

GRUPPO CARIGE

Programme and Inaugural Covered Bond Issue

Investor Presentation
Obbligazioni Bancarie Garantite

October 2009

Banca Carige

- ✓ Ratings: A2/P1 Moody's, A/F1 Fitch, A-/A2 S&P
- ✓ Among the top 10 Italian banking Groups
- ✓ Strong capital ratios
- ✓ Excellent / long standing mortgage origination and servicing history
- ✓ No direct exposure to subprime market and monoline

Italian Mortgage Market

- ✓ Low level of indebtedness by households
- ✓ High home ownership of the Italian households
- ✓ Property values' volatility much lower than in other European countries
- ✓ Low delinquencies compared to other European countries

OBG Programme

- ✓ Italian legislative covered bond: Obbligazioni Bancarie Garantite ("OBG")
- ✓ Triple A expected rating (Moody's, Fitch Ratings)
- ✓ Benefits from 19.7% currently committed over-collateralisation

Collateral Characteristics

- ✓ 95.2% Italian prime residential mortgages, 4.8% Italian commercial mortgages all originated by Gruppo Carige
- ✓ Eligible mortgage loans, as per Italian OBG law
- ✓ All loans are performing
- ✓ High concentration in the north of Italy (79.4%)
- ✓ Highly seasoned portfolio (36.5 Months Weighted average seasoning)
- ✓ WA LTV: 51% (Residential) and 22% (Commercial)



Solid ratings



Moody's Investors Service

Short term credit rating: P-1
Long term credit rating: A2
Outlook: Stable

Ratings of Banca Carige SpA reflect the bank's strong franchise in the north-western Italian region of Liguria, its satisfactory financial fundamentals as well as ongoing integration challenges.

Despite stronger competition from larger banking groups that have entered the region in recent years, we believe that Carige should be able to defend its franchise thanks to a wide product range and a multi-channel distribution approach.

FitchRatings

Short term credit rating: F1
Long term credit rating: A
Outlook: Negative

The ratings of Banca Carige reflect the franchise in its home region of Liguria and its significant expansion throughout Italy, which has resulted in the creation of a nationwide branch network.

The ratings are also based on the bank's just adequate performance, which lags peers', a heavy stock of impaired loans and the integration risk inherent in the recent branch acquisitions.

**STANDARD
& POOR'S**

Short term credit rating: A2
Long term credit rating: A-
Outlook: Negative

The ratings on Banca Carige SpA reflect the bank's strong franchise in its home Region of Liguria in north-western Italy, good liquidity, and satisfactory efficiency, underpinned by cost synergies with integrated entities.

Asset quality remains lower than that of domestic peers, however. Capitalization is adequate but weighed down by the bank's capital-intensive insurance operations and goodwill paid for branch acquisitions. Although risk management has traditionally been less sophisticated than European peers', the bank is progressively upgrading internal procedures.

Source: rating agencies' report



Issuer description

Italian mortgage market

Gruppo Carige's mortgage business

Banca Carige OBG Programme

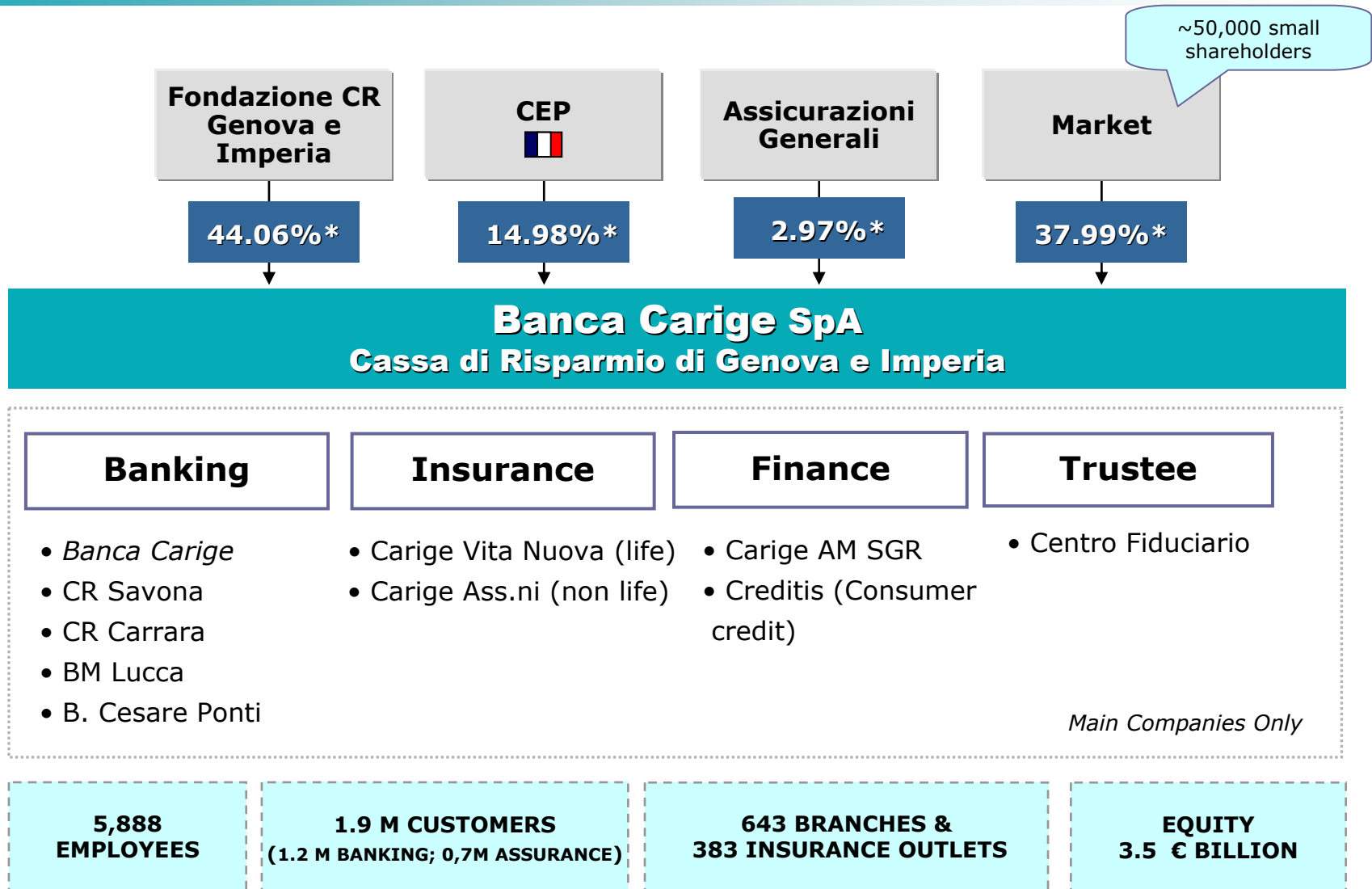
Cover Pool Description

Annex 1: Priority of payments and Programme tests

Annex 2: Italian OBG Law vs. European Covered Bond Framework



Banca Carige Group today



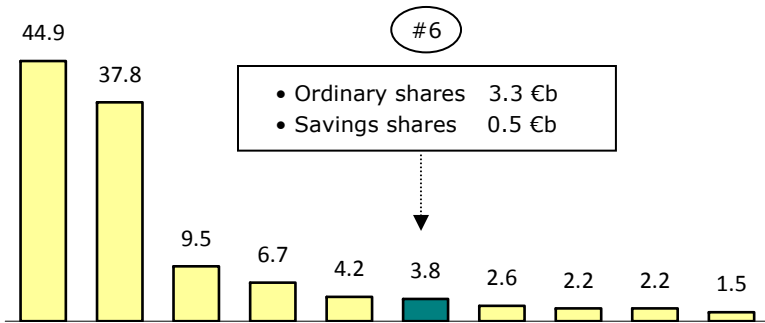
*Holding calculated on the basis of ordinary shares

Operational and accounting data as at 1 October 2009

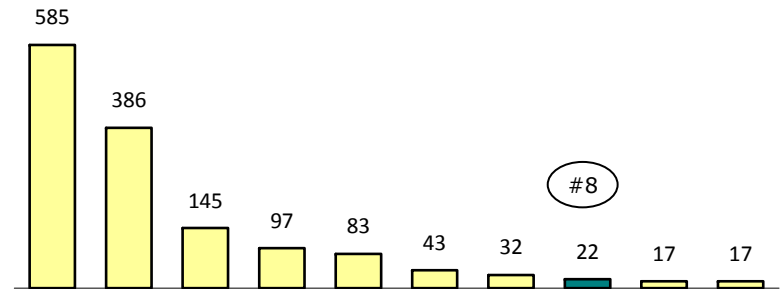


Among the top 10 Italian banking Groups

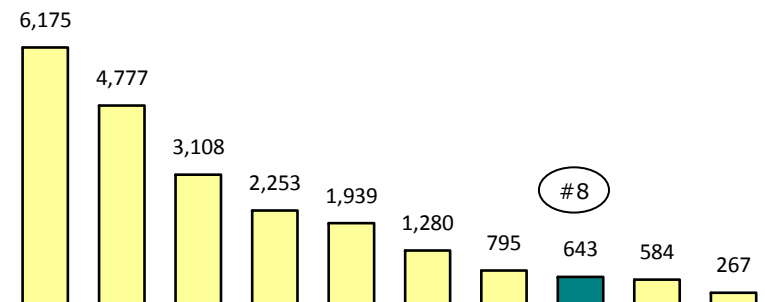
Market Cap⁽¹⁾ (€bn)



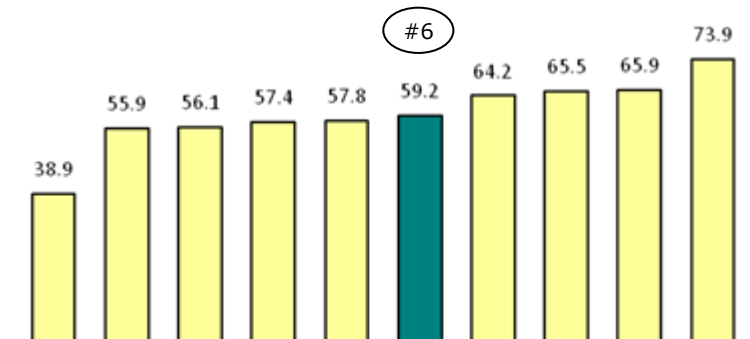
Customer Loans H109 (€bn)



Domestic Branch Network H109 (#)



Cost to Income Ratio (%) H109

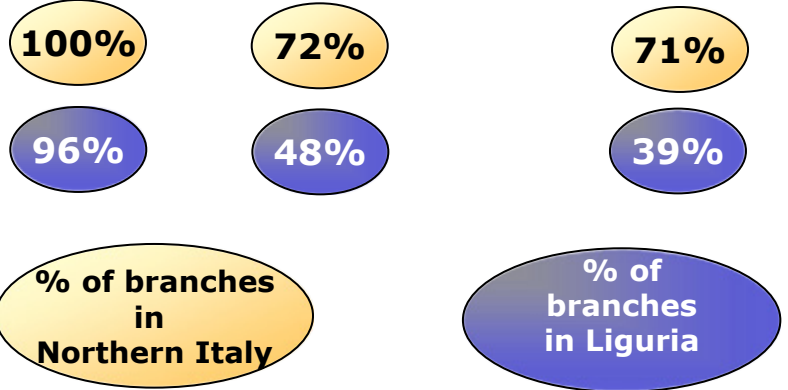
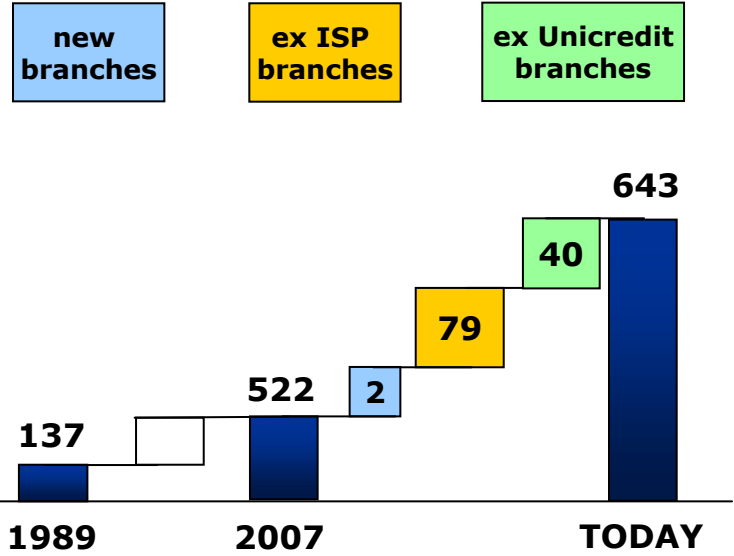
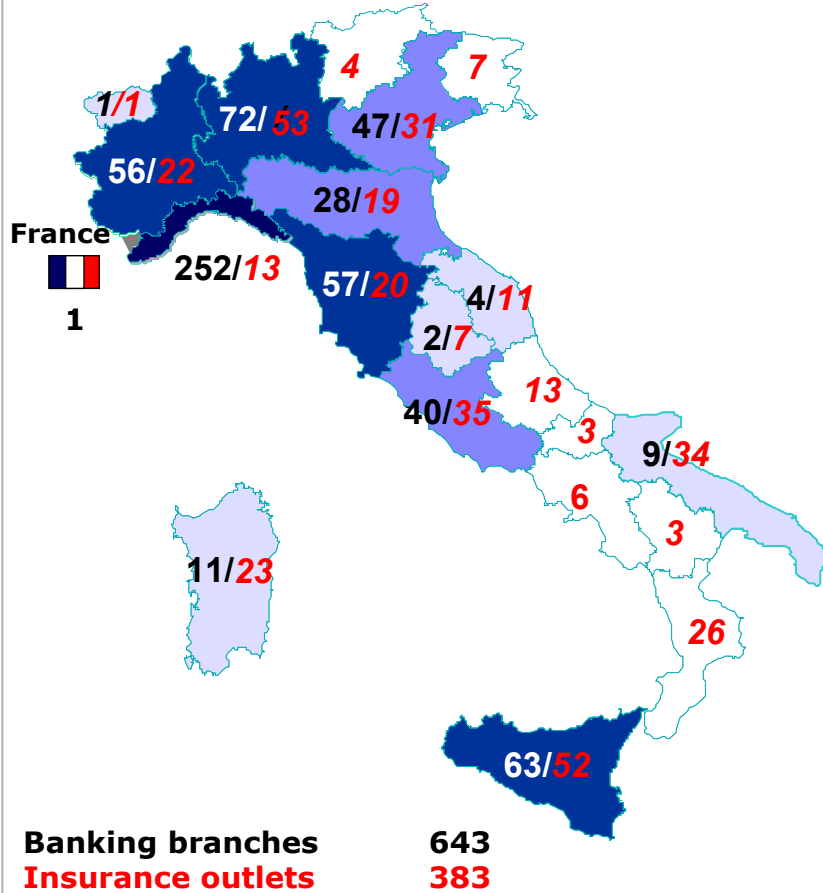


(1) Data as at 7 October 2009

With the exception of Carige, highlighted in blue, the other top nine Italian groups in this slide are represented anonymously.

