



Banca Lombarda e Piemontese

Banca Lombarda e Piemontese S.p.A.

(Incorporated with limited liability in the Republic of Italy)

Euro 6,000,000,000

Euro Medium Term Note Programme

Arranger

UBS Investment Bank

Dealers

ABN AMRO

BNP PARIBAS

Citigroup

Credit Suisse

DEXIA Capital Markets

Goldman Sachs International

JPMorgan

Mediobanca S.p.A.

Morgan Stanley

Nomura International

UBM–UniCredit Banca Mobiliare

Barclays Capital

Caboto

CALYON Corporate and Investment Bank

Deutsche Bank

Dresdner Kleinwort Wasserstein

ING Wholesale Banking

Lehman Brothers

Merrill Lynch International

Natexis Banques Populaires

**Société Générale Corporate & Investment
Banking**

Under the Euro Medium Term Note Programme described in this Prospectus (the “Programme”), Banca Lombarda e Piemontese S.p.A. (the “Issuer” or “Banca Lombarda”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “Notes”). The aggregate nominal amount of Notes outstanding will not at any time exceed 6,000,000,000 (or the equivalent in other currencies).

This Prospectus supersedes any offering circular with respect to the Programme issued prior to the date hereof. Any Notes issued under the Programme on or after the date of this Prospectus are subject to the provisions described herein, but this Prospectus does not affect the terms of any Notes issued prior to the date hereof.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the “CSSF”) in its capacity as competent authority under Directive 2003/71/EC (the “Prospectus Directive”) and relevant implementing laws and regulations, to approve this Prospectus and application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the “Market”). The Market is a regulated market for the purposes of the Investment Services Directive 1999/22/EC. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List of the Luxembourg Stock Exchange and/or admitted to trading on the Market.

Each Series (as defined on page 9) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “temporary Global Note”) or a permanent global note in bearer form (each a “permanent Global Note”). Notes in registered form will be represented by registered certificates (each a “Certificate”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Global Notes and Certificates may (or in the case of Notes listed on the Luxembourg Stock Exchange will) be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) or in any other agreed clearing system. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”.

Tranches of Notes (as defined in “General Description of the Programme”) may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

As more fully set out in “Taxation – Republic of Italy” page 82, payments of interest, premium or other amounts relating to Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) having a maturity of at least 18 months, are subject in principle to a 12.5% substitutive tax (*referred to as imposta sostitutiva*), in certain circumstances. In order to obtain an exemption from the *imposta sostitutiva* in respect of payments of interest, premium or other amounts relating to the Notes, each Noteholder not resident in the Republic of Italy is generally required to certify that such Noteholder is deemed to be resident in a country which allows for a satisfactory exchange of information with the Republic of Italy, and the beneficial owner of payments of interest, premium or other amounts relating to the Notes, all as more fully set out in “Taxation – Republic of Italy”. Notes with an original maturity of less than 18 months or qualifying as atypical securities (*titoli atipici*) are subject to a withholding tax at the rate of 27% per annum in respect of interest and premium or other amounts relating to the Notes, all as more fully set out in “Taxation – Republic of Italy”. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such deduction or withholding.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and relevant implementing laws and regulations, and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the “Group” or the “Banca Lombarda Group”) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below).

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

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “Subscription and Sale”.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Prospectus. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche (as defined in “General Description of the Programme”), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) in the applicable Final Terms (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes (provided that, in the case of any Tranche to be admitted to trading on the Market, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which

might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “Sterling” and “£” are to the lawful currency of the United Kingdom and to “euro”, “EUR” and “€” are to the single currency of those member states of the European Union participating in the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be the arithmetical aggregate of their components.

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Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2004 and 31 December 2003, respectively, together, in each case, with the audit report thereon, and the unaudited consolidated interim financial statements of the Issuer for the nine months ended 30 September 2005 which have been previously published or are published simultaneously with this Prospectus or filed with the CSSF. Such documents shall be deemed to be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Copies of documents incorporated herein by reference may be obtained, free of charge, at the specified office of the Paying Agent in Luxembourg and will also be available to view on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Group has prepared its unaudited consolidated interim financial statements for the six months ended 30 June 2005 and nine months ended 30 September 2005 in accordance with international accounting standards (IAS/IFRS) in accordance with Regulation n. 1606/02 issued by the European Commission. However in this Prospectus, for comparative purposes with the financial statements for the six months ended 30 June 2004 and for the nine months ended 30 September 2004, respectively, unless specified as being calculated in accordance with IAS and/or IFRS, any figures shown as at, or for a period ended on, a particular date have been calculated in accordance with the provisions of Italian Legislative Decree No. 87 of 27 January 1992, and supplemented by the accounting principles issued by the Italian accounting professional bodies, the *Consiglio Nazionale dei Dottori Commercialisti* and the *Consiglio Nazionale dei Ragionieri* (together, "Italian GAAP").

For ease of reference, the table below sets out the relevant page references for the financial statements, the notes to the financial statements and the auditors' reports for the years ended 31 December 2003 and 31 December 2004 and the interim financial statements for the nine months ended 30 September 2005 as set out in the respective annual reports or interim report.

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

Supplement to the Prospectus

Pursuant to Article 16 of the Prospectus Directive as implemented by the relevant Luxembourg laws and regulations, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes, whose inclusion in, or removal from, this Prospectus is necessary, for the purpose of enabling an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and to the Luxembourg Stock Exchange such number of copies of such supplement hereto as such Dealer and the Luxembourg Stock Exchange may reasonably request.

The Issuer has given an undertaking to that effect in the agreement with the Dealers.

General Description of the Programme

The following overview is drafted for convenience purposes only and must not be read and construed as a “summary” for the purposes of the Prospectus Directive. It must be read as an overview or a general description of the Programme which, consequently, does not purport to be complete. Any decision to invest in the Notes should, therefore, be based on a consideration of this Prospectus as a whole, including the Final Terms and the documents incorporated by reference.

The information contained in this overview is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer may agree with any Dealer that Notes may be issued in a form other than that contemplated in “Terms and Conditions of the Notes” herein, in which event a supplement to this Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this overview.

Issuer	Banca Lombarda e Piemontese S.p.A.
Description	Euro Medium Term Note Programme
Size	Up to €6,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger	UBS Limited
Dealers	UBS Limited ABN AMRO Bank N.V. Banca Caboto S.p.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited CALYON Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Dexia Banque Internationale à Luxembourg, société anonyme, acting under the name of Dexia Capital Markets Dresdner Bank Aktiengesellschaft Goldman Sachs International ING Bank N.V. J. P. Morgan Securities Ltd. Lehman Brothers International (Europe) Mediobanca - Banca di Credito Finanziario S.p.A. Merrill Lynch International Morgan Stanley & Co. International Limited Natexis Banques Populaires Nomura International plc Société Générale UniCredit Banca Mobiliare S.p.A.

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

General Description of the Programme

Fiscal Agent	Citibank, N.A.
Registrar	Citibank, N.A.
Method of Issue	<p>The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates.</p> <p>The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the relevant Final Terms (the “Final Terms”).</p>
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes may be issued in bearer form only (“Bearer Notes”), in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) or in registered form only (“Registered Notes”). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “General Description of the Programme – Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “Global Certificates”.
Clearing Systems	<p>Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system (including, without limitation, <i>Monte Titoli</i>) as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.</p> <p>Pursuant to Legislative Decree No. 213 of 24 June 1998 and regulations of the <i>Commissione Nazionale per le Società e la Borsa</i> (“CONSOB”), all Issuer securities cleared through <i>Monte Titoli</i> will be required to be in dematerialised form.</p>
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Australian dollars, Canadian dollars, euro, New Zealand dollars, Swiss francs, US dollars or Yen or in any other currency agreed between the Issuer and the relevant Dealers.

General Description of the Programme

Maturities	No maximum or minimum maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. As at the date hereof, (i) Lower Tier II Subordinated Notes will have a maturity of not less than five years, (ii) Upper Tier II Subordinated Notes will have a maturity of not less than 10 years and (iii) Tier III Subordinated Notes will have a maturity of not less than two years.
Denomination	The Notes will be in such denominations as may be specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none">(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. <p>Interest periods will be specified in the relevant Final Terms.</p>
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Variable Coupon Amount Notes	The Final Terms issued in respect of each issue of variable coupon amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Final Terms.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

General Description of the Programme

Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms and supplemental Prospectus.
Redemption	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
Status of Notes	Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer. Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes all constitute subordinated obligations of the Issuer. All are described in “Terms and Conditions of the Notes – Status”.
Loss Absorption on Upper Tier II Subordinated Notes	To the extent that the Issuer at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code, would require the Issuer to reduce its capital to below the minimum capital required for the Issuer as provided by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy’s authorisation to conduct banking activity, the obligations of the Issuer in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer, in accordance with the requirements of Italian law, to maintain at least the required minimum capital required by its banking licence. The obligations of the Issuer in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.
Deferral of Interest on Upper Tier II Subordinated Notes	The Issuer is not required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved by the shareholders of the Issuer or paid in respect of any class of shares during the 12-month period ended on the date immediately preceding such Interest Payment Date; or (ii) the Board of Directors of the Issuer has announced at the time of publication of any interim accounts of the Issuer published during the six months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

General Description of the Programme

Tier III Subordinated Notes	Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period, as specified in the relevant Final Terms, and (ii) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal amount cannot be effected if such payments or repayment would reduce the total value of the Issuer's assets below the minimum capital requirements of Italian law.
Negative Pledge	Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Negative Pledge".
Cross Default	Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Events of Default".
Early Redemption	Except as provided in "Optional Redemption" below, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Optional Redemption	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption. Under applicable laws and regulations at the date of this Prospectus, Lower Tier II Subordinated Notes may not be repaid, other than for taxation reasons (subject to the prior approval of the Bank of Italy) or following an Event of Default, prior to five years from the relevant Issue Date, Upper Tier II Subordinated Notes may not be repaid prior to ten years from the relevant Issue Date and in any case subject always to the prior consent of the Bank of Italy and Tier III Subordinated Notes may not be repaid prior to two years from the relevant Issue Date.
Withholding Tax	All payments of principal, interest, premium and other amounts in respect of the Notes will be made free and clear of withholding, or deductions for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such a case, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to customary exceptions (including the ICMA Standard EU Exceptions), all as described in "Terms and Conditions of the Notes – Taxation".
Governing Law	The Notes and all related contractual documentation will be governed by, and construed in accordance with English law with the exception of subordinated provisions of Subordinated Notes which will be governed by Italian law.
Listing	The Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Ratings	Tranches of Notes may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

General Description of the Programme

Selling Restrictions

United States, European Economic Area (in respect of Notes having a denomination of less than 50,000 (or its equivalent in any other currency as at the date of issue of the Notes)), United Kingdom, Republic of Italy, France, Japan and the Netherlands. See “Subscription and Sale”.

The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus or incorporated by reference herein and reach their own views prior to making any investment decision.

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

Competition

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

Credit risks

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in the Italian, European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of the Issuer's assets and require an increase in the Issuer's provision for bad and doubtful debts and other provisions.

Operational risks

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

Risks connected with the provision of credit losses

The Group's provisions for credit losses provide for losses inherent in loans and advances and other credit exposures. Estimating losses is inherently uncertain and depends on many factors, including general economic conditions, rating migration, structural and technological changes within industries and changes in customer preferences that alter competitive positions, mismanagement by customers and other external factors such as legal and regulatory requirements.

Risks associated with the preparation of financial statements in compliance with International Financial Reporting Standards ("IFRS")

Until the end of 2004, the Group prepared its financial statements in compliance with Legislative Decree n. 87 of January 27, 1992 and relevant enacting instructions issued by the Bank of Italy and CONSOB. Since 2005, the Group is required to prepare its financial statements in compliance with the international accounting

standards (IAS/IFRS) in accordance with Regulation n. 1606/02 issued by the European Commission. The application of the foregoing accounting standards may materially affect the Group's net income for the year, as well as its consolidated net equity. The Group has prepared its unaudited consolidated interim financial statements for the six months ended 30 June 2005 and for the nine months ended 30 September 2005 in accordance with IAS/IFRS to which any prospective investor shall make reference for any further evaluation as to the impact of the application of the IAS/IFRS to the financial statements of the Group. Due to the changes in standards applied, the financial statements of the Group prepared in accordance with IAS/IFRS could differ significantly from those prepared in accordance with the previous accounting principles previously used.

Risks connected with geographical concentration of business

The Group has a widespread geographic distribution of over 700 branches located in the North of Italy and it has strong territorial roots in certain regions (particularly in Lombardy and Piedmont) where it has historically operated. Consequently, a downturn in the Italian economy could materially adversely effect the business of the Issuer.

Risks connected with the creditworthiness of customers

The Group's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls which includes customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. Any failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Group's business and financial results.

Risks connected with information technology

The Group's business relies upon integrated information technology systems. It relies on the correct functioning and reliability of such systems and on its ability to protect the network infrastructure, information technology equipment and customer information from losses caused by technical failure, human error, natural disaster, sabotage, power failures and other losses of function to the system. The loss of information regarding customers, or other information central to its business, such as credit risk control or a material interruption in the service could have a material adverse effect on its results of operations. In addition, upgrades to the information technology systems required by law or necessitated by future business growth may require significant investments.

Regulatory developments

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

Italian Law no. 262/2005 and its impact on the Italian financial market

On December 23, 2005 the Italian Parliament passed Law N. 262, so called "*DDL Risparmio*" ("Law 262/2005") which provides, *inter alia*, for material amendments to the rules governing the placement of securities in Italy to retail investors by setting forth, *inter alia*, the following provisions:

- (i) repeal of Article 100, paragraph 1 (f) of the Italian Financial Services Act, concerning the exemption from public offering rules applicable to securities (other than shares and instruments providing for the possibility of subscribing shares) issued by banks and to insurance products issued by insurance companies (see Art. 11, paragraph 2 (b) of Law 262/2005);
- (ii) introduction, after Article 100 of the Italian Financial Services Act, of a new Article 100-bis, concerning the placement of securities in Italy (Art. 11, paragraph 2 (c) of Law 262/2005). Art. 100-bis of the Financial Service Act provides that, in case of subsequent placement of securities initially issued/offered in Italy to professional investors, the intermediary transferring such securities to retail investors, even where the sale is effected on unsolicited basis upon specific request of the retail investor, shall either i) guarantee the solvency of the issuer for the period of one year from the date of issue, or ii) provide the retail

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investors acquiring the securities with a disclosure document including the information that will be required by CONSOB;

- (iii) introduction, after Article 25 of the Italian Financial Services Act, of a new Article 25-bis, concerning the financial products issued by banks and by insurance companies (see Art. 11, paragraph 3 of Law 262/2005);
- (iv) introduction of new rules with respect to the sharing of competences among Italian supervisory authorities as to the transparency of contractual conditions relating to banks, financial intermediaries, insurance companies and pension funds (see Art. 25 of Law 262/2005).

The provisions set forth by the above mentioned Art. 11, paragraph 2, letters b) and c), Art. 11, paragraph 3 (with respect to insurance products only) and Art. 25 (with respect to insurance companies only) were originally intended to enter into force, along with most of the provisions of Law 262/2005, on 12 January 2006. Pursuant to law-decree No 4/2006, recently converted into law by the Italian Parliament, the entering into force of such provisions has been postponed to 17 May 2006, or to the different date on which the relevant CONSOB implementing regulations (if any) will enter into force. The deadline for the issue by CONSOB of the relevant implementing regulations is 12 January 2007. As a consequence of the forthcoming entering into force of the Law 262/2005 – along with any requested further regulatory provisions to be enacted by both Bank of Italy and CONSOB – securities issued by banks and insurance products under point i) will be subject to the Financial Services Act rules governing public offerings in Italy and prospectus requirements which could render more burdensome the placement of securities to retail investors thus having a material effect on the ability of banks to raise funds from retail investors.

Capital requirements

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

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

Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes issued under the Programme may be complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of those features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment when due could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuer's obligations under Subordinated Notes are subordinated

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated, unsecured creditors. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

RISKS RELATED TO NOTES GENERALLY

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

Meetings of Noteholders

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

Basel Capital Requirements Directive

The Basel Committee has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The Issuer cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of its Notes issued under the Programme. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the potential application of the New Basel Capital Accord proposals.

