

## Terms and Conditions of the Convertible Notes

named

### **“Banca CARIGE 4,75% 2010-2015 convertibile con facoltà di rimborso in azioni”**

The following is the text of the Terms and Conditions of the Notes (the “Terms and Conditions of the Notes”). The Italian text of the Terms and Conditions is the only legally binding version on which investors can rely (i) in respect of any decision regarding an investment in the Notes and (ii) in respect of the interpretation of the characteristics of the Notes themselves. Such Italian text will prevail over the English translation in the event of conflict.

#### **Article 1 - Amount, Notes and Issue Price**

The “Banca Carige 4,75% 2010-2015 convertibile con facoltà di rimborso in azioni” convertible notes (the “**Convertible Notes**” or the “**Notes**”), of a maximum aggregate principal amount of EUR 391,596,883.20 and a denomination of EUR 2.40 per Note (the “**Principal Amount**”), are constituted by a maximum number of 163,165,368 Convertible Notes in Banca Carige S.p.A. ordinary shares (the “**Ordinary Shares**”) with a nominal value equal to Euro 1.00 (the “**Nominal Value**”).

The Notes shall be issued by Banca CARIGE S.p.A. (“**Banca Carige**”, the “**Bank**”, or the “**Issuer**”) on 5 March, 2010 (the “**Issue Date**”) at an issue price equal to 100% of the Principal Amount.

In accordance with Legislative Decree no. 213 of 24 June 1998 and the joint regulations issued by CONSOB and the Bank of Italy on 22 February 2008 (as subsequently amended and integrated), the Notes shall be issued and held in book-entry form by Monte Titoli S.p.A (“**Monte Titoli**”) as centralised custodian.

The Notes will be issued in bearer form and fractions of Notes cannot be issued.

The Notes will be delivered to the subscribers (the “**Noteholders**”) by authorised intermediaries participating in the centralised administration system managed by Monte Titoli (“**Participating Intermediaries**”), by the tenth working day following the Issue Date.

#### **Article 2 - Duration of Notes**

The Notes have a duration from 5 March, 2010 (the “**Issue Date**”) to 5 March, 2015 (the “**Final Maturity Date**”), with the exception of the cases in which the entitlement of the Notes ends before the Final Maturity Date pursuant to Articles 5 and 12 of these Terms and Conditions.

Pursuant to Article 3, any non-converted Notes shall be redeemed and will cease to bear interest at the Final Maturity Date.

### **Article 3 – Interest**

The Noteholders will have the right to receive in arrears, on March 5 in each year until the Notes expire (each, a “**Payment Date**”), a fixed coupon (the “**Coupon**”) equal to 4.75% gross per annum of the Principal Amount of the Note (the “**Interest Rate**”).

The Coupons will be calculated based on the number of days included in the relevant interest period according to the ACT/ACT convention.

Each Note will cease to bear interest after the first of the following dates:

- (i) the Final Maturity Date (included);
- (ii) in case of the exercise of the Conversion Right (as defined below) by the Noteholders pursuant to Article 5 of these Terms and Conditions, the Payment Date immediately preceding the delivery of the relevant Conversion Notice (included) and
- (iii) in the case of the exercise of the Early Redemption Option (as defined below pursuant to Article 12) by the Issuer, the Early Redemption Date (included).

### **Article 4 – Legal Status of the Notes**

The Notes constitute direct, unconditional, unsubordinated and unsecured liabilities of the Issuer and will rank *pari passu* – proportionally and without any preference amongst themselves - with all other existing and future unsecured and unsubordinated liabilities of the Issuer, except – in case of insolvency – those liabilities which are privileged on the basis of general and binding dispositions of law.

### **Article 5 – Conversion Right of the Noteholders**

Subject to Article 7, each Noteholder shall be entitled, in relation to the Notes held, to convert the Notes into newly issued Ordinary Shares of the Issuer (a “**Conversion Right**”) during the Conversion Period (as defined below).

The Conversion Right can be exercised in respect of all or a part of the Notes held.

Subject to any adjustments contemplated in Articles 8, 9, 10 and 11 of these Terms and Conditions, each Note is convertible into 1 (one) Ordinary Share (the “**Conversion Ratio**”).

The Ordinary Shares to be issued pursuant to the capital increase at the service of the Convertible Notes of up to a maximum of 179,481,904 Ordinary Shares, according to the resolution of the Board of Directors dated 11 February, 2010, taken following the authorisation given according to Article 2420-ter of the Italian Civil Code by the extraordinary shareholders’ meeting of Banca Carige on 3 November 2009, are to be irrevocably and solely issued for the purpose of the conversion of the Notes until the expiry of the last date fixed for the conversion of the Notes.

Where an adjustment to the Conversion Ratio, as defined below, under the following provisions requires the Issuer to adjust the number of, or issue, additional Ordinary Shares to service the conversion, the Issuer will carry out all necessary corporate actions, to the extent permitted by applicable law, in order to ensure that the number of shares to be issued on exercise of a Conversion Right shall be increased such that the holder of each Note then outstanding shall have the right (during the period in which such Note may be converted) to convert such Note into Ordinary Shares on the basis of the adjusted Conversion Ratio.