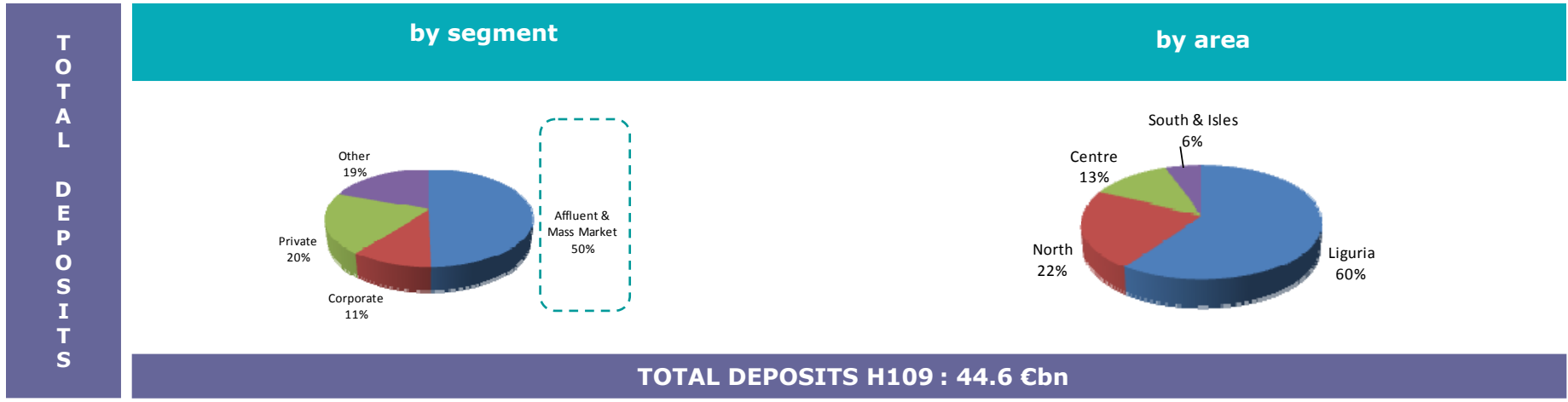
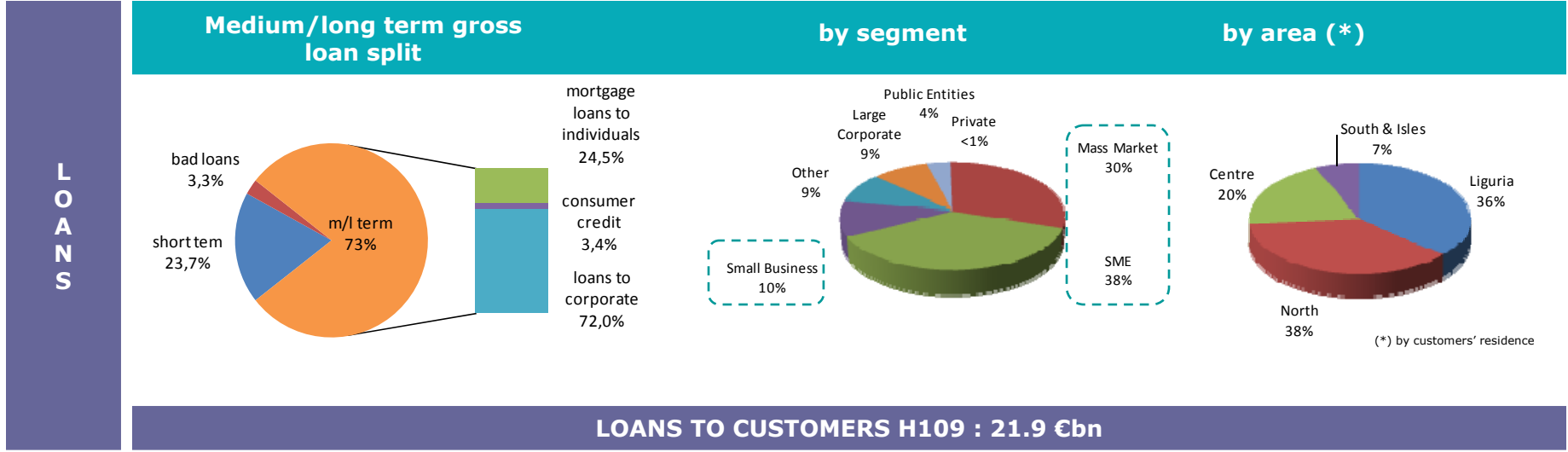
Source: Company data

The network today





...with strong focus on retail



Small business = turnover < 1 m€; SMEs = <100 m€; Large Corporate = >100 m€
 Mass Market: total deposits < 80 k€, Affluent > 80 k€, Private > 500 k€

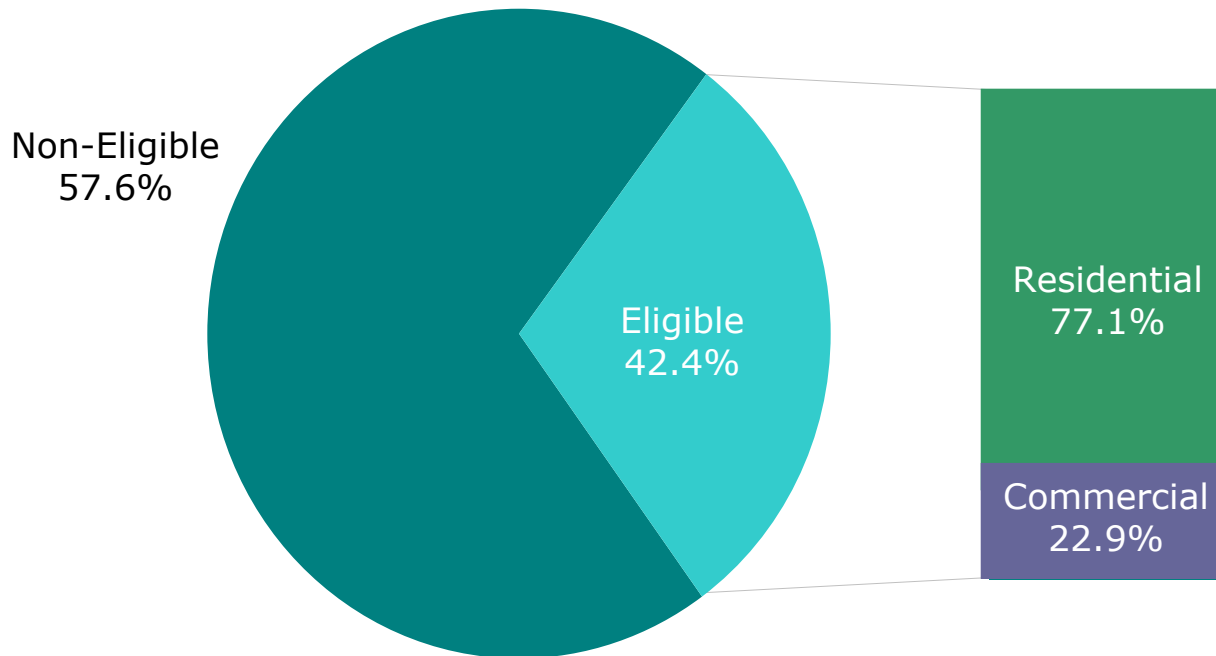
Data as at 30 June 2009

Source: Operational and accounting data (H109)



Mortgage Book and Available Eligible Mortgages for Cover Pool¹

MORTGAGE BOOK SIZE: €6.23bn – ELIGIBLE MORTGAGES: €2.64bn



MORTGAGE BOOK SPLIT

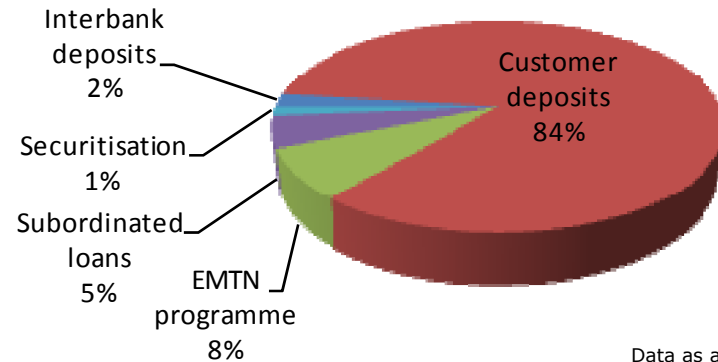
1. This excludes mortgages that are currently already in the Cover Pool

Customer based funding and no pressure on liquidity

Funding

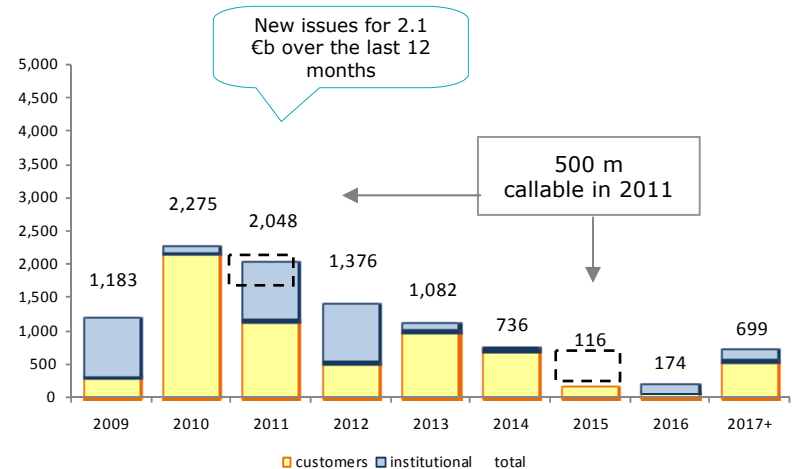
	€m	%
Interbank deposits	475.6	2.0
<i>money market deposits and current accounts</i>	205.2	0.8
<i>other deposits</i>	270.5	1.1
Customer deposits	20,408.9	84.2
<i>short term deposits</i>	13,564.1	56.0
<i>medium/long term deposits and bonds</i>	6,844.8	28.2
EMTN programme	1,870.0	7.7
<i>deposits</i>	50.0	0.2
<i>bonds</i>	1,820.0	7.5
Subordinated loans	1,142.9	4.7
<i>floating rate bonds</i>	1,133.0	4.7
<i>convertible fixed rate bonds</i>	9.9	0.0
Securitisation	339.7	1.4
<i>RMBS performing securities</i>	339.7*	1.4
TOTAL FUNDING	24,237.1	100.0

Change 1H09/1H08 +20%



Data as at 30 June 2009

Current Debt Maturity Profile (€bn)



* Funding includes further €101,9 million from the securitization carried out in 2001, derecognised in the financial statement pursuant to the exemption allowed by IFRS 1 on first time adoption

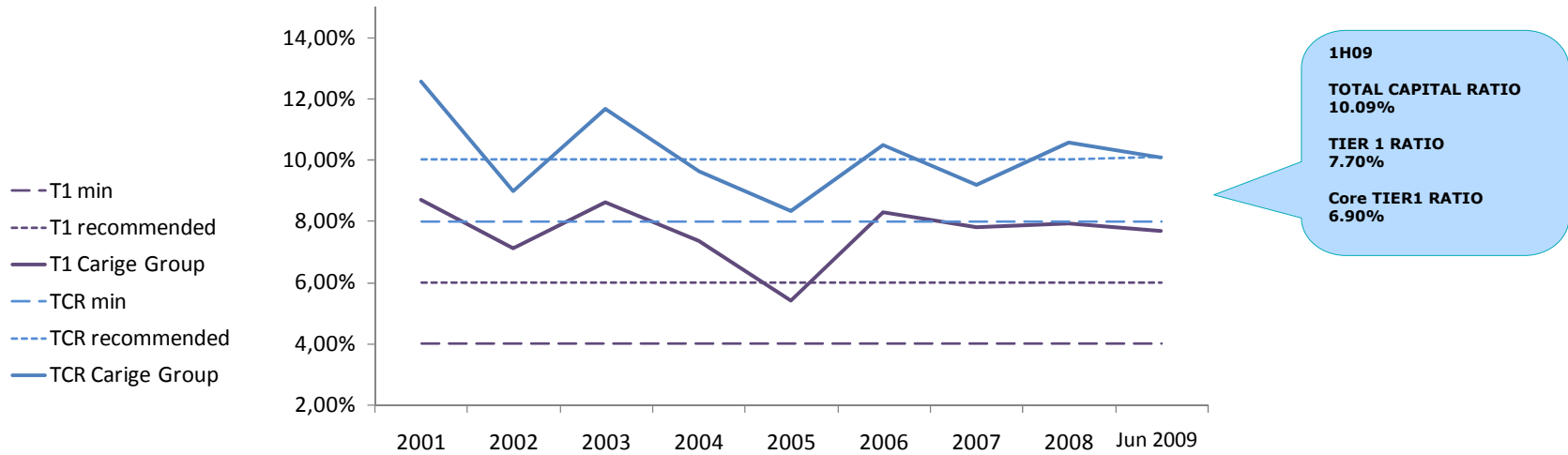
Data as at 30 June 2009

Source: Operational data and accounting data (H109 report)

