period" means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date for so long as Condition 4(a) (*Interest – Fixed Rate*) applies;

"Fixed Rate of Interest" has the meaning given in Condition 4(a) (*Interest – Fixed Rate*);

"Floating Rate Day Count Fraction" means in respect of the calculation of an amount for any period of time in the Floating Rate Interest Period (for the purposes of this definition, the **"Calculation Period"**) the actual number of days in the Calculation Period divided by 360;

"Floating Rate Interest Determination Date" has the meaning given in Condition 4(b) (*Interest – Floating Rate*);

"Floating Rate Interest Payment Date" means 4 March, 4 June, 4 September and 4 December of each year beginning on 4 December 2019 up to and including the date of redemption of the Notes;

"Floating Rate Interest Period" means each period beginning on (and including) the Reset Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date when Condition 4(b) (*Interest – Floating Rate*) applies;

"Floating Rate of Interest" has the meaning given in Condition 4(b) (*Interest – Floating Rate*);

"German Bund Rate" means, with respect to the relevant Make Whole Event Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price calculated by the Calculation Agent;

"German Business Day" means a day other than a Saturday or Sunday or a day on which banking institutions in Frankfurt, Germany, are authorised or required by law or executive order to remain closed;

"Group" means the Issuer and its Subsidiaries;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Payment Date" means a Fixed Rate Interest Payment Date or a Floating Rate Interest Payment Date, as the case may be;

"Interest Period" means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be;

"Issue Date" means 4 December 2008;

"Italian Banking Act" means Italian Legislative Decree No. 385 of 1 September 1993, as amended from time to time;

"Junior Securities" means all classes of share capital (including preference shares – *azioni privilegiate* – and savings shares – *azioni di risparmio*) of the Issuer;

"Latest Accounts" means the non-consolidated accounts approved by the Issuer relating to the Financial Year End Date immediately preceding the financial year in which the relevant Interest Payment Date falls or, where such accounts are not available, the last set of non-consolidated financial statements as of and for a period ending on a Financial Year End Date approved by the Issuer prior to the relevant Interest Payment Date;

"Lead Regulator" means the Bank of Italy, or any successor entity of the Bank of Italy, or any other competent regulator to which the Issuer becomes subject as its lead regulator;

"Less Deeply Subordinated Obligations" means any obligation of the Issuer, whether or not having a fixed maturity date, which by its terms is, or is expressed to be, subordinated in the event of liquidation or insolvency of the Issuer to the claims of any unsubordinated creditors of the Issuer but senior to the Notes including, but not limited to, Upper Tier 2 Liabilities and Lower Tier 2 Liabilities of the Issuer;

"Liquidazione Coatta Amministrativa" means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Italian Banking Act;

"Lower Tier 2 Liabilities" means *passività subordinate* as defined in Title I, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

"Make Whole Amount" in respect of each Note means the principal amount of such Note, assuming such Note to be due on the Reset Date, together with interest to be accrued from the relevant Make Whole Event Redemption Date to (but excluding) the Reset Date, assuming all such to be due in full, in each case discounted to the relevant Make Whole Event Redemption Date on an annual basis (calculated on the basis of the actual number of days in the

relevant calendar year and the actual number of days in such period), such discounting to be at the German Bund Rate plus 1.50 per cent. calculated by the Calculation Agent;

"Make Whole Event Redemption Date" means a Regulatory Event Redemption Date or a Tax Event Redemption Date, as the case may be;

"Parity Securities" means (A) any obligations or instruments issued by the Issuer which rank equally with the Notes, and (B) any guarantees or similar instruments of the Issuer which rank equally with the Notes and which are granted for the benefit of preferred securities or preferred or preference shares or instruments having similar features issued by any Subsidiary of the Issuer;

"Payment Business Day" means:

- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
- (ii) in the case of payment by transfer to an account, a TARGET Settlement Day;

"Permitted Repurchase" has the meaning given in Condition 5(c) (*Interest suspension –Mandatory payment of interest*);

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Rate of Interest" means the Fixed Rate of Interest or the Floating Rate of Interest, as the case may be;

"Reference German Bund Dealer" means any German Bund dealer selected by the Calculation Agent after consultation with the Issuer;

"Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and the relevant Make Whole Event Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference German Bund Dealer at 3:30 p.m., Frankfurt time, on the third German Business Day immediately preceding the relevant Make Whole Event Redemption Date;

"Regulatory Event" means that, at any time whilst any of the Notes are outstanding:

- (i) the Issuer is not permitted under the applicable rules and regulations adopted by the Lead Regulator, or an official application or

interpretation of such rules and regulations including a decision of any court or tribunal, to treat the Notes as own funds; or

- (ii) the Issuer is notified by the Lead Regulator that the Notes do not or no longer qualify as own funds,

in each case, for the purposes of (a) Tier 1 Capital or (b) in case of future amendments to the Bank of Italy Regulations, up to such other fraction of the regulatory capital as will apply to non-cumulative perpetual instruments or similar instruments or liabilities pursuant to which the Issuer has a call option linked to an incentive to redeem such as an increase in the amount of payment due in respect of such instruments or liabilities, (save where any inability to so treat the Notes is solely as a result of any applicable limitation on the amount of such regulatory capital);

"Regulatory Event Redemption Date" means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) following a Regulatory Event;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Reserved Matter" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to change the provisions contained in Condition 3 (*Status and Subordination of the Notes*);

"Reset Date" has the meaning given in Condition 4(a) (*Interest – Fixed Rate*);

"Specified Office" has the meaning given in the Agency Agreement;

"Subsidiary" means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (i) whose majority of votes in ordinary shareholders' meetings of the second Person is held by the first Person; or
- (ii) in which the first Person holds a sufficient number of votes giving the first person a dominant influence in ordinary shareholders' meetings of the second Person; or

- (iii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"TARGET2" means the Trans-European Automated real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"Tax Event" means:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) 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 (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) deductibility of interest payable by the Issuer in respect of the Notes is materially reduced for Italian corporate income tax purposes as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards 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 or accounting standards, which change or amendment becomes effective on or after the Issue Date (save where any non-deductibility of interest payable by the Issuer in respect of the Notes is solely as a result of the Issuer exceeding any applicable general threshold of aggregate interest expenses that may be deducted by the Issuer in any financial year for Italian corporate income tax purposes); and (2) such non-deductibility cannot be avoided by the Issuer taking reasonable measures available to it;

"Tax Event Redemption Date" means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*) following a Tax Event;

"Tier 1 Capital" means *patrimonio di base* as defined in Title I, Chapter 2, Section II, paragraph 1.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

"**Treaty**" means the Treaty establishing the European Communities, as amended; and

"**Upper Tier 2 Liabilities**" means *strumenti ibridi di patrimonializzazione* as defined in Title I, Chapter 2, Section II, paragraph 4.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition.

(b) *Interpretation*: In these Conditions:

- (i) any reference to principal shall be deemed to include the principal amount of the Notes, any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement; and
- (iv) references to "Coupons" shall, unless the context otherwise requires, be deemed to include a reference to Talons.

2. **Form, Denomination and Title**

The Notes are in bearer form in denominations of €50,000 with Coupons and Talons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. **Status and Subordination of the Notes**

- (a) *Status of the Notes*: The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank:
 - (i) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities;
 - (ii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Issuer and to all Less Deeply Subordinated Obligations; and

- (iii) senior in right of payments to any Junior Securities.
- (b) *Subordination*: By virtue of such subordination, payments to Noteholders will, in the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, only be made after, and any set-off by any Noteholders shall be excluded until, the payment of any present or future claims of all unsubordinated creditors of the Issuer and of all Less Deeply Subordinated Obligations in any such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer have been satisfied in full or after an arrangement or composition has been agreed between them pursuant to which they have given full discharge against receipt of part of their claim.

4. Interest

- (a) *Fixed Rate*: The Notes bear interest on a non-cumulative basis from and including the Issue Date to but excluding the Interest Payment Date falling on 4 December 2018 (the "**Reset Date**") at the rate of 8.338 per cent. per annum (the "**Fixed Rate of Interest**"), payable, subject as provided in these Conditions, annually in arrears on 4 December in each year (each, a "**Fixed Rate Interest Payment Date**"). The first interest payment shall be made on 4 December 2009 in respect of the period from (and including) the Issue Date to (but excluding) 4 December 2009 and shall be in the amount of €4,169 per Note of €50,000 denomination. The amount of interest payable in respect of each Note for any period which is not equal to a Fixed Rate Interest Period shall be calculated by applying the Fixed Rate of Interest to the principal amount of such Note, multiplying the product by the Fixed Rate Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards); *provided however that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day.
- (b) *Floating Rate*:
 - (i) If the Issuer does not redeem the Notes in accordance with Condition 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*) on the Reset Date, the Notes will bear interest on a non-cumulative basis for each Floating Rate Interest Period at the Floating Rate of Interest (as defined below) payable, subject as provided in these Conditions, in arrear on each Floating Rate Interest Payment Date; *provided however that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day.

(ii) The rate of interest applicable to the Notes (the "**Floating Rate of Interest**") for each Floating Rate Interest Period will be determined by the Calculation Agent on the following basis:

(A) the Calculation Agent will determine the rate for deposits in Euro for a period equal to the relevant Floating Rate Interest Period which appears on the display page designated EURIBOR 01 on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (Brussels time) on the second TARGET Settlement Day before the first day of the relevant Floating Rate Interest Period (the "**Floating Rate Interest Determination Date**");

(B) if such rate does not appear on that page, the Calculation Agent will:

(1) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in Euro are offered by it in the Euro-zone interbank market at approximately 11.00 a.m. (Brussels time) on the Floating Rate Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time; and

(2) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and

(C) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone, selected by the Calculation Agent, at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Interest Period for loans in Euro to leading European banks for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Rate of Interest for such Floating Rate Interest Period shall be the sum of 5.50 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if

the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Rate of Interest applicable to the Notes during such Floating Rate Interest Period will be the sum of 5.50 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Floating Rate Interest Period, or, where there has been no such previous determination, the Floating Rate of Interest shall be equal to the Fixed Rate of Interest plus 1.00 per cent. per annum.

- (iii) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Floating Rate of Interest is to be determined in relation to each Floating Rate Interest Period, calculate the Interest Amount payable in respect of each Note for such Floating Rate Interest Period. The Interest Amount will be calculated by applying the Floating Rate of Interest for such Floating Rate Interest Period to the principal amount of such Note during such Floating Rate Interest Period and multiplying the product by the relevant Floating Rate Day Count Fraction.
 - (iv) *Publication:* The Calculation Agent will cause each Floating Rate of Interest and Interest Amount determined by it, together with the relevant Floating Rate Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Floating Rate of Interest, Interest Amount and Floating Rate Interest Payment Date) in any event not later than the first day of the relevant Floating Rate Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Floating Rate Interest Period.
 - (v) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (c) *Interest accrual:* Each Note will cease to bear interest from (but excluding) maturity or the due date for redemption pursuant to Conditions 7(a)

(Redemption and Purchase – Redemption at the option of the Issuer), 7(b) *(Redemption and Purchase – Redemption due to a Regulatory Event)* or 7(c) *(Redemption and Purchase – Redemption due to a Tax Event)* unless, upon due presentation, payment of principal in respect of the Notes is improperly withheld or refused, in which case any such amounts of principal improperly withheld or refused will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

5. **Interest suspension**

(a) *Optional suspension of interest:* The Issuer may elect, by giving notice to the Noteholders pursuant to Condition 15 (*Notices*) below, not to pay all (or part only) of the interest accrued to an Interest Payment Date if:

- (i) the Issuer does not have Distributable Profits, according to its Latest Accounts; and/or
- (ii) since the Issuer's AGM in respect of the financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution has been declared, made, approved or set aside for payment in respect of any Junior Securities,

except that where Condition 5(c) (*Interest suspension - Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding this Condition 5(a).

The Issuer shall give not more than 25 but not less than 15 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 15 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5(a), it elects not to pay interest and such notice shall include a confirmation of the Issuer's entitlement not to pay interest, together with details of the amount of interest (if any) to be paid on such Interest Payment Date.

Where the Issuer elects not to pay interest pursuant to this Condition 5(a) it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to this Condition 5(a) will not accumulate or compound

and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

- (b) *Mandatory suspension of interest*: The Issuer will be prohibited from:
- (i) paying all (or part only) of the interest accrued to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made such payment of interest on such Interest Payment Date; or
 - (ii) paying all (but not part only) of the interest accrued to an Interest Payment Date if:
 - (1) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or
 - (2) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on its Junior Securities, other than in the case of a Capital Deficiency Event,

except that where Condition 5(c)(i) applies, the Issuer shall be required to pay interest notwithstanding this Condition 5(b).

The Issuer shall give not more than 25 but not less than 15 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 15 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5(b), it is prohibited from paying interest and such notice shall include a confirmation of the Issuer's prohibition from paying interest, together with details of the amount of interest (if any) to be paid on such Interest Payment Date.

Where the Issuer is prohibited from paying interest pursuant to this Condition 5(b) it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to this Condition 5(b) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

- (c) *Mandatory payment of interest*
- (i) Notwithstanding the provisions of Condition 5(b) (*Interest suspension - Mandatory suspension of interest*), the Issuer is required to pay interest (including, without limitation, in the event of a Capital Deficiency Event) on any Interest Payment Date in full if and to the extent that

during the 12-month period (or 6-month period or 3-month period for securities (other than shares) where remuneration is paid every six months or three months, respectively) prior to such Interest Payment Date the Issuer or any Subsidiary has declared or paid dividends or other distributions on any Junior Securities.

- (ii) Subject to Condition 5(b) (*Interest suspension - Mandatory suspension of interest*), the Issuer is required to pay interest on any Interest Payment Date in full if and to the extent that during the 12-month period prior to such Interest Payment Date the Issuer or any Subsidiary has redeemed, repurchased or acquired any Junior Securities (other than a Permitted Repurchase).

"Permitted Repurchase" means (1) any redemption, repurchase or other acquisition of such Junior Securities held by any member of the Group, (2) a reclassification of the equity share capital of the Issuer or any of its Subsidiaries or the exchange or conversion of one class or series of equity share capital for another class or series of equity share capital, (3) the purchase of fractional interests in the share capital of the Issuer or any of its Subsidiaries pursuant to the conversion or exchange provisions of such security being converted or exchanged, (4) any redemption or other acquisition of Junior Securities in connection with a levy of execution for the satisfaction of a claim by the Issuer or any of its Subsidiaries, (5) any redemption or other acquisition of Junior Securities in connection with the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plan or similar arrangement, or (6) any redemption or other acquisition of Junior Securities in connection with transactions effected by or for the account of customers of the Issuer or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities.

6. **Loss absorption and reinstatement**

To the extent that the Issuer at any time suffers losses (also considering profits and losses relating to previous financial years) which would result in a Capital Deficiency Event, the obligations of the Issuer relating to the principal amount of the Notes will be suspended to the extent necessary to enable the Issuer to continue to carry on its activities in accordance with applicable regulatory requirements. In any such case, but always subject to the provisions set out in Condition 5(b) (*Interest suspension - Mandatory suspension of interest*), interest will continue to accrue on the nominal value of the Notes. The obligations of the Issuer to make payments in respect of principal amount of the Notes will be reinstated (in priority to any Junior Securities and on a *pari passu* basis with any Parity Securities), as if such obligations of the Issuer had not been so suspended:

- (i) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer and

with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*); and

- (ii) in whole, in the event of early redemption of the Notes pursuant to Conditions 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*), 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) or 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*); and
- (iii) in whole or in part, from time to time, to the extent that the Capital Deficiency Event is no longer continuing.

The Issuer shall forthwith give notice of any such suspension and/or reinstatement to the Noteholders in accordance with Condition 15 (*Notices*) below and such notice shall include a confirmation of the Issuer's entitlement to such suspension and/or reinstatement, together with details of the amounts to be so suspended and/or reinstated.

7. Redemption and Purchase

The Notes will mature and be redeemed by the Issuer on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution of the shareholders' meeting of the Issuer, (ii) any provision of the by-laws of the Issuer (currently, maturity of the Issuer is set at 31 December 2050 though if this is extended, redemption of the Notes will be equivalently adjusted), or (iii) any applicable legal provision, or any decision of any jurisdictional or administrative authority. The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 7. Any redemption in accordance with this Condition 7, save in accordance with the first sentence of this paragraph, is subject to the prior approval of the Lead Regulator. The Notes may not be redeemed at the option of the Noteholders.

- (a) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on the Reset Date and on any Interest Payment Date thereafter at a redemption price equal to their principal amount together with interest accrued (if any) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*) on the Issuer's giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*).
- (b) *Redemption due to a Regulatory Event*: Without prejudice to the Issuer's right to modify the terms and conditions of the Notes pursuant to Condition 13(c) (*Meetings of Noteholders; Modification and Waiver; Modification following a Regulatory Event - Modification following a Regulatory Event*), the Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15

(*Notices*) in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event at a redemption price equal to the greater of (x) the principal amount of the Notes and (y) the Make Whole Amount together, in each case, with interest accrued (if any) up to, but excluding, the Regulatory Event Redemption Date and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*).

- (c) *Redemption due to a Tax Event*: The Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) in whole, but not in part, at any time before the Reset Date following the occurrence of a Tax Event at a redemption price equal to the greater of (x) the principal amount of the Notes and (y) the Make Whole Amount together, in each case, with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*), *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which interest starts accruing in respect of which the Issuer would be unable to deduct such amounts for Italian income tax purposes or obliged to pay such additional amounts if a payment in respect of the Notes were then due, as the case may be.
- (d) *Notification of redemption due to a Regulatory Event or Tax Event*: Prior to the publication of any notice of redemption pursuant to Conditions 7(b) and (c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two duly authorised representatives 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, (2) in the case of a Tax Event, an opinion of independent legal advisers of recognised standing to the effect that the Issuer is unable to deduct such amounts for Italian income tax purposes as a result of such change or amendment or that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, as the case may be.

Any notice of redemption as is referred to in this Condition 7 shall be irrevocable and shall specify the date on which the Notes will be redeemed and the relevant redemption amount. The Issuer shall be bound to redeem the Notes on the relevant date and at the relevant redemption amount specified in such notice in accordance with this Condition 7.