Where the issue of new additional Ordinary Shares is not possible notwithstanding that adequate best efforts have been used by the Issuer, the Issuer shall satisfy the Issuer’s obligations to a holder of a Note by the payment upon conversion of a Cash Value (as defined below) of the additional Ordinary Shares that would have been issued on the basis of the adjusted Conversion Ratio. Such payment shall be made on the 15th Dealing Day following the Conversion Date.

“**Cash Value**” means the product between the number of Ordinary Shares which have not been delivered and the arithmetic mean of the Official Price on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A. (the “**MTA**”) on ten Dealing Days starting on the second Dealing Day following the date of notification of the Issuer’s election, in case of a conversion subsequent to an adjustment of the Conversion Right, to fulfil - by way of a payment in cash - the obligation to deliver additional Ordinary shares. Such notice will be delivered on or before the second Dealing Day prior to the Conversion Date.

The Right of Conversion can be exercised by delivering a notice (the “**Conversion Notice**”) to the Participating Intermediary where the Notes are deposited, on any Business Day (as defined below) starting from 6 September 2011 to the tenth Business Day (excluding) before the Final Maturity Date (the “**Conversion Period**”), except for the cases of suspension defined in Article 7.

If the last available date for the exercise of Conversion Rights is not a Business Day, then the period for exercise of the Conversion Right by Noteholders shall end on the immediately preceding Business Day.

For the Conversion Notice to be effective, on presentation of the Conversion Notice, the Noteholders shall provide, among other customary information, representation and warranties to the effect that the Noteholder:

- (i) understands that the Ordinary Shares to be delivered upon conversion have not been registered under the U.S. Securities Act of 1933 as amended from time to time (the "**Securities Act**"); and
- (ii) it is not a U.S. person within the meaning of Regulation S under the Securities Act.

The Ordinary Shares will be delivered by Monte Titoli, on the tenth Dealing Day (as defined below) of the calendar month following the presentation of the Conversion Notice by the Noteholders (the "**Conversion Date**"), except for (i) Conversion Notices delivered in the last calendar month of the Conversion Period, in relation to which the Conversion Date shall be the Final Maturity Date or (ii) Conversion Notices delivered during the Change of Control Period, in relation to which the Conversion Date shall be the fifth Dealing Day prior to the final date where Shareholders are allowed to accept the offer that triggers/has been triggered by a Change of Control.

The Ordinary Shares delivered to the Noteholders upon conversion will be held in book-entry form by Monte Titoli as centralised custodian and will have entitlement to receive dividends equal to that of Ordinary Shares traded on the MTA, on the Conversion Date.

If the Conversion Date in relation to the conversion of any Note shall be after an event leading to an adjustment contemplated in Articles 8, 9 and 10 has occurred but before such adjustment has become effective or reflected in the systems of the MTA, then the Issuer shall issue the additional Ordinary Shares within ten Dealing Days after the date on which such adjustment has become effective or has been reflected in the MTA systems.

**"Business Day"** means any calendar day other than Saturday or Sunday on which commercial banks in Italy are open for business.

**"Dealing Day"** means any day on which the MTA is open for the trading of the financial instruments traded on it.

#### **Article 6 - Fractions**

Where Noteholders - following the exercise of the Conversion Right by the Noteholders (as provided for under Article 5) - have the right to receive an amount of Ordinary Shares that is not a whole number, the Issuer will proceed with the delivery of Ordinary Shares rounded down to the nearest whole number, and will pay a cash amount, rounded up to the nearest cent of Euro, in relation to the fraction, valued on the basis of the simple arithmetic mean of the Official Prices of the Ordinary Shares during the month prior to that in which the Conversion Notice is presented ("**Cash Fraction**").

If a Noteholder exercises conversion rights to more than one Note at the same time, so that it is necessary to register the Ordinary Shares to be delivered under the same name, the number of Ordinary Shares shall be calculated based on the total Principal Amount of such Notes which are converted and rounded down to the nearest whole number of Ordinary Shares.

## **Article 7 - Suspension of the Conversion Period**

The Conversion Period shall be considered automatically suspended (a “**Restricted Period**”) and the Noteholders will not be allowed to deliver any Conversion Notice, from (and including) the date on which the Board of Directors calling the Shareholders’ Meeting is held to (and including) the date on which such Shareholders’ Meeting is held, even if not on the first call.

However, if the Board of Directors calls the Shareholders’ Meeting resolving to propose the approval of the distribution of dividends or reserves, the Restricted Period will last from the date (included) on which the Board of Directors’ Meeting is held, to the relevant ex date (excluded) for the payment of dividends.

In the event that the Shareholders’ Meeting does not resolve to distribute dividends, the suspension of the Conversion Period will end the day immediately after the shareholders’ meeting is held.

In the event that the Board of Directors calls the Shareholders’ Meeting for approval of the merger of the Issuer or spin-off, the suspension of the Conversion Period will last from the day (included) in which the Board of Directors’ Meeting is held, until the day immediately after the Shareholders’ Meeting is held (the “**Merger/Spin-Off Restricted Period**”).

Notwithstanding the above, the Merger/Spin-Off Restricted Period can never exceed 45 calendar days and should always be deemed to end 45 calendar days after it starts.