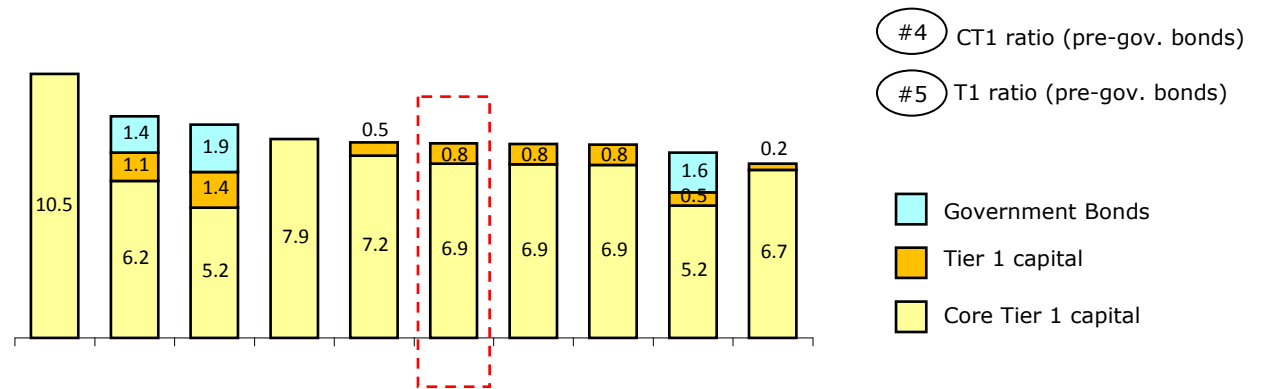


Robust capital ratios

Capital Ratios



Core Tier 1 and Tier 1 Ratio (%) H109

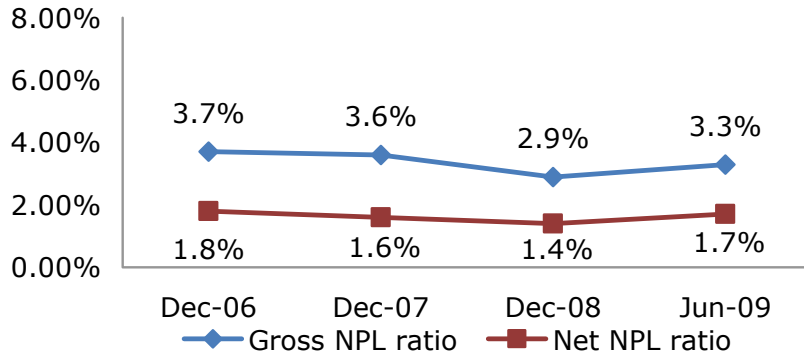


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 Source: Companies' data

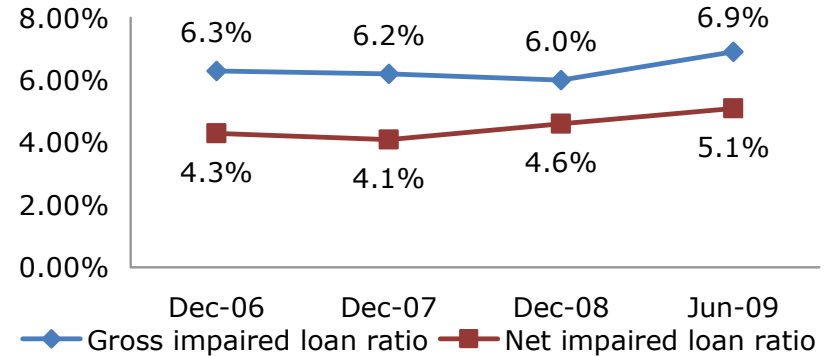


Conservative NPL coverage policy

NPL ratio



Impaired loan ratio



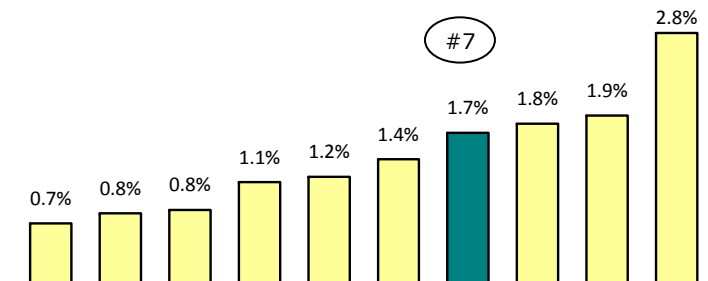
Only one NPL securitization in 2001

Breakdown of gross NPL (€m)

	31/12/06	31/12/07	30/06/08	31/12/08	30/06/09
Impaired Loans	1,018	1,087	1,252	1,278	1,510
of which: NPLs	599	621	627	622	720
Coverage of NPLs	52.0%	55.6%	54.5%	53.8%	49.1%
Adjustment on loans/loans	0.5%	0.4%	0.3%	0.4%	0.2%
Net NPL ratio	1.8%	1.6%	1.5%	1.4%	1.7%
Gross NPL ratio	3.7%	3.6%	3.2%	2.9%	3.3%

30 Jun 09	Gross	Adj.	Net
Performing	20,344	(73)	20,271
NPLs	720	(354)	367
Watchlist	411	(59)	352
Rescheduled	117	(3)	113
Past due	262	(5)	257
Total impaired	1,510	(422)	1,089
Total loans to customers	21,854	(495)	21,359

Net NPL ratio H1-2009

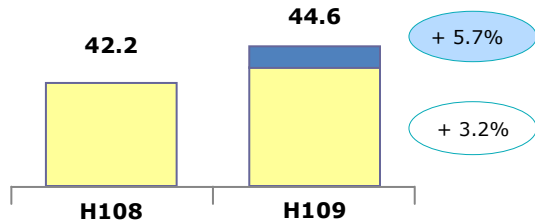


Source: Operational data and accounting data (FY06 report - FY07 report - H108 report - FY08 report - H109 report)



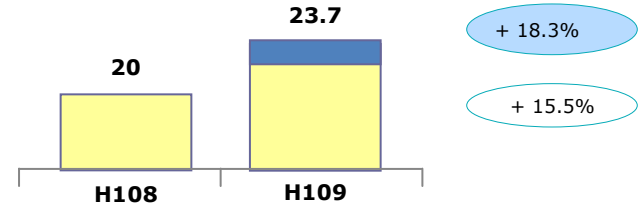
H109 – Growth of Deposits and Loans

Total deposits (€bn)

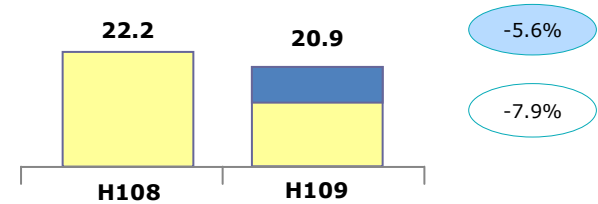


Customers direct deposits
= 96%
Loans to customers

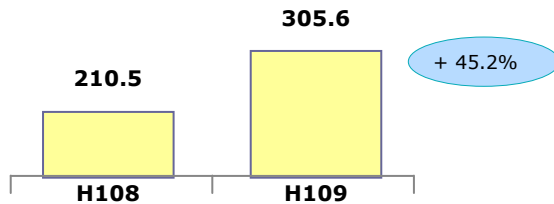
Direct deposits (€bn)



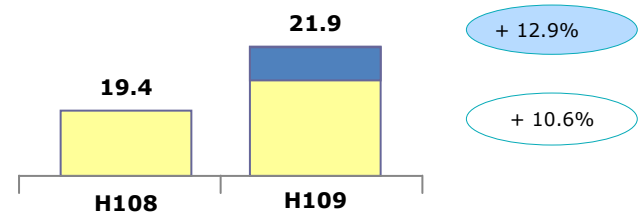
Indirect deposits (€bn)



Net Interbank balance (€m)



Loans to customers (€bn)



Change

Change net of UC branches' contribution

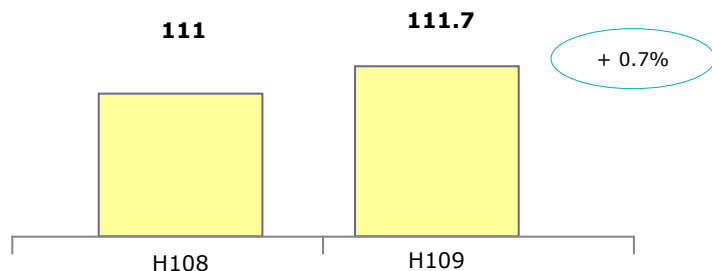
UC branches' contribution

Source: Operational data and accounting data (H108 report – H109 report)

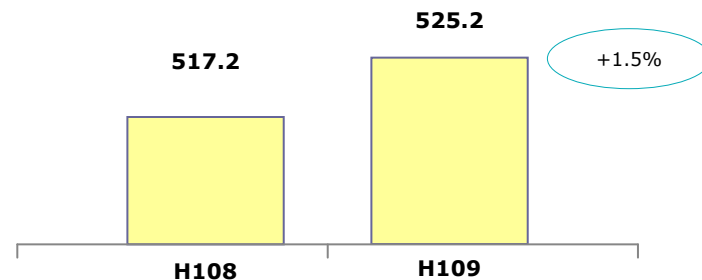


H109 – Growth of core revenues

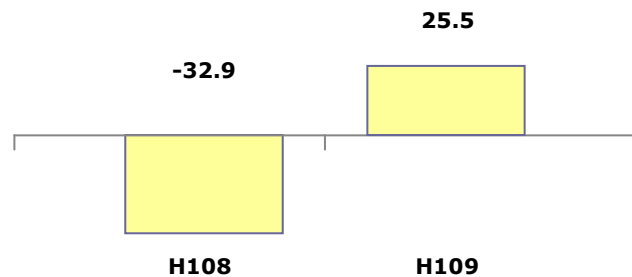
Net profit (€m)



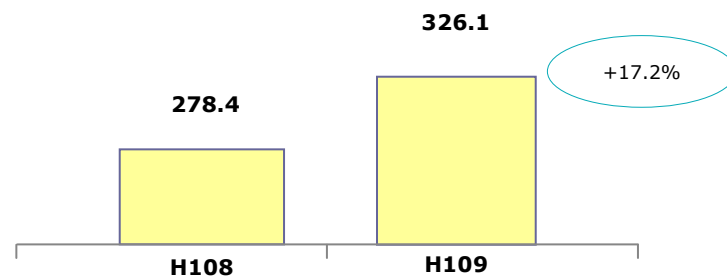
Core revenues (*) (€m)



Other revenues (€m)



Costs (€m)



○ Change

(*) Core revenues = Net interest income + Net commissions + Dividends

Source: Operational data and accounting data (H108 report – H109 report)



Issuer description

Italian mortgage market

Gruppo Carige's mortgage business

Banca Carige OBG Programme

Cover Pool Description

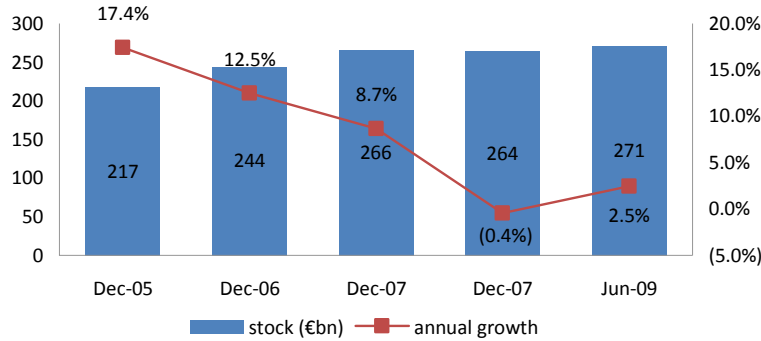
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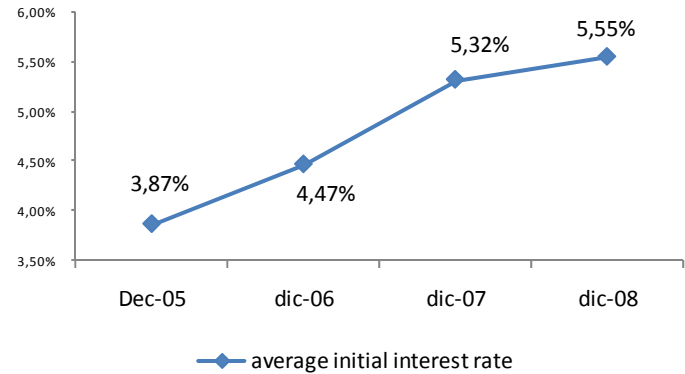


The mortgage market in Italy

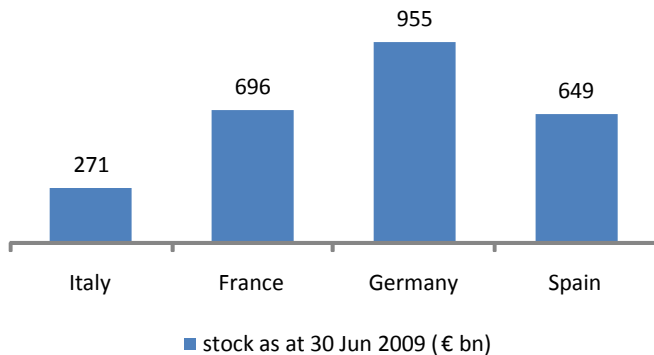
In recent years the rapid growth in the mortgage market has slowed down...