EU Savings Directive

Under EC Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required, save as provided in the Terms and Conditions of the Notes, to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Terms and Conditions of the Notes are governed by English law (except Conditions 3(b), 3(c), 3(d) and 3(e) which are governed by Italian law) in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or Italian law or administrative practice in either of those jurisdictions after the date of issue of the relevant Notes.

Integral multiples of less than 50k

Although Notes which are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive are required to have a minimum Specified Denomination of 50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), it is possible that the Notes may be traded in the clearing systems in amounts in excess of 50,000 (or its equivalent) that are not integral multiples of 50,000 (or its equivalent). In such a case, should definitive Notes be required to be issued, Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

RISKS RELATED TO THE MARKET GENERALLY

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

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or

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revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Terms and Conditions of the Notes

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

The Notes are issued pursuant to an amended and restated fiscal agency agreement (as amended, supplemented or replaced as at the Issue Date, the “Agency Agreement”) dated 8 March 2006 between Banca Lombarda e Piemontese S.p.A. (the “Issuer”), Citibank, N.A. in its capacities as fiscal agent (the “Fiscal Agent”, which expression shall include any successor to Citibank, N.A. in its capacity as such) and as transfer agent, Citibank, N.A. in its capacity as registrar (the “Registrar”, which expression shall include any successor to Citibank, N.A. in its capacity as such) and Dexia Banque Internationale à Luxembourg, as paying agents (together with the Fiscal Agent, the “Paying Agents”, which expression shall include any successor or additional paying agents appointed in accordance with the Agency Agreement) and as transfer agents (together with the transfer agent mentioned above, the “Transfer Agents”, which expression shall include any successor or additional transfer agents appointed in accordance with the Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculations in accordance with the Conditions of any Series of Notes (as defined below), the Bank may appoint a calculation agent (the “Calculation Agent”) for the purposes of such Notes, in accordance with the provisions of the Agency Agreement, and such Calculation Agent shall be specified in the applicable Final Terms. The Notes have the benefit of an Amended and Restated Deed of Covenant (as amended, supplemented or replaced, the “Deed of Covenant”) dated 8 March 2006 executed by the Issuer in relation to the Notes. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Paying Agents, the Registrar and the Transfer Agents. All persons from time to time entitled to the benefit of obligations under the Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a “Series”), and each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) of Notes. Each Tranche will be subject of Final Terms (each, a “Final Terms”), a copy of which will be available during normal business hours at the specified office of the Fiscal Agent or, as the case may be, the Registrar. In the case of a Tranche of Notes in relation to which application has not been made for listing on any stock exchange, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, a Beneficiary (as defined in the Deed of Covenant) in respect of, such Notes.

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

References in these Terms and Conditions to the Final Terms are to the Final Terms prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Final Terms.

As used in these Terms and Conditions, “Tranche” means Notes which are identical in all respects.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“Bearer Notes”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“Registered Notes”) or in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”), in each case in the Specified Denomination(s) shown in the relevant Final Terms provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

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

So long as the Notes are represented by a temporary Global Note, permanent Global Note or Global Certificate and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided herein and integral multiples of the Tradeable Amount in excess thereof provided in the relevant Final Terms.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the relevant Final Terms.

Bearer Notes are serially numbered and have attached thereto at the time of their initial delivery coupons (“Coupons”) (and, where appropriate, a talon (“Talon”)), save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more payment receipts (“Receipts”) attached in respect of the instalments of principal.

Registered Notes are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

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

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

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

- (a) **Exchange of Exchangeable Bearer Notes:** Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the

Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning the transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and/or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Exchange Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for

one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. STATUS

- (a) **Status of Senior Notes:** The Senior Notes (being those Notes that specify their status as Senior) and the Receipts and Coupons relating to them constitute (subject to Condition 4) unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
- (b) **Status of Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes:** The Lower Tier II Subordinated Notes (*Passività Subordinate* as defined in the Bank of Italy's regulations (*Istruzioni di Vigilanza per le banche della Banca d'Italia*) (the "Bank of Italy's Regulations")) and Upper Tier II Subordinated Notes (*Strumenti Ibridi di Patrimonializzazione*, as defined in the Bank of Italy's Regulations) (being those Notes that specify their status as Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, respectively) (together, "Subordinated Notes", which term shall also include any Tier III Subordinated Notes as referred to in Condition 3(e)) and the Receipts and Coupons relating to them constitute unsecured obligations of the Issuer and, subject to Condition 3(c), the Lower Tier II Subordinated Notes rank *pari passu* and without any preference among themselves and the Upper Tier II Subordinated Notes rank *pari passu* and without any preference among themselves. In relation to each Series of Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, all Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, of such Series. In the event of the bankruptcy, dissolution or winding-up of the Issuer, the payment obligations of the Issuer under all Subordinated Notes and the Receipts and Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Subordinated Notes and in priority to the claims of shareholders of the Issuer.
- (c) **Special Provisions relating to Upper Tier II Subordinated Notes:** To the extent that the Issuer at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code, would require the Issuer to reduce its capital to below the minimum capital required by its banking licence (as determined by the external auditors of the Issuer), the obligations of the Issuer in respect of interest and principal under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer, in accordance with the requirements of Italian law, to maintain at least the required minimum capital. The obligations of the Issuer in respect of interest and principal due under the Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the maturity date of the relevant obligation has occurred:
- (i) in whole, in the event of bankruptcy, dissolution, liquidation or winding-up of the Issuer or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa* and with effect prior to the commencement of such bankruptcy, dissolution, liquidation or winding-up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Issuer were not so reduced in accordance with this Condition 3(c); and
 - (ii) in whole or in part, from time to time, to the extent that the Issuer, by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the minimum capital and would not be required, in accordance with Articles 2446 and 2447 of the Italian Civil Code, to reduce its capital to below the minimum capital.
- (d) **Deferral of Interest:** The Issuer is not required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (a) no annual dividend had been approved by the shareholders of the Issuer or paid in respect of any class of shares during the 12-month period on the date

immediately preceding such Interest Payment Date; or (b) the Board of Directors of the Issuer has announced at the time of publication of any interim accounts of the Issuer published during the six months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

Unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amounts in respect of such arrears of interest) become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that the Issuer makes payment of or in respect of amounts of interest on or in relation to any other *pari passu* claims; and (ii) in full on the earliest to occur of (x) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of share of the Issuer; (y) the date for repayment of the Upper Tier II Subordinated Notes; and (z) the insolvency of the Issuer or the date the Issuer becomes subject to a liquidation order.

- (e) **Tier III Subordinated Notes:** Tier III Subordinated Notes (*Prestiti Subordinati di 3° Livello*, as defined in the Bank of Italy's Regulations) (being those Notes that are specified in the relevant Final Terms as being Tier III Subordinated Notes) and the Receipts and Coupons relating to them constitute unsecured obligations of the Issuer and rank *pari passu* among themselves. Tier III Subordinated Notes shall be subject to the same restrictions and shall have the same status provided in respect of similar indebtedness qualifying as Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period, as specified in the relevant Final Terms, and (ii) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal amount cannot be effected if such payments or repayment would reduce the total value of the Issuer's assets below the minimum capital requirements of Italian law.

The *fondo di tutela dei depositi* (i.e., depositor insurance fund) does not apply to subordinated debt.

4. NEGATIVE PLEDGE

- (a) **Restriction:** So long as any of the Senior Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement):
- (i) the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt;
 - (ii) the Issuer shall procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Issuer's Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer's Relevant Debt or (y) where the person in question is a Subsidiary (as defined in Condition 4(b)) of the Issuer any of the Relevant Debt of any person other than that Subsidiary, or any guarantee of or indemnity in respect of any such Relevant Debt; and
 - (iii) the Issuer shall procure that no other person gives any guarantee of, or indemnity in respect of, any of its Relevant Debt

unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes, Receipts and Coupons (x) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (y) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Senior Noteholders.

- (b) **Definitions:** "Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue and issued with a view to being distributed (in whole or in part) outside the Republic of Italy.

“Subsidiary” means, at any particular time, a company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its respective Subsidiaries. For a company to be “controlled” by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

5. INTEREST AND OTHER CALCULATIONS

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) **Interest Payment Dates:** Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

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

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a

Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the relevant Final Terms;
- (b) the Designated Maturity is a period specified in the relevant Final Terms; and
- (c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

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

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (a) (i) the offered quotation; or
- (ii) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

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

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

- (iv) **Rate of Interest for Index Linked Interest Notes:** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or Formula as specified in the relevant Final Terms.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Final Terms.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**
 - (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph;

- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be;
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.
- (h) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as early as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:
 - “Business Day” means:
 - (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

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

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

- (i) if “Actual/365” or “Actual/Actual – ISDA” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31 day of a month but the first day of the Calculation Period is a day other than the 30 or 31 day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if “30E/360” or “Eurobond Basis” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (vi) if “Actual/Actual – ICMA” is specified in the relevant Final Terms:
 - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“Determination Date” means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be, and in the case of Index Linked Interest Notes, includes the Coupon.

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the relevant Final Terms.

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

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

“ISDA Definitions” means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon. “Reference Rate” means the rate specified as such hereon.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“Specified Currency” means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Notes are denominated.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

- (k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (c) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the

Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Final Terms.

- (ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.
- (c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, (but subject to consent thereto having been obtained from the Bank of Italy in the case of Subordinated Notes) on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), or, if so specified in the relevant Final Terms, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.
- (d) **Redemption at the Option of the Issuer**: If Call Option is specified in the relevant Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms) (but subject to consent thereto having been obtained from the Bank of Italy in the case of Subordinated Notes) redeem all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading

newspaper of general circulation in Luxembourg a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

Under Bank of Italy Regulations, Senior Notes may not be redeemed at the option of the Issuer prior to the date falling 18 months after their date of issue.

(e) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options:**

This Condition 6(e) applies only to Senior Notes.

If Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmaturing Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

Under Bank of Italy Regulations, Senior Notes may not be redeemed at the option of Noteholders prior to the date falling 24 months after their date of issue.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the relevant Final Terms.
- (g) **Purchases:** The Issuer and any of its subsidiaries (with the consent of the Bank of Italy in the case of Subordinated Notes) may at any time purchase Notes (provided that all unmaturing Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmaturing Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmaturing Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS AND TALONS

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

- (b) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
 - (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the sole opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes which, so long as the Notes are listed on the Luxembourg Stock Exchange, will have a specified office in Luxembourg, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, one of which will be Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange and the other of which shall be in a country outside the European Union, (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to (a) the European Council Directive 2003/48/EC of 3 June 2003 or any other European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, or (b) any agreements entered into by the European Community in connection with such Directives, or (c) any law implementing or complying with, or introduced in order to conform to such Directives.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and Receipts and unexchanged Talons:**
- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Interest Notes), they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Interest Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Additional Financial Centres” in the relevant Final Terms and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levies, collected, withheld or assessed by or within the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required. The requirement to pay such additional amounts shall not apply:

- (a) in respect of any Note, Receipt or Coupon presented for payment:
 - (i) in the Republic of Italy
 - (ii) by or on behalf of a Noteholder or Couponholder who is:
 - (A) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
 - (B) liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note, Receipt or Coupon; or
 - (iii) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (b) in relation to any payment or deduction of any interest, premium or proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 as amended and related regulations which have been or may be enacted; or
- (c) where such withholding or deduction is required pursuant to Italian Legislative Decree No. 600 of 29 September 1973 as amended; or
- (d) where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30 September 1982, converted into Law No. 649 of 25 November 1983 as amended; or
- (e) where such withholding or deduction is imposed pursuant to any legislative decrees implementing Italian Law No. 80 of 7 April 2003;
- (f) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to (a) the European Council Directive 2003/48/EC of 3 June 2003 or any other European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, or (b) any agreements entered into by the European Community in connection with such Directives, or (c) any law implementing or complying with, or introduced in order to conform to, such Directives; or
- (g) (except in the case of Registered Notes) in respect of any Note, Receipt or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "Relevant Date" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

(a) **In the case of Subordinated Notes:**

- (i) This Condition 10(a) applies only in respect of Subordinated Notes and references to “Noteholders” or to “Holders” of “Notes”, “Receipts” or “Coupons” in this Condition 10(a) shall be construed accordingly.
- (ii) If the Issuer is wound-up or dissolved (otherwise than for purposes of any amalgamation, merger or reconstruction on terms previously approved by an Extraordinary Resolution of Noteholders) the Notes are, and they shall immediately become due and repayable at their Redemption Amount together with, if appropriate, accrued interest thereon.
- (iii) No remedy against the Issuer other than as specifically provided by this Condition 10(a) shall be available to Holders of the Notes, Receipts or Coupons whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or otherwise.

(b) **In the case of Senior Notes:** The following events or circumstances as modified, and/or such other events as may be specified, in the relevant Final Terms (each an “Event of Default”) shall be events of default in relation to any Senior Notes of any Series, namely:

- (i) *Non-Payment:* The Issuer fails to pay the principal or any interest on any of the Notes when due; or
- (ii) *Breach of Other Obligations:* The Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Fiscal Agency Agreement which default is incapable of remedy within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the relevant Noteholder; or
- (iii) *Cross-Default:* (1) 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 (2) any such indebtedness is not paid when due or, as the case may be, within any applicable grace periods, or (3) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees or indemnities in respect of which one or more of the events mentioned above in this paragraph 10(b)(iii) have occurred equals or exceeds 20,000,000 or its equivalent in another currency as determined by the Fiscal Agent; or
- (iv) *Enforcement Proceedings:* A distress, attachment, execution or legal process is levied, enforced or sued out on or against all or 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; or

- (v) *Security Enforced*: Any mortgage charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable over any material part of the property, assets or revenues of the Issuer or such Subsidiary and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
 - (vi) *Insolvency*: 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 (or of a particular type 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
 - (vii) *Winding-up*: 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, or through an official action of its board of directors threatens to cease, 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, amalgamation, 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
 - (viii) *Analogous Events*: Any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.
- (c) If any Event of Default shall occur in relation to any series of Notes, any Holder of a Note of the relevant Series of Notes may, by written notice to the Issuer, at the specified office of the Fiscal Agent or, in the case of Registered Notes, at the specified office of the Registrar, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the “Early Termination Amount”) (which shall be its Outstanding Principal Amount or, if such Note is non-interest bearing, its Amortised Face Amount or such other redemption amount as may be specified, or determined in accordance with the provisions set out, in the relevant Final Terms), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding.

11. MEETING OF NOTEHOLDERS AND MODIFICATIONS

- (a) **Meetings of Noteholders**: The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised

Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.

14. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper with general circulation in London (which is expected to be the *Financial Times*). In addition, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, all notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a newspaper of general circulation in Luxembourg (which is expected to be *d’Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or

order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law except for Condition 3(b), 3(c), 3(d) and 3(e) which shall be governed by, and construed in accordance with, Italian law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("Proceedings") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the Courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

Summary of Provisions Relating to the Notes while in Global Form

INITIAL ISSUE OF NOTES

Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “Common Depository”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems.

Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (the “Alternative Clearing System”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

So long as the Notes are represented by a temporary Global Note, permanent Global Note or Global Certificate and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and integral multiples of the Tradeable Amount in excess thereof specified in the relevant Final Terms.

EXCHANGE

1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- 1.1 if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “General Description of the Programme – Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and
- 1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of 2.3 below, Registered Notes:

- 2.1 by the Issuer giving notice to the Noteholders and the Fiscal Agent of its intention to effect such exchange, unless principal in respect of any Notes is not paid when due;
- 2.2 if the relevant Final Terms provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Fiscal Agent of its election for such exchange;
- 2.3 if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- 2.4 otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

3 Permanent Global Certificates

If the Final Terms states that the Notes are to be represented by a permanent Global Certificate on issue, transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- 3.1 if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- 3.2 if principal in respect of any Notes is not paid when due; or
- 3.3 with the consent of the Issuer provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a

temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Prospectus, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6 Exchange Date

“Exchange Date” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note the day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

AMENDMENT TO CONDITIONS

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(f) will apply to Definitive Notes only.