## **Article 8 - Rights of the Noteholders in the case of Corporate Action**

If, between the Issue Date and the Final Maturity Date of the Notes, corporate actions are executed, the Conversion Ratio indicated in Article 5 of these Terms and Conditions will be adjusted by the Issuer, who will communicate, pursuant to Article 21 below, the new Conversion Ratio, which will result according to the provisions of this Article and Articles 9, 10 and 11 below.

In particular:

- a) where the Issuer completes capital increases for consideration or issues Notes convertible into Ordinary Shares, warrants exercisable into Ordinary Shares or similar instruments offered with subscription rights to the Issuer’s shareholders, such subscription rights will be assigned with the same terms and conditions also to the Noteholders on the basis of the Conversion Ratio.
- b) Where capital is increased free of charge, following capitalisation of profits or reserves, involving the issuance of Ordinary Shares, the Conversion Ratio will be adjusted by multiplying the Conversion Ratio in force immediately prior to such share issue by the

result of the ratio of the total nominal amount of the Ordinary Shares outstanding immediately after said issuance and the total nominal amount of the Ordinary Shares outstanding immediately prior to the same issuance. Such adjustment will be effective starting from the issue date of the relevant Ordinary Shares.

c) In the case of:

- increases in the Nominal Value of Ordinary Shares
- reduction in the Nominal Value of Ordinary Shares following losses
- modifications of the Issuer's By-Laws regarding distribution of profits
- Incentive plans and stock option plans for employees, managers and former employees
- merger of another company into the Issuer
- Spin-offs in respect of which the Issuer is the beneficiary

the Conversion Ratio will not be adjusted.

d) Where stock grouping or stock split of Ordinary Shares occurs, the Conversion Ratio shall be adjusted by multiplying the Conversion Ratio in force immediately prior to such stock grouping or stock split by the result of the ratio of the total nominal amount of the Ordinary Shares outstanding (such amount including also the Ordinary Shares held by the Issuer or any of its Subsidiaries, whether directly or indirectly) immediately after and as a result of such grouping or split and the total nominal amount of the Ordinary Shares outstanding (such amount including also the Ordinary Shares held by the Issuer or any of its Subsidiaries, whether directly or indirectly) immediately prior to such grouping or split.

Such adjustment shall become effective on the date the stock grouping or stock split, as the case may be, takes effect.

e) In the case of a merger of the Issuer with another company, and in case of a spin-off, each Note will be assigned the right to convert into a number of shares of the company resulting from the merger or spin-off equivalent to the number of shares that would have been issued to one Ordinary Share underlying a Note, on the basis of the relevant exchange ratio, if the Note had been converted before the date of effectiveness of the merger or spin-off.

In case of capital transactions by Banca CARIGE other than those listed above, the Conversion Ratio may be adjusted following consultation between the Issuer and an Independent Financial Adviser, based upon generally accepted methodologies and in compliance with the laws and regulations in force. Such adjustment shall be effected based on a written opinion of the Independent Financial Adviser, save in the case of manifest error.

If the size of an adjustment is less than the 1% of the applicable Conversion Ratio, the Conversion Ratio shall not be adjusted. Upon the sum of any such adjustments (each being less than 1%) exceeds the 1% threshold, the Conversion Ratio shall be adjusted on the basis of that sum.

To the extent permitted by applicable Law, on any adjustment of the Conversion Ratio pursuant to this Article and Articles 9, 10 and 11 below, if the calculated Conversion Ratio is not a whole multiple of 0.001 it shall be rounded down to the nearest whole multiple of 0.001.

**"Independent Financial Adviser"** means an investment bank of international repute appointed by the Issuer.

**"Subsidiary"** of any person means subsidiary companies as defined under Article 2359, para 1, sections 1) and 2), of the Italian Civil Code.

### **Article 9 – Noteholders Rights in the case of Distribution of Extraordinary Dividends**

If, between the Issue Date and the Final Maturity Date, the Issuer decides on the distribution (the **"Distribution"**) of Extraordinary Dividends (as defined below), unless an adjustment has already been made under any other provisions of these Terms and Conditions in relation thereto, the Conversion Ratio shall be adjusted by multiplying the Conversion Ratio in force immediately prior to the relevant Distribution by the following fraction:

A

—

A - B

Where:

- A Is the arithmetic mean of the Official Prices of one Ordinary Share for the five consecutive Dealing Days ending on (and including) the immediately preceding Dealing Day prior to the *ex* date of the relevant Extraordinary Dividend (the **"Effective Date"**); and
- B is the portion of the Extraordinary Dividend attributed to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Extraordinary Dividend.

Such adjustment shall become effective on the Effective Date, or, if later, the first date upon which the value of the relevant Extraordinary Dividend is capable of being determined as provided herein.

**"Cash Dividend"** means (i) any dividend paid or made in cash and (ii) public tenders by the Issuer or any of its Subsidiaries over the Ordinary Shares if the Issuer deems such an adjustment as appropriate and necessary (in such a case, the Independent Financial Adviser shall determine the necessary adjustment (if any)).

**“Extraordinary Dividend”** means, in respect of each calendar year, the portion of a Cash Dividend per Ordinary Share, which added to any other Cash Dividend per Ordinary Share in the same calendar year, exceeds the amount of EUR 0.10 per Ordinary Share (the **“Threshold Amount”**), except that the Threshold Amount from and including 1 January, 2015 to and including the Final Maturity Date shall be zero.