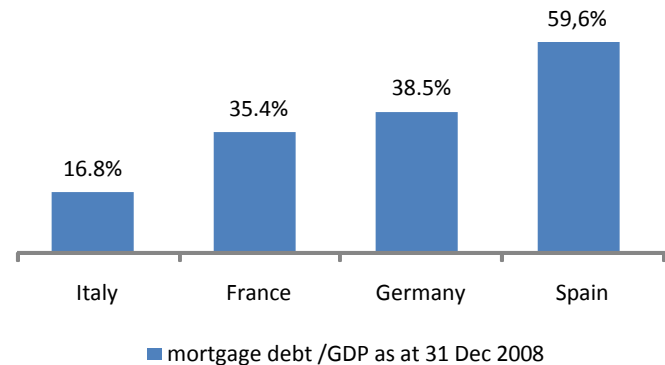
...partly in response to rising interest rates



The Italian mortgage market has a limited size...



...and Italy shows the lowest mortgage debt-to-GDP ratio of any major Western European nation

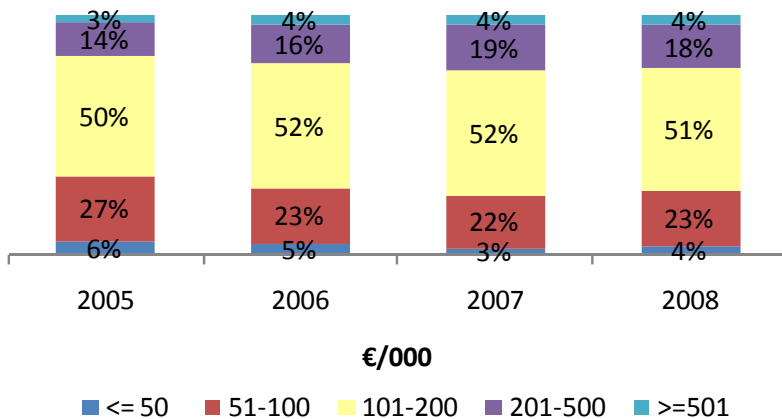


Sources: ECB, Bank of Italy, Agenzia del territorio

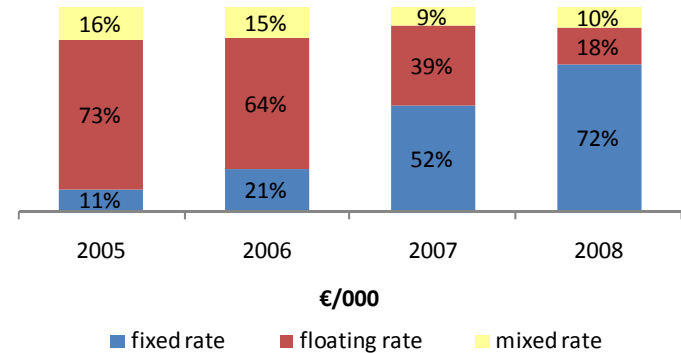


The mortgage profile

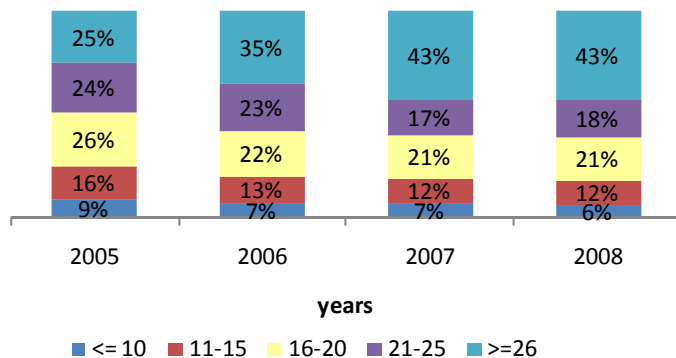
The size of mortgage loans has been moderately rising over the years.



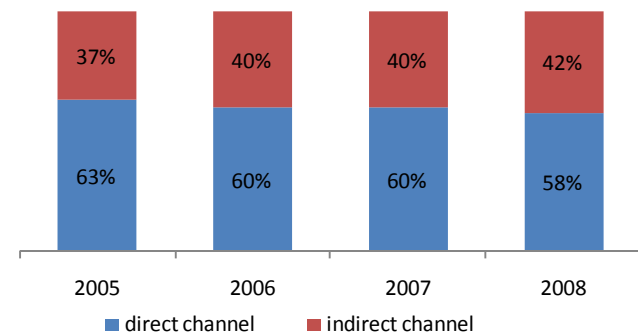
Until very recently, most mortgages were floaters: only during the last year the uptake of fixed rate mortgages increased dramatically.



Because of the larger loan size and rising interest rates lenders have gradually raised the mortgage tenor.



Indirect channel has gradually gained importance





The Italian mortgage market remains **among the smallest in Western Europe**; with the ratio of residential mortgage debt to GDP amounting to only 16.8% (UEM 12: 37.9%) in 2008. The limited size of the Italian mortgage market reflects the generally **low tendency of households to incur debt**; households' indebtedness remains much lower than international standards.

Growth prospects in the mortgage market **might well be limited**, as the **home possession rate** amounts to a relatively high level **of 73%** of all Italian households, thereby putting Italy among the countries with the highest owner-occupier ratio in Europe, according to Bank of Italy data.

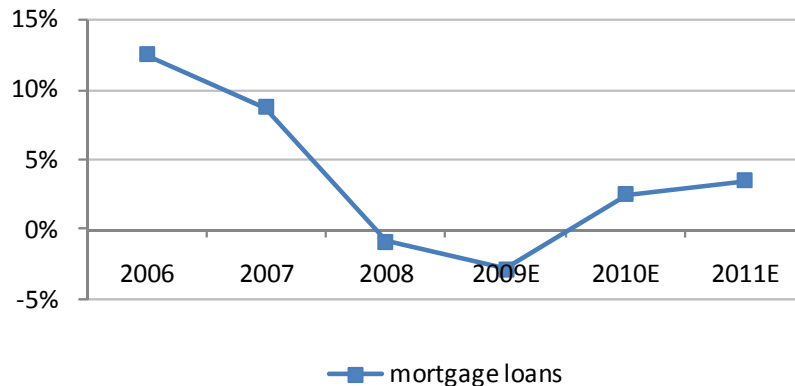
Italian growth in the stock of residential mortgages has decelerated since the end of 2005. The increase in interest rates is the main cause of the slowdown in mortgage growth in Italy. Over the last decade, the growth of the Italian residential housing market has been regular without any significant spikes.



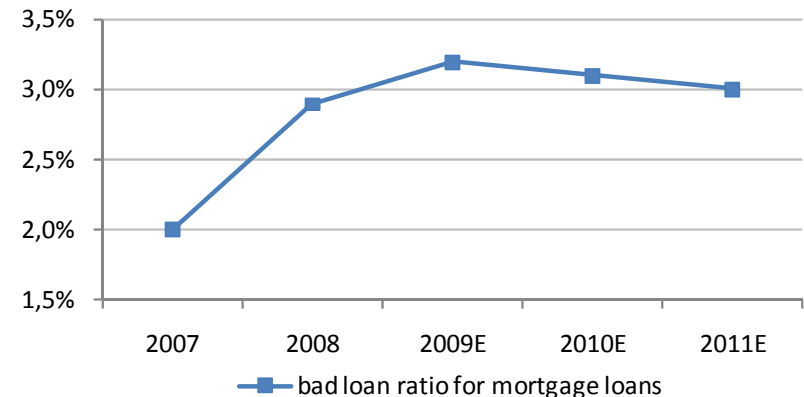
Italy's macroeconomic overview

	2008	2009 E	2010E
GDP	-1.0%	-5.3%	0.1%
Inflation rate	3.3%	1.0%	1.4%
Unemployment rate	6.8%	7.8%	9.5%
Loans	+4.9%	+1.4%	+3.9%
Direct deposits	+7.4%	+4.9%	+4.2%
Indirect deposits	-8.9%	+2.2%	+4.8%

Mortgage loans are expected to slow down in 2009. A recovery is expected only in 2010



Credit quality for mortgage loans is expected to deteriorate in 2009. A slight improvement is expected for 2010 and 2011, but quality remains worse than last years average



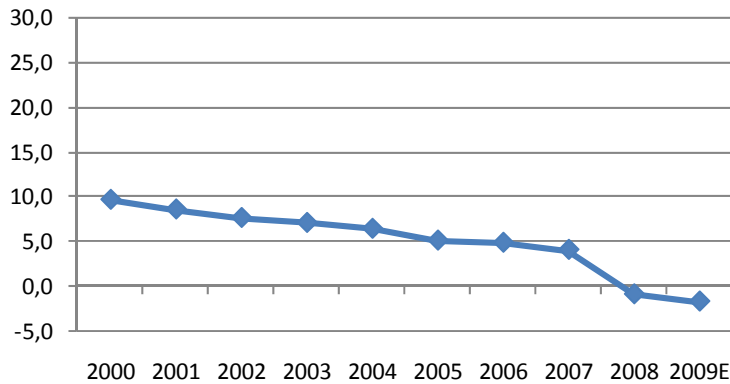
Sources: Prometeia, CRIF, ABI, ISVAP



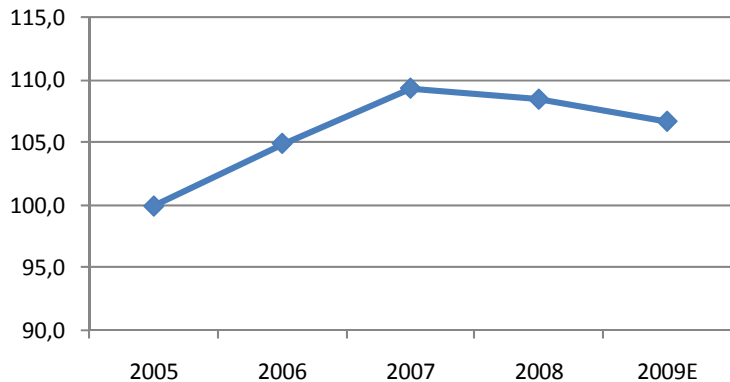
House prices in Italy

Over years house prices in Italy show a more stable trend in comparison to other European countries

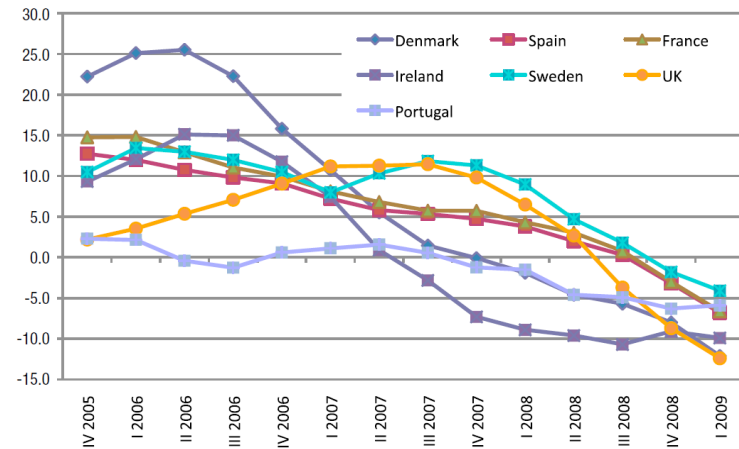
Italy: Nominal house prices yoy growth rates
(source: Scenari Immobiliari)



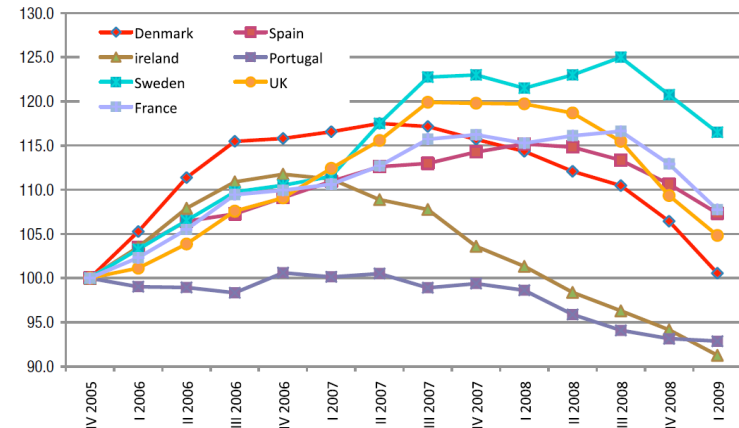
Italy: Nominal house price index
(source: Scenari Immobiliari)



Europe: Nominal house prices yoy growth rates
(source: EMF)



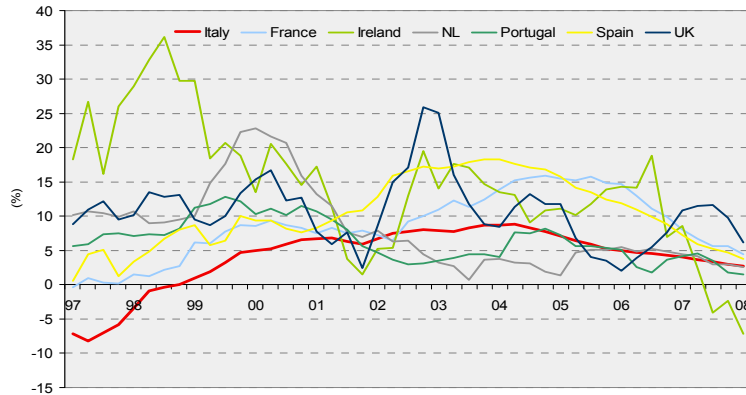
Europe: Nominal house price index
(source: EMF)





The Housing Market in Italy

Housing Price Indexes (% change Q/Q)*



	% change in housing prices (2007-1997)
Ireland	240%
Great Britain	213%
Spain	190%
Sweden	149%
France	144%
Belgium	131%
Denmark	128%
USA	116%
Holland	102%
ITALY	102%
Canada	78%

Source: Nomisma, March 2008

**

* Sources: European Mortgage Federation, Nomisma, Bank of Italy

** The increase in value over the decade 1997-2007 of 102% is greater than shown by the first graph (top left): the difference is explained by the different perimeter on which prices were surveyed.