- (e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7(a) to (c) above or upon maturity.
- (f) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith, subject to the prior approval of the Lead Regulator (if applicable).

- (g) *Cancellation:* All Notes so redeemed or purchased and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

8. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in the Euro-zone.
- (b) *Interest:* Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Unmatured Coupons void:* On the due date for redemption of any Note upon maturity or pursuant to Conditions 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*), 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) or 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*) all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof. If the date on which the Notes become due is not an Interest Payment Date, the interest accrued (if any) from the preceding Interest Payment Date (or the Issue Date, as the case may be) on any Note shall be payable only against surrender or endorsement of the relevant Coupon, subject to the provisions of Conditions 4 (*Interest*) and 5 (*Interest suspension*) regarding the payment of interest.
- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against

presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 10 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

9. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
 - (i) in the Republic of Italy; or
 - (ii) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or
 - (iii) to the extent that interest or any other amount payable is paid to a non-Italian resident where such withholding or deduction is required by Legislative Decree No. 239 of 1 April 1996, as subsequently amended, supplemented or replaced ("**Decree No. 239**"), unless this is due to the requirements or procedures set forth therein not being met or complied with due to the actions or omissions of the Issuer or its agents; or

- (iv) by an Italian resident, to the extent that interest is paid to an Italian individual or an Italian legal entity not carrying out commercial activities (in particular (A) partnerships, de facto partnerships not carrying out commercial activities and professional associations, (B) public and private resident entities, other than companies, not carrying out commercial activities, and (C) certain other Persons exempt from corporate income tax) or to such other Italian resident entities which have been or may be identified by Decree No. 239; or
 - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any other law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
 - (vii) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days.
- (b) *Taxing jurisdiction:* If, in respect of payments it makes in relation to the Notes, the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to such other jurisdiction.

10. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

11. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may

reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or calculation agent and additional or successor paying agents; *provided, however, that*:

- (a) the Issuer shall at all times maintain a fiscal agent; and
- (b) the Issuer undertakes that it will ensure that it maintains a paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) the Issuer shall at all times maintain a calculation agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of which require the appointment of a paying agent in any particular place, the Issuer shall maintain a paying agent having its Specified Office in the place required by the rules of such listing authority, stock exchange and/or quotation system; and
- (e) there will at all times be a paying agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

13. Meetings of Noteholders; Modification and Waiver; Modification following a Regulatory Event

- (a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more

Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and Waiver:* The Conditions may not be amended without the prior approval of the Lead Regulator (if applicable). The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree without the consent of the Noteholders to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.
- (c) *Modification following a Regulatory Event:* Where a Regulatory Event occurs and is continuing, the Issuer may, without the consent of the Noteholders and without prejudice to its option to redeem under Condition 7(b) (*Redemption and purchase - Redemption due to a Regulatory Event*), modify the terms of the Notes on the Issuer's giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*), to the extent that such modification is reasonably necessary to ensure that no Regulatory Event would exist after such modification, provided that following such modification:
 - (i) the Notes, as so modified (the "**modified Notes**"), are held on terms and conditions which are no more prejudicial to Noteholders than the terms and conditions applicable to the Notes prior to such modification (the "**existing Notes**") and the terms and conditions of the modified Notes shall in all material commercial respects provide the Noteholders with at least the same economic rights and benefits as the existing Notes, *provided that* any modification may be made in accordance with paragraphs (ii) to (v) below and any such modification shall not constitute a breach of this paragraph (i); and

- (ii) the person having the obligation of the Issuer under the Notes continues to be Banca Carige S.p.A.; and
- (iii) the modified Notes may, to the extent necessary to ensure that no Regulatory Event exists and to the extent that the existing Notes may not benefit from grandfathering provisions, provide that Condition 5(c)(i) (*Interest suspension - Mandatory payment of interest*) shall in all cases be subject to Condition 5(b)(i) (*Interest suspension - Mandatory suspension of interest*); and
- (iv) the modified Notes rank at least equal to the existing Notes and feature the same tenor, principal amount, interest rate (including applicable margins and step-up), interest payment dates and first call date as the existing Notes; and
- (v) the modified Notes continue to be listed on a regulated market of an internationally recognised stock exchange as selected by the Issuer (provided that the existing Notes were so listed prior to the occurrence of the Regulatory Event),

and *provided further that*:

- (a) the Issuer obtains approval of the proposed modification from the Lead Regulator (if such approval is required) or gives prior written notice (if such notice is required to be given) to the Lead Regulator and, following the expiry of all relevant statutory time limits, the Lead Regulator is no longer entitled to object or impose changes to the proposed modification;
- (b) the modification does not give rise to a change in any published rating of the existing Notes in effect at such time;
- (c) the modification does not give rise to any right on the part of the Issuer to exercise any option to redeem the Notes prior to their stated maturity, without prejudice to the provisions under Condition 7(a) (*Redemption and purchase - Redemption at the Option of the Issuer*); and
- (d) the Issuer has delivered to the Fiscal Agent a certificate, substantially in the form shown in the Agency Agreement, signed by two of Banca Carige's executive officers stating that conditions (i) to (v) and (a) to (c) above have been complied with, such certificate to be made available for inspection by Noteholders.

Any notice of modification as is referred to in Condition 13(c) (*Modification following a regulatory event*) shall be irrevocable and shall include a confirmation of the Issuer's entitlement to modify the terms and conditions of the Notes pursuant to Condition 13(c) (*Modification following a regulatory event*), together with a summary of the amendments to the terms and conditions of the Notes, details of how the Issuer will publish a full set of the

terms and conditions of the modified Notes and specifying the date on which the terms and conditions of the modified Notes shall enter into force. The Issuer shall be bound to modify the terms and conditions of the Notes on the relevant date and as specified in such notice in accordance with Condition 13(c) (*Modification following a regulatory event*).

In connection with any modification as indicated in Condition 13(c) (*Modification following a regulatory event*), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are then listed or admitted to trading.

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

15. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are at the relevant time listed or admitted to trading on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first

currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. **Rounding**

For the purposes of any calculations referred to in these Conditions, all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

18. **Governing Law and Jurisdiction**

- (a) *Governing law*: The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law except that Condition 3 (*Status and Subordination of the Notes*) is governed by, and shall be construed in accordance with, Italian law.
- (b) *Jurisdiction*: The courts of England have exclusive jurisdiction to settle any dispute, ("**Dispute**") arising from or in connected with the Notes.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England*: Condition 18(b) (*Jurisdiction*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 18 prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of Process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the representative office of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia in London located at Wax Chandlers Hall, Gresham Street, London EC2V 7AD or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer. Nothing in this

paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around 4 December 2008 (the "**Closing Date**") with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of €50,000, at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Fiscal Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

The Permanent Global Note will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of the Issuer's taxing jurisdiction, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the occurrence of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the deed of

covenant dated 4 December 2008 (the "**Deed of Covenant**") executed by the Issuer in relation to the Notes). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and such Permanent Global Note is (or such Permanent Global Note and/or such Temporary Global Note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds from the issue of the Notes are expected to be approximately €160,000,000.
The proceeds of the Notes will be used by the Issuer for its general corporate purposes.

DESCRIPTION OF BANCA CARIGE

Introduction and History

General Description

Banca Carige S.p.A. ("**Banca Carige**", "**Carige**" or the "**Bank**") is the largest retail bank in the North western Italian region of Liguria (Source: Bank's calculations based on data published by the Bank of Italy - also see "- Competition" below). Banca Carige is the parent company ("**Parent Company**") of the Carige Group. As at 31 March 2008 the Carige Group had market shares in Liguria of 25.54 per cent. of deposits, 21.13 per cent. of loans and 25.69 per cent. of banking branches (Source: Bank's calculations based on data published by the Bank of Italy).

Banca Carige was incorporated in its current form on 31 October 1991 and has a duration until 31 December 2050. The Bank is registered with the commercial registry of Genova under number 0328588010. The Bank's registered office is located 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.

The Bank's retail customer base provides a relatively stable source of low cost funding. Currently, customer deposits represent about 72.8 per cent. of total funding, allowing the Bank to serve a large and diversified base of customers for related bank products, including asset management and other financial services.

As at 30 June 2008, the Bank's network consisted of 494 branches, on a non-consolidated basis total assets amounted to €25,069.2 million, with deposits of €17,558.2 million, loans of €16,170.8 million and the net income for the first six months of the year was €145.6 million.

Both the Bank's and the Carige Group's strategies are focused on providing a wide variety of traditional banking activities including treasury services, the sale of money market products to corporate customers, foreign exchange dealing, underwriting, trading and selling of debt and equity securities, as well as a range of other financial services provided by specialised divisions of the Bank or its associated or subsidiary companies, including leasing, factoring, payment services, home banking, telephone banking, e banking and insurance. Carige operates in the insurance business through its subsidiaries, the non-life company Carige Assicurazioni S.p.A. ("**Carige Assicurazioni**") with total premiums in the first half of 2008 of €292.7 million) and the life company Carige Vita Nuova S.p.A. ("**Carige Vita Nuova**" with total premiums in the first half of 2008 of €235.1 million) and in the asset management business through its subsidiary Carige Asset Management SGR S.p.A. ("**Carige AM SGR**"). Since the end of April 2007, the new Carige subsidiary Creditis Servizi Finanziari S.p.A. has been working in the consumer credit business.

Between 2000 and 2004 the banks within the Carige Group carried out four securitisation transactions: at the end of 2000 relating to bad loans, at the end of 2001 and in the first half of 2004 relating to performing loans; and at the end of 2002 relating to non-performing loans. The Bank undertook the first three securitisations, whilst its subsidiary, Cassa di Risparmio di Savona, carried out the fourth. The Bank acts as servicer for all four securitisations. In accordance with IFRS 1, the Carige Group has elected to maintain Italian GAAP treatment for all transactions prior to 1 January 2004.

The Carige Group's network is based on an integrated multi channel distribution model combining traditional, remote and mobile channels.

The traditional distribution channel is made up, on the one hand, by branches and insurance outlets and, on the other hand, by a network of banking advisors for private, corporate, affluent individuals and small businesses.

As at 30 June 2008, the Carige Group had 603 branches of which 602 were located in 13 Italian regions and 1 in France (Nice); this network was distributed as follows:

- 494 branches of Banca Carige, of which 203 acquired from other Italian banking groups between 2000 and 2008;
- 50 branches of Cassa di Risparmio di Savona in Liguria and Piedmont;
- 34 branches of Cassa di Risparmio di Carrara in Tuscany and Liguria;
- 21 branches of Banca del Monte di Lucca in Tuscany; and
- 4 branches of Banca Cesare Ponti in Lombardy.

As at 30 June 2008, the Carige Group's remote channels include 712 Automated Teller Machines (ATM) as well as Internet and Call Centre online services with more than 153,000 subscribers. The Carige Group's mobile distribution channel consists of 375 insurance outlets distributed throughout Italy.

Since 1 January 2008 the Carige Group has been operating under the new Basel Capital Accord ("**Basel II**") ratio standard regime but it is setting up an Internal Rating System that is currently at an advanced stage of implementation.

Banca Carige has been rated by the international agencies Fitch, Standard & Poor's and Moody's. The table below sets out the ratings the three agencies assigned to the Bank following their annual reviews of 2007.

	Short-term	Long-term	BSFR (1) (2)	Individual (2)	Support (3)
Fitch	F1	A	-	B/C	3
Moody's	P-1	A2	C-	-	-
Standard & Poor's	A2	A-	-	-	-

(1) Bank Financial Strength Ratings.

(2) B F S ratings express the intrinsic strength and solidity of a bank, as well as its financial reliability given the bank's assets. Ratings range from "A" to "E".

(3) Support ratings indicate the likelihood of the Government or other public entity, or shareholders, stepping in to support the bank in the event of crisis. Ratings range from "1" to "5".

History

The origins of Banca Carige go back to 1483 with the foundation of Monte di Pietà di Genova. The Bank was established in its current form in 1991, following the enactment of the Amato Law in 1990, which required separation between the ownership and business of formerly public savings banks.

Since the 1990's, the main strategy of Banca Carige has been maintaining its independence through growth.

In response to the changing competitive environment of the European and Italian banking systems, the Bank developed from a local savings bank into a full-service bank listed on the Italian stock exchange through (i) its initial public offering and subsequent capital increases between 1990 and 2008 and (ii) its strategies of expansion and diversification, resulting in the

development of the regional distribution capability of the Bank into a network with nationwide distribution.

Ownership Structure

As at 20 November 2008, the Bank's share capital amounted to €1,790,298,846, divided into 1,615,032,895 ordinary shares and 175,265,951 convertible savings shares, with a nominal value of €1 each.

In accordance with Article 93 of Italian Legislative Decree 58/98, the Bank is not currently controlled by any single shareholder.

Based on records of the Bank's company books, notifications received and any other information available to the Bank, as at 20 November 2008 the shareholders holding, directly or indirectly, a stake of over two per cent. of the share capital of Banca Carige were as follows:

	As at 20 November 2008	
	voting shares	Per cent. ⁽¹⁾
Cassa di Risparmio di Genova e Imperia Foundation ("The Foundation").....	711,954,403	44.08%
Caisse Nationale des Caisses d'Epargne ("CNCE").....	242,060,434	14.99%
Assicurazioni Generali S.p.A.	65,991,104	4.09%
Minor shareholders.....	595,026,954	36.84%
Total	1,615,032,895	100.00%

(1) Holding calculated on the basis of ordinary shares.

On 31 January 2008, the Board of Directors of Carige, in executing a mandate granted by the Bank's Extraordinary Shareholders' Meeting of 26 November 2007, decided to raise capital by issuing a maximum of 398,848,684 new ordinary shares, with the same characteristics as the existing ordinary shares of the Bank, with rights allocated as follows:

- existing ordinary and/or saving shareholders were granted the right to purchase two new ordinary shares for every seven ordinary and/or saving shares owned; and
- holders of Banca Carige 1.50 per cent. 2003-2013 hybrid subordinated bonds convertible into ordinary shares ("**Convertible bonds**") were granted the right to purchase 16 new ordinary shares for every 49 convertible bonds held.

The issue price of each new ordinary share was €2.40, of which €1.00 was its nominal value and €1.40 was a premium, amounting to a total maximum consideration of €957,236,841.60, of which €398,848,684.00 was the nominal value of the shares and €558,388,157.60 was the share premium.

This transaction was connected to the acquisition of 79 branches from the Intesa Sanpaolo Group and allowed the Bank to maintain its regulatory capital ratios, as well as to develop the intermediation activities of the Carige Group in new operating areas. See "- Strategy" below.

During March 2008, at the end of the auction for the sale of rights that were not taken up, all the shares underlying the approved capital increase were subscribed for, amounting to a total aggregate of €957,236,841.60. In particular:

- 175,965,608 new ordinary shares were subscribed for by the Foundation (for a consideration of €422,317,459.20); and

- 65,246,424 new ordinary shares were subscribed for by CNCE (for a consideration of €156,591,417.60).

Regulatory capital and solvency ratios

The Bank of Italy has adopted risk-based capital ratios ("**Capital Ratios**") pursuant to the EU capital adequacy directives. Italy's current capital requirements are in many respects similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. The Capital Ratios set forth core ("**Tier 1**") and supplementary ("**Tier 2**" and "**Tier 3**") capital requirements relative to a bank's assets and certain off-balance sheet items weighted according to risks ("**Risk-Weighted Assets**").

In accordance with Bank of Italy regulations, Capital Ratios are required to be calculated for the Bank and its subsidiaries as a consolidated group (with the Bank as Parent Bank) as well as for the Bank on a stand-alone basis. The Bank is required to maintain a total capital ratio on a consolidated basis of at least 8.0% and on a stand-alone basis of at least 6.0%.

In June 2008, the Bank issued subordinated instruments, placed on the international market, for a total of Euro 200 million in nominal terms, of which Euro 100 million as Tier 3 subordinated debenture loans and another Euro 100 million as Lower Tier 2 subordinated debenture loans.

The following table sets forth the Tier 1, Tier 2 and Tier 3 capital levels and the relative ratios of the Bank as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006:

		As at			
		30 June 2008	31 December 2007	30 June 2007	31 December 2006
		(1)	(1)	(1) (2)	(2)
Tier 1 capital	€ thousands	1,682.2	1,567.7	1,617.0	1,537.2
Tier 2 capital	"	599.7	525.5	526.4	560.2
Deductions ⁽³⁾	"	(350.4)	(350.2)	(350.5)	(376.1)
Regulatory capital	"	1,931.5	1,743.0	1,792.9	1,721.3
Tier 3 capital	"	54.2	-	80.0	65.8
Regulatory capital including Tier 3 ⁽²⁾	"	1,985.7	1,743.0	1,872.9	1,787.1
Total weighted assets	"	16,151.4	15,906.0	14,972.5	14,195.8
Solvency ratios ⁽³⁾					
Tier 1 capital/Total weighted assets	%	10.42	9.86	10.80	10.83
Regulatory capital/Total weighted assets ⁽²⁾	%	12.29	10.96	12.96	12.99

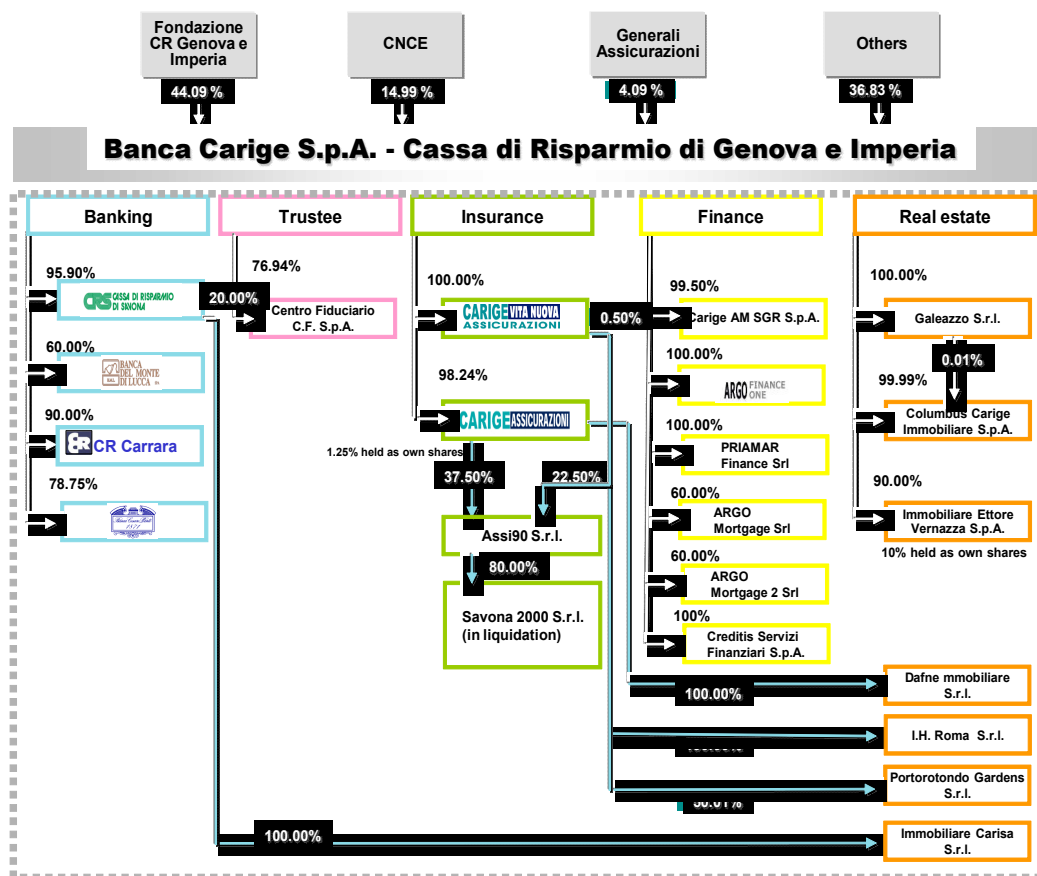
(1) Official figures disclosed to the Bank of Italy; these data differ from the management data shown in the half-yearly report 2007, in the 2007 financial statements and in the half-yearly financial report as at 30 June 2008.