Any Cash Dividend paid in respect of the Ordinary Shares between 1 January 2015 and the Final Maturity Date shall entail a full adjustment pursuant to this Article, unless such dividend is resolved by the extraordinary shareholders’ meeting called to approve the financial statements for year 2014.

For the purposes of the above calculations, the Threshold Amount shall be adjusted as deemed necessary in order to reflect groupings or splits of Ordinary Shares or capitalisation of profits or reserves (or any other similar event) involving the issuance of new Ordinary Shares.

**Article 10 – Noteholders’ Rights in the case of Issues of Ordinary Shares or securities giving the right to purchase Ordinary Shares at less than the Current Market Price**

*a) Issues at less than Current Market Price*

If and whenever the (i) Issuer, any of its Subsidiaries or any other entity acting pursuant to specific arrangements with the Issuer, shall issue (other than by way of a subscription right) for cash any Ordinary Shares (other than Ordinary Shares issued on conversion of the Notes or on the exercise of any rights of conversion into, or exchange or subscription for or sale of, Ordinary Shares) or issue or grant for cash or for no consideration any options, warrants or other rights to subscribe for or purchase of any Ordinary Shares (other than the Notes), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant, or (ii) the Issuer, any of its Subsidiaries, or any other entity acting pursuant to specific arrangements with the Issuer, shall sell Ordinary Shares, held – whether directly or indirectly (also through Subsidiaries or fiduciary companies) – by the Issuer or any of its Subsidiaries, for a price less than 90% of the Current Market Price per Ordinary Share at the date of the sale, the Conversion Ratio shall be adjusted by multiplying the Conversion Ratio in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights, or of the sale of the Ordinary Shares directly held by the Issuer or by a Subsidiary;

- B is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or which are for sale, or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights; and
- C is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue or sale of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise to be made available to service the exercise of any such options, warrants or rights, would purchase at the Current Market Price per Ordinary Share.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

**"Current Market Price"** in this Article 10 means the arithmetic mean of the Official Prices of an Ordinary Share for the five Dealing Days (or, only for the purposes of section (ii) of the first paragraph under this Article 10 a), for the ten Dealing Days), immediately preceding the date of the first public announcement of the issue, grant, or sale as the case may be (the **"Averaging Period"**). If the Averaging Period includes a price ex-dividend (or ex- any other entitlement) (being an "ex-price") and during some other part of that period a price cum-dividend (or cum- any other entitlement) (being a "cum-price"), the Independent Financial Advisor shall adjust the arithmetic mean so that the difference between ex-price and cum-price is taken into account.

**"Official Price"** means, with respect to the MTA, the official price of the Ordinary Shares, as published by the MTA, or extracted from it, in the relevant Dealing Day.

*b) Modification of rights of conversion of other securities*

If and whenever there shall be any modification by the Issuer of the rights of conversion, exchange or subscription attaching to any such securities (other than the Notes), as are mentioned under letter a) above (except if such modification is in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the price per Ordinary Share has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification, the Conversion Ratio shall be adjusted by multiplying the Conversion Ratio in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the

Issuer for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);

- B is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or ratio but giving credit for any previous adjustment under this letter b); and
- C is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of conversion, exchange or subscription attached to the securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such securities.

Provided that if at the time of such modification (as used in this letter b), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this letter b), "B" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

#### **Article 11 - Noteholders' Rights in case of Change of Control**

If a Change of Control occurs and upon any exercise of Conversion Rights where a Conversion Notice is delivered during the Change of Control Period, the Conversion Ratio (the "**Change of Control Conversion Ratio**") shall be determined as set out below, but in each case adjusted, if appropriate, under Articles 8, 9 and 10 above.

$$\text{NCR} = \text{CR} \times (1 + \text{CP}) / ([1 + \text{CP} \times (1 - \text{R}/\text{T})])$$

where:

- NCR** shall mean the new Conversion Ratio in effect from the later of (i) the date when a Change of Control event occurs and (ii) the date of publication of a notice about a Change of Control event by the Issuer until the 60th calendar day after such event/notice (such 60th calendar day shall be the "**Final Date**");
- CR** shall mean the last Conversion Ratio in effect before the Change of Control;

- CP** is the initial conversion premium expressed as a percentage i.e., 26.85%;
- R** shall mean the number of days between the Final Date (inclusive) and the Final Maturity Date (excluded); and
- T** shall mean the number of days between the Issue Date (inclusive) and the Final Maturity Date (excluded).

A "**Change of Control**" occurs where:

- a) the person or persons – acting together – which did not control the Issuer at the Issue Date, acquire control or launch an offer for the acquisition of control of the Issuer (for the sake of clarity, any change or alteration of the Voting Rights held on the share capital of the Issuer by Fondazione Cassa di Risparmio di Genova e Imperia (or any other company controlled by the latter) (the "**Excepted Persons**") shall not constitute a Change of Control pursuant to this letter a), subject to the provisions under letters b) and c) below;
- b) an Excepted Person acquires additional Voting Rights on the Issuer's share capital, so that a compulsory tender offer on Banca Carige Shares is triggered pursuant to the applicable laws and regulations in force in the Republic of Italy; or
- c) an Excepted Person acquires more than 66.67% of the Voting Rights on the Issuer's share capital.