- ✓ Since the late 90's, property units on the Italian property markets have **increased** constantly but **without any significant volatility**.
- ✓ **Since 2004** there have been **some signs of deceleration in** the dynamic of **prices** per square meter. The **hypothesis** of a fall in prices for residential property units is improbable according to the majority of operators in the sector for the following reasons:
 - ✓ Firstly, although there has been a significant **increase in property values** in Italy since 1997, it is **among the lowest in the international context** and this would seem to exclude the existence of prices artificially inflated by speculation;
 - ✓ Secondly there is **no excess of supply over demand** in Italy partly because of the scarcity of public sector social housing;
 - ✓ Thirdly the ANCE (national association of property builders) has underlined that there has been an **increase in refurbishment work** in recent years, a circumstance which confirms the need to capitalise on the existing supply.



Issuer description

Italian mortgage market

Gruppo Carige's mortgage business

Banca Carige OBG Programme

Cover Pool Description

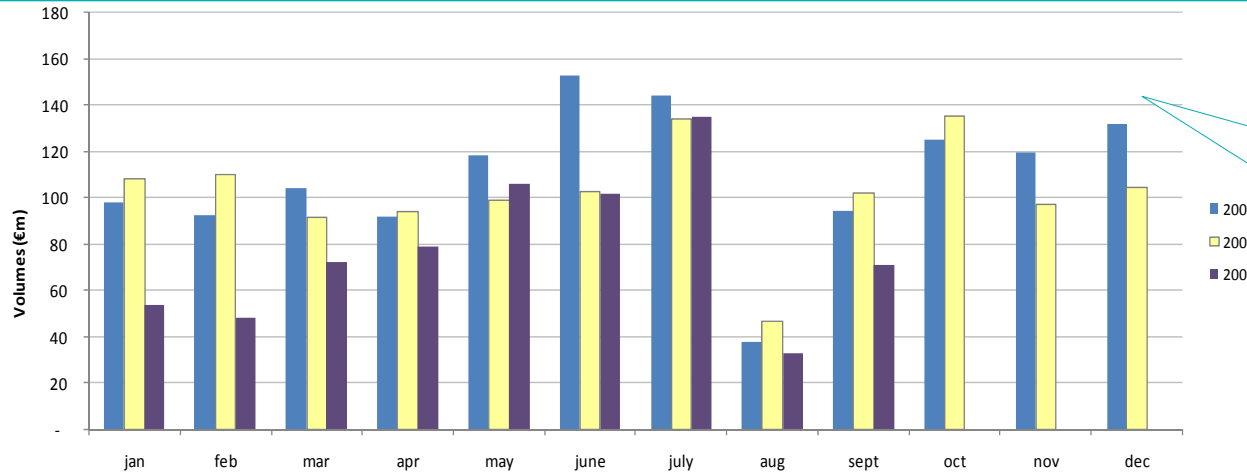
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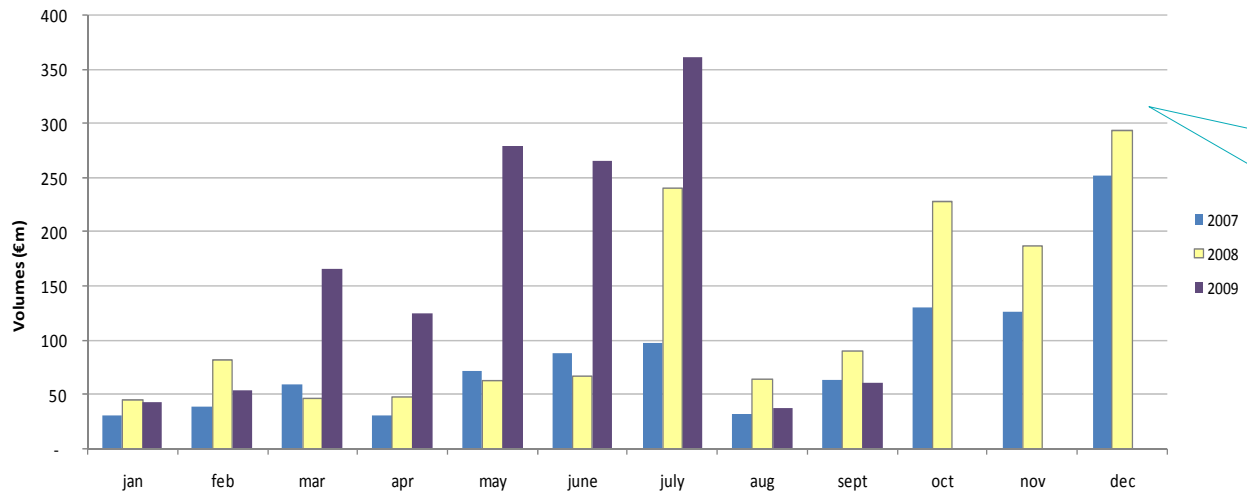
Origination Statistics

Residential mortgages



Stock of Residential mortgages as at 30 Jun 2009
6.4 €bn

Commercial mortgages



Stock of Commercial mortgages as at 30 Jun 2009
3.3 €bn

Sources: Operational data as at 30 September 2009



Origination and underwriting

Sales force

- ◆ All mortgages are originated through a number of direct and indirect channels: 643 banking branches spread across Italy, a network of primary real estate agents and Carige Assicurazioni/Carige Vita Nuova insurance agents

Underwriting

- ◆ All mortgages are underwritten at branch level
- ◆ The authority that approves the mortgage loan depends mainly on the amount requested
- ◆ Underwriting criteria involve scoring and customer limits

Property Valuation

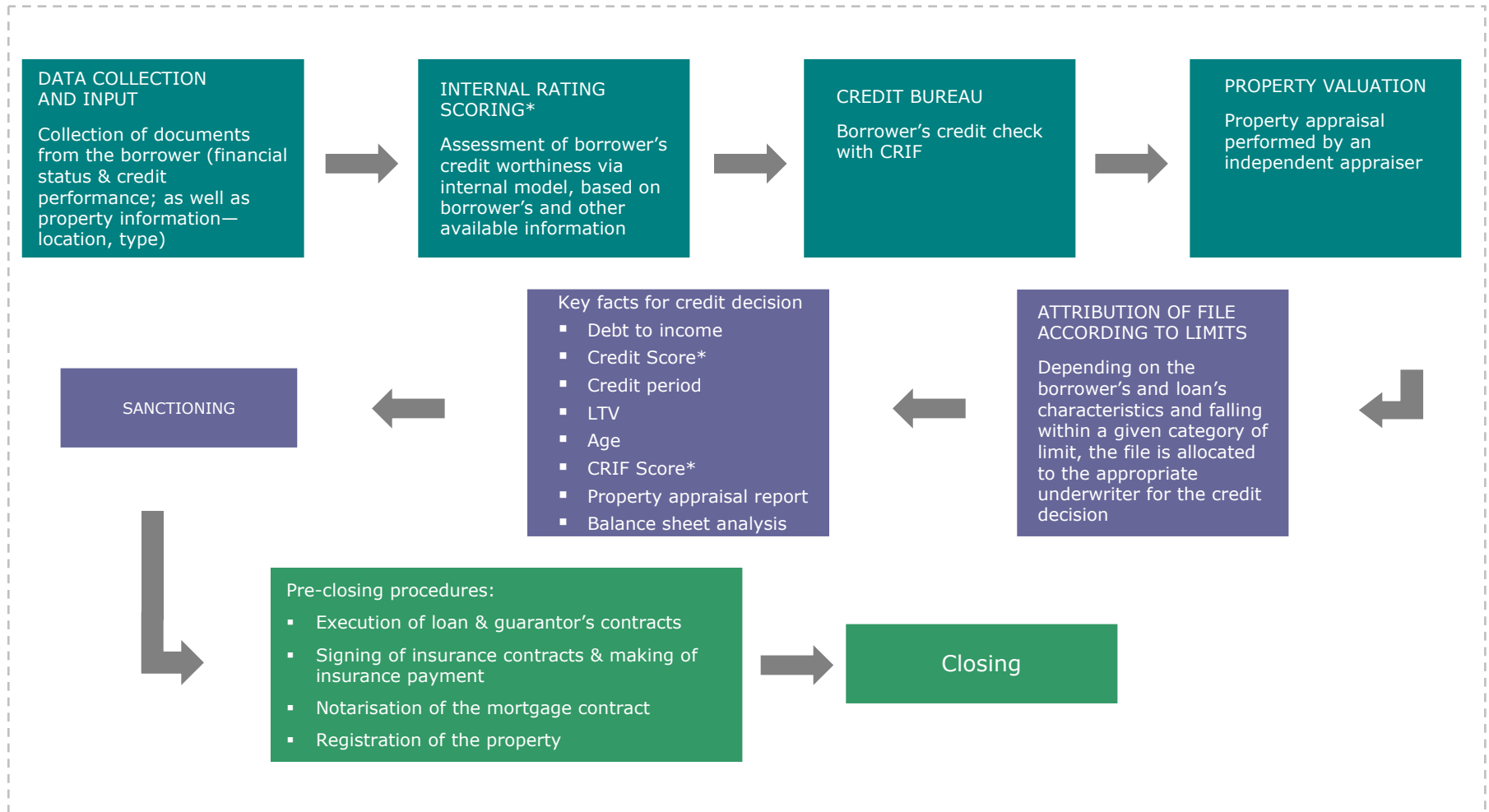
- ◆ All mortgaged properties are assessed by independent appraisers
- ◆ All evaluations are based on full physical inspection
- ◆ Mortgaged properties involve an insurance policy in favour of Carige

Servicing

- ◆ Banca Carige performs all of its own servicing



The underwriting process



* The scoring is part of the process since December 2007 only for Small Business and individuals

Source: Banca Carige



The underwriting criteria

- CARIGE's personnel involved in granting mortgages are highly qualified individuals who work at CARIGE's regional head offices or offices specialising in mortgage financing
- The main criteria used by CARIGE in granting a mortgage are as follows:

AFFORDABILITY

Debt-to-income

- The amount of the instalments payable under each mortgage loan usually does not exceed 40% of the borrower's* total monthly income (net of other debt service)
- Additional credit can be given in cases where third parties provide personal or bank guarantees or the borrower grants a pledge over cash or securities in favour of CARIGE

SECURITY

Loan-to-value

- The initial amount of the mortgage loan should not be higher than 80% of the value of the residential property and 60% of the commercial property to be mortgaged

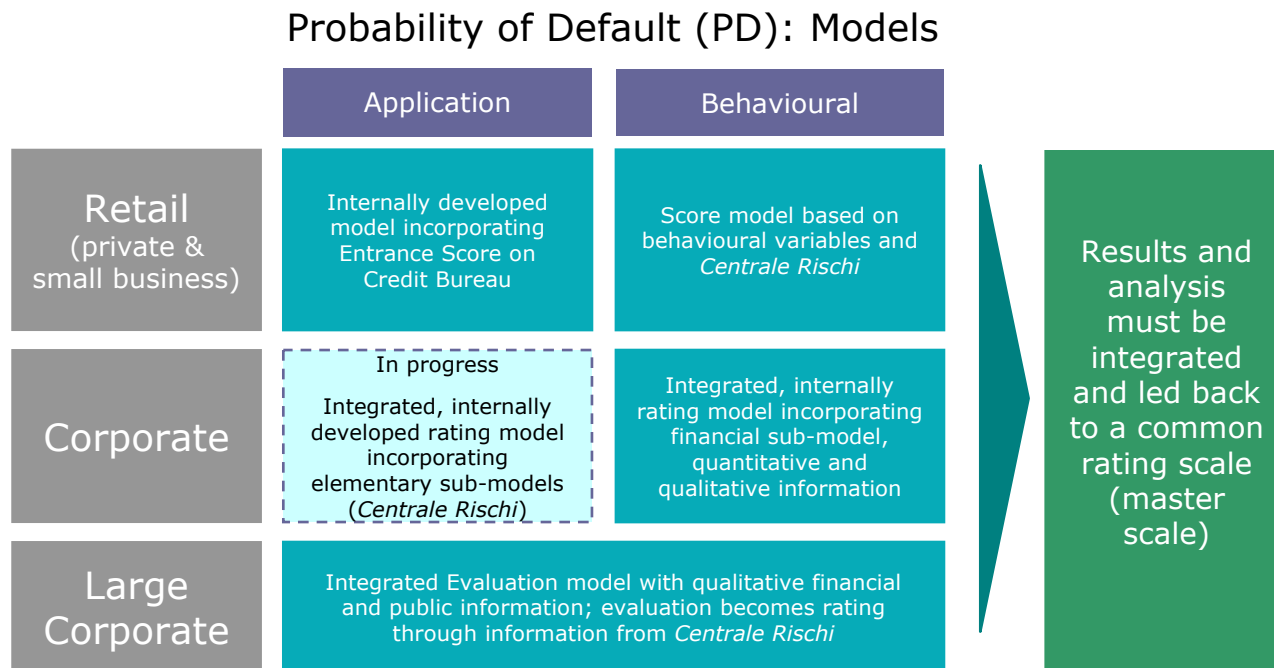
- Since 2004, the various underwriting criteria are applied via a credit scoring process; it takes approximately 15-20 days to receive approval for the granting of a mortgage loan
- The scoring process for credit approval has been operative since 2007