2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

3 Meetings

For the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the specified currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder’s holding, whether or not represented by a Global Certificate.

4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

8 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of an Amended and Restated Deed of Covenant executed as a deed by the Issuer on 8 March 2006 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

9 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*).

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

Use of Proceeds

The net proceeds of the sale of the Notes will be used by the Issuer for general funding purposes. If in respect of a particular issue, there is a particular identified use of proceeds, this would be stated in the applicable Final Terms.

Banca Lombarda e Piemontese S.p.A.

INTRODUCTION

On 25 May 1883 the Issuer was incorporated under the name Società Anonima Cooperativa Credito Agrario Bresciano (“CAB”) in the Republic of Italy under the Laws of Italy, with registration no. 135. The current name of the Issuer is “Banca Lombarda e Piemontese S.p.A.”.

The Issuer’s registered office is located at Via Cefalonia 74, 25124 Brescia, Italy, registered with the companies register of Brescia under no. 00285280178, with telephone number 030 24331.

OVERVIEW

The Banca Lombarda Group is one of the leading Italian banking groups operating mainly in the northern Italian regions of Lombardy and Piedmont. Banca Lombarda e Piemontese S.p.A. (“Banca Lombarda” or the “Issuer”) is the publicly listed parent company of the Banca Lombarda Group*. The organisational structure of the Banca Lombarda Group is based on a federal model. The term “federal model” describes an organisational structure where the parent company, Banca Lombarda, is principally responsible for the strategic planning of the Group and other centralised functions and the commercial banks and other product companies within the Group operate with a degree of independence and maintain their original brands.

The Banca Lombarda Group’s growth and geographic expansion in recent years have been significant. The current structure of the Banca Lombarda Group is a result of the merger of CAB with Banca San Paolo di Brescia S.p.A. (“Banca San Paolo”) in 1998, and the acquisition of majority interests in, among others, Banca Cassa di Risparmio di Tortona S.p.A. (“CR Tortona”) in 1999 and Banca Regionale Europea S.p.A. (“BRE Banca”) in 2000. The Banca Lombarda Group increased its total assets from 31 December 1997 to 31 December 2004 from euro 8.8 billion to euro 33.5 billion, and transformed from a local banking group to be one of the leading Italian banking groups mainly operating in the regions of Lombardy and Piedmont.

The Banca Lombarda Group has additional branches in other Italian regions including Lazio, Liguria, Veneto, Emilia-Romagna, Friuli-Venezia Giulia and, to a lesser extent, Trentino-Alto Adige, Valle d’Aosta, Tuscany, Marche, Umbria, Abruzzo, Campania, Puglia and Sardinia.

The Banca Lombarda Group offers a wide range of financial services and products to its customers (grouped into retail, corporate and private customers), including commercial banking, asset management (including bancassurance), custody services, securities trading and other financial activities such as leasing, factoring and consumer credit. As at 31 December 2004, the Banca Lombarda Group had over 1.4 million customers, primarily comprised of individuals and small and medium-sized companies, and as at 30 June 2005 it conducted its operations through 785 branches (including one branch in Luxembourg and one in Nice), a representative office in Shanghai (China), a network of 616 financial consultants (*promotori finanziari*) and 19 private bankers.

As at 31 December 2004, the Banca Lombarda Group had total assets of euro 33.5 billion, outstanding customer loans of euro 25.9 billion, deposits of euro 25.0 billion and assets under management of euro 68.4 billion. For the year ended 31 December 2004, the Banca Lombarda Group recorded net interest and other banking income of euro 1.4 billion. As at 31 December 2004, the Banca Lombarda Group was the 10th largest banking group in Italy in terms of total banking product (loans, direct and indirect deposits). As regards customer loans the Banca Lombarda Group had a market share of 2.0 per cent., and of 2.1 per cent. for deposits as at 31 December 2004. As at 31 December 2004 the Banca Lombarda Group had a market share of customer loans and direct deposits of 4.5 per cent. and 4.2 per cent., respectively, in the region of Lombardy and of 4.3 per cent. and 5.9 per cent., respectively, in the region of Piedmont, with a particular presence in the provinces of Brescia, Cuneo, Pavia and Alessandria.

* Source: *Prometeia, Analisi dei bilanci bancari, December 2005.*

The Banca Lombarda Group's net non-performing loans to overall loan ratio was 0.95 per cent. as at 31 December 2004. As at the same date, the Italian national average for this ratio as reported by the Associazione Bancaria Italiana ("ABI") was 2.02 per cent.

The Group has prepared its unaudited consolidated interim financial statements for the six months ended 30 June 2005 and nine months ended 30 September 2005 in accordance with international accounting standards (IAS/IFRS) in accordance with Regulation n. 1606/02 issued by the European Commission. However in this Prospectus, for comparative purposes with the financial statements for the six months ended 30 June 2004 and for the nine months ended 30 September 2004, respectively, unless specified as being calculated in accordance with IAS and/or IFRS, any figures shown as at, or for a period ended on, a particular date have been calculated in accordance with the provisions of Italian Legislative Decree No. 87 of 27 January 1992, and supplemented by the accounting principles issued by the Italian accounting professional bodies, the *Consiglio Nazionale dei Dottori Commercialisti* and the *Consiglio Nazionale dei Ragionieri* (together, "Italian GAAP").

HISTORY

CAB was founded in 1883 originally under the name of Credito Agrario Bresciano as a limited liability cooperative company (*Società Anonima Cooperativa*). Through a combination of organic growth and acquisitions, CAB developed into a commercial bank engaged in lending, deposit-taking, asset management, custody services and securities trading as well as a number of other traditional banking and financial services.

In 1978, CAB was listed on Mercato Ristretto in Milan and, in 1995, changed its listing to Mercato Telematico Azionario ("MTA").

Banca San Paolo was incorporated in 1888 as a limited liability cooperative company (*Società Anonima Cooperativa*) under the name of Banca San Paolo. Banca San Paolo developed into a commercial bank and expanded its network of branches through the acquisition of a number of small banks in the province of Brescia. In 1983, Banca San Paolo acquired a stake in Nuovo Banco Ambrosiano S.p.A. (now Banca Intesa S.p.A.). Banca Lombarda currently retains a 2.42 per cent. holding (2.34 per cent. directly and 0.08 per cent. through its subsidiary Banco di Brescia San Paolo CAB S.p.A.) in Banca Intesa and is a party to the shareholders' agreement entered into by certain shareholders of Banca Intesa. In 1996, Banca San Paolo was listed on the MTA.

As a result of the consolidation affecting the Italian banking sector in the 1990s, CAB and Banca San Paolo agreed to merge in order to enable the enlarged group to compete more effectively with the leading Italian banking groups, to offer a wider range of products and services to their customers and to consolidate their positions in their respective historical markets. On 13 and 14 November 1998, the shareholders of Banca San Paolo and CAB, respectively, approved the merger of the two banks by way of incorporation of Banca San Paolo into CAB. As at 30 June 1998, CAB and Banca San Paolo had a branch network of 243 and 191 branches, respectively. The merger of Banca San Paolo into CAB became effective as of 31 December 1998.

Concurrently with the merger, CAB changed its name into Banca Lombarda S.p.A. In order to provide the Group with an organisational structure based on a federal model, prior to the merger, in November 1998, CAB and Banca San Paolo incorporated Banco di Brescia San Paolo CAB S.p.A. ("Banco di Brescia") and, as of 1 January 1999, Banca Lombarda transferred most of its commercial banking activities, comprising 383 branches, to Banco di Brescia. In the context of this restructuring, 11 branches were contributed to Banca di Genova e San Giorgio S.p.A. (now Banco di San Giorgio S.p.A., "Banco di San Giorgio"). Following this reorganisation, Banca Lombarda became the parent company of the Group based on a federal model and became principally responsible for the Group's strategic planning, administration and finance, operational and risk control, marketing, information technology and logistics. Banco di Brescia became the Banca Lombarda Group's principal commercial bank focused on developing customer relations and promoting financial products and services at its branches. Due to its focus on branch activities, Banco di Brescia has maintained a streamlined structure at its head office.

Acquisition of CR Tortona and BRE Banca and others

Since the merger of Banca San Paolo and CAB, the Banca Lombarda Group has made selective acquisitions with the intention of strengthening its market position through the expansion of its operations into the northwest of Italy, traditionally recognised as one of the wealthiest areas of Italy.

In April 1999, Banca Lombarda acquired from Fondazione Cassa di Risparmio di Tortona a 60 per cent. stake in CR Tortona, a local bank operating principally in the province of Alessandria with 29 branches and total assets of euro 620 million as at 31 December 1998; in May 2003 Banca Lombarda increased its direct and indirect stake in CR Tortona from 60 per cent. to 75.2 per cent. CR Tortona's share capital is 15.2 per cent. owned by Banca Lombarda and 60 per cent. owned by BRE Banca.

In December 1999, Banca Lombarda entered into an agreement with Fondazione Cassa di Risparmio di Cuneo and Fondazione Banca del Monte di Lombardia, (together, the "Foundations") for the acquisition of a majority interest in BRE Banca, a bank principally operating in the region of Piedmont with 242 branches and total assets of euro 6.5 billion as at 31 December 1999.

The acquisition of a controlling interest in BRE Banca was executed in March 2000. As a result of this acquisition, Banca Lombarda increased its consolidated intermediated funds (comprising direct deposits, indirect deposits, loans to customers and banks) by approximately 30 per cent. compared with 31 December 1999 and changed its name into Banca Lombarda e Piemontese – in abbreviated form, "Banca Lombarda" or "BLP". As a result of a number of stages, Banca Lombarda holds 57.83 per cent. of the ordinary share capital and 53 per cent. of the voting share capital as at the date of this Prospectus.

In January 2001 Banca Lombarda launched a tender offer for all of BRE Banca's saving shares. Through this tender offer Banca Lombarda acquired approximately 98.5 per cent. of BRE Banca's saving shares and in April 2001 Banca Lombarda sold to the Foundations 39.4 per cent. of the saving share capital. As at the date of this Prospectus Banca Lombarda holds 59.12 per cent. of the saving share capital and 57.83 per cent. of the total share capital.

In June 2000 Banca Lombarda established, together with Società Cattolica di Assicurazione S.c.r.l ("Cattolica Assicurazione", the Banca San Paolo's insurance partner) an insurance company named Lombarda Vita S.p.A. ("Lombarda Vita"). Lombarda Vita is 49.9 per cent. owned by Banca Lombarda and 50.1 per cent. owned by Cattolica Assicurazione. In connection with the establishment of Lombarda Vita, Banca Lombarda sold its 20 per cent. stake in Augusta Vita S.p.A., the insurance partner of CAB prior to the merger. In February 2001 Banca Lombarda acquired the whole share capital of Mercati Finanziari SIM S.p.A., a company engaged in securities trading.

In April 2001 Banca Lombarda acquired from Electrolux Zanussi Group a 90 per cent. stake (51 per cent. directly and 39 per cent. through its subsidiary CBI Factor S.p.A. ("CBI Factor")) in Veneta Factoring S.p.A. ("Veneta Factoring"), a company mainly engaged in factoring business for Electrolux Zanussi Group's suppliers. In March 2005 CBI Factor acquired from Electrolux Zanussi Group the remaining 10 per cent. of Veneta Factoring's share capital and Banca Lombarda's 51 per cent. stake. On 1 August 2005 Veneta Factoring was merged into CBI Factor.

In June 2002, Banca Lombarda acquired from Dexia Group all of the share capital of Artesia Bank Luxembourg S.A. ("Artesia Bank Luxembourg"), a Luxembourg based company mainly engaged in private banking activity. Following this acquisition, Banca Lombarda transferred its stake in Artesia Bank Luxembourg to its subsidiary Banca Lombarda International S.A. ("Banca Lombarda International") and in July 2002 Artesia Bank Luxembourg was merged into Banca Lombarda International.

In December 2002 Banca Lombarda increased its stake in Grifogest SGR S.p.A. ("Grifogest") from 49 per cent. (owned through BRE Banca) to 100 per cent. Grifogest conducts asset management activity.

In January 2003 Banca Lombarda established Capitalgest Alternative Investments SGR S.p.A. ("Capitalgest Alternative Investments"), a wholly-owned company engaged in closed end investment fund management activity.

In July 2003 Banca Lombarda acquired all of the share capital of Banca Idea S.p.A. (“Banca Idea”), a bank operating through a network of financial consultants. Following this acquisition, Banca Idea changed its name to Banca Lombarda Private Investment S.p.A. (“Banca Lombarda Private Investment”). In the last quarter of 2004, the Group’s principal private banking activities and its business involving financial consultants were centralised in Banca Lombarda Private Investment. In December 2004, Banca Lombarda Private Investment acquired from Banco di Desio e della Brianza S.p.A. its financial consultancy business, with 86 consultants as of 30 June 2004.

In September 2003 Banca Lombarda acquired from Electrolux Zanussi Group a 90 per cent. stake (51 per cent. directly and 39 per cent. through Veneta Factoring) in Electrolux Financiera S.A., a company based in Spain mainly engaged in factoring business for Electrolux Zanussi Group’s suppliers. Following this acquisition, the company changed its name to Financiera Veneta S.A. (“Financiera Veneta”). In July 2005 Banca Lombarda acquired from Electrolux Zanussi Group the remaining 10 per cent. of the company’s share capital.

In May 2004 Banca Lombarda acquired from Banca Intesa Group, through its subsidiary Banca Lombarda International S.A., the whole share capital of Caboto International S.A., a Switzerland based company engaged in asset management activity. Following this acquisition, the company changed its name to Gestioni Lombarda (Suisse) S.A. (“Gestioni Lombarda”).

Integration

Following the merger of Banca San Paolo and CAB, the Banca Lombarda Group began to integrate its IT infrastructures. With regard to the banks of the Group (except for Banca Lombarda International S.A.) the above mentioned process was completed in November 2003.

As of 1 January 2001, Banca Lombarda transferred all of the Banca Lombarda Group’s infrastructure activities, information systems, back office, procurement, logistics and general service operations to Lombarda Sistemi e Servizi S.p.A. (“Lombarda Sistemi e Servizi”), a wholly-owned subsidiary of Banca Lombarda. In 1999, Banca Lombarda began to categorise its branch network along the following divisional lines: “corporate” (large and medium-sized businesses), “retail” (individuals and small businesses) and “private” (high net worth individuals). This categorisation has been fully implemented by Banco di Brescia’s branches and has been substantially implemented by the banking subsidiaries in the Banca Lombarda Group.