"**Change of Control Period**" means the period commencing on the date on which a Change of Control occurs and ending 60 calendar days following such date or, if later, 60 days following the date on which a Change of Control Notice is given as required in this Article.

Within 7 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Noteholders in accordance with Article 21 (a "**Change of Control Notice**"). Such notice shall contain a statement informing Noteholders of their entitlement to exercise their Conversion Rights as provided in these Terms and Conditions.

The Change of Control Notice shall also specify:

- (i) all information material to Noteholders concerning the Change of Control;
- (ii) the Conversion Ratio immediately prior to the occurrence of the Change of Control and the Change of Control Conversion Ratio applicable pursuant to this Article;
- (iii) the Official Price of the Ordinary Shares as at the latest practicable date prior to the publication of such notice;
- (iv) the last day of the Change of Control Period; and
- (v) such other information relating to the Change of Control necessary for the Noteholders.

## Article 12 – Early Redemption at the Option of the Issuer

After eighteen months from the Issue Date, subject to the provisions under Article 7 above, the Issuer may in any moment early redeem all the Notes in issue through the delivery of Ordinary Shares and cash (if any) (the “**Early Redemption Option**”) by publishing a notice at least twenty-three Business Days prior to the date of redemption (the “**Early Redemption Date**”), in accordance with Article 21 of these Terms and Conditions (the “**Notice of Exercise of the Early Redemption Option**”), stating the intention of the Issuer to exercise the Early Redemption Option and the settlement method.

The Issuer will ensure that the Early Redemption Date is fixed so that at least the last Business Day of the Conversion Period falls out of a Restricted Period and a Merger/Spin-Off Restricted Period.

In respect of each Note, on the Early Redemption Date the value to be reimbursed will be calculated as follows:

- (i) the Issuer will deliver to each Noteholder a number of Ordinary Shares, equal to 110% of the Conversion Ratio applicable immediately prior to the Early Redemption Date (the “**Early Redemption Shares**”);
- (ii) if the Number of Underlying Shares Parity Value (as defined below) is less than the Principal Amount of the Notes, pay the difference between the Principal Amount to be redeemed and the Number of Underlying Shares Parity Value in cash (the “**Cash Top-Up**”);
- (iii) pay (if any) the Early Redemption Premium (as defined below) in cash;
- (iv) pay interest accrued as from the Interest Payment Date immediately preceding the Early Redemption Date (including) and up to the Early Redemption Date (excluding);

The “**Number of Underlying Shares Parity Value**” means the product of (i) the applicable Conversion Ratio at the Early Redemption Date and (ii) the Market Value of the Ordinary Shares (as defined below).

The “**Market Value of the Ordinary Shares**” will be determined on the basis of the arithmetic mean of the Official Prices of one Ordinary Share during the Early Redemption Calculation Period.

“**Early Redemption Calculation Period**” starts from (and including) the third Dealing Day following the date of publication of the Notice of Exercise of the Redemption Option and ending (and including) on the sixth Dealing Day prior to the Early Redemption Date.

**“Early Redemption Premium”** means the higher of (i) zero and (ii) 10% of the Principal Amount per Note minus the product of (A) 10% of the Conversion Ratio immediately before the Early Redemption Date and (B) the Market Value of the Ordinary Shares.

Where a Noteholder - following the exercise of the Early Redemption Option by the Issuer, is entitled to a number of Early Redemption Shares that is not a whole number, the Issuer will proceed with the delivery of Ordinary Shares rounded down to the nearest whole number, and will pay a cash amount, rounded up to the nearest cent of Euro, in relation to the fraction, valued on the basis of the Market Value of the Ordinary Shares (the **“Early Redemption Cash Fraction”**).

In addition, the Issuer will make an additional cash payment, in respect of each Note held, for the difference between the Principal Amount per Note and the Early Redemption Date Value (as defined below), if the Early Redemption Date Value is less than the Principal Amount per Note. Such additional cash payment, if due according to the above, will be paid on the first Dealing Day following the Early Redemption Date.

**“Early Redemption Date Value”** means the sum of (i) the Cash Top-Up, (ii) the Early Redemption Premium, (iii) the Early Redemption Cash Fraction and (iv) the product of (A) the Early Redemption Shares and (B) the Official Price of the Ordinary Shares on the Early Redemption Date.

### **Article 13 - Redemption at the option of Noteholders**

Following the occurrence of a Change of Control, and provided that the rating of the Issuer and/or the Notes (at the date of the Change of Control) is decreased by an international rating agency as a consequence of the Change of Control, the holder of each Note will have the right to require the Issuer to redeem that Note in cash on the Change of Control Put Date at its Principal Amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Note must present such Note to the Participating Intermediary together with a duly completed and signed change of control put exercise notice (a **“Change of Control Put Exercise Notice”**) by no later than the last day of the Change of Control Period. A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Notes that are subject of a Change of Control Put Exercise Notice as aforesaid on the Change of Control Put Date.

The **“Change of Control Put Date”** shall be the tenth Business Day after the last day of delivery of the Change of Control Put Exercise Notice as provided above.

### **Article 14 - Final Redemption**

On the Final Maturity Date, the Notes which were not previously converted or redeemed by the Issuer will be redeemed in cash at their Principal Amount.