* Family income rather than uniquely individual income



Overview of the Scoring System

- Different Rating Models have been implemented within CARIGE to specifically assess the credit risk associated with each relevant class of borrower
- Each type of borrower is separately credit-scored based on the applicable specific model
- The classification used to discriminate amongst borrower classes is the following:



Servicing and delinquency management process



- Performed at branch level and partially at central level
- Most payments are collected via direct debit procedure

- The branch contacts informally the borrower

- The borrower automatically receives a standard letter
- The reference manager for the client segment handles the relationship
- In most cases Carige agrees a longer maturity or lower instalments

- A letter threatens to start a legal action
- If the letter and the measures taken by the branch prove ineffective the loan is passed to the central recovery unit, which a last attempt of out-of-court recovery, begins a legal action



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Gruppo Carige's mortgage business

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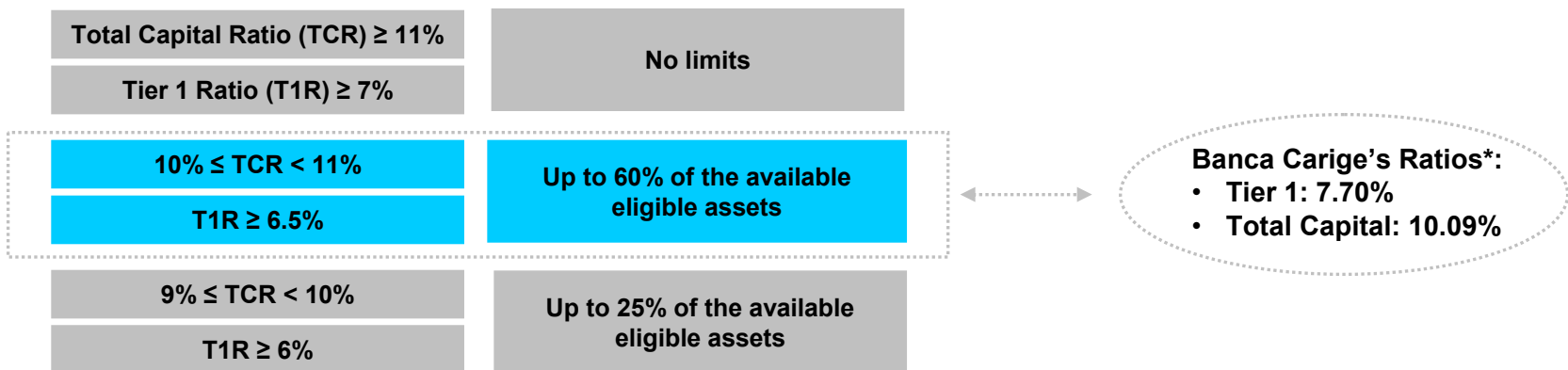
Annex 1: Priority of payments and Programme tests

Annex 2: Italian OBG Law vs. European Covered Bond Framework



Bank of Italy Requirements

- ✓ Pursuant to Bank of Italy supervisory regulation (dated 15 May 2007), OBG may only be issued by banks with:
 - ✓ **minimum consolidated regulatory capital of € 500mn,**
 - ✓ **minimum Total Capital Ratio of 9%, and**
 - ✓ **minimum Tier 1 Ratio of 6%.**
- ✓ In addition the assignment of assets to the cover pool is subject to certain limits based on the bank's total capital and Tier 1 ratios:



Sources: Bank of Italy, Banca Carige

* Data as of 30/06/2009

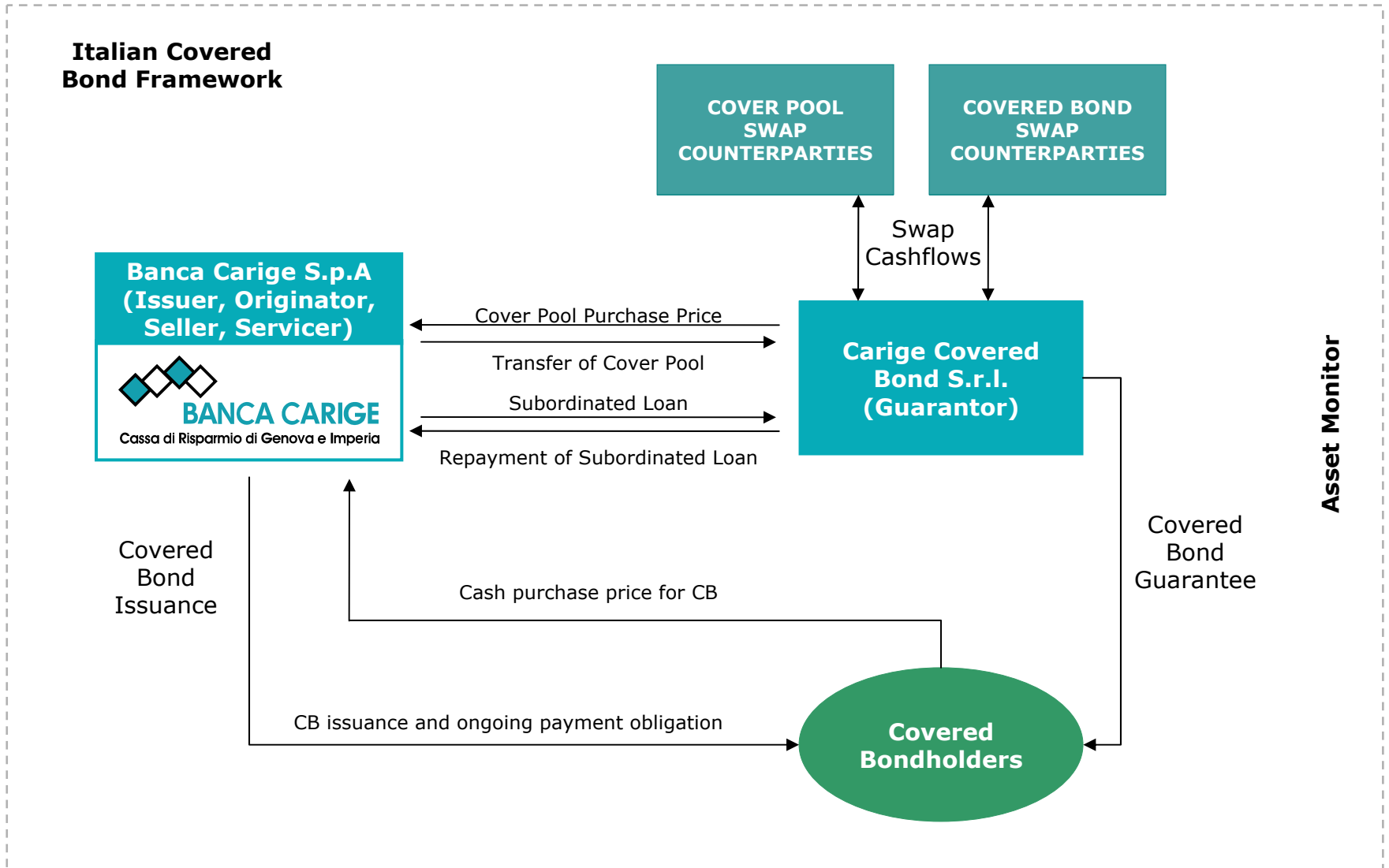


Summary of the programme

Issuer	Banca Carige S.p.A.; ratings A neg (Fitch) / A2 (Moody's) / A- neg (S&P)
Seller	Banca Carige S.p.A.
Programme size	€ 5 billion
Guarantor	Carige Covered Bond S.r.l., established pursuant to Law 130/1999
Cover pool	Italian prime, first economic lien residential mortgages and commercial mortgages originated by the seller
Expected issue rating	Aaa/AAA (Moody's/Fitch)
Maximum LTV	80% for residential mortgages and 60% for commercial mortgages
Segregation of collateral	Collateral sold to the guarantor is segregated for the benefit of covered bondholders and other secured parties in the context of the programme
Listing	Covered Bonds are admitted to trading to the Luxembourg Stock Exchange
Over-collateralisation	The asset coverage test is intended to ensure that on any monthly calculation date, the adjusted aggregate loan amount is at least equal to the aggregate principal amount outstanding of the covered bonds. Maximum Asset Percentage of 90% corresponding to an absolute 11% over-collateralisation floor
Calculation agent	Banca Carige S.p.A.
Arranger	Natixis and UBS Investment Bank
Asset monitor	Mazars & Guérard S.p.A. is the initial asset monitor
Governing law	Italian, except for the swap agreement's and the deed of charge, which will be governed by the English Law and the French Deed of Pledge (French law)
Representative of CB Holders	Deutsche Trustee Company Limited



Structural overview





Summary of the Inaugural Issue

Instrument:	Obbligazioni Bancarie Garantite ("OBG")
Issuer:	Banca Carige S.p.A
Sellers:	Banca Carige S.p.A
Guarantor:	Carige Covered Bond s.r.l. a bankruptcy remote, special purpose entity which benefits of segregations principals well established under law 130/1999
Expected Ratings:	Aaa / AAA (Moody's / Fitch)
Status/Ranking of the Notes:	Direct, unconditional, unsecured and unsubordinated
Cover Pool:	EUR 2.348bn
Initial Issue size:	Jumbo benchmark size
Currency:	Euro
Maturity:	Soft bullet with 18 months extension period
Coupon:	Fixed, Annually
Documentation:	Off Banca Carige's OBG Programme
Listing:	Luxembourg Stock Exchange
Denominations:	EUR 50,000 + EUR 1,000
Arrangers:	Natixis / UBS Investment Bank
Joint Lead Managers:	Deutsche Bank/ HSBC / Natixis / UBS Investment Bank / UniCredit Group (HVB)
Marketing:	European roadshow



Issuer description

Italian mortgage market

Gruppo Carige's mortgage business

Banca Carige OBG Programme

Cover Pool Description

Annex 1: Priority of payments and Programme tests

Annex 2: Italian OBG Law vs. European Covered Bond Framework



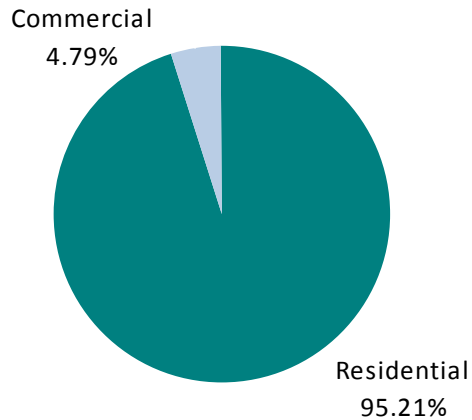
Cover Pool Highlights/1

	TOTAL PORTFOLIO	RESIDENTIAL PORTION	COMMERCIAL PORTION
Balance (€)	2,348,346,129.02	2,235,756,996.56	112,589,132.46
% of Pool	100.0%	95.21%	4.79%
Number of Loans	25,833	24,951	882
Average Loan Balance (€)	90.904.89	89,605.91	127,652.08
WA Seasoning (Months)	36	34	85
WA Remaining Term (Months)	214	221	82
Number of Borrowers	25,099	24,298	801
WA LTV	50.32%	51.73%	22.34%
Percentage of Floating Rate Mortgages	53.8%	51.7%	96.4%
WA Interest Rate on Floating Rate Loans (%)	2.83%	2.81%	3.03%
WA Margin on Floating Rate Loans (bps)	139	137	155
WA Interest Rate on Fixed Rate Loans (%)	5.72%	5.71%	6.38%
Currency	Euro	Euro	Euro