OWNERSHIP STRUCTURE

Under Banca Lombarda’s by-laws, no shareholder is permitted to own shares with voting rights attached in respect of more than 5 per cent. of the total issued share capital of Banca Lombarda. Ordinary shares held in excess of such limitation may not be voted. Certain shareholders of Banca Lombarda entered into a shareholders’ agreement dated 4 May 1999. As at 31 December 2005, the shares bound by the shareholders’ agreement represented about 48.7 per cent. of the share capital of Banca Lombarda comprising 301 shareholders in aggregate. The shareholders’ agreement contains, among other provisions, restrictions on the transfer of the shares that are subject to the shareholders’ agreement to buyers other than the parties to the shareholders’ agreement and requires the parties to vote in the same way in respect of proposals to amend the by-laws of Banca Lombarda at extraordinary general meetings, including in connection with events such as mergers, demergers and the issuance of new shares. In addition, pursuant to Italian law, any change in Banca Lombarda’s by-laws must be approved by at least two thirds of Banca Lombarda’s voting stock present at an extraordinary shareholders’ meeting and, pursuant to the shareholders’ agreement, requires the approval of the holders of at least 75 per cent. of the shares subject to the shareholders’ agreement. The shareholders’ agreement expired on 31 December 2001, but it has been renewed for an additional period of three years. The shareholders’ agreement has been renewed and it will expire on 31 December 2007. The table below sets out details of the shareholders owning more than 2 per cent. of Banca Lombarda’s share capital as at 30 June 2005:

<u>Shareholders</u>	<u>Number of ordinary shares</u>	<u>Equity shares (per cent.)</u>
Fondazione Cassa di Risparmio di Cuneo	16,030,000	4.996
Fondazione Banca del Monte di Lombardia.....	15,916,461	4.961
Carlo Tassara S.p.A.	15,799,827	4.925
Società Cattolica di Assicurazione Scarl	10,171,828	3.170
Solofid S.p.A. ⁽¹⁾	10,042,588 ⁽¹⁾	3.130
La Scuola S.p.A.	6,834,190	2.130
Upifra S.A.	6,420,453	2.001

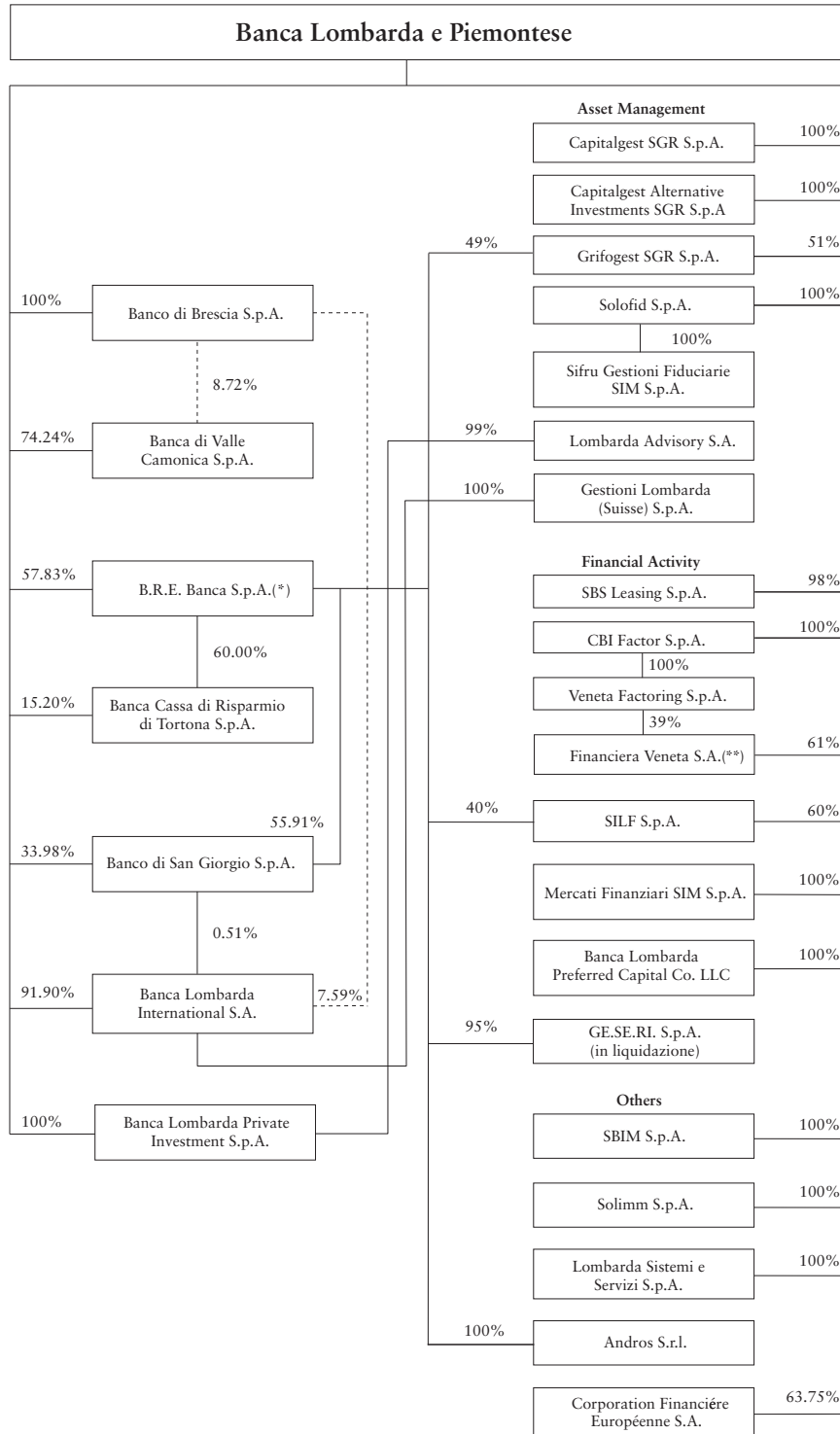
Notes:

(1) Shares held in a fiduciary basis.

GROUP ORGANISATIONAL STRUCTURE

The Banca Lombarda Group's organisational structure is based on a federal model with a high degree of integration of its commercial banks and other product companies. As the parent company, Banca Lombarda is principally responsible for strategic planning, administration, marketing, finance and operational and risk control for the Group. Banca Lombarda is also responsible for the treasury activities and proprietary trading conducted by the commercial banks in the Group. Certain other centralised services (such as IT and procurement) are provided by Lombarda Sistemi e Servizi. Banca Lombarda's product companies operate with a degree of independence that is designed to ensure consistency with the strategy set by Banca Lombarda and further sectoral and business specialisation, which Banca Lombarda regards as critical to the success of each individual business area. Management believes that the integration of these areas ensures standardisation of strategy and marketing, effectiveness in controlling and monitoring financial and operating risks and cost savings through economies of scale and reductions in work duplication. Historically, the Banca Lombarda Group's federal model has allowed it to absorb new subsidiaries easily.

The following chart shows Banca Lombarda Group's corporate structure as at 30 June 2005:



(*) with reference to ordinary share capital

(**) in July 2005, Banca Lombarda acquired 10% interest in Financiera Veneta S.A. from Electrolux Group; following this transaction, Banca Lombarda wholly owns the company concerned, 61% directly and 39% through Cbi Factor I

SUBSIDIARIES AND EQUITY INVESTMENTS

Set out below is certain information in respect of Banca Lombarda's principal subsidiaries and equity investments:

Banco di Brescia San Paolo CAB S.p.A.: Banco di Brescia was incorporated at the end of 1998 and conducts the Group's principal commercial banking activities. It is wholly owned by Banca Lombarda. As at 31 December 2004, Banco di Brescia had total assets of euro 15,300 million and net income for the year then ended was euro 178 million.

Banca Regionale Europea S.p.A.: BRE Banca was incorporated in 1994 as a result of the merger of Banca del Monte di Lombardia and Cassa di Risparmio di Cuneo and has continued to operate under its own name as a retail bank mainly in the Piedmont and Lombardy regions. 57.83 per cent. of the ordinary share capital of BRE Banca is owned by Banca Lombarda. As at 31 December 2004 BRE Banca had total assets of euro 7,759 million and net income for the year then ended was euro 77 million.

Banca di Valle Camonica S.p.A.: Since its acquisition in 1963, Banca di Valle Camonica has continued to operate under its own name as a retail bank in the Lombardy region. It is 74.24 per cent. owned by Banca Lombarda and 8.72 per cent. owned by Banco di Brescia. As at 31 December 2004, it had total assets of euro 1,509 million and net income for the year then ended was euro 12.2 million.

Banco di San Giorgio S.p.A.: Banco di San Giorgio was incorporated in 1987 as Banca Popolare di Genova e San Giorgio S.c.r.l. and has continued to operate as a retail bank in the Liguria region. It is 34.53 per cent. owned by Banca Lombarda and 56.33 per cent. owned by Banca Regionale Europea as at the date of this Prospectus. As at 31 December 2004 it had total assets of euro 1,076 million and net income for the year then ended was euro 12.5 million.

Banca Lombarda International S.A.: Banca Lombarda International was incorporated in Luxembourg in November 1997 and is 91.90 per cent. owned by Banca Lombarda, 7.59 per cent. owned by Banco di Brescia and 0.51 per cent. owned by Banco di San Giorgio. Its main activities are private banking and corporate finance. As at 31 December 2004 it had total assets of euro 548 million and net income for the year then ended was euro 4.5 million.

Banca Cassa di Risparmio di Tortona S.p.A.: Incorporated in 1991, Banca Cassa di Risparmio di Tortona is 60 per cent. owned by BRE Banca and 15.2 per cent. owned by Banca Lombarda and operates as a retail bank in the Piedmont region. As at 31 December 2004 it had total assets of euro 822 million and net income for the year then ended was euro 9.8 million.

Banca Lombarda Private Investment S.p.A.: Banca Lombarda Private Investment conducts the Group's principal private banking activities and the whole business related to financial consultants. The company is wholly owned by Banca Lombarda. As at 31 December 2004 it had total assets of euro 356 million and for the year then ended it recorded a loss of euro 6.2 million.

Banca Lombarda Preferred Capital Company LLC: Banca Lombarda Preferred Capital Company was incorporated in 2000 and is domiciled in Delaware (USA). It is wholly owned by Banca Lombarda and its sole purpose is the issue of special fund-raising instruments (preference shares) which are included in the calculation of capital for Bank of Italy reporting purposes. As at 31 December 2004 it had total assets of euro 167 million and for the year then ended it recorded a loss of euro 0.2 million.

Capitalgest SGR S.p.A.: Capitalgest conducts asset management activity and is wholly owned by Banca Lombarda. As at 31 December 2004 the total assets managed by or on behalf of Capitalgest were euro 8,580 million and net income for the year then ended was euro 3.2 million.

Solofid S.p.A.: Solofid is engaged in fiduciary administration of its customers' investments and is wholly owned by Banca Lombarda. Assets under administration at 31 December 2004 amounted to euro 597 million and net income for the year then ended was euro 1.1 million.

Sifru Gestioni Fiduciarie SIM S.p.A.: Sifru Gestioni Fiduciarie SIM is engaged in fiduciary management of customers' investments and is wholly owned by Solofid. Assets under management as at 31 December 2004 were euro 404 million and net income for the year then ended was euro 1.2 million.

SBS Leasing S.p.A.: SBS Leasing conducts leasing business and is 98 per cent. owned by Banca Lombarda. As at 31 December 2004 total assets amounted to euro 3,448 million and net income for the year then ended was euro 16.8 million

CBI Factor S.p.A.: CBI Factor conducts factoring business and is wholly owned by Banca Lombarda. As at 31 December 2004 total assets amounted to euro 1,529 million and net income for the year then ended was euro 8.2 million.

Silf S.p.A.: Silf's main activity is the generation of retail loans. The company is 60 per cent. owned by Banca Lombarda and 40 per cent. owned by BRE Banca. As at 31 December 2004 it had total assets of euro 927 million and net income for the year then ended was euro 9.3 million.

Società Bresciana Immobiliare Mobiliare SBIM S.p.A.: SBIM is a real estate management company and is wholly owned by Banca Lombarda. It owns the Group's central services centre. As at 31 December 2004 it had total assets of euro 90 million and for the year then ended it recorded a loss of euro 0.6 million.

Società Lombarda Immobiliare S.p.A. or Solimm S.p.A.: Solimm's main purpose is the realisation of collateral of non-performing customers of the Group and is wholly owned by Banca Lombarda. As at 31 December 2004 it had total assets of euro 3 million and for the year then ended it recorded a loss of euro 0.1 million.

Lombarda Sistemi e Servizi S.p.A.: Lombarda Sistemi e Servizi is wholly owned by Banca Lombarda and is engaged in the management of Banca Lombarda Group's infrastructure activities, information system, back office, procurement, logistics and general services. As at 31 December 2004 it had total assets of euro 88 million and net income for the year then ended was euro 5.8 million.

Veneta Factoring S.p.A.: Prior to the merger into CBI Factor on 1 August 2005, Veneta Factoring conducted a factoring business and was 100 per cent. owned by CBI Factor. As at 31 December 2004 it had total assets of euro 644 million and the net income for the year then ended was euro 12.5 million.

Mercati Finanziari Sim S.p.A.: Mercati Finanziari is engaged in securities trading and is wholly owned by Banca Lombarda. As at 31 December 2004 it had total assets of euro 89 million and net income for the year then ended was euro 0.002 million.

Grifogest SGR S.p.A.: Grifogest conducts asset management activity and is 51 per cent. owned by Banca Lombarda and 49 per cent. owned by BRE Banca. As at 31 December 2004 the total assets managed by or on behalf of Grifogest were euro 2.708 million and net income for the year then ended was euro 2.7 million.

Capitalgest Alternative Investments SGR S.p.A.: Capitalgest Alternative Investments is engaged in closed end investment fund management activity and is wholly owned by Banca Lombarda. Capitalgest Alternative Investments was established in January 2003 and was authorised to conduct the above mentioned activity in July 2003. As at 31 December 2004 the total assets managed by or on behalf of the company were euro 157 million and net income for the year then ended was euro 0.3 million.

Financiera Veneta S.A.: Financiera Veneta's main activity is factoring business. In July 2005, Banca Lombarda acquired a 10 per cent. interest in Financiera Veneta from Electrolux Group; following this transaction, Banca Lombarda wholly owns the company concerned, 61 per cent. directly and 39 per cent. through CBI Factor. As at 31 December 2004 it had total assets of euro 35 million and net income for the year then ended was euro 0.1 million.

Gestioni Lombarda (Suisse) S.A.: Gestioni Lombarda (Suisse) is engaged in asset management activity and is wholly owned by Banca Lombarda International. As at 31 December 2004 it had total assets of euro 3 million and net income for the year then ended was euro 0.5 million.

EQUITY INVESTMENTS

Lombarda Vita S.p.A.: Lombarda Vita is an insurance company that currently operates in the life, accident and health insurance sectors. It is 49.9 per cent. owned by Banca Lombarda. As at 31 December 2004 it had total assets of euro 3,868 million and net income for the year then ended was euro 10.5 million.

Banca Intesa S.p.A.: Banca Lombarda owns 145,022,912 ordinary shares (140,167,610 directly and 4,855,302 through Banco di Brescia) with a carrying value of euro 348 million. The above mentioned shares represent a 2.42 per cent. stake in Banca Intesa's outstanding ordinary share capital.

CAPITAL ADEQUACY

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

Banca Lombarda (as *capogruppo*, or the Group's parent bank) calculates and reports its Capital Ratios on a consolidated basis and on a non-consolidated basis. In accordance with Bank of Italy regulations, Banca Lombarda is required to maintain a total capital ratio for the Group (total capital to total Risk-Weighted Assets) of at least 8.0 per cent. and on a non-consolidated basis of at least 7.0 per cent. The following table shows the Tier I and Tier II capital levels and the relative ratios of the Group at 31 December 2004 and 30 June 2005, respectively, in thousands of euro:

	31 December 2004	30 June 2005
	(€'000 except for %)	
Tier I capital	1,634,401	1,700,257
Tier II capital	1,310,652	1,310,800
Participation in financial institutions of more than 10 per cent.	(133,253)	(125,422)
Total capital ("Own Funds")	2,811,800	2,885,635
Total Risk-Weighted Assets.....	27,738,969	28,799,740
Capital Adequacy Ratios:		
Tier I capital ratio (Tier I capital to total Risk-Weighted Assets)	5.89%	5.90%
Total capital ratio (total capital to total Risk-Weighted Assets)	10.14%	10.02%

ACTIVITIES OF THE BANCA LOMBARDA GROUP

The Banca Lombarda Group's activities are divided into the following principal business areas: commercial banking (comprising retail, corporate and private banking); asset management (including bancassurance); custodial services; financial services, which include leasing, factoring and consumer credit; and treasury and securities and currency trading and brokerage activities. The table below sets out the contribution of each of these activities to the consolidated net interest and other banking income of the Banca Lombarda Group for the years ended 31 December 2003 and 2004, respectively and for the six-month periods ended 30 June 2004 and 2005, respectively.