## Article 15 - Payments

Payment of principal, interest and other amounts due in relation to the Notes will be subject to fiscal and/or other Laws and regulations applicable in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

If any due date for payment of principal, interest or any other amounts in respect of any Note is not a business day, the payment will be made on the following business day.

Only for the purpose of this article, "business day" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) is operational.

Each payment due by the Issuer in respect of the Notes will be made by wire bank transfer to the current account indicated by the Noteholder to the Participating Intermediary acting as custodian of the relevant Notes.

## Article 16 - Taxation

The information below summarises the taxation of the Notes pursuant to Italian Law valid at the date of these Terms and Conditions.

The taxation information included below, considers - among others - the most recent modifications to the Italian Presidential Decree of 22 December 1986, no. 917 ("**D.P.R. 917/1986**" or "**TUIR**") up to the date of the issue, but it is not possible to exclude that in the future, new Laws will be introduced that could modify - completely or partially - the taxation information described below.

In any case, what follows shall not be considered an exhaustive analysis of the taxation Laws relevant to the Notes. Investors are encouraged to consult with their tax advisors regarding the tax regime applicable in their particular case in respect of the Notes.

### *Interest, premium and other amounts.*

The interest, premium and other amounts relevant to the Notes are under the taxation Law ordinarily applicable to interest, premium and other amounts in respect of notes issued by banks.

According to Article 1 paragraph 1 and to Article 2 of the Italian Legislative Decree no. 239 of 1 April 1996 ("**D.Lgs. 239/1996**"), interest, premium and other amounts relevant to notes issued by banks with a duration which is higher than 18 months, are subject to a substitute tax equal to 12.50 percent if perceived by the following subjects, resident in the Italian State (the so-called "**nettisti**"):

- a) individuals, even if running a commercial activity;
- b) partnerships, organisations that do not have commercial activities as their object, and partnerships for the exercise of Arts and professions;

c) public and private entities, different from companies, that do not have commercial activities as their exclusive or main object, according to Article 73, paragraph 1, letter c, of the D.P.R. 917/1986, including the subjects indicated in Article 74 of the D.P.R. 917/1986 (State and public entities);

d) subjects exempt from Corporate Taxes (“IRES”).

According to Article 5, paragraph 1, D.Lgs. 239/1996, individuals running commercial activities and public or private entities, different from companies, provided for by Article 73, paragraph 1, letter c, of the D.P.R. 917/1986, include in their own income the interest, premium and other amounts of the notes related to the commercial activities run, with the possibility to deduct the relative withholding from taxes. The substitute tax is applied, among others, by banks and fiduciary companies, brokerage firms, brokers and other financial intermediaries resident in Italy and authorised by the Minister of Economy and Finance, acting as custodian of the Notes.

According to Article 5, paragraph 2 D.Lgs. 239/1996, where the notes are not under the custody of the aforementioned authorised intermediaries, the substitute tax is applied by the intermediary who pays the interest, premium and other amounts relevant to the notes or by the Issuer itself.

Normally, the substitute tax is not applied on interest, premium and other amounts relevant to notes received by the following subjects resident in Italy (so-called “lordisti”):

a) partnerships such as “società in nome collettivo”, “società in accomandita semplice” and other equal types of partnership;

(b) companies such as “società per azioni” and “società in accomandita per azioni”, “società a responsabilità limitata”, “società cooperative” and “società di mutua assicurazione”;

(c) public and private entities, different from companies, with commercial activities as their exclusive or main object;

(d) undertaking for collective investment in transferable securities (as provided for by Law 23 March 1983, n. 77), undertaking for collective investment in transferable securities (as provided for by Law 14 August 1993, n. 344), companies such as “società di investimento a capitale variabile” (as provided for by Law 25 January 1992, n. 84), real estate investment funds (as provided for by Law 25 January 1994, n. 86), pension funds (as provided for by D.Lgs. 5 December 2005, n. 252), and undertaking for collective investment so-called “lussemburghesi storici” (as provided for by article 11-bis of the D.L. 30 September 1983, n. 512, converted into the law Law 25 November 1983, n. 649).

Included in the category of “lordisti” are also stable organizations in Italy of non resident companies or commercial entities to which the Notes are effectively connected.

In addition to the subjective features above, in order that interest, premium and other amounts relevant to the Notes may be received for their “gross” amount, i.e. without the application of the substitute tax, by the aforementioned subjects, it is, in general, necessary for

the notes to be deposited with the resident intermediaries defined above or non-resident intermediaries (CEDEL, EUROCLEAR).

Where the notes are under the custody of authorised intermediaries, the interest, premium and other amounts relevant to the notes received by resident subjects in the exercise of their normal business activity, participate in the formation of the total income subject to normal taxation on the income.

The interest, premium and other amounts relevant to the notes received by the so-called "organismi d'investimento collettivo del risparmio" ("O.I.C.R.") as provided for by Article 8, D.Lgs. 21 November 1997, no. 461 ("D.Lgs. 461/1997") are not subject to any withholding tax and participate as a whole in the formation of the annual matured result of the fund subject to substitute tax at a rate of 12.50%.

The income from the notes received by pension funds as provided for in D.Lgs. 5 December 2005, no. 252 participate as a whole in the formation of the annual matured result of the fund subject to substitute tax at a rate of 11%.