(2) The new disclosure schemes related to the regulatory capital come into effect starting from 31 December 2007. The figures relative to the Tier 3 capital as at 31 December 2006 and 30 June 2007 are therefore reported only for information purposes and does not take into account the disclosures schemes which were in force in that period.

(3) From 1 January 2007 the equity investments are deducted pursuant to the provisions of the Regulatory Instructions (circ. 263 of 27 December 2006). The solvency ratios have been calculated based on the supervisory regulations in force from time to time.

Carige Group Structure

The following chart shows the structure of the Carige Group as at 14 July 2008:



Strategy

The Bank aims to be a national financial conglomerate equipped to provide banking, financial, insurance and pension solutions, focused on retail customers, through the development of resources and structures and the enhancement of an integrated multi-channel distribution system.

The Bank's strategic plan for 2008-2010 confirms its focus on value creation over the medium/long term for all stakeholders (customers, employees, suppliers, local communities) with specific attention to enhancing relationships with customers as well as growth in size, with the aim of the Carige Group playing an autonomous key role in the Italian banking system; in particular, the aims of the strategic plan focus on (i) increasing the profitability of each business area (lending, wealth management, payment systems, insurance) and improving integration between the insurance and banking businesses (ii) increasing the amounts intermediated per employee, with particular attention to cross selling, up selling, customer retention in Liguria and additional focus on the Carige Group's operating areas outside Liguria, especially in those places where its presence is already significant; (iii) increasing income generated by the Bank's subsidiaries through the full operational integration of the new branches; (iv) maintaining a standard which meets the Carige Group's administration needs, developing skills and managing talents; (v) innovating processes through investment in technology to strengthen profitability and reviewing management processes with the aim, on the one hand, of reducing administrative costs and keeping personnel charges to a minimum

and, on the other hand, of improving the quality of services offered to both internal and external customers, and (vi) limiting the economic impact of all kinds of risks (credit, market, liquidity and operational risks) through an integrated risk management system across the Carige Group's banks and insurance companies as well as a commitment to maintaining appropriate capital adequacy levels in terms of total capital and Tier 1 ratios.

In March 2008 the Bank purchased a network of 79 branches from Intesa Sanpaolo S.p.A. for a consideration of €995.6 million, financed by raising €957.2 million of share capital as described above (see "- Ownership Structure" above). As at the closing of the deal, on 1 October 2008, the price was adjusted on the basis of the effective amount of total deposits transferred. This resulted in a lower price, of €853.3 million.

The branches acquired, already integrated into the distribution network of the Bank, are located in Piedmont (15), Lombardy (25), Veneto (34), Sardinia (4) and Valle d'Aosta (1). As at 30 June 2008, the branches acquired had direct deposits of €1.7 billion, indirect deposits of €3.2 billion, loans worth €1.4 billion and 170,000 customers. This acquisition allowed the Bank to achieve and/or improve its market share in certain Italian provinces as shown below:

	Bank post acquisitions		Bank before acquisitions	
	Branches	Market share	Branches	Market share
Turin.....	25	2.2%	10	0.9%
Pavia.....	11	3.4%	5	1.6%
Como.....	22	6.3%	3	0.9%
Venice.....	18	3.6%	-	-
Padua.....	18	2.9%	3	0.5%
Rovigo.....	1	0.6%	-	-
Aosta.....	1	1.0%	-	-
Sassari.....	7	3.3%	3	1.4%

These 8 provinces constitute 10.8 per cent. of Italy's GDP¹, 8.2 per cent. of loans in Italy² and 9.7 per cent. of deposits in Italy².

With reference to the new network, the Bank intends to focus on new private customers and loans to corporates. Furthermore management believes that there will be commercial synergies with the insurance agents of the Carige Group: 19 in Piedmont, 31 in Veneto and 53 in Lombardy.

The Bank signed agreements to acquire a further network of 40 branches from UniCredit Banking Group for a provisional consideration of €138.5 million, calculated on total deposits data as at 30 June 2007 (the figure is subject to an adjustment following review of the amount of direct and indirect deposits at the time of the branch sale). These branches are a part of a total of 184 branches initially sold by UniCredit to a pool of 13 banks on the basis of their previous commitments towards the Italian Antitrust Authority. The completion of the transaction, conditional on the authorisations by the competent authorities, is expected by the end of the fourth quarter of 2008. With this acquisition, the Carige Group's branches will reach 643, not including the 375 insurance agencies. The location of the 40 branches by province is as follows: Agrigento (4 branches), Bologna (2), Catania (2), Forlì-Cesena (1), Messina (4), Palermo (13), Perugia (1), Rimini (2), Rome (7), Syracuse (3) and Verona (1).

¹ Source: Unioncamere; data as at 31 December 2006.

² Source: Bank of Italy; data as at 31 December 2007.

As at 30 June 2008, the branches in question managed €0.5 billion in loans and € 1.3 billion in deposits. Carige will purchase these branches through existing financial resources, maintaining the stable equity level that management believes has always distinguished the Carige Group, and using part of the consideration of the recent capital increase for a total of €957 million in March 2008.

In connection with the acquisitions described above, the Board of Directors conferred on the management the mandate to draw up the new plan of expansion in the regions next to Liguria (Lombardy, Piedmont, Emilia-Romagna, Tuscany, Southern France), in order to enhance its brand in areas where it is already known; the plan foresees 26 further openings between 2009 and 2010 (16 for Banca Carige and the remaining 10 for Banca del Monte di Lucca, Cassa di Risparmio di Carrara and Banca Cesare Ponti) The creation of these new branches is expected to achieve two key principles:

- market attractiveness (potential customers, competition); and
- achievement of a market share in certain Italian provinces of at least 3-5 per cent.

Both branch acquisitions from Intesa Sanpaolo Group and UniCredit Group are consistent with these principles.

Banking Operations

As at 30 June 2008, the Bank operated through 494 branches, of which 204 are located in Liguria, and had nearly 700,000 customer accounts. As at 30 June 2008, the Bank also had 574 ATMs connected with the interbank ATM network in Italy called *Bancomat*.

The Bank also has representative offices in London, New York, Moscow and Beijing.

The Bank provides commercial banking services to a wide and diversified customer base, but has traditionally concentrated on retail customers as well as on small and medium sized businesses. Management believes that this focus has enabled the Bank to defend its market position in Liguria despite regulatory liberalisation and increased competition. Carige believes that its customer base and its market share in Liguria make it economically difficult for competitors to challenge the Bank's retail position.

The Bank's business can be divided into three main components: (i) deposit taking, management of savings and custodial services; (ii) investments (i.e. lending and securities portfolio management); and (iii) insurance services.

Deposit taking, management of savings and custodial services

Deposit-Taking. As at 30 June 2008, the Bank's total deposits amounted to €19,326.3 million (an increase of 11.4 per cent. compared to €17,353.6 million as at 31 December 2007 and of 16 per cent. compared to €16,663.8 million as at 30 June 2007), of which €17,558.2 million was from its retail customers, representing approximately 90.9 per cent.; the balance was made up mainly of short term deposits from other banks. Substantially all customer funds are denominated in Euro.

The following table shows a breakdown of the Bank's total deposits as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006:

	As at			
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
<i>€ millions</i>	(limited review)	(audited)	(limited review)	(audited)
Customer deposits				
Current accounts.....	8,583.5	7,350.8	6,871.6	7,141.6
Repurchase agreements.....	348.5	211.9	171.0	162.8
Saving deposits.....	13.0	12.8	65.7	102.5
Financing.....	90.3	1.8	1.8	1.6
Funds managed on behalf of third parties.....	0.1	0.2	0.2	0.2
Other debts.....	603.5	660.2	734.3	786.6
<i>Total customer deposits.....</i>	<i>9,638.9</i>	<i>8,237.7</i>	<i>7,844.6</i>	<i>8,195.3</i>
Bonds.....	7,209.6	5,845.3	5,585.6	4,731.6
Other securities.....	199.2	196.9	208.2	226.4
Liabilities at fair value.....	510.5	530.5	537.1	550.8
<i>Total direct deposits.....</i>	<i>17,558.2</i>	<i>14,810.4</i>	<i>14,175.5</i>	<i>13,704.1</i>
Due to banks				
Due to central banks.....	-	-	-	-
Current accounts.....	69.6	60.7	91.1	53.7
Term deposits.....	1,177.9	1,931.5	1,951.8	1,414.8
Financing.....	285.5	295.2	298.4	446.0
Repurchase agreements.....	235.1	255.9	147.0	92.3
Others.....	-	-	-	-
<i>Total due to banks.....</i>	<i>1,768.1</i>	<i>2,543.3</i>	<i>2,488.3</i>	<i>2,006.8</i>
Total.....	19,326.3	17,353.7	16,663.8	15,710.9

As at 30 June 2008, the Bank's direct and indirect deposits amounted to €36,424.7 million (an increase of 17.5 per cent. compared to 30 June 2007 and of 15.4 per cent. compared to 31 December 2007); direct deposits represented 48.2 per cent. and assets under management and in custody represented the remaining 51.8 per cent..

The following table shows a breakdown of the Bank's direct and indirect deposits as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006:

	As at			
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
<i>€ thousands</i>	(limited review)	(audited)	(limited review)	(audited)
Customer deposits (Direct deposits).....	17,558,215	14,810,357	14,175,539	13,704,066
Other financial activities (Indirect deposits).....	18,866,494	16,763,556	16,814,929	16,151,104
<i>Assets under management.....</i>	<i>9,881,411</i>	<i>8,851,333</i>	<i>8,809,523</i>	<i>8,686,300</i>
<i>Assets in custody.....</i>	<i>8,985,083</i>	<i>7,912,223</i>	<i>8,005,406</i>	<i>7,464,804</i>
Total direct and indirect deposits.....	36,424,709	31,573,913	30,990,468	29,855,170

Due to the strong increase in competition for funds in recent years, the Bank has introduced new funding strategies, both direct and indirect, with the aim of maintaining and enhancing customer loyalty and increasing its own sources of funding as well as generating fee income.

On the direct deposits side, the Bank has increased the number of products it offers to meet both the investment and liquidity needs of its customers with the aim of stabilizing its low cost core funding. On the indirect deposits side, the Bank has emphasised growth in assets under management rather than assets in custody with the aim of enhancing the Bank's fee income and maintaining customer loyalty.

Carige receives fee income from all of its indirect customer deposit activities.

As at 30 June 2008, the Bank's short-term direct deposits (i.e. those with an original maturity under 18 months) amounted to €9,329.5 million (up 18.5 per cent. compared to 31 December 2007 and up 25.7 per cent. compared to 30 June 2007), representing approximately 53.1 per cent. of total direct deposits, mainly in the form of interest bearing current accounts.

As at 30 June 2008, the Bank's medium and long-term deposits amounted to €8,228.8 million (up 18.6 per cent. compared to 31 December 2007 and up 21.9 per cent. compared to 30 June 2007), representing 46.9 per cent. of total direct deposits, principally in the form of bonds. About 63 per cent. of such bonds bear floating interest rates; the remainder bear fixed rates.

Management of savings and custodial services. As at 30 June 2008 indirect customer deposits amounted to €18,866.5 million (an increase of 12.5 per cent. compared to 31 December 2007 and up 12.2 per cent. compared to 30 June 2007), of which assets under management and custody represented 52.4 per cent. and 47.6 per cent., respectively.

The following table shows the Bank's indirect customer deposits as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006:

	As at							
	30 June 2008		31 December 2007		30 June 2007		31 December 2006	
	Amount	per cent. of total	Amount	per cent. of total	Amount	per cent. of total	Amount	per cent. of total
<i>€ thousands</i>								
Assets under management:	9,881.4	52.4	8,851.3	52.8	8,809.5	52.4	8,686.3	53.8
<i>Private banking</i>	2,775.4		2,906.0		2,854.1		2,852.8	
<i>Mutual funds</i>	4,830.4		4,500.2		4,582.3		4,598.0	
<i>Bancassurance products</i>	2,275.6		1,445.1		1,373.1		1,235.5	
Assets in custody:	8,985.1	47.6	7,912.3	47.2	8,005.4	47.6	7,464.8	46.2
<i>Government securities</i>	4,815.2		4,209.7		4,258.4		3,717.1	
<i>Other bonds</i>	4,169.9		3,702.6		3,747.0		3,747.7	
Total direct and indirect deposits	18,866.5	100.0	16,763.6	100.0	16,814.9	100.0	16,151.1	100.0

The Bank provides asset management services through a wide range of personal financial products (including mutual funds, private banking and bancassurance products) and advisory services, primarily to individuals. As at 30 June 2008, assets under management amounted to €9,881.4 million (52.4 per cent. of indirect customer deposits), up 11.6 per cent. from €8,851.3 million at 31 December 2007 and up 12.2 per cent. from €8,809.5 million at 30 June 2007.

Fee income from asset management totalled €30.9 million as at 30 June 2008 (down 4.8 per cent. compared to 30 June 2007). With a view to reinforcing the Bank's position as a full service bank and to increasing the contribution of non-interest income to revenue, the Bank has focused on the distribution of mutual funds and on the development of managed accounts.

The Bank, through its subsidiaries, Carige Assicurazioni and Carige Vita Nuova, distributes several bancassurance products, such as pension and annuity policies, mortgage or credit insurance policies, household liability and hazard policies, and motor insurance policies.

Following the establishment of the Bank's asset management company, Carige AM SGR, in 2004, the Carige Group's wealth management services have been developed. Carige AM SGR currently manages funds on behalf of the Carige Group's customers as well as reserved funds on behalf of the Carige Group's banks. It also operates in the field of insurance funds.

Assets in custody amounted to €8,985.1 million at 30 June 2008 (up 13.6 per cent. compared to 31 December 2007 and up 12.2 per cent. compared to 30 June 2007), accounting for 47.6 per cent. of total indirect deposits (47.2 per cent. at 31 December 2007 and equal to 30 June 2007). These assets, comprising mainly Italian Government securities, represent an opportunity for the Bank to encourage the migration from custodial to managed funds, which typically offer greater growth potential and returns to investors and enhanced fee income to the Bank.

Investments

Lending. As at 30 June 2008, the Bank's outstanding loans amounted to €18,046.3 million (up 13.8 per cent. compared to 31 December 2007 and up 21.1 per cent. compared to 30 June 2007), of which €15,752.7 million (87.3 per cent.) constitute loans to customers and €2,293.6 million loans to other banks. The Bank has pursued a policy of diversifying its loan products by market segment, tailoring products to the needs of customers based upon their region, economic sector and risk profile. The Bank's traditional customer base has been small and medium sized businesses; the Bank has actively marketed its financial consultancy services with the aim of building customer loyalty and developing and increasing the Bank's portfolio of loans in this business area.

The net interbank balance (the difference between amounts owed to/due from banks) showed a net credit position of €526.1 million, contrary to the trend in 2007 (a net debit position of €723.1 million was recorded in December 2007 with €963.4 million in June 2007) mainly due to the effect of the movement of funding towards deposits in the form of securities, with regards to ordinary customers and institutional investors.

The following table sets out a breakdown of the Bank's total outstanding loans as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006:

	As at			
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
€ millions	(limited review)	(audited)	(limited review)	(audited)
Loans to customers				
Gross Value.....	16,170.9	14,421.5	13,759.7	13,221.1
Current accounts.....	2,162.4	1,857.3	1,808.3	1,389.4
Repurchase agreements.....	-	148.6	-	-
Mortgages.....	8,377.4	7,207.3	6,914.1	6,456.4
Consumer credit.....	405.2	322.8	307.6	266.4
Leasing.....	831.0	831.8	767.5	728.9
Factoring.....	128.0	110.5	110.1	113.3
Others.....	2,711.1	2,476.5	2,359.1	2,752.9
Non derecognised sold assets.....	476.2	536.7	597.7	648.1
Bad loans.....	1,079.6	930.0	895.3	865.7
Allowance for loans losses.....	(418.2)	(388.9)	(379.4)	(352.3)
Total net loans to customers.....	15,752.7	14,032.6	13,380.3	12,868.8
Loans to banks				
Gross Value.....	2,294.3	1,820.2	1,524.9	1,346.2
Compulsory reserves.....	241.7	146.7	355.8	91.3
Other loans to central banks.....	-	-	0.1	0.2
Current accounts and free deposits.....	814.9	448.3	364.9	486.3
Term deposits.....	642.5	601.4	665.6	386.8
Repurchase agreements.....	487.9	322.0	32.6	273.1
Financing.....	91.3	284.9	88.8	90.3
Bad loans.....	16.0	16.9	17.1	18.2
Allowance for loans losses.....	(0.7)	(0.7)	(0.6)	(0.5)
Total net loans to banks.....	2,293.6	1,819.5	1,524.3	1,345.7
Total net loans.....	18,046.3	15,852.1	14,904.6	14,214.5

As at 30 June 2008, short-term loans (i.e. those with an original maturity under 18 months) represented 22.8 per cent. of the Bank's net lending to customers (excluding bad loans).