Business Activities

	31 December				30 June			
	2003		2004		2004		2005	
	(€'000)	(%)	(€'000)	(%)	(€'000)	(%)	(€'000)	(%)
Commercial Banking ⁽¹⁾	914,763	69	940,634	68	456,503	66	499,943	75
Asset management ⁽²⁾	209,113	16	225,103	16	114,644	17	109,112	16
Securities and currency trading and other financial activities ⁽³⁾	60,215	5	52,105	4	27,552	4	24,866	4
Financial services (leasing, factoring, consumer credit) ⁽⁴⁾ .	118,031	9	132,457	10	65,777	9	71,372	10
Dividends	16,593	1	28,292	2	26,825	4	19,009	3
Total net interest and other banking income	1,318,715	100	1,378,591	100	691,301	100	724,302	108
Adjustment required to convert to IAS							-2,170	0
Reclassification of other operating income.....							-53,026	-8
Grand Total net interest and other banking income (IAS)....							669,106	100

Notes:

- (1) Aggregate net interest income excluding income from all other commercial banking activities.
- (2) Includes portfolio management, custodian bank, distribution of third party services.
- (3) Includes profits on financial transactions, commissions relating to dealings in securities and dealings in currency.
- (4) Includes net operating income of the leasing, factoring and consumer credit companies of the Group

COMMERCIAL BANKING

The commercial banking activities of the Banca Lombarda Group are conducted through branches of its banking subsidiaries.

The following table shows the banking subsidiaries of the Banca Lombarda Group together with the number of branches (as at 30 June 2005), employees, assets, net interest and other banking income and net income as at, or for the year ended, 31 December 2005:

Banking Subsidiary	No. of branches	No. of employees	Assets ('000'000)	Net interest and other banking income	Net income
Banco di Brescia	377	2,978	15,300	651	178
BRE Banca	260	1,958	7,759	382	77
Banca di Valle Camonica	57	374	1,509	67	12
Banco di San Giorgio	33	232	1,076	47	12
CR Tortona.....	29	214	822	39	10
Banca Lombarda Private Investment ...	28	104	356	6	(6)

The Banca Lombarda Group's commercial banking subsidiaries offer a broad range of commercial banking products and services to retail and primarily small- to medium-sized corporate customers. The Group's products and services include deposit-taking (including savings deposits and current accounts, the issuance of debit cards to account holders and sales of certificates of deposit) and bonds; short-, medium- and long-term lending (including export financing, mortgage and other secured and unsecured lending); traditional, as well as electronic, payment services; asset management and custody services; foreign exchange services; and forward foreign exchange contracts. The commercial banking activities of the Banca Lombarda Group accounted for approximately 75 per cent. of the Group's consolidated net interest and other banking income for the period ended 30 June 2005.

The following table shows the market share with respect to the principal regions and provinces in which the Banca Lombarda Group operates as at 30 June 2005:

	As at 30 June 2005	
	Deposits*	Loans
	(%)	
Lombardy	4.0	4.3
<i>of which:</i>		
Brescia	42.5	27.0
Pavia	14.2	11.2
Milan	1.0	1.8
Piedmont	6.3	4.3
<i>of which:</i>		
Cuneo	29.0	19.3
Alessandria	11.7	9.7
Total Italy	2.0	2.0

* including bonds

Source: Bank of Italy

The Banca Lombarda Group categorises its customers on the following divisional basis: “Retail”, “Corporate” and “Private”. The Group categorises individuals with less than euro 500,000 of assets under management, as well as entrepreneurs and small businesses with a turnover of less than euro 1.5 million as retail customers. Corporate customers consist primarily of small- and medium-sized Italian companies with a turnover of more than euro 1.5 million. Private customers consist of individuals with more than euro 500,000 of assets under management with the Group. This categorisation has been fully implemented by all commercial banks of the Group.

FUNDING AND LENDING**Funding**

The Banca Lombarda Group relies on a number of sources to fund its activities. The structure of the Group's funding is driven by the Group's position as a retail banking group benefiting from a widespread base of individual customers with longstanding relationships with the Group. The traditional sources of funding such as current accounts, demand deposits, bonds and repurchase agreements are the Group's principal sources of funding. As at 31 December 2004, the Group's total funding amounted to euro 28.8 billion. The following table sets forth the principal elements of the Banca Lombarda Group's funding as at 31 December 2003 and 2004 and 30 June 2004 and 2005, respectively:

	As at 31 December				As at 30 June			
	2003		2004		2004		2005	
	(€'000)	(%)	(€'000)	(%)	(€'000)	(%)	(€'000)	(%)
		(audited)				(unaudited)		
Current account	10,641,414	40.2	11,585,517	40.2	10,790,157	39.7	11,752,084	40.3
Demand deposits.....	1,566,680	5.9	1,638,344	5.7	1,587,686	5.8	1,399,250	4.8
Repurchase agreement.	1,863,846	7.0	1,833,458	6.4	1,670,627	6.1	1,579,524	5.4
Factoring	08,650	2.3	567,507	2.0	521,280	1.9	608,425	2.1
Other	377	—	43	—	41	—	110	—
Total customer funding	14,680,967	55.3	15,624,869	54.3	14,569,791	53.5	15,339,393	52.6
Bonds	7,156,424	27.0	8,878,085	30.8	8,040,261	29.6	9,304,891	31.9
Certificates of deposit..	372,216	1.4	291,144	1.0	321,550	1.2	257,712	0.9
Other	159,839	0.6	170,483	0.6	199,417	0.7	205,421	0.7
Total securities funding	7,688,479	29.0	9,339,712	32.4	8,561,228	31.5	9,768,024	33.5
Subordinated liabilities	1,305,821	4.9	1,339,040	4.6	1,380,356	5.1	1,339,040	4.6
Inter bank Funding.....	2,829,587	10.7	2,542,655	8.8	2,682,529	9.9	2,714,832	9.3
Total funding	26,504,854	100.00	28,846,276	100.00	27,193,904	100.00	29,161,289	100.00
Reclassification of funding IAS							1,787,525	
Total funding IAS							30,948,814	

Current accounts represented the largest component, for 40.2 per cent., of total funding as at 31 December 2004 (40.3 per cent. as at 30 June 2005). The Banca Lombarda Group offers a number of current accounts tailored to the needs of particular categories of customers. The Banca Lombarda Group meets its medium term funding requirements by issuing a variety of debt instruments on the Italian and the international markets. As at 31 December 2004, the total amount of the Group's bond indebtedness was euro 8.88 billion representing 30.8 per cent. of total funding (euro 9.3 and 31.9 per cent. at 30 June 2005). The Banca Lombarda Group issues fixed rate bonds, zero coupon bonds and floating rate bonds. To meet investor demand for diversified instruments, the Group also issues innovative products with a variety of terms (fixed/floating as well as instruments linked to stock indices). The bonds are primarily placed with the Group's customer base through its branch network. Bonds have grown at a rate in excess of 24.1 per cent. during 2004, faster than any other source of Group funding.

In 1999, the Group established a Medium Term Note Programme and placed bonds with institutional investors under which, to date, an aggregate of euro 3,600 billion has been issued. The most recent issue of bonds to institutional investors under this Programme took place in January 2005 through the issuance of senior notes in an aggregate amount of euro 1 billion. The medium and long term debt of the Banca Lombarda Group is rated P-1 for short-term debt and A2 for long-term debt by Moody's Investors Service Inc., A-2 for short-term debt and A- for long-term debt by Standard & Poor's Corporation and F1 for short-term debt and A for long-term debt by Fitch Ratings. As at 30 June 2005, total customer funding represented 47.4 per cent. of total funding. The Group's remaining funding needs are met through a variety of sources, including securities funding and the interbank market. As at 30 June 2005 the Banca Lombarda Group had borrowed euro 2.7 billion on the interbank market and was a net lender on the interbank market of euro 404 million.

As at 30 June 2005 the Banca Lombarda Group had implemented five securitisation transactions, four of commercial leasing contracts and one of mortgage loans to private individuals, detailed as follows:

Originator	SPV	Legal nature of the transfer	Securitised loans	Residual loans	Closing date
(millions)					
Banco di Brescia Spa	Lombarda Mortgage Finance	Without recourse	499	294	Nov. 12 2001
SBS Leasing Spa	Lombarda Lease Finance 1 Srl	Without recourse	495	101	Oct. 29 2001
SBS Leasing Spa	Lombarda Lease Finance 2 Srl	Without recourse	610	267	Oct. 23 2002
SBS Leasing Spa	Lombarda Lease Finance 3 Srl	Without recourse	651	365	Jun. 30 2003
SBS Leasing Spa	Lombarda Lease Finance 4 Srl	Without recourse	1,100	1,100	Jun. 15 2005

LENDING

The Banca Lombarda Group's lending activities are carried out principally by the Group's banking subsidiaries and by certain specialised finance subsidiaries, such as SBS Leasing S.p.A., CBI Factor S.p.A., SILF S.p.A. and Financiera Veneta S.A. Total loans to customers amounted to euro 25.9 billion as at 31 December 2004 (euro 27.6 billion as at 30 June 2005). The Group offers a range of commercial and consumer lending products. The lending products include mortgage loans, working capital and overdraft facilities, personal and consumer credit and credit cards as well as special lending programmes for customers in specific industries with maturities ranging from short- to long-term.

Lending by Type of Loan

The table below shows the Banca Lombarda Group's customer lending by type of loans net of allowances for loan losses as at 31 December 2003 and 2004 and as at 30 June 2004 and 2005, respectively:

	As at 31 December				As at 30 June			
	2003		2004		2004		2005	
	(€'000)	(audited) (%)	(€'000)	(%)	(€'000)	(unaudited) (%)	(€'000)	(%)
Current accounts	41,643,771	17.7	4,329,195	16.7	4,342,526	17.6	4,285,060	16.5
Loans, grants, advances and mortgages.....	14,936,262	63.3	16,626,840	64.3	15,903,476	64.2	17,796,858	68.3
Portfolio risk	117,607	0.5	99,646	0.4	103,940	0.4	92,047	0.4
Due on leasing contracts.....	1,831,482	7.8	2,377,711	9.2	2,081,549	8.4	1,497,271	5.8
Due on factoring transactions	2,042,736	8.7	2,069,768	8.0	1,889,603	7.6	1,927,267	7.4
Non performing loans	247,905	1.0	246,207	1.0	246,612	1.0	257,773	1.0
Other	49,448	0.2	107,417	0.4	167,669	0.7	118,167	0.5
Repurchase agreements	194,262	0.8	10,219	0.0	19,545	0.1	31,237	0.1
Total Loans.....	23,584,079	100	25,867,003	100	24,754,920	100	26,005,680	100
Reclassification of loans IAS							1,551,767	
Total loans IAS							27,557,447	

In 2004, the Group's total loans to customers, excluding the mortgages and leasing contracts securitised by the Banca Lombarda Group, increased by 9.7 per cent., exceeding the average rate for Italian banks, which amounted to 6.7 per cent. (source: Bank of Italy). On the same basis, non-performing loans decreased by

1.8 per cent. to euro 246.2 million as at 31 December 2004, representing 0.95 per cent. of total customer loans, compared with an average of 2.02 per cent. for Italian banks (source: Italian Banking Association).

Lending by Type of Borrower

Pursuant to the categorisation required by the Bank of Italy, the Banca Lombarda Group divides its customers' lending operations among loans to governments, other public entities, financial institutions, non-financial companies and family businesses (domestic and foreign) and individuals and other operators.

The table below shows the Banca Lombarda Group's lending by type of borrower as at 31 December 2003 and 2004 and as at 30 June 2004 and 2005, respectively:

	As at 31 December				As at 30 June			
	2003		2004		2004		2005	
	(€'000)	(audited) (%)	(€'000)	(%)	(€'000)	(unaudited) (%)	(€'000)	(%)
(A) Governments.....	58,003	0.3	55,358	0.2	178,326	0.7	80,904	0.3
(B) Other public entities	1,126,447	4.8	1,330,162	5.1	1,073,757	4.3	1,284,495	4.9
(C) Financial Institutions	2,501,794	10.6	2,185,700	8.4	3,139,255	12.7	2,318,322	8.9
(D) Non-financial companies and family businesses (domestic)...	14,469,001	61.3	15,572,483	60.2	15,415,076	62.3	15,026,634	57.8
(E) Non-financial companies and family businesses (foreign)	169,600	0.7	148,609	0.6	245,222	1.0	241,461	0.9
(F) Individuals and other operators.....	5,259,234	22.3	6,574,691	25.5	4,703,284	19.0	7,053,864	27.2
Total	23,584,079	100	25,867,003	100	24,754,920	100	26,005,680	100

The Group's corporate customers consist mainly of small businesses. The table below shows the Banca Lombarda Group's lending by business or industry segment to non-financial companies and family businesses as at 31 December 2003 and 2004 and as at 30 June 2004 and 2005, respectively:

	As at 31 December				As at 30 June			
	2003		2004		2004		2005	
	(€'000)	(audited) (%)	(€'000)	(%)	(€'000)	(unaudited) (%)	(€'000)	(%)
Loans to resident non-financial businesses and personal business:								
Commerce, salvage and repairs	2,652,087	11.3	2,821,518	10.9	2,830,093	11.4	2,740,848	10.6
Construction and other public works	1,432,215	6.1	1,788,565	6.9	1,659,164	6.7	1,878,918	7.2
Metal products other than machines and means of transport	989,963	4.2	985,186	3.8	1,079,541	4.4	958,877	3.7
Minerals and metals material.....	616,010	2.6	690,145	2.7	742,720	3.0	630,281	2.4
Other services for sale	3,210,936	13.6	3,807,353	14.7	3,599,694	14.5	3,694,382	14.2
Other sectors.....	5,567,790	23.5	5,479,706	21.2	5,503,864	22.3	5,123,328	19.7
(D) Total loans to non-financial businesses and family business (domestic).....	14,469,001	61.3	15,572,473	60.2	15,415,076	62.3	15,026,634	57.7

The following table gives a breakdown of the security and guarantees obtained by Banca Lombarda in respect of the Group's loan portfolio as at 31 December 2003 and 2004 and as at 30 June 2004 and 2005, respectively.

	As at 31 December		As at 30 June	
	2003	2004	2004	2005
	(audited) (thousands of euro)		(unaudited) (thousands of euro)	
a) loans secured by mortgages.....	5,980,105	7,709,154	7,038,853	8,465,947
b) loans secured by pledges on:	1,025,366	853,182	732,821	910,061
1. cash deposits.....	46,493	82,013	12,650	86,652
2. securities.....	974,004	747,666	715,141	806,420
3. other instruments.....	4,869	23,503	5,030	16,989
c) loans granted by:.....	4,250,862	5,050,053	4,532,042	4,366,286
1. governments	6	-	-	-
2. other public entities	3,266	9,279	8,273	8,662
3. banks.....	41,743	32,519	4,887	15,872
4. other operators	4,205,887	5,008,255	4,518,882	4,341,752
Total	11,256,333	13,612,389	12,303,716	13,742,294

As can be seen from the above table, as at 31 December 2004 and 30 June 2005 approximately 52.6 per cent. and 52.8 per cent., respectively, of the Group's loan portfolio by value benefited from some form of collateral.

ASSET MANAGEMENT, PORTFOLIO MANAGEMENT AND CUSTODY SERVICES

The Banca Lombarda Group's asset management activities include the management of mutual funds and SICAV's and customer investment portfolios. For the year ended 31 December 2004, other banking income from these activities was euro 159 million.