Pursuant to D.L. 25 September 2001, no. 351 ("D.L.351/2001") converted with modifications in Law 23 November 2001, no. 410, as subsequently modified by Article 41-bis of the D.L. 30 September 2003, no. 269, income received by Real Estate Investment Funds, including interest, premium and other amounts relevant to the convertible notes, are subject to taxation only at the moment of payment of the income relevant to each quota according to their own terms.

Pursuant to Article 6, D.Lgs 239/1996, the substitute tax is not applicable, when some conditions occur, to interest, premiums and other amounts received by:

- (a) subjects resident in states or countries included in the list provided by the Ministerial Decree issued pursuant to Article 168-bis of the D.P.R. 917/1986 or, until the fiscal year in which the aforementioned Decree will be published in the Gazzetta Ufficiale, if received by subjects resident in countries that allow an adequate exchange of information with Italy as indicated in the D.L. 4 September 1996 and following integrations and modifications;
- (b) Entities or international bodies established according to international treaties implemented in Italy;
- (c) Non-resident Institutional investors, although not subject to tax, established in a country which satisfies the requirements under (a);
- (d) Central banks or bodies which also manage the official reserve of a Country.

Exemption from substitute tax is applicable on the condition that the notes are deposited with an authorised intermediary.

For non-resident subjects, exemption from substitute tax is subject to the presentation of the documentation requested by the Ministry of Finance, stating the existence of the necessary

requirements. Where the aforementioned substantial and formal conditions are not verified, a substitute tax of 12.50% will be applied to the income, without prejudice to the application of more favourable conditions provided for by international conventions against double taxation stipulated by Italy, i.e. D.Lgs. 30 May 2005, no. 143, when applicable.

Notwithstanding the foregoing, pursuant to Article 26 paragraph 1 D.P.R. n. 600 /1973, to the extent the Notes are redeemed within 18 months from the issue date, a sum equal to 20 per cent will be due by the Issuer on interest, premium and other amounts accrued until the early redemption date,.

### *Capital Gain on the sale of the Notes*

Generally, capital gains on the sale of the Notes are subject to different taxation according to the type of investor effecting such sale. Pursuant to Laws in force, the sale of “securities or rights through which it is possible to acquire participations” (such as the Notes) can be assimilated to the sale of participations, and subject to applicable taxation. In particular, capital gains are considered other income of financial nature subject to taxation with the same conditions established for the capital gains on sales of share participations (Article 67 and following of the TUIR) distinguishing whether the sales of the Notes is referred to “non-qualified” or “qualified” participation.

For the purpose of the above provisions, holdings are considered to be “qualified” if they represent, in the case of listed companies, more than 2% of the voting rights in the issuer’s shareholders meeting or, alternatively, a percentage higher than 5% of the share capital or of equity. To establish whether such percentages are exceeded, securities or rights which entitle acquisition of qualified holdings (i.e. subscription and acquisition warrants, options to acquire holdings, option rights as defined in Articles 2441 and 2420-bis of the Civil Code and convertible notes) shall be taken into account. As a consequence, there could be a case of sale of qualified holdings even if securities or rights are sold which, considered separately or together with the other holdings sold, represent a percentage of the voting rights and of the capital above the thresholds indicated.

In order for a sale to be considered qualified two requirements must be contemporaneously satisfied by the seller:

- the percentage of qualified holdings is met;
- the percentage holding transferred exceeds the above-mentioned limits, over the twelve-month period running from the date the above requirement was met.

Fiscal treatment reserved to specific types of investors is reported below.

#### *(i) Individuals who are fiscally resident in Italy, partnerships such as “società semplici” and equal types of partnership*

Capital gains, different from those perceived in the exercise of business activities, realised by individuals fiscally resident in Italy, as well as partnerships such as “società semplici” and

*equal types of partnership*, through the sale of Notes, are subject to different taxation if the sale is referred to a:

- *Non-qualified holding*

Capital gains realised by individuals fiscally resident in Italy, through the sale of Notes which refer to non-qualified holdings, are subject to a substitute tax of 12.50%. In that case, the seller may opt for the gain to be taxed based on the regime of tax return, administered savings regime or managed savings regime, respectively pursuant to Article 5, 6 and 7 of D.Lgs. no. 461 of 21 November 1997.

- *Qualified holding*

Capital gains realised by individuals fiscally resident in Italy through the sale of Notes which refer to qualified holdings, are added to the income, subject to a progressive tax rate of 49.72% of their amount.

***(ii) Individuals operating business activities, partnerships such as “società in nome collettivo”, “società in accomandita semplice” and equal subjects (Article 5 of the TUIR), companies such as “società di capitali” and business entities (Article 73, paragraph 1, letter a), b) of the TUIR) and non-resident subjects with stable organisation in Italy.***

Capital gains realised, through the sale of the Notes, by individuals **operating** business activities, partnerships such as “società in nome collettivo”, “società in accomandita semplice” and equal subjects, as provided for by Article 5 of the TUIR, with the exclusion of “società semplici”, “società di capitali” and business entities, as provided for by Article 73, paragraph 1, letter a), b) of the TUIR, or by non-resident subjects in Italy with stable organisation in Italy, are added to the selling company’s income. Pursuant to Article 86, paragraph 4 of the TUIR, if the Notes have been held for a period not less than three years, the capital gains can, at the choice of the tax payer, be added to the income in constant quotas in the fiscal year of the sale and in the following, but no further than the fourth.