Based on the Bank of Italy's classification criteria, 56.3 per cent. are loans to non-financial institutions and personal businesses, followed by families (35.3 per cent.), and public administrations (3.8 per cent.). The most prominent sectors refer to sales-related services (16.3 per cent.), building and public works (10.4 per cent.) and wholesale & retail trade and salvage and repair services (9.7 per cent.).

The Bank has not granted mortgage loans or guarantees directly referable to the subprime mortgage loans segment.

In line with the Bank's strategy of enhancing its customer base, the Bank has created an operating division dedicated to corporate finance activities and has created networks of consultants dedicated to small and medium-sized businesses, which aim to provide higher spreads and present greater cross selling opportunities. The Bank's goal is to develop stable, long lasting relationships with corporations to support them as lender of first choice and financial intermediary in risk capital and other alternative credit operations, as well as in the broader sphere of financial consultancy. The Bank intends to increase the diversification of its lending portfolio geographically, by size, duration and risk, following the introduction of Basel II.

Securities portfolio. As at 30 June 2008, the value of the Bank's securities portfolio totalled €2,756.4 million (a decrease of 2.7 per cent. compared to December 2007 and a decrease of 12.6 per cent. compared to June 2007). Securities held for trading (€1,603.3 million) represented the largest component of the portfolio, constituting 58.2 per cent. of the total (a decrease of 3.2 per cent. compared to 58.4 per cent. as at December 2007 and a decrease of 20.1 per cent. compared to 63.7 per cent. as at June 2007); available-for-sale securities (41.8 per cent. of the total), decreased by 2.1 per cent. compared to December 2007 and rose by 0.6 per cent. compared to June 2007, amounting to €1,153.1 million.

As at 30 June 2008, debt securities increased by 3.4 per cent. compared to December 2007 and decreased by 3 per cent. compared to 30 June 2007 to €1,641.4 million. Equities decreased by 6 per cent. compared to December 2007 and decreased by 8.7 per cent. compared to June 2007, amounting to €944.5 million; most of this figure was composed of equities available for sale (€929.1 million). The shareholding was designated at fair value on the basis of financial statement figures for the Bank of Italy as at 31 December 2007, using shareholders' equity as a proxy for fair value.

As at 30 June 2008 shares in collective investment schemes amounted to €170.5 million, a decrease of 29.3 per cent. compared to 31 December 2007 and a decrease of 60 per cent. compared to 30 June 2007.

The following table sets out a breakdown of the Bank's securities portfolio as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006:

<i>€ millions</i>	<i>As at</i>			
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
	(limited review)	(audited)	(limited review)	(audited)
Debt securities.....	1,641.4	1,587.9	1,692.9	1,473.2
<i>Held for trading.....</i>	<i>1,472.3</i>	<i>1,398.1</i>	<i>1,568.2</i>	<i>1,360.2</i>
<i>Available for sale.....</i>	<i>169.1</i>	<i>189.8</i>	<i>124.7</i>	<i>113.0</i>
Equity securities.....	944.5	1,004.5	1,035.0	968.2
<i>Held for trading.....</i>	<i>15.4</i>	<i>24.3</i>	<i>13.4</i>	<i>3.0</i>
<i>Available for sale.....</i>	<i>929.1</i>	<i>980.2</i>	<i>1,021.6</i>	<i>965.2</i>
Shares in collective investment schemes.....	170.5	241.2	426.3	316.1
<i>Held for trading.....</i>	<i>115.6</i>	<i>233.6</i>	<i>426.2</i>	<i>316.1</i>
<i>Available for sale.....</i>	<i>54.9</i>	<i>7.6</i>	<i>0.1</i>	<i>-</i>
Total.....	2,756.4	2,833.6	3,154.2	2,757.5
including:				
Held for trading.....	1,603.3	1,656.0	2,007.8	1,679.3
Available for sale.....	1,153.1	1,177.6	1,146.4	1,078.2

Insurance Services

The Carige Group includes two insurance companies, Carige Assicurazioni and Carige Vita Nuova in which Carige holds stakes of 98.24 and 100 per cent. respectively as at 30 June 2008.

The Bank has established a network of insurance company agents and employees that act as financial consultants to customers of the insurance companies and to customers of the Bank for the purpose of marketing both insurance and banking products.

Carige Assicurazioni operates throughout Italy with a sales force of 374 agents. Its business is broadly spread across most non-life insurance lines, including compulsory insurance against civil liability in respect of the use of motor vehicles and boats. As at 30 June 2008, Carige Assicurazioni had total assets of €1,202.6 million, (compared to €1,186.5 million as at 31 December 2007 and €1,170.3 million as at 30 June 2007), shareholders' equity and reserves of €137.6 million (compared to €151 million as at 31 December 2007 and 30 June 2007), reported total premium income of €292.7 million (compared to €294.7 million as at 30 June 2007) and net income of €-14.2 million (compared to €1.9 million as at 30 June 2007).

Carige Vita Nuova operates throughout Italy, with a sales force of 260 agents as at 30 June 2008. At the same date it had total assets of €2,086.6 million (compared to €2,011.4 million as at 31 December 2007 and €1,987.2 million as at 30 June 2007) and shareholders' equity and reserves of €53.1 million (compared to €66.3 million as at 31 December 2007 and 30 June 2007), a reported total premium income of €235.1 million (compared to €194.8 million as at 30 June 2007) and net income of €-19.7 million (compared to €0.8 million as at 30 June 2007).

The following table sets out the financial highlights of the two insurance companies as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006.

Carige assicurazioni				
As at				
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
	(limited review)	(audited)	(limited review)	(audited)
Total assets..... <i>€ millions</i>	1,202.6	1,186.5	1,170.3	1,129.4
Share capital..... <i>€ millions</i>	137.6	151.0	151.0	176.4
Reserves..... <i>€ millions</i>	862.5	832.0	801.1	760.8
Net income..... <i>€ millions</i>	(14.2)	(13.4)	1.9	(25.4)
Total premiums..... <i>€ millions</i>	292.7	586.3	294.7	565.1
Number of agencies ⁽¹⁾	374	375	383	386

(1) Nearly all the Carige Assicurazioni agencies are also Carige Vita Nuova's agencies (source: annual reports and unaudited statements).

Carige Vita Nuova				
As at				
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
	(limited review)	(audited)	(limited review)	(audited)
Total assets..... <i>€ millions</i>	2,086.6	2,011.4	1,987.2	1,907.6
Share capital..... <i>€ millions</i>	53.1	66.3	66.3	65.5
Reserves..... <i>€ millions</i>	1,841.2	1,740.3	1,691.7	1,598.3
Net income..... <i>€ millions</i>	(19.7)	(13.2)	0.8	5.8
Total premiums..... <i>€ millions</i>	235.1	373.5	194.8	406.9
Number of agencies ⁽¹⁾	260	271	284	291

(1) Nearly all the Carige Vita Nuova agencies are also Carige Assicurazioni's agencies (source: annual reports and unaudited statements).

Other Banking Activities

Starting from the last quarter of 2006, for the purposes of a more efficient management of the bond issuance process within the Carige Group, the parent company Banca Carige concentrated on itself the role of sole issuer, leaving to the other banks of the Carige Group the activities for the placement of the bonds with their respective clients. As a consequence of this change, the bonds placed by the bank subsidiaries are not registered under direct deposits but, as they are issued by Banca Carige, under indirect deposits and, in particular, they are recorded within the assets in custody. The trend in the aggregate figures of direct deposits (which show a structural decrease in the medium/long term component) and indirect deposits (which are characterised by the component comprised of assets under management) should therefore be interpreted in light of this strategic decision.

Cassa di Risparmio di Savona S.p.A. ("**CR Savona**") is owned by Banca Carige, which holds a stake of 95.9 per cent. During the first six months of 2008, CR Savona recorded a 0.2 per cent. decrease in total financial activities to €2,692 million (down 1 per cent. compared to June 2007). In particular, as at 30 June 2008, direct deposits decreased by 2.2 per cent. to €986.4 million (down 3.1 per cent. compared to June 2007), whilst indirect deposits rose by 0.9 per cent. to €1,705.6 million (up 0.3 per cent. compared to June 2007). Loans to customers increased by 4.3 per cent. to €1,082.4 million (up 6.1 per cent. compared to June 2007) and net profit increased by 6.5 per cent. to €10.6 million (compared to €10 million as at 30 June 2007).

The following table sets out the financial highlights of CR Savona as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006.

	As at			
	30 June 2008 (limited review)	31 December 2007 (audited)	30 June 2007 (limited review)	31 December 2006 (audited)
<i>€ millions</i>				
Total assets.....	1,368.9	1,385.5	1,403.2	1,448.0
Direct deposits.....	986.4	1,008.3	1,018.1	1,058.5
Indirect deposits.....	1,705.6	1,690.2	1,701.0	1,631.3
Total financial activities.....	2,692.0	2,698.5	2,719.1	2,689.8
Loans to customers.....	1,082.4	1,038.2	1,019.7	971.2
Share capital and reserves.....	172.3	170.6	170.7	169.9
Net income.....	10.6	21.7	10.0	16.6

Banca del Monte di Lucca S.p.A. ("**Banca del Monte di Lucca**") is owned by Banca Carige, which holds a stake of 60.0 per cent. During the first six months of 2008, Banca del Monte di Lucca recorded a 1.2 per cent. increase in total financial activities, which amounted to €894.8 million (up 2.4 per cent. compared to June 2007). In particular, direct deposits decreased by 0.1 per cent. to €531.2 million (down 0.3 per cent. compared to June 2007) and indirect deposits increased by 3.2 per cent. to €363.6 million (up 6.7 per cent. compared to June 2007). Loans to customers increased by 4.2 per cent. to €736.9 million (up 11.6 per cent. compared to June 2007) and net profit decreased to €2.7 million (compared to €4.1 million as at 30 June 2007).

The following table sets out the financial highlights of Banca del Monte di Lucca as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006.

<i>€ millions</i>	As at			
	30 June 2008 (limited review)	31 December 2007 (audited)	30 June 2007 (limited review)	31 December 2006 (audited)
Total assets.....	823.2	778.2	728.7	713.7
Direct deposits.....	531.2	531.6	532.7	552.3
Indirect deposits.....	363.6	352.4	340.9	311.4
Total financial activities.....	894.8	884.0	873.6	863.7
Loans to customers.....	736.9	707.1	660.1	630.1
Share capital and reserves.....	39.7	39.1	33.1	32.8
Net income.....	2.7	8.1	4.1	7.4

Cassa di Risparmio di Carrara S.p.A. ("**CR Carrara**") is owned by Banca Carige, which holds a stake of 90.0 per cent. During the first six months of 2008 CR Carrara recorded a 0.3 per cent. decrease in total financial activities, which amounted to €1,652.1 million (up 1.3 per cent. compared to June 2007). In particular, direct deposits decreased by 8.6 per cent. to €742.5 million (down 10 per cent. compared to June 2007) and indirect deposits increased by 7.6 per cent. to €909.6 million (up 12.8 per cent. compared to June 2007). Loans to customers increased by 4.7 per cent. to €997.7 (up 10.8 per cent. compared to June 2007) and net profits increased by 44.4 per cent. to €9.4 million (compared to €6.5 million as at 30 June 2007).

The following table sets out financial highlights of CR Carrara as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006.

<i>€ millions</i>	As at			
	30 June 2008 (limited review)	31 December 2007 (audited)	30 June 2007 (limited review)	31 December 2006 (audited)
Total assets.....	1,172.8	1,161.9	1,068.9	1,183.7
Direct deposits.....	742.5	812.2	824.7	846.2
Indirect deposits.....	909.6	845.5	806.5	724.8
Total financial activities.....	1,652.1	1,657.7	1,631.2	1,571.0
Loans to customers.....	997.7	953.2	900.5	936.0
Share capital and reserves.....	96.1	95.1	95.1	94.3
Net income.....	9.4	16.7	6.5	12.5

Banca Cesare Ponti S.p.A. ("**Banca Ponti**") is owned by Banca Carige, which holds a stake of 78.75 per cent. During the first six months of 2008, Banca Ponti recorded a 2.5 per cent. increase in total financial activities, which amounted to €1,118.1 million (up 6.1 per cent. compared to June 2007). In particular, direct deposits increased by 2.3 per cent. to €305.9 million (up 20.5 per cent. compared to June 2007) and indirect deposits increased by 2.6 per cent. to €812.3 million (up 1.6 per cent. compared to June 2007). Loans to customers increased by 1.1 per cent. to €239.6 million (up 21 per cent. compared to June 2007). Net profit decreased to €0.6 million (compared to €0.9 million as at 30 June 2007).

The following table sets out the financial highlights of Banca Ponti as at and for the years ended 31 December 2007 and 2006.

<i>€ millions</i>	As at			
	30 June 2008 (limited review)	31 December 2007 (audited)	30 June 2007 (limited review)	31 December 2006 (audited)
Total assets.....	385.3	360.2	322.4	310.4
Direct deposits.....	305.9	298.9	253.9	258.9
Indirect deposits.....	812.3	791.6	799.5	769.6
Total financial activities.....	1,118.2	1,090.5	1,053.4	1,028.5
Loans to customers.....	239.6	237.0	198.1	187.3
Share capital and reserves.....	28.7	29.1	29.1	29.4
Net income.....	0.6	2.4	0.9	0.9

Other Activities

The Bank also sells debit and credit cards. Self-service "*Bancomat*" cards issued by the Bank exceeded 346,000 as at 30 June 2008, credit cards of the "*CartaSi*" system exceeded 156,000 and pre-paid credit cards totalled almost 59,000.

Risk Management

In the Carige Group, the management of credit, market, operating, concentration, interest rate and liquidity risk is performed by the Parent Company for all subsidiaries, with the aim of constantly maintaining levels of adequacy and analysis relevant to the individual entities. The findings are presented on a monthly basis to the Boards of Directors of the Parent Company and the relevant subsidiaries.

Furthermore, the Second Pillar ("**Pillar II**") regulations provide that the banks of the Carige Group, also through the use of proprietary procedures, assess their current and future capital adequacy, expanding the range of risks to be taken into account compared with the First Pillar.

Carige carried out an initial activity aimed at detecting the risks to which the Carige Group is exposed, taking into account its operations and the reference market: subsequently, the map of the risks and the related assessment procedures were defined, both of a quantitative nature when measurement methods are present and of a qualitative nature if related to organisational supervision, tracing the management activities, mostly already in place, to an organic framework.

Besides credit, market and operational risks, the concentration, interest rates, liquidity, reputational, strategic risks deriving from securitisations and residual risks are to be included in the perimeter of the analysis for ICAAP (Internal Capital Adequacy Assessment Process) purposes.

The first analyses on the impacts on capital of the Pillar II confirm the good capitalisation of the Carige Group: more in details, it appears that the requirements on the risks not taken into account by the first pillar regulations are more than offset by the savings on capital generated by the application of more advanced methods on the credit and market risks.

Asset and Liability Management

The Bank's asset and liability management comprises supervision and control of the size and degree of interest rate and exchange rate risk both to minimise their potential effect on the Carige Group's profitability and to ensure sufficient liquidity for the Carige Group's funding requirements.

On a monthly basis, the Carige Group's asset and liability management committee (ALCO) reviews and evaluates the economic and financial impact on the Carige Group of changes in interest and exchange rates, as well as changes in the liquidity of the Bank as well as the other banking subsidiaries.

As at 30 June 2008, funds provided by deposits, which consist primarily of current and savings deposits, constituted 54.9 per cent. of total funds (compared to 55.6 per cent. as at 31 December 2007 and 55.3 per cent. as at 30 June 2007), and 62.3 per cent. of such amounts (including the short term portion of long term deposits) matured or repriced within one year.

Funds raised by the Bank are primarily used to finance loans and to invest in securities. As at 30 June 2008, net loans to customers amounted to 75.4 per cent. (compared to 74.7 per cent.

as at 31 December 2007 and 73.4 per cent. as at 30 June 2007) of total interest earning assets and the investment securities portfolio amounted to 13.6 per cent. of total interest earning assets (compared to 15.7 per cent. as at 31 December 2007 and 18.2 per cent. as at 30 June 2007). As at 30 June 2008, 73 per cent. of the total loan portfolio and 43.7 per cent. of the total securities portfolio matured or repriced within one year.

Regarding exposure of the Bank to subprime mortgage loans, the Bank's portfolio contains, to an insignificant extent, investments in financial products with underlying subprime mortgage loans or related assets.

The Bank's investment decision making takes into account not only rates of return and underlying degrees of risk, but also liquidity requirements, including minimum cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits and additional demand for funds.

Interest Rate Risk

The Bank maintains and controls its potential interest rate risk through gap analysis, duration analysis and sensitivity analysis.

- *Gap Analysis* evaluates earnings exposure by subtracting interest rate sensitive liabilities in a time band from the corresponding interest rate sensitive assets so producing a repricing gap for that time band. This gap can be multiplied by an assumed change in interest rates giving an approximation of the change in net interest income that would result from an interest rate movement;
- *Duration Analysis* is based on an economic value approach and measures the sensitivity of the market value of assets to external variations in interest rates. The assets duration indicator – the difference between interest rate sensitive assets and liabilities – provides an approximation of a percentage loss in the capital account resulting from an interest rate movement; and
- *Sensitivity Analysis* analyses the market value of the Bank's assets in response to changes in interest rates. The analysis aims to evaluate the market value of assets in a scenario of interest rate variations.

The following tables show the maturity analysis of assets and liabilities for the Bank as at 31 December 2007.