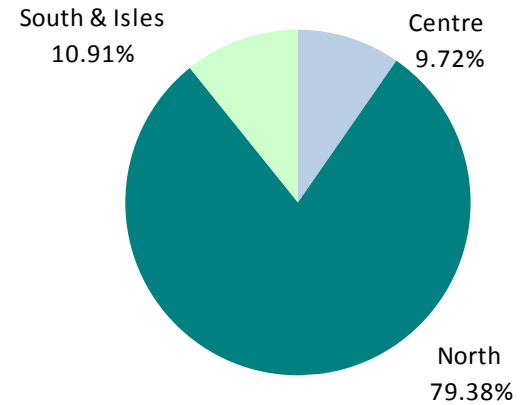
Cut-off date 30 August 2009



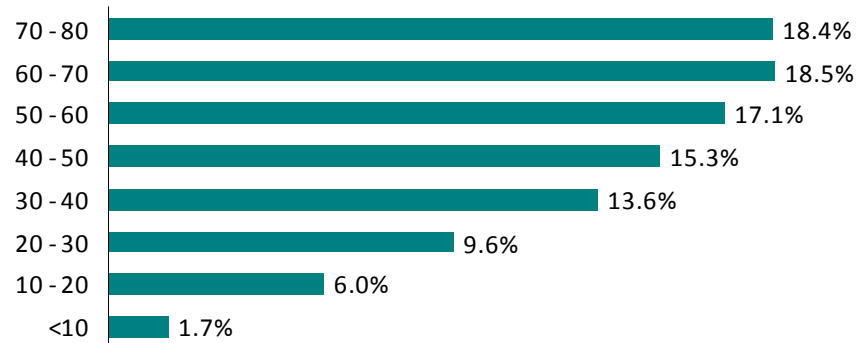
Commercial/Residential



Geographical distribution



Current LTV

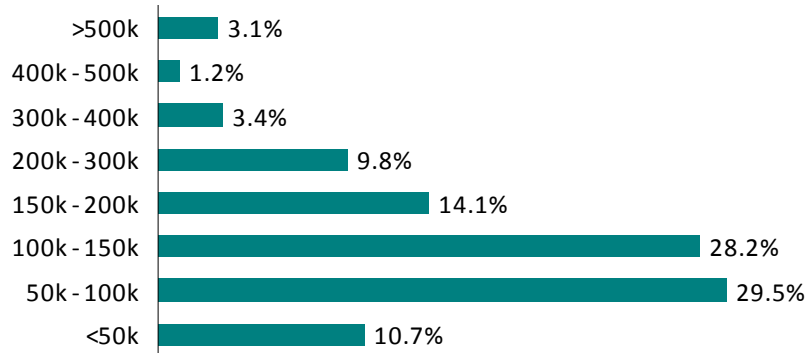


Figures refer to volume of originated mortgages

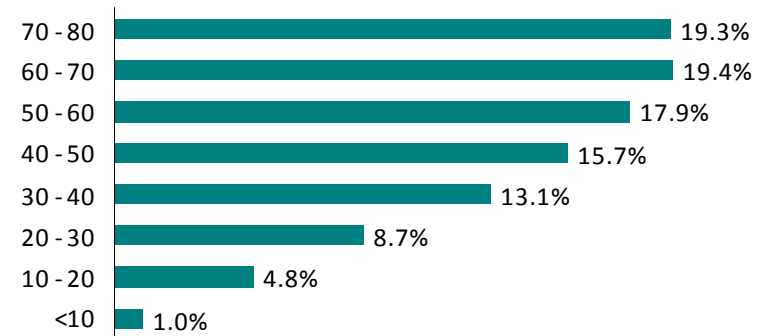


Residential Portion Breakdown/1

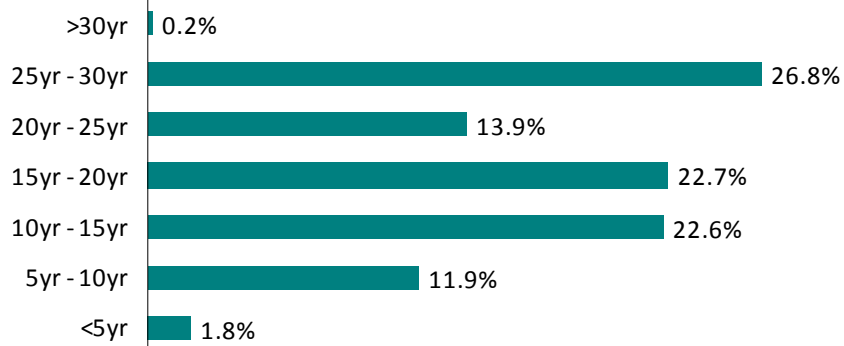
Current Loan Balance



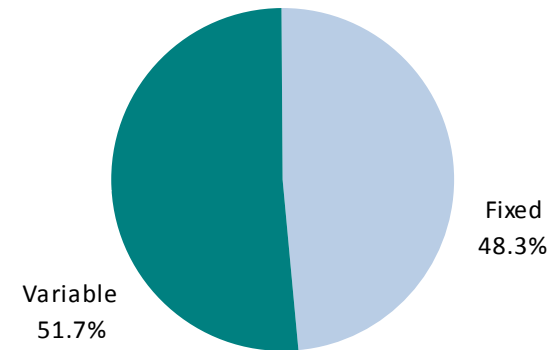
Current LTV



Remaining Term



Interest Rate Type

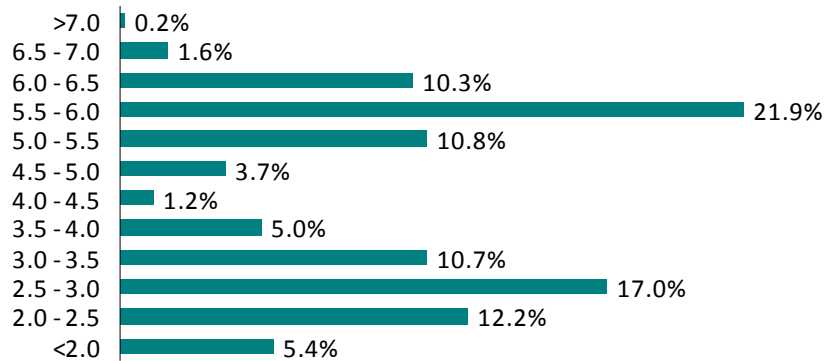


Figures refer to volume of outstanding mortgages - **Data as at 30 August 2009**

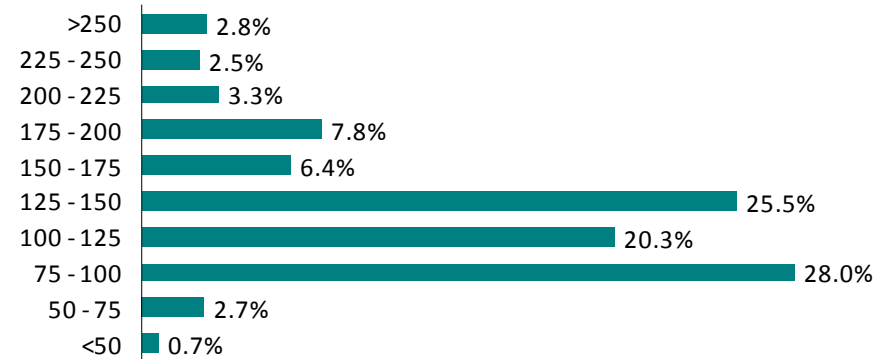


Residential Portion Breakdown/2

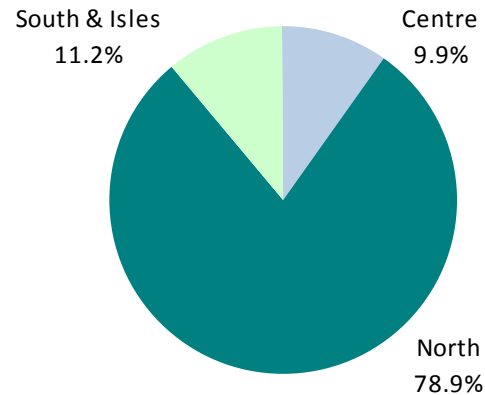
Current Interest Rates



Margins



Geographical distribution

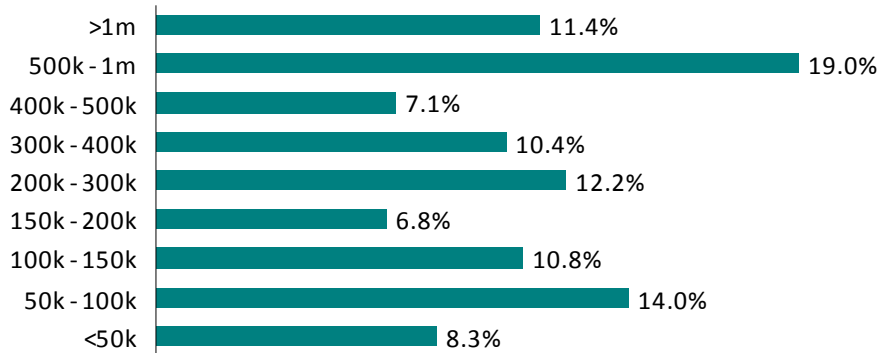


Figures refer to volume of outstanding mortgages - **Data as at 30 August 2009**

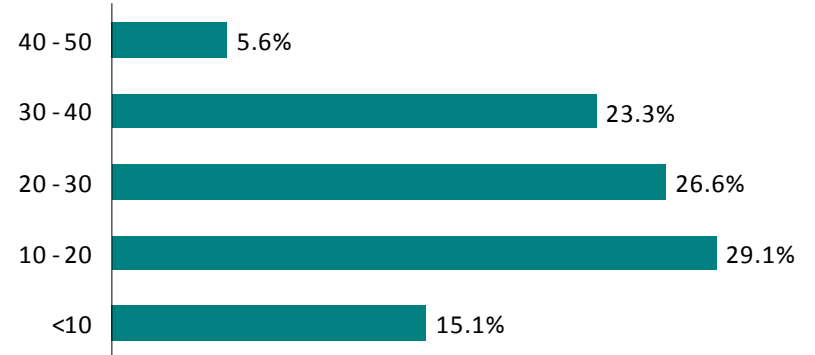


Commercial Portion Breakdown/1

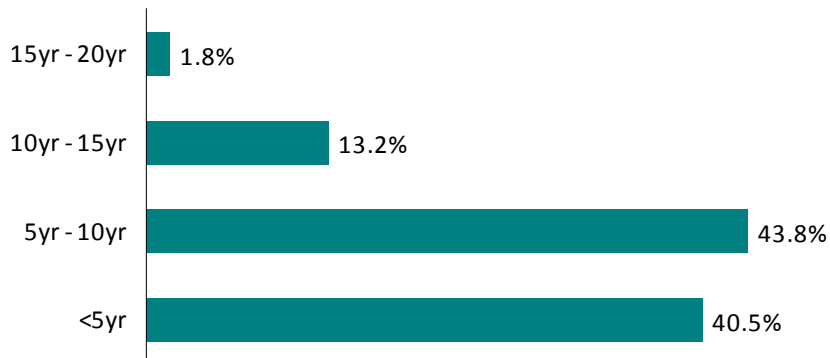
Current Loan Balance



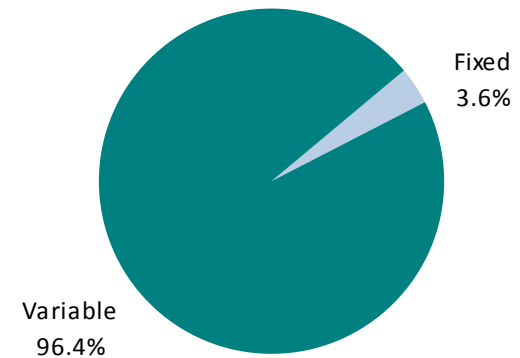
Current LTV



Remaining Term



Interest Rate Type

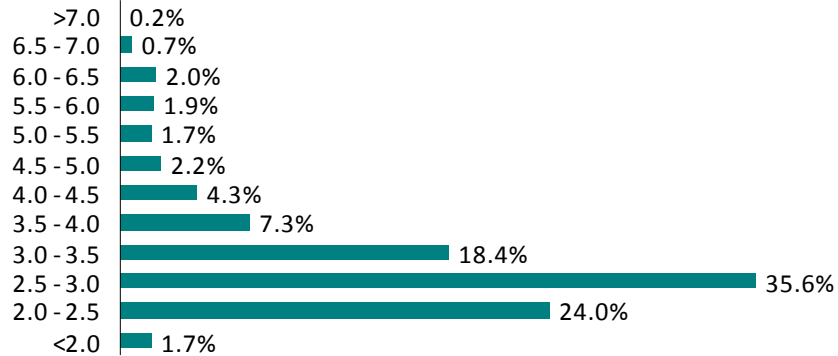


Figures refer to volume of outstanding mortgages - **Data as at 30 August 2009**

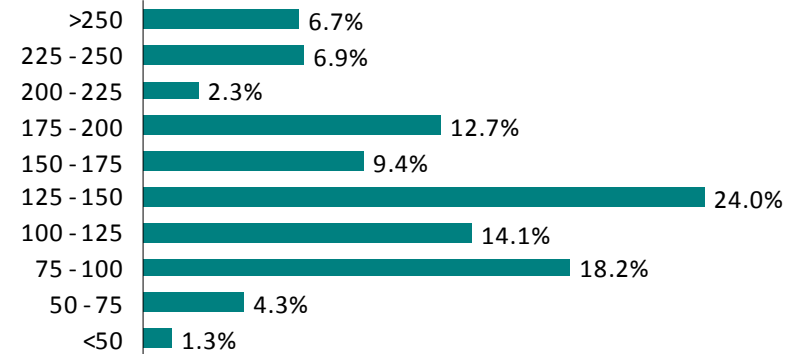


Commercial Portion Breakdown

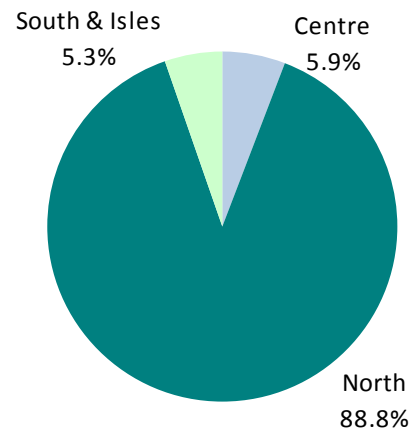
Current Interest Rates



Margins



Geographical distribution



Figures refer to volume of outstanding mortgages - **Data as at 30 August 2009**



Issuer description

Italian mortgage market

Gruppo Carige's mortgage business

Banca Carige OBG Programme

Cover Pool Description

Annex 1: Priority of payments and Programme tests

Annex 2: Italian OBG Law vs. European Covered Bond Framework



Priority of payments: pre-issuer event of default

Prior to the service of a notice to pay, the guarantor will use interest and principal available funds to make payments or to make provisions towards payments due before the guarantor payment date in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