***(iii) Non commercial entities***

Capital gains realised by non commercial entities fiscally resident in Italy that do not have commercial activities as exclusive or main object, are subject to taxation on the basis of conditions applicable to individual resident subjects, as per paragraph (i) above.

***(iv) Italian Pension Funds and O.I.C.R.***

Capital gains realised by Italian Pension Funds provided for by D.Lgs. 5 December 2005 no. 252 and by O.I.C.R. subject to the provisions of Article 8, paragraphs 1 to 4, of the D.Lgs. no. 461 of 21 November 1997 (Undertaking for collective investment in transferable securities and SICAV), are added to the annual matured result subject to substitute taxation at a rate (i) of 11% for pension funds, and (ii) 12.50% for O.I.C.R.

***(v) Real Estate Investment Funds***

Capital gains realised by Real Estate Investment Funds established pursuant to Article 37 of the D.Lgs. no. 58 of 24 February 1998 or Article 14-bis of the Law no. 86 of 25 January 1994, are not subject to taxation .

*(vi) Subjects not fiscally resident in Italy, that do not have a stable organisation in Italy.*

- *Non-qualified holdings*

Capital gains realised by subjects not fiscally resident in Italy and that do not have a stable organisation in Italy, through the sale of Notes which refer to non-qualified holdings, are not subject to taxation in Italy if, the Notes both (i) are traded on regulated exchanges and (ii) allow the subscription for non-qualified capital or equity holdings in a resident company listed on regulated exchanges.

- *Qualified holdings*

Capital gains realised by subjects not fiscally resident in Italy and that do not have a stable organisation in Italy, through the sale of Notes which refer to qualified participations, are added to the seller's income for 49.72% of their amount, and are subject to different taxation in the case that they are individuals, companies or entities.

Furthermore, such capital gains are not subject to taxation in Italy if the seller is resident in a State that has agreed a Convention with Italy against double taxation, pursuant to which the taxation is reserved exclusively to the State of residence of the seller (according to Article 13, paragraph 5 of the Convention Model against double taxation elaborated by OCSE).

In addition, capital gains on sale of Notes, which refer to non-qualified holdings, are not subject to taxation in Italy, if the seller is resident in one of the States listed in Article 6 of the D.Lgs. no. 239 of 1 April 1996.

According to the different cases, the possibility to benefit from the aforementioned exemption from taxation on capital gains is subordinated to the presentation of suitable documentation stating the existence of the relevant application requirements.

### **Article 17 - Events of Default**

Irrespective of the Final Maturity Date, the Notes shall immediately become due and repayable at their Principal Amount together with accrued interest if any of the following events (each an "**Event of Default**") shall have occurred, upon due request of the *rappresentante comune*, if appointed pursuant to Article 2417 of the Italian Civil Code, or alternatively upon due request of Noteholders holding, in the aggregate, at least 30% of the Principal Amount of the Notes then outstanding:

- (a) the Issuer fails to pay the principal of or interest on any of the Notes when due and, in the case of interest, such failure continues for a period of five days; or

- (b) the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer by the relevant Noteholder; or
- (c) (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised, becomes due and payable or is capable of becoming due and payable prior to its stated maturity by reason of default, or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace periods, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this sub-paragraph (iii) have occurred equals or exceeds Euro 20,000,000 or its equivalent in another currency; or
- (d) a seizure, distress, attachment, execution or legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 30 days (except for distresses against the Issuer or any of its Subsidiaries upon assets which are not owned by the Issuer or any of its Subsidiaries); or
- (e) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries over any material part of the property, assets or revenues of the Issuer or such Subsidiary becomes enforceable and every required step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (f) the Issuer or any of its Subsidiaries is (or is, or could be, adjudicated by a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
- (g) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases, to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(h) any other event occurs that, pursuant to Italian, produces effects which are analogous to those described under the letters above law.

#### **Article 18 - Prescription**

The rights of the Noteholders shall prescribe within 5 years from the relevant Payment Date, in the case of payment of interest, or 10 years from the date on which the entitlement of the Notes ends, in the case of principal, and in respect of any other amounts payable in respect of the Notes.

#### **Article 19 - Listing**

The Issuer will apply to Borsa Italiana S.p.A. to request admission to trading for the Notes.

#### **Article 20 - Governing Law and Jurisdiction**

The Notes are governed by Italian Law. The Court of Genoa shall have jurisdiction in order to settle any disputes which may arise from or in connection with the Notes or with these Terms and Conditions.

#### **Article 21 - Miscellaneous**

The title to the Notes implies full acceptance of all conditions stated in these Terms and Conditions. With regard to what is not expressly stated in these Terms and Conditions, Italian Law shall be applicable.

Without necessity of the prior permission of the Noteholders, the Issuer can modify these Terms and Conditions as it deems necessary or appropriate, for the purpose of eliminating material mistakes as long as such modifications do not prejudice the rights and interests of the Noteholders .

All notices to Noteholders shall be published in a daily newspaper of general circulation in the Republic of Italy and in English and Italian on the bank's website ([www.gruppocarige.it](http://www.gruppocarige.it)), where Italian Law does not state otherwise.