The following table shows the total assets under management and assets in custody of the Group as at 31 December 2003 and 2004 and as at 30 June 2004 and 2005, respectively:

	As at 31 December				As at 30 June			
	2003		2004		2004		2005	
	(millions of euro)	(per cent.)	(millions of euro)	(per cent.)	(thousands of euro)	(per cent.)	(millions of euro)	(per cent.)
Assets under management	17,480	43.1	18,303	42.1	17,628	42.1	18,857	41.0
of which mutual funds	12,971	32.0	12,824	29.5	12,683	30.3	12,836	28
of which portfolio management	4,509	11.1	5,479	12.6	4,945	11.8	6,022	13.1
Technical reserves	4,908	12.1	5,722	13.2	5,519	13.2	6,352	13.8
Total assets under management..	22,388	55.2	24,025	55.3	23,147	55.3	25,210	54.9
Assets in custody (securities and other assets)	18,144	44.8	19,410	44.7	18,695	44.7	20,750	45.1
Total	40,532	100	43,435	100	41,842	100	45,960	100

MUTUAL FUNDS

The Banca Lombarda Group is engaged in the mutual fund business principally through the Bank's wholly owned subsidiary, Capitalgest SGR S.p.A. ("Capitalgest"), Grifogest S.p.A. ("Grifogest") and also through Capitalgest Alternative Investment ("Capitalgest Alternative"), which are 100 per cent. owned by Banca Lombarda Group. The Banca Lombarda Group's mutual fund and SICAV products are distributed mainly through the Banca Lombarda Group's branch networks and by the Group's financial consultants. Capitalgest, Grifogest and Capitalgest Alternative currently operate and manage two hedge funds (of Capitalgest Alternative), 30 open-ended funds (22 of Capitalgest and 8 of Grifogest), 28 of which are traditional funds which primarily invest in Italian or international securities and two of which are funds that invest in funds. Capitalgest, Grifogest and Capitalgest Alternative charge management and performance fees based on the assets managed for their clients in traditional open-ended funds. Capitalgest, Grifogest and Capitalgest Alternative also charge performance fees for the majority of their funds, except money market funds. All traditional open-ended funds neither charge entry nor exit fees (no load) except an entry fee for *Piano di*

Accumulo Finanziario (“PAF”) and certain fixed entry charges. With regard to their investments in foreign markets and international mutual funds, Capitalgest, Grifogest and Capitalgest Alternative utilise certain advisory and management services provided by an international banking group. In 2005 there was a shift from bond funds to cash funds. As at 30 June 2005, 15.6 per cent. of the funds managed by Capitalgest, Grifogest and Capitalgest Alternative were invested in equity funds and 76.9 per cent. in bonds and cash funds.

The total assets under management of mutual funds decreased during 2004 by 1.1 per cent. compared to 2003. As at 30 June 2005, and based on information provided by Assogestioni, the total assets managed by Capitalgest’s, Grifogest’s and Capitalgest Alternative’s mutual funds were 2.1 per cent. of all assets under management of Italian and foreign mutual funds managed by Italian intermediaries.

PORTFOLIO MANAGEMENT

The Banca Lombarda Group provides personalised portfolio management services for customers primarily through Capitalgest acting, on a discretionary basis, within the guidelines of the particular portfolio management package selected by individual customers. Other portfolio management services are provided directly by the commercial banking subsidiaries and Sifru Gestioni Fiduciarie Sim S.p.A. (“Sifru”). Portfolio management services are distributed mainly through the Group’s branch network and by the Group’s financial consultants. As at 31 December 2004, the Banca Lombarda Group had euro 5.5 billion of funds under management.

BANCASSURANCE

The Banca Lombarda Group’s bancassurance products are offered through Lombarda Vita, a joint venture company established in June 2000 in which Banca Lombarda holds 49.9 per cent. interest, with the remainder held by Cattolica Assicurazione. Lombarda Vita began its activities in February 2001 with the objective of selling life insurance policies solely for customers of the Group and is now operating in the life insurance sector. Its life insurance related products consist of three segments: (i) financial-type insurance policies, mainly unit or index linked and endowment products; (ii) pension products, mainly “Individual Pension Plans”, which are completely new and structured on the same basis as open-ended pension funds; and (iii) pure risk policies, mainly term life and permanent invalidity policies and long term care (loss of self-sufficiency) policies. The Group also distributes Cattolica Assicurazione non-life policies.

Premiums generated by the Banca Lombarda Group during 2004 amounted to euro 1.2 billion. Commissions received from the sale of insurance policies for the year ended 31 December 2004 amounted to euro 53.1 million. The increase in insurance-related technical reserves from 2003 to 2004 (16.6 per cent.) reflects the significant increase in sale of bancassurance products.

CUSTODIAL ACTIVITIES

The Banca Lombarda Group, through its commercial banking subsidiaries, offers asset custodial and administrative services, accepting securities and other assets from clients for administration and safekeeping. As at 31 December 2004 total assets under custodial and administrative service amounted to euro 19.4 billion. The total fees earned from such activities in 2004 amounted to euro 6.3 million.

FIDUCIARY ASSET MANAGEMENT

The fiduciary asset management activities of the Group are carried out by Solofid S.p.A. (“Solofid”) and Sifru.

Solofid specialises in “static” fiduciary asset management, where assets are managed in accordance with the day by day instructions of customers. Sifru, on the other hand, specialises in “dynamic” fiduciary asset management, where assets are managed by the company, subject only to general instructions given by customers. As at 31 December 2004, Solofid and Sifru had euro 597 million and euro 404 million of assets under fiduciary management, respectively.

TREASURY AND SECURITIES TRADING ACTIVITIES

The treasury division of Banca Lombarda is responsible for managing the Banca Lombarda Group’s Italian banking subsidiaries’ liquidity, and the Group’s interest rate and currency risk. The non-banking subsidiaries operate within liquidity, interest rate and currency risk criteria set and monitored by Banca Lombarda. The Group engages in treasury and proprietary securities trading activities through Banca Lombarda. The Group’s

proprietary trading is also managed by Banca Lombarda's treasury division. The Group engages for its own account in various treasury activities, including placing euro and foreign currency-denominated deposits in the interbank market (subject to maturity and other limitations imposed under internal regulations), trading in the primary and secondary markets for government securities equities and foreign currency spot and forward exchange transactions. The trading activity consists also of Alternative Investment. In addition, the Group enters into repurchase agreements (a short-term financing instrument) and reverse repurchase agreements (short-term interest earning investments) with respect to government securities with approved counterparties. The primary aim of these activities is to serve the Group's funding requirements and to improve cash flow management and the management of interest rate and foreign exchange risk.

The Risk Management unit and the Asset and Liability Management ("ALM") unit periodically revise trading limits and limits on the mismatches in asset and liability maturities to which the Group may be exposed on euro and foreign exchange deposits as well as derivatives. The Group is active in the use of financial derivatives to manage interest rate and foreign exchange exposures. As with all other instruments utilised by its treasury division, the Group subjects such activities to maximum exposure limits and marks to market its positions in all securities.

A specialised unit within Banca Lombarda's treasury division carries out advisory services concerning treasury management and investment in derivative products for the Group's corporate clients.

The following table shows the composition of the portfolios held by the commercial banks of the Banca Lombarda Group as at 31 December 2004:

	Banca Lombarda		Banco di Brescia		BRE Banca		Banca di Valle Camonica		Banco di San Giorgio		CR Tortona		Banca Lombarda International	
	(euro in millions)	(%)	(euro in millions)	(%)	(euro in millions)	(%)	(euro in millions)	(%)	(euro in millions)	(%)	(euro in millions)	(%)	(euro in millions)	(%)
Equities	223	28.8	1	0.4	1	1.1	-	-	-	-	-	-	1	0.3
Debt Securities	550	71.0	228	99.2	92	98.9	3	100.0	9	75.0	36	100.0	288	99.7
Government Securities	2	0.2	1	0.4	-	-	-	-	3	25.0	-	-	-	-
Total	775	100	230	100	93	100	3	100	12	100	36	100	289	100

BROKERAGE ACTIVITIES

The Banca Lombarda Group offers its clients a wide range of services as a broker in the capital markets. The treasury division at Banca Lombarda executes orders by institutional clients, corporate clients and retail clients by the banking subsidiaries and the Group's financial consultants. The Group's brokerage activities include the execution of customer orders (for both corporate and retail customers) for the purchase and sale of securities listed on the regulated markets, treasury bonds (both Italian and international), corporate bonds and foreign exchange. Orders are collected through the branch network of the Group, as well as by the Group's financial consultants.

OTHER FINANCIAL SERVICES

As at 30 June 2005, the Banca Lombarda Group provided leasing, factoring and consumer credit services to approximately 240,000 customers. As at 30 September 2005, these activities accounted for an aggregate 18.7 per cent. of the Group's loans. As at 30 June 2005, leasing, factoring and consumer credit services accounted for 10.7 per cent. of the Banca Lombarda Group's net interest income and other banking income.

LEASING

The Banca Lombarda Group's leasing activities are carried out through SBS Leasing S.p.A. ("SBS Leasing"). SBS Leasing provides leasing services to corporate and retail clients in respect of a range of equipment, real estate, and motor-vehicles, representing 22.7 per cent., 50.3 per cent. and 27.0 per cent. respectively of the Group's total leases in terms of amount of new contracts for the year ended 31 December 2004, for an aggregate amount of euro 1,118 million.

The offering of its leasing services is carried out through SBS Leasing's sales points (39 as at 30 June 2005), dedicated agents, the banking subsidiaries' branch networks as well as affiliated sales points. For the year

ended 31 December 2004 non-performing loans were 0.61 per cent. of total loans compared with 0.93 per cent. as at 31 December 2003.

The total value of lease assets was euro 2,854 million, up 7.4 per cent. on the figure of euro 2,658 million reported in 2003. Lending positions net of securitisation operations amounted to euro 2,345 million, compared with a gross value of euro 3,227 million. According to Assilea the Group's share of the Italian leasing market was approximately 3.0 per cent. in 2004 in terms of volume of new contracts.

FACTORING

Since the merger of Veneta Factoring S.p.A into CBI Factor on 1 August 2005, the Banca Lombarda Group has carried out factoring activities (i.e. the discounting of trade debts for short term financing) through CBI Factor and Financiera Veneta S.A.. Both subsidiaries are engaged in factoring business on a full recourse and on a no recourse basis. In 2004, approximately 65.1 per cent. of the Group's factoring activities were on a full recourse basis, with the remainder on a no recourse basis. For the year ended 31 December 2004, the Banca Lombarda Group's factoring activity generated turnover of euro 4.6 billion, of which euro 0.1 billion related to Financiera Veneta S.A.. According to Assifact, the Group's share of the Italian factoring market was approximately 4.3 per cent. in 2004 in terms of turnover.

CONSUMER CREDIT

The Banca Lombarda Group's consumer credit activities are carried out through SILF S.p.A. ("SILF"). Consumer credit activity involves the granting of loans to customers for the purchase of consumer goods or other private services. Financing is granted directly by SILF through those shops that have an agreement with SILF to sell their products on credit. As at 31 December 2004, the Group's total consumer credit activities amounted to euro 871 million, of which 0,48 per cent. were non-performing loans.

DISTRIBUTION CHANNELS

General

The Banca Lombarda Group operates through a multi-channel distribution network which is comprised of traditional distribution via the Banca Lombarda Group's network of branches but also other distribution channels such as financial consultants (*promotori finanziari*), a network of automatic teller machines ("ATM terminals"), point-of-sale terminals ("POS") and virtual banking channels (Internet banking, telephone banking and call centre). The Banca Lombarda Group's diversified distribution network is designed as a single integrated distribution network in order to serve customer needs.

THE BRANCH NETWORK

As at 30 June 2005, the Group's branches network consisted of 785 branches, including a branch in Nice (France), one in Luxembourg and a representative office in Shanghai (China). There were 783 branches as at 31 December 2004. The Group's branch distribution is particularly significant in the North of Italy, in particular in Lombardy and Piedmont.

The table below sets out Banca Lombarda's network of branches as at 30 June 2005:

	<u>Total branches</u>	<u>Market Share points</u>
Northern Italy:	708	4.0%
of which Lombardy.....	441	7.4%
Brescia	223	27.0%
Milan.....	86	3.7%
Pavia.....	46	14.6%
of which Piedmont	176	6.9%
Cuneo	126	26.1%
Alessandria	29	10.0%
Central and Southern Italy.....	75	0.6%
Italy	783	2.5%
Luxembourg	1	-
Nice.....	1	-
Total	785	-

* Source: *Bank of Italy*

ATM AND POS

The Banca Lombarda Group's ATM network consisted of 941 terminals as at 31 December 2004. Most of the Group's terminals are linked to the interbank Italian ATM network ("Bancomat") and to various international payment networks, such as MasterCard and Visa. The geographic distribution of ATMs mirrors the Group's branch distribution. ATM terminals are located inside the branches of the Group or in their immediate vicinity and in a number of other locations of community interest. The ATM network, which has traditionally functioned mainly for cash advances, is progressing towards a more complete automatic banking centre providing wire transfer services, transfer to phone cards, bill payment services and certain tax payment services. In addition, the Group is linked to the POS network of terminals principally located in shops and other points of sale and which enable account holders to pay for purchases through credit and debit cards.

FINANCIAL CONSULTANTS AND PRIVATE BANKERS

During the second half of 2004 the process of reorganisation and consolidation of the network of financial consultants belonging to Banca Lombarda and Banca Lombarda Private Investment S.p.A. ("Banca Lombarda Private Investment") was completed.

In particular, during the last quarter of 2004 the most important activities of the Group's private banking structures and the whole of the business related to financial consultants were transferred to Banca Lombarda Private Investment. Additionally, in December 2004, Banca Lombarda Private Investment purchased the network of financial consultants of Banco di Desio e della Brianza S.p.A., consisting of 86 financial consultants and assets under management of more than euro 260 million.

These mergers form part of a strategy, started in 2003 with the purchase of Banca Idea S.p.A. (now Banca Lombarda Private Investment) and continued during the first half of 2004 intended firstly, to build up and strengthen a distribution network with variable costs and secondly, to develop greater flexibility to face the fluctuations in the financial markets.

As part of these restructuring activities Banca Lombarda Private Investment was divided into two business units; one relating to financial consulting (the "Financial Consulting Business Unit") and the other relating to private banking (the "Private Banking Business Unit"). As of 30 June 2005, Banca Lombarda Private Investment showed the following key figures:

- The total assets under management of the Financial Consulting Business Unit, invested mainly in custody accounts, mutual funds and insurance policies, grew to euro 2,209 billion euro and the number of branches increased to 28 after opening five operating points in Brescia, Cagliari, Monza, Parma and Pesaro and closing three branches.

- The Private Banking Business Unit, launched in March 2003, has continued its recruiting activities, increasing the number of relationship managers to 22 at the end of June, working at the four Private Banking Centres in Milan, Turin, Rome and Genoa. As of 30 June 2005 the total assets under management of the Private Banking Business Unit amounted to euro 763 million.
- Banca Lombarda Private Investments' total assets under management, including the professional investors as defined in article 31 paragraph 2 of CONSOB Regulation dated 1 July 2005 No. 11522, grew to more than euro 3.0 billion at the end of June 2005.

In the second half of 2005, Banca Lombarda Private Investment consolidated its market position and continued to pursue commercial policies and operating processes, in order to execute its strategic and development plans.

THE INVESTMENT BANKING SECTOR

The Investment Banking sector ("I.B.S.") was set up in March 2004 within Banca Lombarda and reports to the head of the Finance Department of Banca Lombarda. The following are the main responsibilities assigned to the I.B.S.:

- to develop skills aimed at defining extraordinary finance operations for companies and valuing opportunities produced by the market to provide a corporate finance service to corporate clients;
- to structure and plan non-ordinary finance operations, aimed at maximising economic return on the assigned capital, on behalf of Banca Lombarda and the corporate clients of each bank in the Group.

The I.B.S. is made up of the Structured Finance office and the Primary Capital Market office.

Structured Finance office

The following main activities, with reference to Banca Lombarda and the Group, are included within this office:

- structuring and planning of non-ordinary finance operations on behalf of the proprietary finance of Banca Lombarda and providing support to other Group functions in defining complex and structured operations on behalf of the corporate clients of the Group; and
- providing support to the head of the finance department of Banca Lombarda in defining capital enhancement transactions.

Primary Capital Market office

The following main activities are included within this office:

- analysing and defining extraordinary finance transactions for corporate clients of the Group allowing them market access to risk, investment and debt capital;
- planing, developing, monitoring private equity transactions, supporting industry partners and/or private equity funds as M&A financial advisor and/or debt provider; and
- assisting corporate clients of the Group in the listing process on regulated markets.

VIRTUAL BANKING

Beside the traditional distribution channels, the Banca Lombarda Group provides customers with access to its products and services through a virtual banking service called "Extensive", which includes Internet banking, telephone banking and SMS. Through Extensive, the customers of the Banca Lombarda Group can manage their current accounts, make banking operations and use securities and mutual funds trading facilities. The virtual banking services of the Banca Lombarda Group provide information to customers, operating in an integrated fashion with the banking distribution channels and also serve as a marketing channel for the Banca Lombarda Group's products.