Banking portfolio: distribution by residual life of financial assets and liabilities

As at 31 December 2007 (€ thousands)								
Type/Residual life	on sight	Up to 3 months	Over 3 months less than 6 months	Over 6 months less than 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years	Life not calculated
Cash assets								
Debt Securities								
- with early repayment option	-	-	4,931	-	31,041	29,165	-	-
- others	-	22,141	2	1	41,212	26,393	70,754	-
Financing to banks	632,667	426,117	275,948	-	234	15,998	-	146,671
Financing to customers								
- current account	1,750,906	13,487	7,272	57,403	127,792	12,204	-	124
- other financing								
- with early repayment option	3,476,363	1,004,700	1,334,992	662,528	383,481	607,816	1,134,913	222
- others	591,183	519,550	950,738	90,718	245,659	197,366	477,137	230,348
Cash liabilities								
Amounts owed to customers								
- current account	6,922,598	5,370	20	99	3,740	-	-	-
- other payables								
- with early repayment option	-	-	-	-	-	-	-	-
- others	426,791	6,394	537,222	533	452	121	-	-
Amounts owed to banks								
- current account	36,002	-	-	-	-	-	-	-
- other payables	26,017	1,982,417	187,184	13,569	8,448	34,556	-	-
Debt Securities								
- with early repayment option	1,630	506,306	3,792	7,965	8,329	-	-	-
- others	99,354	2,908,735	837,896	604,674	1,261,858	346,078	-	-
Other liabilities								
- with early repayment option	-	-	-	-	-	-	-	-
- others	123,359	-	-	-	-	-	-	-
Financial derivatives								
With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Others								
+ Long positions								
+ Short positions								
No underlying security								
- Options								
+ Long positions	-	1	1	--	-	-	-	-
+ Short positions	-	-	-	-	-	-	2	-
- Others								
+ Long positions	-	595,508	687,571	85,000	684,419	255,111	130,120	-
+ Short positions	-	710,961	877,859	16,788	140,613	194,920	496,588	-

Regulatory trading portfolio: distribution by residual life of cash financial assets and liabilities and financial derivatives

Type/Residual life	As at and for the year ended 31 December 2007 (€ thousands)						
	on sight	Up to 3 months	Over 3 months less than 6 months	Over 6 months less than 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash assets							
Debt Securities							
- with early repayment option		2,018	6,685	955	60,459	59,905	6,466
- other	-	154,413	453,179	43,377	215,538	329,390	53,818
Other assets		470,399					
Cash liabilities							
Debt securities in issue		464,544	1,533				
Other liabilities							
Financial derivatives							
With underlying security							
- Options							
+ Long positions							
+ Short positions							
- Other							
+ Long positions		34,013	204,393	89	2,345	822	811
+ Short positions		199,452	38,213	41	3,128	824	815
No underlying security							
- Options							
+ Long positions		8,963	8,585	12,084	1,367	-	
+ Short positions		8,963	8,387	12,084	1,367	-	
- Other							
+ Long positions		1,774,432	503,716	51,375	271,282	46,704	233,997
+ Short positions		1,350,604	487,207	95,176	385,999	230,123	233,997

Credit Risk

Credit risk is controlled at both corporate and branch levels. Credit controls include a system of loan classification, an approval process and a selective lending policy. Branch level controls include the monitoring of operations through daily, weekly or monthly management information system reports and frequent on-site audits and inspections. At an organisational level, the administrative bodies of the Bank have established guidelines relating to credit and the Credit Division is responsible for deciding and coordinating the Bank's lending policy. The lending policy is set out in published guidelines which aim to increase the efficiency and effectiveness of the credit process and its conformity with national and international regulations. A series of delegated responsibilities drawn up by the Board of Directors provides for limits to lending powers according to staff seniority and risk levels. The Bank's system of control guarantees the necessary independence of the risk management unit from the other operational structures. A special credit recovery unit, within the Credit Division, is responsible for the management of bad loans and the collection of amounts relating to those bad loans securitised at the end of 2000.

While separate departments are responsible for assessing consumer credit, leasing, property and short-term loan applications, the overall position of each customer can be seen at any time. As at 30 June 2008, the Bank's 10 largest customers (for these purposes aggregating loans outstanding to more than one member of the same group) accounted for €1,483.7 million and 8.4 per cent. of total customer loans outstanding (compared to €1,145.1 million and 7.6 per cent. as at 30 June 2007).

During 2007, the Bank, which already had an appropriate credit policy regulation, approved a project for a new credit monitoring model. For the first six months of 2008, credit policy continued to be consistent with Carige's retail vocation. Particular attention was placed on

families, craftsmen, shopkeepers, small and medium-sized businesses and public administrations, with a progressively higher attention to the largest enterprises.

As a part of the monitoring process, application of the internal ratings has continued, and has developed into a wide re-engineering of processes, in response to the increased size of the company and a rapidly changing competitive context, following new regulations on capital requirements on the basis of instructions given by Basel II in a project for the application of an internal rating to customers. In particular, with regard to the model relative to small and medium-sized enterprises (SME), the output has been integrated into the information systems of the Bank for monthly assessment of the probability of default (PD).

For counterparties belonging to the large corporate segment, a rating was adopted based on the results provided by the Central Registry of Financial Reports as part of the SIRC (*Sistema Informativo sul Rischio del Credito* – Italian Credit Risk Information System) project; this new model is currently being tested and developed internally, and it aims to enable a rating to be assigned to all customers of the segment by the end of 2008.

An internal performance rating model was defined during 2007 for retail customers (private and small businesses), following tests carried out to ascertain the predictability and stability of the figure. Furthermore, for the same segment, activities defining the internal PD models for initial disbursement were completed at the end of 2007 with the integration of the calculated PD into lending procedures. Similarly, the Bank has created new models to assess loss in the event of insolvency (loss given default – LGD) and exposure at default (EAD) according to customer segment, type of product and guarantee, and carried out in-depth analyses in order to activate Credit Risk Mitigation techniques.

In 2007, activities continued with the creation of the credit data warehouse was created, from which information necessary to run the rating calculation models can be obtained, improving the functionality of the Credit Risk Management (CRM) systems of the Bank.

Market Risk

Market risk monitoring takes the form of Finance Area front office releases that supply the Trading Room database. The data is related to all the products traded: debt securities, equities, currency, derivatives, money brokerage. Market risk is measured by VAR (Value at Risk), which is calculated on a daily basis and provides operational limits for the portfolio management. During the first six months of 2008, the overall average VAR of Banca Carige was €20.7 million (compared to €24 million in the same period of 2007).

Exchange Rate Risk

The Bank holds assets and liabilities denominated in non-Euro currencies. As at 30 June 2008, €267.7 million of the assets and €342 million of the liabilities held by the Bank were denominated in non-Euro currencies (compared to €329 million and €760 million respectively as at 30 June 2007). The Bank's exchange rate risk policies aim to minimise the impact of exchange rate fluctuations. In addition, the Bank has internal policies and authorisation procedures concerning foreign exchange and money market dealing, which govern the dealing activities of the Bank's traders and impose certain limits on foreign exchange activity and exposure.

Operational Risk

With regards to operational risks, a distinction is made between qualitative and quantitative problems.

Qualitative evaluations are made by means of a breakdown of the Bank's activities into macro processes which cut across organisational units providing a view of all the Bank's activities and an evaluation of the validity of organisational structure, its mechanisms and operating risk management tools, with regards to an efficient and effective management of risk. The analysis of processes and sub processes continues in order to identify any anomalous risk elements. Since 2003 the Bank (as well as the Banking subsidiaries), pending the introduction of a specific requirement by the Basel Committee has been part of the DIPO consortium (*Database Italiano Perdite Operative* – Italian Database of Operating Losses), established by the Italian Banking Association ("ABI") for a better evaluation of the relationship between profitability and risk.

The quantitative evaluation of risk allows for existing process analysis methods to be complemented by an analysis of anomalous events occurring and their potential economic impact based on both self assessment techniques and analysis of operational loss data recorded on internal and external pooled databases.

Concentration risk

This risk is quantified through the use of the Herfindhal index in accordance with the procedures provided by Bank of Italy. The measurements made show a limited exposure, consistently with the retail nature of the Carige Group.

Liquidity Risk

Liquidity risk management seeks to ensure that, even under adverse conditions, the Bank can meet customer needs and maturing liabilities. The Asset and Liability Management Committee (ALCO) monitors conditions that might adversely affect the Bank's ability to liquidate investment and trading positions in a timely manner at a reasonable price and access the capital markets. Many analyses are performed aimed at assessing the financial balance on both the treasury items as well as at a structural level.

With reference to short term liquidity, the net financial position compared with the liquidity reserves, the maturity ladder and the operations on the interbank market are monitored on a daily basis.

As regards the structural liquidity, the liquidity gaps beyond the year and the transformation level of the outstanding maturities are analysed with ALM techniques on a monthly basis.

Risk on securitisations

For the purposes of furthering the common co-ordination and monitoring of the securitisation transactions carried out by the Carige Group, a specific operating unit was set up within the General Secretariat Division. This unit oversees such transactions and the associated activities, carried out transversally by a multitude of company divisions and structures. Specifically, risks deriving from securitisation transactions are gauged and controlled within the Carige Group's Credit Risk Management system, involving monitoring by the Credit Control department (for transactions concerning performing loans). Moreover, the performance of the individual transactions is periodically assessed by General Management.

An overview of the four securitisations of the Carige Group is provided below:

Banca Carige: securitisation of bad loans – December 2000

The Bank sold without recourse to a special purpose vehicle ("SPV"), Argo Finance One (a company belonging to the Carige Group), non performing loans backed fully or in part by

voluntarily or legally imposed guarantees amounting to €292.5 million (book value: €227.6 million). The sale price agreed was €165.3 million.

To finance the acquisition, Argo Finance One issued the following securities: €40 million Senior (Class A) securities (rated "Aaa" by Moody's and "AA" by Fitch, upgraded to "AAA" in 2002 as a result of the repayment schedule); €70 million Mezzanine (Class B) securities (rated "Aa1" by Moody's and "AA-" by Fitch, upgraded to AA in 2002); and €56.5 million Junior (Class C) securities.

The arranger of the securitisation was Credit Suisse First Boston, and all Class A and B securities were already fully repaid by the end of 2005.

All Class C securities issued were purchased by the Bank. As at 30 June 2008, only €31.8 million of Class C securities remained outstanding.

The Parent Company acts as servicer. Collections from 2001 to the end of June 2008 amounted to €205.8 million.

The securitisation performance has been better than was forecast at the transaction structuring stage.

Banca Carige: securitisation of performing loans - December 2001

This securitisation involved the disposal without recourse to the SPV, Argo Mortgage (60 per cent. controlled by the Bank) of 13,858 mortgages with a total value as at the end of 2001 of €511.5 million, for a consideration of €535.5 (including €24 million as the deferred price determined by a profit extraction mechanism which, in particular, took into account the excess spread net of transaction costs at each payment date, transferred credit risk and advance settlement options).

To finance the acquisition, Argo Mortgage issued the following securities for an amount of €520.7 million: €478 million Class A securities (rated "Aaa" by Moody's and "AAA" by Fitch); €22 million Class B securities (rated "Aa2" by Moody's and "AA" by Fitch); €11.5 million Class C securities (rated "Baa2" by Moody's and "BBB" by Fitch); and €9.2 million Class D securities.

The arrangers of the securitisation were Credit Suisse First Boston and CDC IXIS (now NATIXIS), and all Class A, B and C securities were listed on the Luxemburg Stock Exchange and were underwritten exclusively by European institutional investors. The Class D securities were underwritten by the Bank.

At 30 June 2008, repayments relating to Class A securities amounted to €369.5 million compared with the initial amount of €478 million. The Bank provided Argo Mortgage with cash collateral amounting to €10.4 million.

The Parent Company acts as servicer. Collections from 2002 to the end of June 2008 amounted to €475.8 million.

Banca Carige: securitisation of performing loans - June 2004

This securitisation involved the disposal without recourse to the SPV, Argo Mortgage 2 (60 per cent. controlled by the Bank) of 13,272 mortgages with a total value as at the end of 30 June 2004 of €864.5 million, for a consideration of €925.6 million (including €61.1 million as the deferred price determined by a profit extraction mechanism which, in particular, took into

account the excess spread net of transaction costs at each payment date, transferred credit risk and advance settlement options).

To finance the acquisition, Argo Mortgage 2 issued the following A, B and C securities, all listed on the Luxemburg Stock Exchange for an amount of €864.4 million: €808.3 million Class A securities (rated "Aaa" by Moody's and "AAA" by Fitch); €26.8 million Class B securities (rated "Aa2" by Moody's and "AA-" by Fitch); and €29.4 million Class C securities (rated "Baa2" by Moody's and "BBB" by Fitch).

Arrangers of the securitisation were CDC IXIS (now NATIXIS), UBS Investment Bank and West LB AG, and at 30 June 2008, repayments relating to Class A securities amounted to €375.7 million compared with the initial amount of €808.3 million.

The Bank provided the SPV with a subordinated loan of €22.8 million, which by June 2008 decreased to €9 million.

The Parent Company acts as servicer. Collections from July 2004 to the end of June 2008 amounted to €524.3 million.

As the Argo Mortgage 2 securitisation does not fully represent a transfer of related risks and benefits to third parties, it was re-recognised to the Bank shareholders' as equity as at 1 January 2005 in accordance with IAS FTA terms. At a consolidated level, the securitisation has to be considered as never having been performed since Argo Mortgage 2 is a Carige Group member.

CR Savona: securitisation of non performing loans – December 2002

At the end of 2002, CR Savona completed an outright disposal to SPV Priamar Finance (100 per cent. controlled by the Parent Company and member of the Carige Group) of non-performing loans with and without guarantees totalling €68.8 million, recorded in the financial statements as the sum of €33.7 million. They were sold for a consideration of €28.0 million.

To finance the acquisition, Priamar Finance issued the following securities: €18 million Class A securities (listed on the Luxemburg Stock Exchange); €10.2 million Class B securities (fully underwritten by CR Savona).

The arranger and lead manager of the operation was West LB AG, and as at 30 June 2008, only Class B securities of €10.2 million are still repayable.

With regard to this securitisation, the full repayment of Class A securities meant that the commitment to allocate a servicer advance facility of €2.5 million and the CR Savona's restricted loan of €22 million was no longer necessary.

The Parent Company acts as servicer. Collections from 2003 to the end of June 2008 amounted to €31.6 million. The performance of the securitisation is in line with the best forecast made at the transaction structuring stage.

Reputational, strategic and residual risk

The analysis of the risk is performed through the use of specific score cards which assess both the risk exposure as well as the control processes and the existing mitigation instruments.

Derivatives

The Bank uses derivatives principally for asset and liability management to adjust the Bank's exposure to interest rate and foreign exchange risk. The Bank's treasury monitoring system, like those of most other Italian banks, was previously based on gap, duration, and liquidity analysis. A more sophisticated system based on "value-at-risk" analysis has been introduced together with, in management's view, a more complete and accurate risk monitoring system.

As at 30 June 2008, the notional value of derivatives contracts totalled €6,943.2 million of which €3,610.4 million (52 per cent.) were hedged and balanced.

Non performing loans

Pursuant to the guidelines established by the Bank of Italy, Carige recognises four categories of non performing loans:

- bad loans (*sofferenze*);
- loans on "watchlist" (*incagli*);
- restructured loans (*esposizioni ristrutturate*); and
- past due (*esposizioni scadute*).

Bad loans. Carige classifies a loan as a "Bad Loan" when legal recovery proceedings have started to recover it, or if the borrower is encountering serious financial or economic difficulties, unlikely to be temporary, and that legal action for recovery of the loan would be advisable even if they have not started. It also classifies a loan as a "Bad Loan" if the ongoing assessment of the borrower leads to the conclusion that full recovery of both principal and interest is doubtful. Categorisation of a loan as a "Bad Loan" is frequently followed by a formal demand for repayment from the borrower (and in most cases, if applicable, the guarantor) by a specified date.

Loans on watchlist. Carige classifies a loan as being "on watchlist" when it determines that the borrower is experiencing financial or economic difficulties that are likely to be temporary.

Restructured loans. These are loans made by a syndicate of banks (or just one bank) where a moratorium has been granted and the rate of interest has been renegotiated at a lower rate or at market rate. Loans to companies which have stopped trading or are insolvent are excluded from this category.

Any banks which do not agree with the restructuring must notify the other banks that they will treat the debt as a bad loan or a non performing loan (i.e. a problem loan not categorised as a "bad loan"). If a bank agrees to disclose the restructured loan, it must give notice as to whether it is a bad loan or an impaired loan.

Past due. Carige classifies a loan as an "past due" when it has expired and not been paid for more than 180 days.

The following table shows a breakdown of the Bank's total loans to customers (after provisions and excluding arrears of interest) as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006.

€ millions	As at			
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
	(limited review)	(audited)	(limited review)	(audited)
(i) Bad Loans.....	544.9	541.2	538.6	525.6
(ii) Loans on watchlist.....	282.2	196.6	196.1	196.1
(iii) Restructured loans.....	3.6	6.0	7.3	11.8
(iv) Past due.....	270.4	205.7	171.5	147.7
(v) Performing loans.....	15,069.7	13,472.0	12,846.2	12,340.0
(vi) Loans to customers.....	16,170.8	14,421.5	13,759.7	13,221.2
Aggregate of (i), (ii), (iii), (iv) as a percentage of (vi).....	6.8%	6.6%	6.6%	6.7%

The following table shows the composition of the Bank's bad loans and provisions, excluding arrears of interest, as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006.

€ millions	As at			
	30 June 2008	31 December 2007	30 June 2007	31 December 2006
	(limited review)	(audited)	(limited review)	(audited)
Nominal value of bad loans.....	544.9	541.2	538.6	525.6
Provisions.....	300.8	302.7	298.2	274.7
Net value of bad loans.....	244.1	238.5	240.4	250.9
Percentage of total loans represented by net value of bad loans.....	1.4%	1.5%	1.6%	1.8%

The bad loans/lending ratio decreased from 3.9 per cent. as at 30 June 2007 to 3.4 per cent. as at 30 June 2008.