Interest priority of payments

- i) Taxes due and payable by the guarantor
- ii) Guarantor's documented fees, costs, expenses
- iii) Any amount due and payable to the Representative of the Covered Bondholders
- iv) Any amount due and payable pari passu and pro rata according to the respective amounts thereof, the Cash Manager, the Calculation Agent, the Corporate Servicer, the Asset Monitor, the Italian Account Bank, the French Account Bank, the Principal Paying Agent, the Italian Paying Agent and the Servicer
- v) Any interest amount due to the mortgage pool swap counterparty and the asset swap counterparty
- vi) Interest amounts due to the covered bond swap counterparties, pro rata and pari passu in respect of each relevant covered bond swap and any base interests due and payable on each guarantor payment date to the seller
- vii) Credit to the reserve account an amount required to ensure that the it is funded up to the reserve required amount
- viii) Credit all remaining interest available funds to the transaction account until such servicer termination event is either remedied or waived by the representative of the covered bondholders or a new servicer is appointed
- ix) Any excluded swap termination amount
- x) to pay any premium interests on the subordinated loan, provided that no breach of tests has occurred and is continuing

Principal priority of payments

- i) any amount due and payable under items i) to vi) of the interest priority of payment, to the extent that the interest available funds are not sufficient, on such guarantor payment date, to make such payments in full
- ii) acquire subsequent receivables of eligible assets and/or integration assets to ensure that the asset coverage test and the mandatory tests are met
- iii) any principal amounts due or to become due and payable to the relevant covered bond swap counterparties pro rata and pari passu in respect of each relevant covered bond swap in accordance with the terms of the relevant covered bond swap agreement and the amounts due or to become due and payable under the subordinated loan



Issuer Event of Default

- failure for a period of 15 days or more to pay any principal or redemption amount or any interest on the cb of any series or tranche when due
- breach of any material obligations under or in respect of the covered bonds or any of the transaction documents to which it is a party and such failure remains unremedied for 30 days after the representative of the covered bondholders has given written notice
- following the delivery of a breach of test notice, the tests are non met at, or prior to, the next calculation date
- the pre-maturity test is breached on a pre-maturity test date falling less than six months prior to the maturity date and the breach has not been cured before the earlier of (i) 10 business days from the date that the issuer is notified of the breach of the pre-maturity test and (ii) the maturity date
- an insolvency event of the issuer
- an article 74 (Italian banking act) event

Enforcement of the CB Guarantee

- the representative of the covered bondholders will serve a notice on the issuer and guarantor that an issuer event of default has occurred
- upon the service of a notice to pay:
 - (a) each series or tranche of covered bonds will accelerate against the issuer and they will rank pari passu amongst themselves against the issuer
 - (b) the guarantor will pay any amounts due under the covered bonds on the due for payment date in accordance with the provisions of the covered bond guarantee;
 - (c) the mandatory tests shall continue to be applied and the amortisation test shall be also applied;



Post-issuer event of default priority of payments

On each guarantor payment date the guarantor will use the available funds, to make payments or to make provisions towards payments due before the following guarantor payment date in the order of priority:

- i) pay, *pari passu and pro rata according to* the respective amounts any expenses and taxes
- ii) pay any amount due and payable to the representative of the covered bondholders, *pari passu and pro rata according to the* respective amounts, the cash manager, the calculation agent, the corporate servicer, the asset monitor, the Italian account bank, the French account bank, the principal paying agent, the Italian paying agent, the cover pool manager and the servicer
- iii) pay pro rata and pari passu: interest payments due to the swap counterparties and interest due under the covered bond guarantee in respect of each series or tranche of covered bonds
- iv) pay *pro rata and pari passu: principal* payments due to the swap counterparties and principal due under the covered bond guarantee
- v) pay *pro rata and pari passu, any excluded swap termination amount due and payable by the guarantor*
- vi) repay of amounts outstanding under the subordinated loan agreement



Guarantor Event of Default

- failure by the guarantor for a period of 15 days or more to pay any amounts due for payment in respect of the covered bonds
- breach of the mandatory tests or the amortisation test
- breach by the guarantor of any material obligations under or in respect of the covered bonds or any of the transaction documents to which it is a party, and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the issuer
- an insolvency event of the guarantor

Acceleration Notice

- the representative of the covered bondholders shall serve a notice on the guarantor that a guarantor event of default has occurred, unless the representative of the covered bondholders resolves otherwise or an extraordinary resolution is passed resolving otherwise.
- upon the service of the acceleration notice, all covered bonds will become immediately due and payable by the guarantor at their early redemption amount, together with any accrued interest and they will rank *pari passu* amongst themselves.



Post-Issuer Event of Default Priority of Payments (After Guarantor Default)

On each Guarantor Payment Date, following a Guarantor Event of Default and service of an Acceleration Notice, the Available Funds will be used to make payments in the order of priority set out below:

Pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes

Pay any amount due and payable to the Representative of the Covered Bondholders

Pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Servicer, the Cash Manager, the Italian Account Bank, the French Account Bank, the Calculation Agent, the Corporate Servicer, the Paying Agents, The Asset Monitor, the Cover Pool Manager (if any)

Pay, *pro rata* and *pari passu*, principal and interests due to the Swap Counterparties and principal and interests due under the Covered Bond Guarantee in respect of each Series or Tranche of Covered Bond

Pay, *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor

Pay any remaining moneys towards repayments of amounts outstanding under the Subordinated Loan Agreement



Nominal Value Test

- The Nominal Value Test (NVT) ensures that, on each Calculation Date the outstanding aggregate notional amount of the asset comprised in the Cover Pool shall be at least equal to, or higher than, the aggregate notional amount of all outstanding Series of Covered Bonds

Net Present Value Test

- The Net Present Value Test (NPTV) ensure that on each Calculation Date the net present value of the Cover Pool shall be at least equal to, or higher than, the net present value of the outstanding Covered Bonds, also taking into account the payments expected to be received under the hedging arrangements

Interest Coverage Test

- The Interest Coverage Test (ICT) ensures that on each Calculation Date the amounts of interests and other revenues generated by the assets included in the Cover Pool, net of the costs borne by the Guarantor, shall be at least equal to, or higher than, the interests and costs due by the Issuer under the Covered Bonds, taking also into account any hedging arrangements entered into in relation to the transaction



Asset coverage test (ACT)/1

the issuer undertakes to procure that on any monthly calculation date the adjusted aggregate loan amount is at least equal to the aggregate principal amount outstanding of the covered bonds

adjusted aggregate loan amount means an amount equal to

A+B+C+D-Y-Z

A is equal to the lower between:

1. the sum of the LTV adjusted principal balance of each mortgage loan in the cover pool which shall be the lower of (1) the actual outstanding principal balance of the relevant mortgage loan and (2) the latest valuation relating to that mortgage loan multiplied by

- 80% for residential mortgage loan
- 60% for commercial mortgage loan
- 40% for all delinquent receivables
- 0% for all default receivables

minus

- mortgage loan in breach of the representations and warranties (**affected loan**)
- the resulting financial loss incurred by the guarantor in the immediately preceding collection period (**breach related loss**)

2. the aggregate asset percentage adjusted principal balance minus any breach related losses. the **asset percentage adjusted principal balance** shall be the **asset percentage** multiplied by the lower between:

- the actual outstanding principal balance
- the latest valuation relating to the mortgage loan multiplied by n (n=1 for all mortgage loans, n=40% for delinquent receivables; n=0 for all default receivables)

minus

- the **asset percentage adjusted principal balance** of the mortgage loan deemed as affected loan



B is equal to the aggregate of the amounts standing to the credit of the Accounts

C is equal to the aggregate outstanding principal balance of any Integration Assets

D is equal to the aggregate outstanding principal balance of any Public Assets and ABS

Y is equal to nil if the issuer's senior unsecured ratings are at least f1 by Fitch and p-1 by moody's, otherwise the **potential set-off amount**

Z is equal to the weighted average remaining maturity of all covered bonds then outstanding multiplied by the aggregate principal amount outstanding of the covered bonds multiplied by the **negative carry factor**.

potential set-off amounts means a percentage of the cover pool that could potentially be subject to set-off risk by the relevant debtors which will be deemed appropriate to cover such set-off risk

negative carry factor is a percentage calculated by reference to the weighted average margin of the covered bonds and will, in any event, be not less than 0,50%

asset percentage may not, at any time, exceed 90%: from the calculation date falling on may 22, 2009, the asset percentage is equal to 82%



The Amortisation Test is calculated only after an issuer event of default

For the purpose of calculating the Amortisation Test, the Amortisation Test Aggregate Loan Amount means an amount equal to

$$A+B+C+D-Z$$

A is the lower of:

- The actual Outstanding Principal Balance of each Mortgage Loan multiplied by M
- The Latest Valuation multiplied by M

M is equal to:

- 80% for residential mortgage loans
- 60% for commercial mortgage loans
- 40% for all Delinquent Receivables
- 0% for all Default Receivables

B is equal to the aggregate of the amounts standing to the credit of the Accounts

C is the aggregate outstanding principal balance of any Integration Assets

D is the aggregate outstanding principal balance of any Public Assets and ABS

Z is the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor



- The calculation agent determines that the tests are not met according to the respective formulas
- The calculation agent will specify the qualitative and quantitative aspects of the shortfall in the cover pool that caused the relevant test to be breached



The guarantor shall to any possible extent use the available funds

OR

The seller shall sell sufficient eligible assets and/or integration assets to the guarantor

OR

The guarantor shall purchase sufficient eligible assets or integration assets from additional sellers



Issuer description

Italian mortgage market

Gruppo Carige's mortgage business

Banca Carige OBG Programme

Cover Pool Description

Annex 1: Priority of payments and Programme tests

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Italian Covered Bond Legal Framework (1/2)

Name of the instrument (s)	Obbligazioni Bancarie Garantite
Legislation	Law 80 of 14 may 2005, amending Article 7-bis & 7-ter of law 130/1999, Ministry of Economy & Finance regulation 310 dated 14 December 2006 and Bank of Italy instructions issued on 17 may 2006
Special banking principle	No: any Italian bank fulfilling specific issuance criteria
Restriction on business activity	N/A
Asset Allocation	Cover assets are segregated through the transfer to a separate entity
Inclusion of hedge positions	Hedge position are part of the structural enhancements intended to protect bondholders
Substitute collateral	Up to 15%
Restrictions incl. Commercial mortgages	No
Geographical scope for public assets	EEA states and Switzerland, subject to a maximum risk weighting of 20% and up to 10% of the cover pool Non-EEA states or local authorities subject to a maximum risk weighting of 20%
Geographical scope for mortgage assets	EEA and Switzerland
LTV barrier residential	80%
LTV barrier commercial	60%
Basis for valuation	Market value. The approach needs approval from Bank of Italy and is verified by an independent auditor
Valuation Check	No
Special Supervision	Bank of Italy



Italian Covered Bond Legal Framework (2/2)

Protection against mismatching	The nominal value of the cover pool assets must at all times be at least equal to the nominal value of the OBG outstanding. The net present value (NPV) of the covered pool must be at least equal to the net present value of the OBG issued. Furthermore, the cover pool assets need to accrue sufficient interest to cover interest payment on the OBG outstanding
Protection against credit risk	Sponsor banks may replace non-performing loans
Protection against operative risk	Stipulated through contractual rules
Mandatory over- collateralisation	Expected to be subject to an asset coverage test
Voluntary over-collateralisation is protected	Yes
Bankruptcy remoteness of the issuer	No, but all assets are ring-fenced within a specially separated entity
Outstanding OBG to regulatory capital	Depending on Tier 1 and total capital ratios. There is no limit as long as the respective bank maintains a total capital ratio above 9% and a tier 1 ratio above 6%
1st claim in the event of insolvency	All payments are received from the special entity's assets. These payments are expected to be collected in a separate account. Investors continue to receive scheduled payments, as if the issuer had not defaulted
External support mechanisms	In the event of insufficient pool assets proceeds to cover their claim, investors rank pari passu with senior debt holders. There is a simultaneous unsecured dual claim against the issuer and secured against the portfolio held by the specially separated entity
Compliant with UCITS Art. 22 par. 4	Yes
Compliance with CRD	Yes

European Overview on Covered Bond Framework

	Name of debt Instrument	Special Banking Principle	Supervision	Substitute Collateral	Protection Against Mismatching	Mandatory over-collateralisation	Voluntary over-collateralisation is protected	Fulfil UCITS 22(4)
Italy	Obbligazioni bancarie garantite (OBG)	No	Bank of Italy	Up to 15%	Net-present value cover required	No	Yes	Yes
Germany	Hypothekendarlehenbriefe, Öffentliche Pfandbriefe, Schiffspfandbriefe	No	Bundesanstalt für Finanzdienstleistungsaufsicht and independent trustee	Up to 10%	Net-present value cover required	102%	Yes	Yes
Spain	Cédulas Hipotecarias (CH)	No	Banco de España	Not applicable	Coverage by nominal value	125% (CH)	Yes	Yes
	Cédulas Territoriales (CT)					143% (CT)		
France	Obligations Foncières (OF)	Yes	Commission Bancaire and special supervisor	Up to 15%	Not compulsory; but all OFs benefit from additional contractual features	No	Yes	Yes
	French Structured Covered Bond	No	Commission Bancaire and special supervisor	Up to 15%	Contractual obligation to neutralise interest and currency risk. Also, downgrade triggers for swap counterparties and different tests to ensure adequate cash flows	Subject to asset coverage test	Yes	T.b.d.
Netherlands	Dutch Covered Bonds	No	De Nederlandsche Bank and independent auditor	Up to 10%	Exposure to interest rate and currency risk is neutralised. In addition, downgrade triggers for swap counterparties, and various tests ensure cash-flow adequacy	Subject to asset coverage test	Yes	From 1 July 2008 onwards
Portugal	Obrigações Hipotecárias , Obrigações sector público	Optional	Banco de Portugal	Up to 20%	Net-present value cover required; in addition, limitation of liquidity risk	105%	Yes	Yes



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The manager responsible for preparing the company's financial reports Daria Bagnasco, Planning and Accounting Head Office Manager of Banca CARIGE S.p.A., declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this presentation corresponds to the document results, books and accounting records.



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