Started in 2001, Extensive was subscribed by a wide number of customers (more than 210,000), and in the fourth quarter of 2005 the active users' retail accounts were about 11.8 per cent. of the total retail accounts. The Group also offers virtual banking services to its business customers, either small or corporate, primarily through the national standard Corporate Banking Interbancario ("CBI"), and provides payment systems for eCommerce and MOTO transactions. The direct channels are playing a growing role in the distribution system: the total number of active users retail accounts and business CBI subscribers accounts is more than 165,000 (19.5% of the total group accounts), and the Group is going to develop new functions and products in this area.

COMPETITION

The Banca Lombarda Group faces significant competition from a large number of other banks and financial institutions that operate in Italy. According to the ABI, there were less than 800 banks in Italy as at 31 December 2004, a significant number of which are part of larger banking groups. The Group's competitors are medium-sized local and regional banks, savings and co-operative banks as well as nationwide or super-regional financial institutions.

In terms of the number of branches (783 as at 31 December 2004) the Group's competitive position was particularly strong in the regions of Lombardy and Piedmont, where it had a 7.4 per cent. and 6.9 per cent. market share as at 31 December 2004, respectively (source: Bank of Italy). The Group is currently the leading banking group in the provinces of Brescia and Cuneo, with a market share of 26.9 per cent. and 26.1 per cent., respectively, and is one of the main banking groups in the province of Pavia, with a market share of 14.6 per cent. in terms of branches. In terms of deposits (including bonds) and loans, as at 31 December 2004, the Group's Italian market share was around 2.1 per cent. for loans and 2.1 per cent. for deposits. As at the same date, in terms of total assets under management, the Group had a market share in Italy of 2.2 per cent. As at 31 December 2004, the Group had a market share in the regions of Lombardy and Piedmont of 4.2 per cent. and 5.9 per cent., respectively, in terms of deposits and a market share of 4.5 per cent. and 4.3 per cent., respectively, in terms of loans. The market shares of the Group in terms of deposits and loans are particularly high in the provinces of Brescia (43.8 per cent. and 29.5 per cent., respectively), Cuneo (30.0 per cent. and 19.1 per cent., respectively) and Pavia (14.3 per cent. and 11.2 per cent., respectively*).

The deregulation of the banking industry throughout the European Union, and in particular in Italy, has contributed to increasing competition in both deposit-taking and lending activities, which has resulted in a progressive narrowing of spreads between deposit and loan rates. Moreover, the implementation of the EC Directives, the Amato Law (L. 218 30/7/1990) and the Dini Directive (D. Lgs. 41 23/2/95) has encouraged a consolidation process in the Italian banking system that has created larger and more competitive institutions. The adoption of the European Monetary Union and the Euro has accelerated this process. In addition, foreign banking institutions operating in Italy are growing in number and are regarded as effective competitors mainly in corporate banking and sophisticated services relating to asset management, securities dealing and brokerage activities.

Management believes, however, that given the high costs associated with the opening of new branches, the effect of this trend will be attenuated in the retail banking sector and that the Group's strong regional presence in Lombardy and Piedmont and the strength of its relationships in retail and corporate banking will enable the Group to maintain its competitive position in its core geographic markets.

INTERNAL PROJECT AND INFORMATION TECHNOLOGY

As of 1 January 2001, management of the Banca Lombarda Group's information technology systems was transferred to Lombarda Sistemi e Servizi in order to ensure standardisation of effectiveness in controlling and monitoring costs. The Group's computer system includes back-up and disaster facilities. During the course of 2002, integration of the organisational and IT structures of the bank networks was completed. The information system used is the same in all banks in the Group.

During the course of 2004, various new initiatives were undertaken to improve marketing effectiveness, operating efficiency and the quality of customer service on the part of the Group's commercial banks.

* Source: Nuova Trend SpA data flow (March 2005) based on Supervisory Report of Bank of Italy

The most important initiative has been the rationalisation and standardisation of the segmentation rules and the allocation of the customer portfolio to respective account managers at the Group's banks. This initiative formed the final stage of the project, begun in 2003, which involved codifying and defining the rules for more effective commercial management of the Group's banks customers. This initiative introduced the segmentation in retail, private and corporate customers, and consequently modified the commercial banks' structure.

The action required by ABI's *PattiChiari* (ClearTerms) project, adopted by the Group's banks, saw the involvement of the Group's banks in eight initiatives:

- FARO (on-line identification of the nearest ATM).
- List of low risk – low yield bonds.
- Clear information about subordinated structured bank bonds.
- General criteria for assessing the borrowing capacity of SMEs.
- Comparison of current account terms.
- Basic banking services.
- Average response times to loan applications by small businesses.
- Guaranteed times for access to amounts paid in by cheque.

Certification was obtained during the second half of 2004 and the first supervisory audit took place in March 2005. Five commercial banks of the Group (Banco di Brescia, Banca Regionale Europea, Banca di Valle Camonica, Banco di San Giorgio e Banca Cassa di Risparmio di Tortona) have been granted use of the *Pattichiari* quality mark.

Work has been undertaken in order to improve the Distribution Model and to enhance the commercial coordination of branches and business units. Work was completed during the first half of 2005 on the development of a network model with the definition of "territorial areas" for Banco di Brescia and Banca Regionale Europea and "areas" for Banca di Valle Camonica, Banco di San Giorgio and Banca Cassa di Risparmio di Tortona and with the consequent review of lending, commercial and operational processes. In particular, the territorial area model envisages the overall supervision of business in the retail, corporate and private segments at territorial level, with organisational units dedicated to the coordination of the lending process and operational coordination; the area model is also intended to coordinate business at a territorial level, although with a lighter organisational structure.

The "Optimisation of Business Processes" project has continued with analysis and action plans designed to optimise the overall performance of the distribution network in terms of operational efficiency, while also improving the level of customer service. In addition, work has begun on the implementation of the organisational and technological improvements already identified, in order to rationalise those branch processes that absorb the most resources.

Various organisational and IT changes were made to bring the Group into line with the requirements of the new Basel II Accord. These mainly concern the introduction of credit granting and management procedures at all commercial banks to allow the Group to create an Internal Rating System to measure lending risk; the reorganisation of lending processes in order to improve their performance in terms of efficiency and effectiveness, structuring the Credit and Loans Area of Banca Lombarda to ensure a standard approach in credit management on the part of all of the commercial banks. The Credit and Loans Area of Banca Lombarda, the parent bank, has been assigned governance of the whole Group's lending policies and credit control to ensure adequate monitoring of all risks. The Area has developed new techniques for analysing and evaluating credit risk to be used when assessing the credit worthiness of large customers.

Important interventions took place to bring the Group into line with the new International Financial Reporting Standards, which involved:

- the review of the operating processes concerning management of anomalous positions (problem/non-performing loans), the development of a loan assessment methodology and the development of new software for this purpose;
- the implementation of new applications for the valuation of financial instruments at fair value and written-down cost;
- the identification of new ways of managing hedge accounting and the related IT support systems;
- segment reporting, to ensure adequate disclosure in the notes.

Special emphasis has been placed on the creation of the New Accounting Model, which has entailed a structural review of the whole IT side of the accounting system.

This work was completed at the beginning of 2006.

As part of action to adopt the Basel II Accord and the new International Accounting Standards (IAS), commencing from 1 January 2005 the Group's retail banks have begun to apply new criteria for the granting and management of loans via the introduction of an Internal Rating System for the measurement of lending risk, with resulting improvements in the criteria adopted for the measurement of risk and in the level of customer service. In particular, an Internal Rating System has been introduced to measure the lending risk associated with large corporate, corporate, retail businesses and private customers, via the application of an analytical model that takes account of the customer's credit risk segment; in addition, the powers to grant lines of credit have also been revised to reflect the level of risk concerned.

Work is continuing in order to enable the Banca Lombarda Group to operate in accordance with the regulations and principles envisaged by the Basel II Accord, with special working parties focused on "Risk Management", "Lending", "Organisation" and "Information Technology", all coordinated by the Organisation and Strategic Development Department. During the second half of 2005, these working parties have looked at organisational changes relating to the lending process, changes to commercial processes, the operating impact and the support tools required to apply the Basel II Accord.

It was decided in 2004 to create a centralised structure at the parent bank level to deal with Anti Money Laundering and Official Investigations in order to coordinate all communications with the authorities. This new structure has been set up in 2005.

In order to rationalise certain activities performed by Group banks, as envisaged by art. 3 of the law No.197/1991 anti-money laundering regulations, the parent bank has now taken responsibility for reporting any suspect transactions and investigations of customers by the authorities and the "Group Delegate" has been established, as required by "Bank of Italy instructions". At the same time, a decision has been taken to centralise the monitoring of problem loans, both in accordance with the regulations stemming from the new Basel II Accord and the IAS, which have involved revising the processes for the management and control of lending risk, and in order to simplify the process of managing anomalous loans and make the process more efficient. This decision was implemented at the end of 2005.

The Group's two factoring companies have been merged in order to rationalise activities in this section and maximise the operational and commercial synergies with other Group companies.

With reference to the finance development plan, the various stages have been developed to implement the organisational changes (structures, processes, resources, systems, logistics, controls, etc.) and the first business areas envisaged by the plan have been launched. For example, new rules have been implemented which govern the relations between Banca Lombarda and its subsidiaries. These new rules, 'the new contract system', regulates and manages services such as stipulation, maintenance and reports. Since implementation this new contract system has been working well. The finance management mandate deriving from the centralisation of the various banks' own portfolios at Banca Lombarda was also reviewed during 2004.

In 2005 the New Management Centre was completed. This project is being financed by the reorganisation of the Group's real estate investments. This envisages selling off non-business units as well as those that are no longer suitable for the Group's current needs and strategies.

LEGAL PROCEEDINGS

The Banca Lombarda Group is subject to certain claims and is a party to a number of legal proceedings relating to the normal course of its business. Although it is difficult to predict the outcome of such claims and proceedings with certainty, the Group believes that liabilities related to such claims and proceedings are unlikely to have, in the aggregate, significant effects on the financial position or profitability of Banca Lombarda or the Group. As at 31 December 2004, Banca Lombarda had provisions of euro 65.4 million to cover legal disputes and other charges.

RISK MANAGEMENT

The Banca Lombarda Group risk management system comprises rules, procedures and intra-group organisational bodies designed to allow the Group to achieve its strategies while maintaining stable financial conditions. The Board of Directors defines, in accordance with the Basle Committee and Bank of Italy regulations, the strategies, policies and control objectives with regard to all identified risks. The principal categories of risk inherent to the Banca Lombarda Group's business are market risk, interest rate risk, liquidity risk, credit risk and operational and legal risk. The Group's risk management policy is designed to identify and analyse the above-mentioned risks, set appropriate limits, and continually monitor these risks and limits by means of advanced administrative and information systems. In addition, the Group must continuously modify and enhance its risk management policies and systems to account for changes in markets and products.

Market Risk

Market risk refers to the risk of losses resulting from adverse changes in the financial markets in which the Banca Lombarda Group participates. Exposure to such risk is a consequence of the Group's lending, securities trading and brokerage activities and many diverse factors affecting market trends, such as exchange rates in each currency used by the Group in its operations, the correlation between interest and exchange rates in the various markets in which the Group operates as well as the volatility of such interest and exchange rates and of stock prices. The primary goal of the Group's risk management policy is to minimise the potential losses that could arise from such adverse changes in market conditions. Market risk is monitored and evaluated on a daily basis.

The Banca Lombarda Group has adopted a new "Finance Regulation", regarding Banca Lombarda's own trading activities, based on VAR and Stop loss Limits as well as interbank indebtedness in order to monitor and manage market risks. The VAR analysis, which includes the exposure to interest rate, foreign exchange, equity and volatility risk is performed on a daily basis.

A Finance Regulation was also adopted by the individual Group banks, which conduct their dealing activities within the limits set by the aforementioned Regulation, such as: the amount of interbank indebtedness, currency exchange exposure, equity exposure and interest rate exposure.

Interest Rate Risk

The Banca Lombarda Group manages interest rate exposure to limit the adverse effects of interest rate fluctuations on its profitability. Exposure to interest rate movements arises when the Group has a mismatch of assets and liabilities on which interest rates change from time to time. Interest rate risk is measured by means of sensitivity and gap analysis models using the ALM system. ALM reports for each bank in the Banca Lombarda Group are produced monthly. Gap analysis is carried out both with a view to the short term (up to 12 months) and to the medium/long term (over 12 months). The analysis up to 12 months is carried out by series of monthly maturities, while six-monthly series are used up to three years and annual ones for maturities over three years. This risk is regularly monitored on the basis of the method recommended by the Bank of Italy and according to the provisions of the Finance Regulation in order to calculate the minimum capital requirement.

Sensitivity is measured in terms of duration (sensitivity of loans to parallel shifts in the yield curve of 100 basis points).

As far as the risk on the banking book is concerned, both Finance Regulations (Banca Lombarda's and its affiliates') stipulate that the interest rate risk is monitored based on the ratio of the sensitivity of assets, liabilities and off-balance sheet items to the shareholders' equity of each bank. This indicator is designed to enable the Group to effect a mark-to-market valuation of its assets and liabilities and its off-balance sheet items in order to evaluate the Group's interest exposure risk. The maximum ratio is 2 per cent. for Banca Lombarda and 3 per cent. for the others.

Liquidity Risk

Liquidity risk arises in the general funding of the Group's financing, dealing, trading and investment activities and in the management of positions. It includes both the risk of unexpected increases in the cost of funding and the risk of being unable to liquidate a position in a timely manner at a reasonable price. Liquidity management is kept under constant control by means of the ALM system. This provides a detailed report on asset and liability cash flows by maturity. The reports are produced on a monthly basis for each bank and the Group. The Finance Regulation sets internal limits on bank borrowings both for each banking subsidiary of the Group and on a consolidated basis.