Competition

The Bank's competitors in the Italian banking market are commercial, savings and co operative banks. Of particular relevance in Liguria (where the Carige Group had a 25.69 per cent. market share in terms of branches as at 31 March 2008) are the Bank's four main competitors: Intesa Sanpaolo Group (15.90 per cent. of total branches), Banco Popolare Group (13.97 per cent.), UniCredit Group (12.64 per cent.) and Cassa di Risparmio di Firenze Group (5.61 per cent.). (Source: Bank of Italy). Cassa di Risparmio di Firenze Group was recently acquired by Intesa Sanpaolo Group.

The following table shows the competitive environment of Liguria, as compared to Italy as a whole, both prior and subsequent to the liberalisation of banking regulations in the first half of 1990.

€ millions	Liguria			Italy		
	1989	March 2008	Change	1989	March 2008	Change
			(per cent.)			(per cent.)
Number of banks.....	31	67	116.1	1,085	805	(25.8)
Number of branches.....	539	981	82.0	15,577	33,395	114.4
Population.....	1,727,212	1,610,993	(6.7)	57,576,429	59,715,627	3.7
Inhabitants per branch.....	3,204	1,642	(48.8)	3,696	1,788	(51.6)
Branches per bank.....	17	15	(15.8)	14	41	189.0
The Group's market share by branches.....	24.30%	25.69%	1.39	0.88%	1.81%	0.93

Source: ABI, Bank of Italy and ISTAT.

Information Technology

Information technology is an integral part of the Bank's treasury operations, general risk management, regulatory compliance programme and commercialisation efforts. The computerized information system of all the companies of the Carige Group is centralized in the hands of the Parent Company, which, in relation to the risks associated with the lack of operations, has established a business continuity and disaster recovery plan aimed at identifying the critical processes and the strategies to minimise risks and economic consequences linked to the lack of operations, ensuring restoration of processes within established time limits, putting in place alternative procedures to ensure business continuity

and enhancing the capacity of the Bank to co ordinate operations between branches and divisions, access data and supervise business activities.

Regulatory proceedings

During the first half of 2007 the Bank of Italy completed an inspection of the Bank and ISVAP (the Italian supervisory body for insurance companies) completed an inspection of the Bank's subsidiaries operating in the insurance sector.

At the end of said inspection, the Bank of Italy has sent to Carige its observations, related to the Bank's development and governance strategies and the structure of controls and credit risk. The Bank replied to these observations in July 2007 and, notwithstanding such remarks to the observations expressed by the Bank of Italy, has implemented certain changes (while further changes are in the process of being made) in relation to the following aspects: the Bank's proxy organisation, coordination and monitoring procedures (in particular with respect to the insurance division), organisation of the internal controls and credit risk procedures.

With reference to some of the observations expressed, the Bank of Italy has imposed fines on the Bank's directors, statutory auditors and general manager that were in office at the time of the relevant events. This has not lead to any variation in the composition of the General Management of the Bank.

In April 2008 the Bank of Italy issued a measure to suspend internal growth temporarily, which may be reviewed following an inspection of the reorganisation of the Carige Group's insurance subsidiaries and, more generally, based on the improvement of the technical situation of the Carige Group, with particular reference to the assets and to the management of the claims portfolio.

The Bank believes that the measures undertaken so far and those which are about to be carried out will allow the illustrated issues to be overcome.

In the context of the considerations referred to above, on the same date, the Bank of Italy acknowledged that Carige may purchase 40 branches from the UniCredit group, subject to compliance with regulatory capital requirements.

In the light of the above, no significant consequences on the economic and financial targets fixed by the Carige Group's Strategic Plan for the years 2008-2010 are foreseen.

In December 2007, following the inspection that ended in May 2007, ISVAP sent to Carige Assicurazioni its observations related to governance, controls, managerial procedures and practices regarding the finance and the real estate area, the Automobile Liability Insurance area, the insurance premium area, the recourse procedures and the estimated minor value of the solvency margin. ISVAP has also alleged a lack of reserves for the third party car insurance sector of Carige Assicurazioni in its 2006 annual report and the estimated minor value of assets covering such reserves.

Carige Assicurazioni has taken into examination the remarks expressed by ISVAP in January 2008: with particular reference to the technical readjustment, Carige Assicurazioni did not agree with such observations, given that Carige Assicurazioni strengthened, in the two-year period 2006-2007, its technical Automobile Liability Insurance reserves for a total amount equal to Euro 110 million despite the amount of Euro 108 million indicated by ISVAP. This reinforcement of the technical reserves has continued during the financial year 2008. In December 2007 ISVAP also notified Carige Vita Nuova of its observations relating to governance, controls, managerial procedures and practices regarding the finance area and the

real estate area, as well as the supposed insufficiency of assets covering the technical reserves and the solvency margin and asked, inter alia, Carige Vita Nuova to submit a reorganisation plan for 2008 providing for a stock capital restructuring and reorganisation and the removal of the deficiencies pointed out by ISVAP.

Carige Vita Nuova has taken into examination the remarks expressed by ISVAP in January 2008, pointing out that it does not agree with the ISVAP observation, given that, inter alia, the Three Year Plan 2008-2010, approved by Carige Vita Nuova Board of Directors on September 2007, already approved, once obtained the necessary Bank of Italy's authorizations, an increase of the Carige shareholding in order to remove any possible deficiency.

Finally, in relation to the inspections of both subsidiaries, in May 2008 ISVAP sent a notification that legal procedures were being started, that might end with fines being imposed and has, inter alia, renewed the request, formulated before, to strengthen the stock capital of both the companies.

In this regard, on July 2008, the general meeting of Carige Assicurazioni and Carige Vita Nuova have decided for a global intervention on their assets for a total amount of Euro 75 million (Euro 30 million for Carige Assicurazioni and Euro 45 million for Carige Vita Nuova, respectively) which Carige, as parent company, (holding the 98,24% of Carige Assicurazioni stock capital and the 100% of Carige Vita Nuova stock capital) has decided to underwrite once obtained the Bank of Italy's authorization.

Furthermore, in August 2008, the Authority for the Competition and Market, at the end of a preliminary investigation carried out against several banks, has fined Banca Carige Euro 420,000 for undertaking an irregular commercial practice in relation to the portability of loans, according to Legislative Decree No. 206/2005 (the "Code of the Consumptions").

At present a legal proceeding relating to the purchase in 2005 of shares of Banca Nazionale del Lavoro S.p.A. is outstanding, in the context of which the magistrates inquiring into requested the committal for trial of the legal representative of the Bank, together with managers of other banks, for the offences provided for by articles 81, 110 and 112, paragraph 1, of the Italian Criminal Code and article 185 of the Italian Finance Act.

Such legal proceeding concerns also the responsibility of Carige, if any, for having omitted to arguably adopt, and effectively put into effect, the managerial and organizational schemes provided for by Legislative Decree No. 231/2001.

In relation to such legal proceeding, in May 2008, CONSOB communicated the beginning of its own proceeding for the violation of article 122, paragraphs 1 and 5, of the Italian Finance Act; in this respect, the Bank has sent to CONSOB a note challenging the supposed violation of the mentioned regulation.

In relation to such regulatory proceedings, the Bank believes that the outcome of such proceedings (individually or in the aggregate) is unlikely to have a material adverse effect on the consolidated financial condition or results of operations of the Carige Group or of the Bank.

Litigation

The Carige Group, in the course of its business, is subject to certain claims and is party to a number of legal proceedings relating to a variety of issues, including commercial and contractual disputes and is also involved in disputes with the Italian tax authorities.

As at the date of this Prospectus, these disputes include a pending bankruptcy claw-back action brought by Parmalat S.p.A., under extraordinary administration, against the Bank with a value of Euro 104.1 million.

As at 30 June 2008 the Bank established a provision for risks and charges related to legal disputes equal to Euro 10.9 million (Euro 13.8 million as at December 2007 and Euro 11.2 million as at June 2007) as a form of protection against potential liabilities that could arise out of pending claims and proceedings.

Most of the claims against the Bank concern trading in Parmalat, Cirio and Argentina bonds which represent Euro 2.2 million risk; in addition to these claims there are a further number of limited matters involving Euro 2.5 million risk.

As at 30 June 2008, various claw-back actions have been taken against the Bank and the competent office has forecast losses equal to Euro 5.2 million in this regard.

Although it is difficult to determine the outcome of claims and proceedings against the Carige Group with certainty, management believes that liabilities relating to such claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the consolidated financial condition or results of operations of the Carige Group or on the Bank and management has made what it believes to be adequate provision for such claims in the Carige Group's financial statements.

Management and Employees Management

The management of the Bank is divided between the Board of Directors and the Executive Committee, which acts under the delegated general authority of the Board of Directors. The Board of Directors appoints a General Manager or a Managing Director who exercises the powers granted to him within the scope of the provisions of the by-laws and those granted to him by the Board of Directors. The day-to-day operations of the Bank are his responsibility. In addition, the Italian Civil Code requires the Bank to have a supervisory body, a Board of Statutory Auditors, and independent auditors.

The business address of the management of the Bank is: Via Cassa di Risparmio 15, 16123, Genova, Italy.

Board of Directors

The maximum number of members of the Board of Directors is 18. Currently, the Board of Directors consists of 12 members, appointed by the Ordinary Shareholders Meeting of 27 April 2006 until approval by the shareholders of the financial statements of the Bank as at and for the year ending 31 December 2008. Directors serve for a term of three years and may be re-elected by the shareholders.

The following table sets out the current members of the Board of Directors of the Bank together with their principal other activities relevant to the Carige Group.

Name	Title	Principal outside activities relevant to the business of the Carige Group
Giovanni Berneschi	Chairman	Chairman of Carige Vita Nuova S.p.A, Deputy Chairman of Cassa di Risparmio di Carrara S.p.A., Director of Banca Cesare Ponti S.p.A., Deputy Chairman of Carige Assicurazioni S.p.A., Deputy Chairman of Centro Fiduciario C.F. S.p.A., Director and Member of the Executive Committee of Cassa di Risparmio di Savona S.p.A., Chairman of I.L.I. Autostrade S.p.A., Director of Centrosim S.p.A., Deputy Chairman of A.B.I. (Italian Banking Association)
Alessandro Scajola	Deputy Chairman	Deputy Chairman of Cassa di Risparmio di Savona S.p.A., Deputy Chairman of Autostrade dei Fiori S.p.A.
Andrea Baldini	Director	Director of Cassa di Risparmio di Carrara S.p.A.
Giorgio Binda	Director	Director of Banca Cesare Ponti S.p.A.
Jean Jacques Bonnaud	Director	Director of Creditis Servizi Finanziari S.p.a.
Luca Bonsignore	Director	CEO of Gefip Holding S.p.A., Deputy Chairman of ILI Autostrade S.p.A.
Remo Angelo Checoni	Director	Honorary Chairman and Director and Member of Steering Committee of Coop Liguria
Luigi Gastaldi	Director	Deputy Chairman of Carige Vita Nuova S.p.A. and Director of Carige Assicurazioni S.p.A.
Ferdinando Menconi	Director	Chairman of Carige Assicurazioni S.p.A., Deputy Chairman of Carige Vita Nuova S.p.A.
Nicolas Merindol	Director	Member of the Supervisory Board of Natixis-SACS, Chairman of the Supervisory Board of Banque Palatine-SACS and Chairman of Crédit Foncier-SA
Jean Marie Paintendre	Director	Director of Creditis Servizi Finanziari S.p.a., Directeur International Groupe Caisse Nationale des Caisses d'Epargne et de Prévoyance, Director of Banca Cesare Ponti S.p.A.
Vincenzo Roppo	Director	Director of Consorzio per il Giurista d'Impresa S.c.a.r.l.

Note: Pursuant to the By-laws, the Chairman of the Board is the legal representative of the Bank.

None of the directors have any conflict between their duties to Banca Carige and their other outside interests listed above.

Executive Committee

The Board of Directors may delegate its powers to an Executive Committee, determining the length of the term of its office as well as the nature and scope of its activities. The By-laws provide that the Executive Committee shall be composed of the Chairman, the Vice Chairman of the Board of Directors and the Managing Director or the General Director, together with three to five additional members appointed by the Board of Directors among its members.

The following table sets out the current members of the Executive Committee.

<i>Name</i>	<i>Title</i>
Giovanni Berneschi	Chairman
Alessandro Scajola	Deputy Chairman
Andrea Baldini	Director
Remo Angelo Checconi	Director
Paolo Cesare Odone	Director
Renata Oliveri	Director
Vincenzo Roppo	Director

None of the members of the Executive Committee have any conflict between their duties to Banca Carige and their other outside interests listed above.

Managing Director or General Manager

The Board of Directors has the power to appoint a Managing Director or General Manager and, at the Managing Director/General Manager's proposal, one or more Deputy General Managers. At present the General Manager is Alfredo Sanguinetto. There are four Deputy General Managers: Carlo Arzani, Mario Cavanna, Ennio La Monica and Giacomo Ottonello.

Board of Statutory Auditors

The Board of Statutory Auditors is composed of a chairman, two statutory auditors and two alternate auditors, who serve for a term of three business years, with authority and obligations dictated by law.

The current members of the Board of Statutory Auditors are as follows:

<i>Name</i>	<i>Title</i>
Andrea Traverso	Chairman
Antonio Semeria	Statutory Auditor
Massimo Scotton	Statutory Auditor
Luigi Sardano	Alternate Statutory Auditor
Adriano Lunardi	Alternate Statutory Auditor

The Board of Statutory Auditors in office at the date of this Prospectus was appointed by the Ordinary Shareholders Meeting of 29 April 2008 until the approval by the shareholders of the financial statements of the Bank as at and for the year ending 31 December 2010.

Independent Auditors

The current independent auditors of the Bank are Deloitte & Touche S.p.A., appointed by the Ordinary Shareholders' Meeting of 20 April 2006 until the approval by the shareholders of the financial statements of the Bank as at and for the year ending 31 December 2011.

Employees

The following table shows the total number of employees of the Bank and their levels of seniority and activities as at 30 June 2008, 31 December 2007, 30 June 2007 and 31 December 2006.

	As at							
	30 June 2008		31 December 2007		30 June 2007		31 December 2006	
	Number	per cent. of total	Number	per cent. of total	Number	per cent. of total	Number	per cent. of total
Employee grade								
Managers.....	61	1.4	54	1.4	56	1.5	59	1.6
Officials.....	980	22.8	838	22.4	851	23.0	830	22.6
Other employees.....	3,261	75.8	2,847	76.1	2,791	75.5	2,781	75.8
Total.....	4,302	100.0	3,739	100.0	3,698	100.0	3,670	100.0
Activities								
Head offices.....	1,380	32.1	1,253	33.5	1,251	33.8	1,151	31.4
Branches.....	2,922	67.9	2,486	66.5	2,447	66.2	2,519	68.6
Total.....	4,302	100.0	3,739	100.0	3,698	100.0	3,670	100.0

Recent Developments

Banca Carige is in the process of establishing a EUR 5,000,000,000 covered bond programme in accordance with Article 7-bis of Italian law of 30 April 1999, No. 130, as implemented by the Italian Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310 and the Supervisory Instructions of the Bank of Italy dated 17 May 2007 as amended and supplemented from time to time. In this context, on 14 November 2008 Banca Carige has transferred to a special purpose vehicle, belonging to the Carige Group, a pool of Italian residential and commercial mortgage loans (*mutui ipotecari residenziali e commerciali*) for a value of Euro 1,505,288,305.39. These assets will be segregated by operation of law in favour of the holders of the covered bonds that may be issued by Banca Carige.

On 10 November 2008, Banca Carige published a press release, which included the following overview of its financial information as at and for the nine months ended 30 September 2008. The overview of Banca Carige's financial information as at and for the nine months ended 30 September 2008 has not been audited or reviewed by independent auditors and investors are advised not to place undue reliance thereon.

The following is an extract of pages 1 to 2 of the aforementioned press release:

"Results for the first 9 months 2008 approved

Net profit of Banca Carige up +14.6% to € 191 million

Consolidated net profit stable on September 2007 at €163 million

- Consolidated net profit of € 163.1 million (€ 161.4 million in September 2007, +1 %);

- Loans to customers € 19.61 billion (+15.9% yoy);
- Total customer deposits – FIA € 42.41 billion (+13.9% yoy);
- Interest margin € 586.9 million (+22.4%) and gross operating margin € 760.5 million (+7.3%);
- Net profit for Banca Carige of € 191 million (+14.6% on € 166.7 million in September 2007);
- High levels of liquidity: balance of interbank receivables € 171.7 million; and
- Solid capital ratios: Core Tier 1 Ratio 8.17% and Total Capital Ratio 10.10%.

Genoa, 10 November 2008 - Banca Carige SpA's Board of Directors, chaired by Giovanni Berneschi, has approved the Report for the first nine months of 2008, presented to the Board by General Manager Alfredo Sanguinetto.

The considerable market crisis, which worsened during the third quarter, had significant negative impacts on financial management in the banking sector. These effects were partially mitigated by the sterilisation of loss positions due to the reclassification of part of the Bank's owned portfolio.

Though operating in an unfavourable context, the Banca Carige managed to maintain significant levels of profitability, closing the nine months with a net profit up by 14.6%, to € 191 million. The Group realised consolidated net profit of € 163 million, an increase of 1%.

The consolidated results for the year confirmed the positive trend in volumes traded, with year over year increases of 15.9% in loans to customers and 13.9% in deposits from customers (Financial Assets Intermediated), primarily supported by bond funding (+27.8% yoy) and banking-insurance products (54.9%).

The increase in intermediation operations enabled a significant rise in the interest margin (+22.4%), offsetting the negative effects that the turmoil in the financial markets had on financial management items. The latter were positively affected by the reclassification of part of the securities portfolio pursuant to the recent amendments to the accounting standards IAS 39/IFRS 7 by the IASB Committee, implemented by the European Commission (see the specific paragraph herein). This resulted in the recording of lower capital losses, amounting to approximately € 63 million (around € 43 million after taxes) at consolidated level, and approximately € 42 million (around € 29 million after taxes) for Banca Carige.

The recorded or sterilised capital losses on the owned portfolio primarily regard bonds with high ratings, which were purchased below par, and are thus bound to recover their value upon nearing maturity.

The income statement also benefited from the lower amount of taxes due, linked to the nonrecurring positive effects of the cancellation of the non-accounting differences carried out pursuant to Law 244/2007. However, this benefit was partially absorbed by the negative effects of the partial non-deductibility of interest expense, introduced by Law 133/2008 ("Manovra d'estate") as well as need to adjust the substitute tax paid at the reduced rate in 2004 to the ordinary rate, for the cancellation of fixed assets which the European Commission subsequently qualified as State aid.

The Group maintains capital ratios considerably higher than those required by supervisory regulations, and has a ratio of shareholders' equity to assets higher than the sector average.

The estimated consolidated capital ratios show a Total Capital Ratio of 10.10% and a Core Tier 1 Ratio of 8.17%.

The Group also demonstrates suitable levels of liquidity, with net interbank receivables of € 171.7 million, primarily as a result of the sharp growth in bond funding, specifically from ordinary customers.

For full year operations, which will continue to feel the effects of developments in the macroeconomic scenario and the lasting volatility and tension on financial markets, results higher than 2007 are confirmed."

OVERVIEW FINANCIAL INFORMATION OF BANCA CARIGE

Set out below is financial information of the Issuer which is derived from the consolidated financial statements of the Issuer as at and for the years ended 31 December 2006 and 31 December 2007 which have been audited by Deloitte & Touche S.p.A. and the consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2007 and 2008 which have been subject to a limited review by Deloitte & Touche S.p.A.. Such financial statements, together with the audit and review reports of Deloitte & Touche S.p.A. and the accompanying notes, are incorporated by reference into this Prospectus. The financial information below should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements, reports and the notes thereto. See also "Documents Incorporated by Reference".

ANNUAL AUDITED CONSOLIDATED BALANCE SHEETS

	As at 31 December	
	2007	2006
	(audited)	
	(<i>€ thousands</i>)	
Assets		
Cash and cash equivalents	243,720	219,595
Financial assets from trading	2,306,484	2,850,206
Financial assets designated at fair value	716,367	674,312
Available-for-sale financial assets	2,385,535	1,875,721
Financial assets held to maturity	2,458	2,615
Loans to banks	1,510,445	1,100,548
Loans to customers	17,017,381	15,647,004
Hedging derivatives	23,936	18,876
Equity investments	56,256	66,844
Technical reserves charged to reinsurers	160,533	165,468
Tangible assets	1,194,747	1,179,260
Intangible assets	708,280	689,899
Including:		
<i>goodwill:</i>	659,972	659,850
Tax assets	259,698	260,117
<i>a) current</i>	83,533	82,795
<i>b) advanced</i>	176,165	177,322
Other assets	877,836	536,629
Total assets	27,463,676	25,287,094
Liabilities		
Amounts owed to banks	2,386,876	1,900,387
Amounts owed to customers	9,571,945	9,364,602
Securities in issue	7,281,050	6,395,131
Financial liabilities from trading	127,539	131,787
Financial liabilities designated at fair value	1,290,689	1,269,993
Hedging derivatives	20,163	23,009
Tax liabilities	265,449	299,613
<i>a) current</i>	38,572	73,867
<i>b) deferred</i>	226,877	225,746
Other liabilities	1,228,704	892,645
Staff termination indemnity	92,871	125,653
Provisions for risks and charges:	380,078	368,694
<i>a) pensions and similar obligations:</i>	322,955	321,750
<i>b) other provisions:</i>	57,123	46,944
Technical reserves	1,955,936	1,794,516
Valuation reserves	660,973	658,249
Capital instruments	1,219	5,228
Reserves	109,652	77,778
Additional paid-in capital	461,064	438,103
Capital	1,390,082	1,374,459
Own Shares	-	-
Minority interests	34,573	29,375
Profit (Loss) for the year	204,813	137,872
Total liabilities and shareholders' equity	27,463,676	25,287,094

ANNUAL AUDITED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December	
	2007	2006
	(audited)	
	(€ thousands)	
Interest income and similar revenues	1,249,351	944,433
Interest expenses and similar charges	(590,469)	(386,368)
Net interest income	658,882	558,065
Commission income	288,578	290,151
Commission expenses	(38,396)	(36,919)
Net Commissions	250,182	253,232
Dividends and other similar revenues	24,036	24,065
Net income from trading activities	(20,478)	31,247
Net income from hedging activities	(49)	(3,912)
Profit (loss) from disposal or repurchase of	55,847	10,523
<i>a) loans</i>	5,005	1,528
<i>b) available-for-sale financial assets</i>	48,444	6,176
<i>c) financial liabilities</i>	2,398	2,819
Value adjustment on financial assets and liabilities designated at fair value:	(17)	890
Gross operating income	968,403	874,110
Net value adjustments/write-backs due to impairment of:	(82,448)	(89,129)
<i>a) loans</i>	(75,152)	(86,323)
<i>b) available-for-sale financial assets</i>	(7,212)	(2,999)
<i>c) other financial assets</i>	(84)	193
Net income from financial management	885,955	784,981
Net premiums	684,094	706,794
Balance of other expenses/revenues from insurance management	(694,431)	(757,741)
Net income from financial and insurance management	875,618	734,034
Administrative costs:	(541,024)	(520,418)
<i>a) staff costs</i>	(326,644)	(312,700)
<i>b) other administrative costs</i>	(214,380)	(207,718)
Net provisions for risks and charges	(3,105)	(8,422)
Depreciation of tangible assets	(19,068)	(18,267)
Amortization of intangible assets	(14,061)	(10,760)
Other operating expenses and revenues	61,940	54,811
Operating costs	(515,318)	(503,056)
Profit (loss) from equity investments	8,413	6,329
Profit (loss) from disposal of investments	875	1,868
Operating profit (loss) from ordinary activities before taxes	369,588	239,175
Income taxes for the year	(157,283)	(96,233)
Profit (Loss) from ordinary activities after taxes	212,305	142,942
Profit (Loss) for the year	212,305	142,942
Minority interests	7,492	5,070
Profit (Loss) for the year attributable to the parent bank	204,813	137,872

ANNUAL AUDITED CONSOLIDATED CASH FLOW STATEMENTS

Direct method

	Amount	
	31/12/07	31/12/06
A. OPERATING ACTIVITIES		
1. Management	527,448	547,332
- interest income received (+)	1,222,593	832,822
- interest expenses paid (-)	(567,999)	(376,520)
- dividends and similar revenues (+)	24,036	20,960
- net commissions (+/-)	250,182	253,232
- staff costs (-)	(288,415)	(277,458)
- net premiums collected	682,781	706,794
- other insurance revenues and expenses (+/-)	(489,885)	(446,733)
- other costs (-)	(407,251)	(318,899)
- other revenues (+)	255,925	226,837
- taxes and duties (-)	(154,519)	(73,703)
2. Liquidity generated/absorbed by financial assets	(2,135,200)	(2,064,253)
- financial assets held for trading	517,424	512,469
- financial assets designated at fair value	(43,861)	(45,831)
- available for sale financial assets	(458,152)	(592,426)
- loans to customers	(1,430,011)	(2,075,229)
- loans to banks: at sight	138,183	(184,330)
- loans to banks: other loans	(544,318)	17,328
- other assets	(314,465)	303,766
3. Cash generated/absorbed by financial liabilities	1,784,914	1,580,052
- amounts owed to banks: at sight	(32,802)	804,323
- amounts owed to banks: other	511,644	(19,408)
- amounts owed to customers	209,387	716,400
- securities in issue	894,032	94,925
- financial liabilities from trading	(4,830)	(14,850)
- financial liabilities designated at fair value	26,078	181,529
- other liabilities	181,405	(182,867)
Net liquidity generated/absorbed by operating activities	177,162	63,131
B. INVESTING ACTIVITIES		
1. Liquidity generated by	22,508	46,861
- equity investment disposals	13,512	-
- dividends received on equity investments	4,622	11,175
- disposal/reimbursement of financial assets held to maturity	156	149
- tangible asset disposals	4,218	35,537
- intangible asset disposals	-	-
- subsidiary and business unit disposals	-	-
2. Liquidity absorbed by	(65,222)	(207,437)
- equity investment acquisitions	(2,209)	(13)
- acquisitions of financial assets held to maturity	-	-
- tangible asset acquisitions	(32,790)	(160,206)
- intangible asset acquisitions	(30,223)	(16,259)
- business unit acquisitions	-	(30,959)
Net liquidity generated/absorbed by investing activities	(42,714)	(160,576)
C. FUNDING ACTIVITIES		
- own share issues/acquisitions	1,248	76,765
- additional paid-in capital	1,066	135,354
- capital instrument issues/acquisitions	-	-
- dividend distribution and others	(112,637)	(90,549)
Net liquidity generated/absorbed by funding activities	(110,323)	121,570
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	24,125	24,125

Figures in thousands of €

KEY:

(+) generated

(-) absorbed

RECONCILIATION

	Amount	
	31/12/07	31/12/06
Balance sheet items		
Cash and cash equivalents at the beginning of the period	219,595	195,470
Total net liquidity generated/absorbed during the period	24,125	24,125
Cash and cash equivalents: effect of exchange rate differences	-	-
Cash and cash equivalents at period end	243,720	219,595

Figures in thousands of €

HALF-YEARLY CONSOLIDATED BALANCE SHEETS

	As at 30 June	
	2008	2007
	(limited review)	
	(€ thousands)	
Assets		
Cash and cash equivalents	237,032	173,408
Financial assets from trading	2,004,438	2,869,028
Financial assets designated at fair value	707,016	700,117
Available-for-sale financial assets	2,563,939	2,198,103
Financial assets held to maturity	2,380	2,536
Loans to banks	1,809,145	1,285,853
Loans to customers	18,870,084	16,207,682
Hedging derivatives	42,652	24,203
Equity investments	56,674	70,428
Technical reserves charged to reinsurers	159,256	160,897
Tangible assets	1,126,466	1,181,473
Intangible assets	1,579,555	694,077
Including:		
<i>goodwill:</i>	<i>1,527,530</i>	<i>659,850</i>
Tax assets	309,388	270,966
<i>a) current</i>	<i>104,915</i>	<i>88,687</i>
<i>b) advanced</i>	<i>204,473</i>	<i>182,279</i>
Other assets	1,168,216	502,610
Total assets	30,636,241	26,341,381
Liabilities		
Amounts owed to banks	1,598,695	2,345,835
Amounts owed to customers	11,060,836	9,043,894
Securities in issue	8,468,366	7,100,631
Financial liabilities from trading	126,978	140,681
Financial liabilities designated at fair value	1,244,197	1,301,693
Hedging derivatives	40,331	33,688
Tax liabilities	263,654	315,675
<i>a) current</i>	<i>51,566</i>	<i>54,569</i>
<i>b) deferred</i>	<i>212,088</i>	<i>261,106</i>
Other liabilities	1,533,044	924,596
Staff termination indemnity	97,157	117,428
Provisions for risks and charges:	391,265	357,385
<i>a) pensions and similar obligations:</i>	<i>322,292</i>	<i>321,067</i>
<i>b) other provisions:</i>	<i>68,973</i>	<i>36,318</i>
Technical reserves	2,110,108	1,874,559
Valuation reserves	581,593	697,376
Capital instruments	1,265	1,505
Reserves	159,314	108,109
Additional paid-in capital	1,013,349	460,658
Capital	1,789,973	1,389,816
Own Shares	-	-
Minority interests	45,144	27,333
Profit (Loss) for the year	110,972	100,519
Total liabilities and shareholders' equity	30,636,241	26,341,381

HALF-YEARLY CONSOLIDATED INCOME STATEMENTS

	As at 30 June	
	2008	2007
	(limited review)	
	<i>(€ thousands)</i>	
Interest income and similar revenues	703,081	582,499
Interest expenses and similar charges	(320,354)	(266,919)
Net interest income	382,727	315,580
Commission income	140,977	146,898
Commission expenses	(18,376)	(18,709)
Net Commissions	122,601	128,189
Dividends and other similar revenues	11,885	10,621
Net income from trading activities	(46,165)	16,013
Net income from hedging activities	(173)	(457)
Profit (loss) from disposal or repurchase of	13,343	10,449
<i>a) loans</i>	<i>1,971</i>	<i>1,128</i>
<i>b) available-for-sale financial assets</i>	<i>8,976</i>	<i>8,768</i>
<i>c) financial liabilities</i>	<i>2,396</i>	<i>553</i>
Value adjustment on financial assets and liabilities designated at fair value:	121	(718)
Gross operating income	484,339	479,677
Net value adjustments/write-backs due to impairment of:	(53,261)	(39,898)
<i>a) loans</i>	<i>(51,033)</i>	<i>(41,225)</i>
<i>b) available-for-sale financial assets</i>	<i>(1,684)</i>	<i>-</i>
<i>c) other financial assets</i>	<i>(544)</i>	<i>1,327</i>
Net income from financial management	431,078	439,779
Net premiums	414,864	326,951
Balance of other expenses/revenues from insurance management	(426,917)	(329,362)
Net income from financial and insurance management	419,025	437,368
Administrative costs:	(293,612)	(274,485)
<i>a) staff costs</i>	<i>(176,621)</i>	<i>(169,209)</i>
<i>b) other administrative costs</i>	<i>(116,991)</i>	<i>(105,276)</i>
Net provisions for risks and charges	390	492
Depreciation of tangible assets	(9,634)	(8,887)
Amortization of intangible assets	(7,608)	(5,817)
Other operating expenses and revenues	32,112	30,048
Operating costs	(278,352)	(258,649)
Profit (loss) from equity investments	2,686	2,023
Profit (loss) from disposal of investments	(3)	851
Operating profit (loss) from ordinary activities before taxes	143,356	181,593
Income taxes for the year	(29,289)	(77,969)
Profit (Loss) from ordinary activities after taxes	114,067	103,624
Profit (Loss) for the year	114,067	103,624
Minority interests	3,095	3,105
Profit (Loss) for the year attributable to the parent bank	110,972	100,519

HALF-YEARLY CONSOLIDATED CASH FLOW STATEMENTS

Direct method

	Amount	
	<i>(limited review)</i>	
	30/6/08	30/6/07
A. OPERATING ACTIVITIES		
1. Management	440,096	300,421
- interest income received (+)	699,709	583,008
- interest expenses paid (-)	(315,453)	(258,944)
- dividends and similar revenues (+)	11,885	10,109
- net commissions (+/-)	122,601	128,189
- staff costs (-)	(148,264)	(141,204)
- net premiums collected	420,194	322,324
- other insurance revenues and expenses (+/-)	(237,368)	(210,428)
- other costs (-)	(198,728)	(172,773)
- other revenues (+)	128,517	136,438
- taxes and duties (-)	(42,997)	(96,298)
2. Liquidity generated/absorbed by financial assets	(2,420,909)	(1,061,128)
- financial assets held for trading	251,623	(33,677)
- financial assets designated at fair value	9,351	(25,805)
- available for sale financial assets	(256,256)	(283,680)
- loans to customers	(1,813,444)	(602,784)
- loans to banks: at sight	(211,258)	147,445
- loans to banks: other loans	(84,118)	(329,990)
- other assets	(316,807)	67,363
3. Cash generated/absorbed by financial liabilities	2,077,442	846,478
- amounts owed to banks: at sight	(23,333)	13,866
- amounts owed to banks: other	(759,231)	427,078
- amounts owed to customers	1,497,605	(321,001)
- securities in issue	1,168,650	717,144
- financial liabilities from trading	(4,332)	(1,498)
- financial liabilities designated at fair value	(35,806)	34,027
- other liabilities	233,889	(23,138)
Net liquidity generated/absorbed by operating activities	96,629	85,771
B. INVESTING ACTIVITIES		
1. Liquidity generated by	17,515	4,592
- equity investment disposals	15,324	10
- dividends received on equity investments	1,887	1,330
- disposal/reimbursement of financial assets held to maturity	79	76
- tangible asset disposals	225	3,176
- intangible asset disposals	-	-
- subsidiary and business unit disposals	-	-
2. Liquidity absorbed by	(916,792)	(23,913)
- equity investment acquisitions	(15,721)	(2,209)
- acquisitions of financial assets held to maturity	(1)	-
- tangible asset acquisitions	(39,655)	(11,709)
- intangible asset acquisitions	(11,817)	(9,995)
- business unit acquisitions	(849,598)	-
Net liquidity generated/absorbed by investing activities	(899,277)	(19,321)
C. FUNDING ACTIVITIES		
- own share issues/acquisitions	398,851	-
- additional paid-in capital	550,915	-
- capital instrument issues/acquisitions	-	-
- dividend distribution and others	(153,806)	(112,637)
Net liquidity generated/absorbed by funding activities	795,960	(112,637)
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	(6,688)	(46,187)

Figures in thousands of €

KEY:

(+) generated

(-) absorbed

RECONCILIATION

	Amount	
	30/6/08	30/6/07
Balance sheet items		
Cash and cash equivalents at the beginning of the period	173,408	219,595
Total net liquidity generated/absorbed during the period	(6,688)	(46,187)
Cash and cash equivalents: effect of exchange rate differences	-	-
Cash and cash equivalents at period end	166,720	173,408

Figures in thousands of €

TAXATION

The following is a general summary of certain tax consequences in Italy of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon tax laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

ITALY

Tax Treatment of interest and other proceeds under the Notes

Pursuant to Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"), as amended and restated, and pursuant to Article 44, (2)(c) of Presidential Decree No. 917 of 22 December 1986 ("**Decree No. 917**"), in general, interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of notes that qualify as "bonds" or "debentures similar to bonds" ("*obbligazioni*" or "*titoli similari alle obbligazioni*") for Italian tax purposes and are issued by Italian banks or listed companies (i.e., the so called "*grandi emittenti*") may be subject to an Italian substitute tax, depending on the legal status of the beneficial owner of such interest and other proceeds. Both (i) "bonds", which are the securities qualifying as "*obbligazioni*" pursuant to Art. 2410-et seq. of the Italian Civil Code, and (ii) other securities - defined as "debentures similar to bonds" by Art. 44(2)(c) of Decree No. 917, which incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to directly or indirectly participate in the management of the relevant issuer or of the business in relation to which they are issued, are included in the category of "bonds and debentures similar to bonds" referred to in Decree No. 239, subject to the tax regime regulated therein. The Italian tax authorities have clarified (Revenue Agency Circular No. 4/E of 18 January 2006) that bonds may have a maturity which is not scheduled at a specific date, but it is linked to the maturity of the issuing company or to the liquidation thereof, if the company has been set-up with an undetermined maturity pursuant to Article 2328 (2), No. 13, of the Italian Civil Code.

Italian Resident Noteholders—Applicability of the Imposta Sostitutiva

Under Decree No. 239, payments of interest and other proceeds (including the original issue discount, if any) in respect of the Notes to Italian resident beneficial owners (either when interest and other proceeds are paid or when payment thereof is obtained by a beneficial owner on a transfer of the Notes) are subject to a final substitute tax (the "**Imposta**

Sostitutiva") currently at a 12.5 per cent rate in the Republic of Italy if made to Italian resident beneficial owners that are:

- (i) private individuals holding the Notes not in connection with an entrepreneurial activity (unless they have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the regime provided for by Article 7 of Legislative Decree No. 461 of 21 November 1997, so called "asset management option" or "*Risparmio Gestito*");
- (ii) partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), de facto partnerships not carrying out commercial activities and professional associations;
- (iii) public and private entities, other than companies, not carrying out commercial activities as their exclusive or principal activity; and
- (iv) entities exempt from corporate income tax.

Prospective purchasers of the Notes should note that, based on Conditions 9(a)(ii) (*Taxation - Gross up*) and 9(a)(iv) (*Taxation - Gross up*) of the Terms and Conditions of the Notes, the Issuer will not be obliged to pay any additional amounts in relation to the *Imposta Sostitutiva* applied on payments of interest or other proceeds in respect of the Notes to Italian resident beneficial owners.

In case the Notes are held by an individual or by an entity indicated above under (iii), in either case in connection with an entrepreneurial activity, interest and other proceeds relating to the Notes are subject to the *Imposta Sostitutiva* and have to be included in the relevant beneficial owner's income tax return. As a consequence, interest and other proceeds are subject to the ordinary income tax and the *Imposta Sostitutiva* may be recovered as a deduction from the income tax due.

The 12.5 per cent *Imposta Sostitutiva* is applied by the Italian resident qualified financial intermediaries provided by law (including banks, *società di intermediazione mobiliare* (or "**SIM**"), fiduciary companies, *società di gestione del risparmio* (or "**SGR**"), stock brokers and other qualified entities expressly indicated in Ministerial Decrees, as well as permanent establishments in the Republic of Italy of banks or intermediaries resident outside the Republic of Italy—collectively referred to as "**Intermediaries**" and each as an "**Intermediary**") that intervene, in any way, in the collection of interest and other proceeds on the Notes or, also as transferee, in the transfer of the Notes. If the Notes are not deposited with any qualified Intermediary, *Imposta Sostitutiva* is applied and withheld by any Italian intermediary (including a permanent establishment in Italy of a foreign entity) paying interest to a beneficial owner.

If interest and other proceeds on the Notes are not collected through the intervention of an Italian resident intermediary and as such no *Imposta Sostitutiva* is levied, the Italian resident beneficial owners listed above under (i) to (iv) are required to include interest and other proceeds in their annual income tax return and subject them to final substitute tax currently at a rate of 12.5 per cent, unless an option is allowed and made for a different regime.

Italian Resident Noteholders—Imposta Sostitutiva Not Applicable

Pursuant to Decree No. 239, payments of interest and other proceeds (including the original issue discount) in respect of the Notes to Italian resident beneficial owners are not subject to the *Imposta Sostitutiva* if made to beneficial owners that are:

- (i) Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the *Risparmio Gestito*;
- (ii) Italian resident collective investment funds and SICAVs and pension funds referred to in Legislative Decree No. 252 of 5 December 2005;
- (iii) Italian resident real estate investment funds;
- (iv) Italian resident corporations or permanent establishments in the Republic of Italy of non-resident corporations to which the Notes are effectively connected;
- (v) Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, even de facto, carrying out a commercial activity; or
- (vi) public and private entities, other than companies, carrying out commercial activities and holding the Notes in connection with the same commercial activities.

If the Notes are part of an investment portfolio managed on a discretionary basis by an Italian authorised intermediary and the beneficial owner of the Notes has opted for the *Risparmio Gestito*, an annual substitute tax at a rate of 12.5 per cent applies on the increase in value of the managed assets accrued, even if not realized, at the end of each tax year (which increase includes interest, premium and other proceeds accrued on Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian resident collective investment funds and SICAVs are generally subject to a 12.5 per cent annual substitute tax (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on the Notes).

Italian resident pension funds subject to the regime provided by Legislative Decree No. 252 of 5 December 2005, are subject to an 11% 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 includes interest and other proceeds accrued on Notes).

Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the "**Italian Finance Act**") are not subject to any taxation at the fund level on payments under the Notes.

Interest and other proceeds on the Notes accrued to (a) Italian resident corporations or to permanent establishments in the Republic of Italy of foreign companies to which the Notes are

effectively connected, (b) Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* or similar partnerships carrying out a commercial activity; and (c) Italian resident public and private entities, carrying out commercial activities and holding the Notes in connection with the same commercial activities, generally are included in the taxable business income for income tax purposes (and, in certain cases, depending on the status of the Noteholder, may also be included in the taxable net value of production for purposes of regional tax on productive activities, IRAP) of such beneficial owners, subject to tax in the Republic of Italy in accordance with ordinary tax rules.

To ensure payment of interest and other proceeds in respect of the Notes without application of the *Imposta Sostitutiva*, where allowed, investors indicated herein under (i) to (vi) above must be the beneficial owners of payments of interest and other proceeds on the Notes and must timely deposit the Notes, together with the coupons relating to such Notes, directly or indirectly, with an Italian authorised financial intermediary (including non-resident entities and companies that participate in a centralised management system of securities and hold a direct relationship with the Ministry of Economy and Finances—Revenues Agency).

Non-Italian Resident Noteholders

Pursuant to Decree No. 239 payments of interest and other proceeds in respect of the Notes are not subject to the *Imposta Sostitutiva* if made to non-Italian resident beneficial owners of the Notes with no permanent establishment in the Republic of Italy to which the Notes are effectively connected, provided that:

- (a) they are resident in a country which allows an adequate exchange of information. With reference to this condition, according to Ministerial Decree of 12 December 2001, and to Art. 1, paragraphs 83(n), and 88 of Law No. 244 of 24 December 2007, the current list of the countries allowing an adequate exchange of information is that contained in the Ministerial Decree of 4 September 1996, as subsequently amended and supplemented. The exemption from the *Imposta Sostitutiva* also applies to (i) non resident "institutional investors" (i.e., entities whose activity consists in making or managing investments on their own behalf or on behalf of other persons, as defined by the Revenue Agency Circular No. 23/E of 1 March 2002), even if they are not treated as taxpayers in their country of residence, but provided that they are located in a country which allows an adequate exchange of information (and subject to certain other conditions mentioned in Circular No. 23/E, quoted, and in Revenue Agency Circular No. 20/E of 27 March 2003), (ii) international organisations created pursuant to international treaties that are effective in the Republic of Italy, and (iii) central banks or entities managing also the official reserves of the State;
- (b) the Notes are deposited directly or indirectly: (i) with a bank or an Italian securities dealing firm (SIM) resident in the Republic of Italy, (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance, or (iii) with a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finances; or (iv) with a

centralised managing company of financial instruments, authorised in accordance with Article 80 of the Italian Finance Act;

- (c) the banks or brokers mentioned in (b) above receive a self-declaration from the beneficial owner of the interest which states that the beneficial owner is a resident of that country. The self-declaration, which must be in conformity with the model approved by Decree of the Ministry of Economy and Finances of 12 December 2001 (published in the Ordinary Supplement No. 287 to the Official Gazette No. 301 of 29 December 2001), is valid until revoked by the investor and does not have to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes; in the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the management company; and
- (d) the banks or brokers mentioned in (b) and (c) above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of interest that such beneficial owner is entitled to receive.

Non-resident holders are subject to the *Imposta Sostitutiva* currently at the rate of 12.5 per cent on interest and other proceeds on the Notes if any of the above conditions (a), (b), (c) or (d) are not satisfied.

Early Redemption

Without prejudice to the above provisions, in the event that the Notes are redeemed, in full or in part, prior to eighteen months from their date of issue, the Issuer is required to pay an additional amount equal to 20% of the interest, premium and other proceeds accrued up to the time of the early redemption. In accordance with one interpretation of Italian fiscal law, in the event of a purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the issue date, this 20% additional amount may also be due.

Capital Gains Tax

Capital Gains Realised by Italian Resident Noteholders

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in the Republic of Italy according to the relevant tax provisions, if realised by Noteholders that are:

- Italian resident corporations;
- Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, even de facto, carrying on a commercial activity;

- permanent establishments in the Republic of Italy of foreign corporations to which the Notes, are effectively connected;
- Italian resident individuals carrying out a commercial activity, as to any capital gains realized within the scope of the commercial activity carried out; or
- public or private entities, other than companies, carrying out commercial activities, holding the Notes in connection with the same commercial activities.

Pursuant to Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an *Imposta Sostitutiva* at the current rate of 12.5 per cent. Under the so called "tax return regime" ("*Regime della dichiarazione*"), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, *Imposta Sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss, realised by Italian resident individual holders of Notes holding the Notes not in connection with an entrepreneurial activity pursuant to all disposals of Notes carried out during any given fiscal year. Italian resident individuals holding the Notes not in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return to be filed for such year and pay the *Imposta Sostitutiva* on such gains together with any income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realised in any of the four succeeding tax years.

As an alternative to the tax return regime, Italian resident individual Noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay a 12.5 per cent *Imposta Sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*Risparmio Amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. Under the *Risparmio Amministrato* regime, the financial intermediary is responsible for accounting for the *Imposta Sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any relevant incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, by deducting a corresponding amount from proceeds to be credited to the Noteholder.

Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains of the same kind subsequently realised within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Any capital gains accrued on Notes held not in connection with entrepreneurial activity by Italian resident individuals who have elected for the *Risparmio Gestito* are will be included in

the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the *Risparmio Gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *Risparmio Gestito*, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

In the case of Notes held by Italian resident collective investment funds or SICAVs, capital gains on the Notes are included in the computation of the taxable basis of the Collective Investment Fund Tax.

In the case of Notes held by Italian resident pension funds subject to the regime provided by Articles 14, 14 ter and 14 quater, paragraph 1, of Legislative Decree No. 252 of 5 December 2005, capital gains on the Notes are included in the computation of the taxable basis of the Pension Fund Tax.

Capital Gains Realised by Non-Italian Resident Noteholders

Capital gains realised by beneficial owners who are not resident in the Republic of Italy for tax purposes from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes are held outside the Republic of Italy.

However, pursuant to Article 23(1)(f) of Decree No. 917, any capital gains realised through the sale for consideration or redemption of the Notes by non-Italian residents without a permanent establishment in the Republic of Italy to which the Notes are effectively connected are exempt for taxation in the Republic of Italy to the extent that the Notes are listed on a regulated market (as defined in the EC Directive No. 2004/39/EC) in the Republic of Italy or abroad and, in certain cases, subject to timely filing of documentation stating that the holder is not resident in the Republic of Italy, even if the Notes are held in the Republic of Italy and regardless of the provisions set forth by any applicable double tax treaty.

Italian Inheritance and Gift Tax

The Italian regime of inheritance and gift tax is provided by the combined disposal of Law Decree No. 262 of 3 October 2006 ("**Law Decree No. 262**"), as converted, with amendments, by Law No. 286 of 24 November 2006, Law No. 296 of 27 December 2006 and Legislative Decree No. 346 of 31 October 1990.

Under such rules, subject to certain exceptions, Italian inheritance and gift tax shall generally be payable on transfers of assets and rights (including the Notes) (i) by reason of death of Italian residents or donations by Italian residents, even if the transferred assets are held outside Italy and (ii) by reason of death of non-Italian residents or donations by non-Italian residents, if the transferred assets are held in Italy.

Pursuant to Law Decree No. 262, transfers of assets and rights on death or by gift shall generally be subject to inheritance and gift tax:

- at a rate of 4 per cent. in case of transfers made to the spouse or relatives in direct line, on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, €1,000,000;
- at a rate of 6 per cent. in case of transfers made to relatives within the fourth degree or relatives in law within the third degree (in case of transfers to brothers or sisters, the 6 per cent. rate is applicable only on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, €100,000); and

at a rate of 8 per cent. in any other case.

Transfer Taxes

Law Decree No. 248 of December 31 2007, converted into Law No. 31 of 28 February 2008 ("**Decree No. 248**"), has repealed the Italian transfer tax on the transfer of securities (so-called "*tassa sui contratti di borsa*"), previously applicable, *inter alia*, to the transfer of bonds or similar securities issued by Italian resident entities.

Based on Art. 11 of the Tariff (Part I) enclosed to Presidential Decree No. 131 of April 26, 1986 and to Art. 2 of the same Tariff (Part II), and acts, agreements and deeds regulating the transfer of Notes may be subject, in certain case, to Italian registration tax in a lump sum of €168.00

EUROPEAN SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), EU member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) made by a person within its jurisdiction to an individual resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting taxes at rates rising over time at 35 per cent. The ending of such transitional period will depend upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including, *inter alia*, Switzerland, have agreed to adopt similar measures (which will be a withholding system in the case of Switzerland) with effect from the same date.

The Republic of Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU member state, Italian qualified paying agents (i.e. banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information shall be transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

With reference to the definition of interest subject to the above described communication regime, Art. 2(1)(a) of Decree No. 84 makes reference, inter alia, to: "interest paid or credited, on accounts arising from receivables of whatever nature, secured or not by mortgage..., in particular interest and any other proceed, arising from public bonds and other bonds...".

Noteholders who are individuals and receive interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 9 (*Taxation*) above would not be due in respect of withholding tax imposed under or pursuant to the EU Savings Directive, or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the EU Savings Directive in their particular circumstances.

Tax monitoring obligations

Pursuant to Law Decree No. 167 of 28 June 1990, individuals, non-profit entities and certain partnerships (in particular, *società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy are required to report in their yearly income tax declaration, for tax monitoring purposes:

- (a) the amount of securities (including the Notes) held abroad at the end of each tax year, if exceeding in the aggregate €10,000;
- (b) the amount of any transfers from abroad, sent abroad and occurred abroad, related to such securities, occurred during each tax year, if exceeding in the aggregate €10,000. This also in the case that at the end of the tax year the securities are no longer held by such mentioned investors.

The aforementioned persons are, however, not required to comply with the above reporting requirements in respect of securities deposited for management with qualified Italian financial intermediaries and in respect of contracts entered into through their intervention, upon condition that the items of income derived from such securities are collected through the intervention of the same intermediaries.

SUBSCRIPTION AND SALE

Société Générale (in its capacity as Lead Manager) has, in a subscription agreement dated 2 December 2008 (the "**Subscription Agreement**") and made between the Issuer and the Manager upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount, less commission. The Issuer has also agreed to reimburse the Manager for certain of the expenses incurred in connection with the management of the issue of the Notes. The Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The 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. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that 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 commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, the Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

The Manager has represented that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute copies of the Prospectus or any other document relating to the Notes in the Republic of Italy except in circumstances where an express exemption from compliance with the solicitation restriction applies, as provided under Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

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 must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, Legislative Decree No. 58 of 24 February 1998 and, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

General

The Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisations

The creation and the issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 22 September 2008.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for the Notes are as follows:

ISIN: XS0400411681

Common Code: 040041168

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Listing and admission to trading

Application has been made for the Notes issued under this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

Litigation

Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings against or affecting the Issuer, its subsidiaries or any of their respective assets, nor is the Issuer aware of any pending or threatened proceedings of such kind during the 12 months before the date of this Prospectus, which may have, or had in the recent past, significant effects on the Issuer's or the Carige Group's financial position or profitability or which are or might be material in the context of the issue of the Notes.

No significant change

Save as otherwise disclosed in this Prospectus and since 30 June 2008 there has been no significant change, or any development reasonably likely to involve a significant change, in the condition (financial or otherwise), trading position or general affairs of the Issuer or any of its Subsidiaries.

Material adverse change

There has been no material adverse change in the prospects of the Issuer or the Carige Group since 31 December 2007.

Trend information

Save as disclosed in this Prospectus, the Issuer is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for the current financial year since 31 December 2007, the date of the last published audited financial statements of the Issuer.

Material contracts

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in the Issuer or any other Carige Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to security holders in respect of the securities being issued.

Change in control

There are no arrangements known to the Issuer the operation of which may result in a change of control of the Issuer other than as described herein.

Documents available for inspection

For so long as the Notes are outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Paying Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Subscription Agreement; and
- (d) the by-laws of the Issuer.

Documents available

For so long as the Notes are outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the specified office of each Paying Agent, namely:

- (a) a copy of this Prospectus (including any supplement to this Prospectus);
- (b) the audited consolidated annual financial statements of the Issuer for the years ended 31 December 2006 and 2007;
- (c) the half-yearly consolidated financial reports of the Issuer as at and for the six months ended 30 June 2007 and 30 June 2008;
- (d) the most recent available unaudited consolidated interim financial statements of the Issuer, if published; and
- (e) the memorandum and articles of association of the Issuer.

The Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Auditors

The auditors of the Issuer are Deloitte & Touche S.p.A. who are registered on the special register of accounting firms held by CONSOB and are a member of the Italian Society of Auditors (ASSIREVI).

Declaration of the manager responsible for preparing the Issuer's financial reports

The Manager responsible for preparing the Issuer's financial reports, Mr. Ennio La Monica, Deputy General Manager Governance and Control of Banca Carige S.p.A., declares pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance³, that the accounting information of Banca Carige S.p.A. and the consolidated accounting information of Banca Carige Group contained in this Prospectus correspond to the document results, books and accounting records.

Potential conflicts of interest

Save for the commission payable to the Manager (for further detail, see "Subscription and Sale" above), there are no interests, conflicting or otherwise, of natural and legal persons involved in the issue of the Notes that are material to the issue of the Notes.

Legend

The Notes and any Coupons 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."*

³ Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented from time to time.

THE ISSUER

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50, avenue J.F. Kennedy
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LEGAL ADVISERS

To the Issuer as to Italian law:
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20121 Milan
Italy

To the Manager as to Italian tax law
Vitali Romagnoli Piccardi e Associati
Via Crocefisso, 12
20122 Milan
Italy

To the Manager as to English and Italian law
Clifford Chance
Studio Legale Associato
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LISTING AGENT

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