The following table shows the maturity analysis of assets and liabilities for Banca Lombarda as at 31 December 2004 and 30 June 2005 respectively:

As at 31 December 2004									
	Fixed maturity								
	Repayable on demand	Up to 3 months	Over 3 months up to 12 months	Over 1 year		Beyond 5 years		Without fixed maturity	Total
				Fixed rate	Floating rate	Fixed rate	Floating rate		
1. Assets	7,831,356	13,580,117	7,365,218	7,883,536	5,766,510	1,679,009	5,673,727	1,350,393	51,120,866
1.1 Securities eligible for refinancing by the Treasury	1	153	1,270	641	807	3,525	686	0	7,083
1.2 Due from banks	274,091	1,722,038	236,483	40,000	8,022	0	38	194,761	2,475,433
1.3 Loans to customers	7,024,037	3,732,760	2,413,251	1,175,172	4,780,423	459,218	5,166,208	1,115,934	25,867,003
1.4 Bonds and other debt securities	0	12,019	198,696	178,701	352,207	40,169	154,560	39,293	975,645
1.5 Off-balance sheet transactions	533,227	8,113,147	4,506,518	6,489,022	625,051	1,176,097	352,235	405	21,795,702
2. Liabilities	13,550,785	15,646,972	6,964,964	5,187,601	5,566,928	1,506,251	1,829,700	388,795	50,641,978
2.1 Due to banks.....	633,460	1,732,338	46,721	355	88,273	3,724	37,592	192	2,542,655
2.2 Due to customers	12,472,763	2,584,950	193,310	424	214	10	0	373,198	15,624,869
2.3 Securities issued.....	171,027	1,194,475	1,294,359	3,156,442	2,353,820	262,163	892,426	15,000	9,339,712
– bonds.....	0	1,034,425	1,175,194	3,147,386	2,351,491	262,163	892,426	15,000	8,878,085
– certificates of deposit	11,544	149,050	119,165	9,056	2,329	0	0	0	291,144
– other securities.....	159,483	11,000	0	0	0	0	0	0	170,483
2.4 Subordinated liabilities	0	0	30,987	0	155,827	503,642	648,584	0	1,339,040
2.5 Off-balance sheet transactions	273,535	10,135,209	5,399,569	2,030,380	2,968,794	736,712	251,098	405	21,795,702

As at 30 June 2005

	Fixed maturity								
	Repayable on demand	Up to 3 months	Over 3 months up to 12 months	Over 1 year		Beyond 5 years		Without fixed maturity	Total
				Fixed rate	Floating rate	Fixed rate	Floating rate		
1. Assets	9,102,726	12,494,398	12,199,491	8,814,500	6,510,998	2,969,288	6,191,004	1,332,659	59,615,064
1.1 Securities eligible for refinancing by the Treasury	0	1	164	488	0	4,139	0	0	4,792
1.2 Due from banks	1,100,283	1,524,484	213,641	6,816	14,491	8,250	195	252,217	3,120,377
1.3 Loans to customers	7,472,647	3,512,762	2,410,248	1,155,678	4,431,803	423,748	5,554,551	1,044,243	26,005,680
1.4 Bonds and other debt securities	0	27,542	252,505	259,617	561,214	110,374	260,498	36,199	1,507,949
1.5 Off-balance sheet transactions	529,796	7,429,609	9,322,933	7,391,901	1,503,490	2,422,777	375,760	0	28,976,266
2. Liabilities	14,367,502	13,358,575	12,291,864	5,872,989	5,769,782	3,061,059	3,036,869	378,915	58,137,555
2.1 Due to banks.....	1,291,713	1,268,195	27,277	9,966	85,023	0	32,613	45	2,714,832
2.2 Due to customers	1,572,231	2,088,257	299,808	11	192	10	14	378,870	15,339,393
2.3 Securities issued.....	198,538	545,142	1,445,865	3,076,893	2,493,958	198,547	1,809,081	0	9,768,024
– bonds.....	0	403,404	1,336,836	3,064,056	2,492,967	198,547	1,809,081	0	9,304,891
– certificates of deposit	9,117	125,738	109,029	12,837	991	0	0	0	257,712
– other securities.....	189,421	16,000	0	0	0	0	0	0	205,421
2.4 Subordinated liabilities	0	30,988	0	503,642	130,827	0	673,583	0	1,339,040
2.5 Off-balance sheet transactions	305,020	9,425,993	10,518,914	2,282,477	3,059,782	2,862,502	521,578	0	28,976,266

Credit Risk

Credit risk derives from the possibility that a counterparty to a financial contract with Banca Lombarda or one of its subsidiaries fails to perform according to the terms and conditions of the contract and causes Banca Lombarda or its subsidiaries to suffer a loss. The risk arises primarily from the Group's lending activities, which take the form of loans and leased assets. All Group companies check credit limits in accordance with the procedures set forth by Banca Lombarda, allowing them to track total exposure to any one customer. This procedure has been developed to establish the exact position of all Group companies versus every single customer or group of related customers. The credit limits are received daily so as to check the global exposure to each authorised borrower.

Credit Procedures and Limits

In accordance with the guidelines set forth by Banca Lombarda, credit limits for lending bodies are established by the Board of Directors of each single commercial bank. Each bank delegates the decision making process governing the granting of credit to the following bodies: Board of Directors, Executive Committee, Executive Director, General Manager, Central Credit Committee, Head of Retail and Corporate Area and branches. All of these bodies are subject to predefined limits on lending. The Banca Lombarda Group sets other limits relating to the type of loan: (i) short-term loans, including personal loans even if for terms longer than 18 months; (ii) secured loans; and (iii) medium- and long-term loans. Medium and long-term loans are also classified according to the type of security provided and the borrower.

As regards the granting of credit, the lending bodies use automated procedures (*Procedura Elettronica di Fido* ("PEF")) to verify the position of all Group companies versus every single customer or group of related customers and all the available information on these customers. In addition, as regards business customers, the financial statements for the most recent three year period and any subsequent interim statements are also taken into account. PEF automatically sends the proposal to the relevant authorised body based on its monetary and internal rating limits. As a general rule the limit on mortgages is set at 70 per cent. of the value of the real estate property to which the mortgage relates. In addition, for private and residential mortgages, annual scheduled repayments cannot exceed 25 per cent. of the applicant's annual income.

The outstanding credit amounts are reviewed daily in order to check the global exposure to each authorised borrower. If the borrower is a customer of different banks within the Banca Lombarda Group, one of these banks will be appointed to monitor the global risk of such customer. The maximum aggregate loan that can be granted by any subsidiary to a single customer or group of related customers without receiving the consent of Banca Lombarda's Board of Directors or one of its committees, is euro 37.5 million.

Loan Monitoring and Credit Recovery

The loan monitoring function is carried out by the Control Department of every commercial bank. The credit recovery function is conducted directly by Banca Lombarda for all the Group's commercial banks. However, each of the Group's factoring, leasing and consumer credit companies conduct its own credit recovery function.

Credit Quality

Accordingly, with Bank of Italy guidelines on disclosure of financial statements, Banca Lombarda Group classifies credit exposure into five categories:

- (i) performing loans (*crediti in bonis*);
- (ii) troubled credit exposures (*crediti incagliati*) (i.e., loans in which the borrower is temporarily unlikely to pay or is temporarily insolvent);
- (iii) bad loans (*sofferenze*) (i.e., loans in which insolvency or similar proceedings have been already instituted against the borrowers);
- (iv) restructuring loans (*crediti in corso di ristrutturazione*) and restructured loans (*crediti ristrutturati*) (i.e., loans in which the bank is consenting to a distressed restructuring of the underlying credit obligation);
- (v) unsecured loans for at risk countries (*crediti non garantiti verso paesi a rischio*).
- (vi) past due (*crediti sconfinati superiori a 180 giorni*) according to the Bank of Italy and Basle rules.

Bad loans

Pursuant to guidelines established by the Bank of Italy, Banca Lombarda must classify a loan as bad loan upon the initiation of legal proceedings for the recovery of such loan or upon the determination that the borrower is encountering serious financial or economic difficulties that are not likely to be temporary and that legal action for recovery of the loan would be advisable even if not initiated. A lender is also required to classify a loan as non-performing if the lender's ongoing evaluation of the borrower leads it to conclude that the financial condition or commercial position of the borrower has worsened to the point where full recovery of both the principal of, and interest on, the loan is in doubt. Categorisation of a loan as non-performing is frequently followed by a formal demand for repayment by the borrower (and, in most cases, if applicable, by the guarantor) by a specific date.

Troubled credit exposures

Pursuant to guidelines established by the Bank of Italy, Banca Lombarda must classify a loan as a troubled loan when it determines that the borrower is experiencing financial or economic difficulties that are temporary (i.e., such financial or economic difficulties can be resolved within a reasonable period of time).

Restructured loans

These are loans where a pool of banks (or a single bank), while granting a moratorium, renegotiate the rate of interest to a rate below market rate. Loans to companies which have ceased activity (such as those, for example, in voluntary liquidation) are excluded from this category. The restructured part of the loan does not have to be reported as a non-performing or troubled loan. It only needs to be reported as a restructured loan when the renegotiated interest rate is not consistent with market interest rates. Any bank which does not agree with the restructuring must evaluate whether the conditions are such as to require the risk classification of the loan to be reclassified as troubled or non-performing. The banks which have approved the restructuring in case of subsequent unpaid outstanding loans must evaluate whether the conditions are such as to require the risk classification of the loan to be reclassified as troubled or non-performing.

Unsecured loans subject to country risk

Country risk relates to problems of solvency in countries where there are difficulties in respect of the service of debt. Banca Lombarda is not exposed to any corporate clients with respect to such kind of unsecured loans. As of 2004, the only exposure is in respect to a primary international bank based in Hong Kong.

Past Due

According to the new Basel Accord, the Bank of Italy has set up a new category of non-performing loans that include all the credit exposure that are past due by at least 180 days. Banca Lombarda treats those credits as troubled loans.

Monitoring of Performing Loans

The monitoring of performing loans is based on a procedure that shows in real time the wholesale value of an exposure referred either to a single customer or to a group of customers.

On a daily basis, non-authorised overdrafts are monitored and reported to the lending body that is hierarchically competent, in accordance with internal policies and internal limits on lending.

The control function for the ongoing financing of the obligors is carried out by the specific central lending body that uses the internal rating system in order to perform portfolio analysis.

Credit Risk Evaluation and Monitoring

With regards to Credit Risk Evaluation and Monitoring, from 1 January 2005 Banca Lombarda adopted an internal rating model in order to obtain a rating and measure the capital risk for each customer (“Internal Rating”). Internal Rating has become the standard parameter for the evaluation of internal credit assessment.

Moreover, Banca Lombarda Group is internally developing a credit risk management system according to the principles explicitly written in the “International Convergence of Capital Measurement and Capital Standards”. Internal Rating is used in the lending first assessment, in the lending monitoring on an ongoing basis, in the credit policy management and will be used in credit pricing and in the Regulatory Capital Measurement.

Banca Lombarda Group is oriented towards the adoption of the Internal Rating Based Approach for its credit portfolio. The main target is the evaluation of credit portfolio risk through an internal Credit Value at Risk (“Credit VaR”) Model.

The Banca Lombarda Group has identified four customer categories: “Large Corporate”, “Corporate”, “Small Business Companies” and “Retail” to use the Internal Rating system.

For customers included in the categories “Banks”, “Sovereigns” and “Non-profit Companies”, the Banca Lombarda Group is going to agree, with Bank of Italy, the adoption of the Standardised Approach.

Balance Sheet Provisions

In order to determine the book value of its Portfolio of Credits, the Group subtracts from the total outstanding, the expected losses computed via the Group’s assessment of the solvency profile of the Group’s borrowers. In greater detail, the Group applies an analytic evaluation to all the loans in the portfolio determining for each position, except for troubled loans of less than euro 15,500 and performing loans, the expected loss. For troubled loans of less than euro 15,500, depreciations are computed via a lump sum procedure.

In order to measure the incurred loss of value inherent to the performing loans and to compute the collective impairment according to IAS, the statistical evidence of the internal rating system are used both in terms of probability of default and loss given default.

Operational and Legal Risk

To comply with the Basel Capital Accord requirements, the Banca Lombarda Group started in early 2002 a project to design and implement an operational risk management (“ORM”) framework in order to qualify as soon as possible for use of the Standardised Approach and for use of the Advanced Measurement Approach by 2008.

Operational risk, which includes the legal risk, refers to the risk of prejudicial events resulting from inadequate or failed internal processes, people and systems or from external events. The risk of prejudicial events causes (or might cause) objective and measurable losses, traceable to specific items in the bank’s profit and loss account and in some cases in the more general accounting system. Exposure to such risk is a consequence of the Group’s portfolio of products, activities, processes, systems, business environment and internal controls. The primary goal of the ORM process is to minimise the potential losses that could arise from procedural malfunctions, material errors, fraudulent behaviour and actions in violation of the law or company regulations.

Banca Lombarda has created an independent Operational Risk Function, located within the Risk Management Division that is responsible for the design and implementation of the group’s operational risk measurement methodology, the risk-reporting system and for developing strategies to identify, measure, monitor and control/mitigate operational risk. Furthermore it has created an Operational Risk Management Committee (ORMC) which states guidelines and policies underlying the whole ORM process, verifies their correct implementation, reports to the CEO and submits proposals concerning action plans/investments necessary to assure the effectiveness/efficiency of the ORM framework.

The Group has set up a database of loss data together with identification of operational risk inherent in all material business units (risk assessment). The loss data collection started in 2001 whereas the risk assessment process started in 2002. Risk assessment provides Banca Lombarda with a qualitative/quantitative approach to identify potential risks of a primarily severe nature by conducting structured scenario analysis with business experts. This approach draws on the knowledge of experienced business managers to derive reasoned assessments of potential operational risk events in terms of economic impact, probability of occurrence, effectiveness of controls and consequences on firm’s reputation with the main objective to evaluate potential severe losses and identify further mitigation plans in order to eliminate/reduce the risk level implied in the operational environment.

Since 2003 the Group has been a member of *Database Italiano delle Perdite Operative* (“DIPO”), the industry data collection pool launched by ABI (the Italian Banking Association) in order to deal with operational losses.

The following table provides a breakdown of the Group’s total loans to customers by classification, net of any provisions, as at 31 December 2003 and 2004 and as at 30 June 2004 and 2005, respectively:

	As at 31 December		As at 30 June	
	2003	2004	2004	2005
	(audited)		(unaudited)	
	(thousands of euro)		(thousands of euro)	
Non-performing loans	248	246	247	258
Troubled loans	327	321	325	294
Loans in the course of restructuring	–	–	–	–
Restructured loans.....	19	9	12	29
Unsecured loans subject to country risk	–	–	–	–
Performing loans	22,990	25,291	24,171	25,425
Total loans to customers	23,584	25,867	24,755	26,006

Accrual of Interest

As soon as payment of principal or interest on any outstanding loan is past due, the interest on such overdue principal or interest arising after the due date is treated as default interest (*interest di mora*). Default interest does not accrue in the income statement except where interest on principal is not yet repaid on non-performing or doubtful loans and where Banca Lombarda continues to have a contractual relationship with the borrower

and an expectation of recovery. This exception aside, all default interest is considered unrecoverable and is not included in net interest income. Nevertheless, Banca Lombarda maintains a record of default interest.

Collections of default interest offset by provisions made subsequent to the period in which they were due are recorded as writebacks of loans.

Provisions for Bad Debts and Other Provisions

Banca Lombarda accounts for credit losses on loans by making specific provisions and charging amounts of such provisions against net income. Such specific provisions are tied to the expected loss on each non-performing loan, troubled loan and, if deemed necessary, on certain performing loans. Banca Lombarda's loan portfolio is monitored on a regular basis to review the prospects of recovery and the estimated losses.

Troubled loans and restructured loans are reviewed on a monthly basis using Banca Lombarda's internal systems and data provided by *Centrale dei Rischi* of the Bank of Italy. The Board of Directors, in conjunction with Banca Lombarda's credit control division, determine levels of provisions for non-performing loans in accordance with the Bank of Italy's rules. Banca Lombarda believes that it is important to note that a large number of the non-performing loans within its portfolio were acquired by it as a result of its various purchases of smaller banks (and consequently their loan portfolios).

The following table sets forth an analysis of the impact of Banca Lombarda's provisions for credit risks as they affect the income statement for the years ended 31 December 2003 and 2004, respectively and for the six-month periods ended 30 June 2004 and 2005, respectively:

	As at 31 December		As at 30 June	
	2003	2004	2004	2005
	(audited)		(unaudited)	
	(thousands of euro)		(thousands of euro)	
Opening balance	293	320	320	329
Writedowns of loans	214	180	117	108
Write-offs of loans not previously provided for	–	–	–	–
Total adjustments of loans	214	180	117	108
Writebacks of loans previously written down	166	152	102	64
Collection of loans previously written down ...	21	19	8	12
Total writebacks of loans	187	171	110	76
Net write-offs	27	9	7	32
Closing balance	320	329	327	361

The following table sets forth, as at 31 December 2004 and as at 30 June 2005, respectively, Banca Lombarda's exposure to and provisioning for commercial loans (after provisions have been made and excluding arrears of interest):

	As at 31 December 2004			As at 31 December 2003		
	Gross credit	Provisions (audited) (euro in millions)	Net Credit	Gross credit	Provisions (audited) (euro in millions)	Net Credit
Non-performing loans ...	425	(179)	246	424	(176)	248
Troubled loans	373	(52)	321	375	(51)	327
Loans in the course of restructuring.....	-	-	-	-	-	-
Restructured loans.....	11	2	9	15	(3)	12
Unsecured loans subject to country risk	-	-	-	-	-	-
Performing loans	25,387	(96)	25,291	23,079	(89)	22,990
Total commercial loans outstanding	<u>26,196</u>	<u>(329)</u>	<u>25,867</u>	<u>23,904</u>	<u>(320)</u>	<u>584</u>
	As at 30 June 2005			As at 30 June 2004		
	Gross credit	Provisions (audited) (euro in millions)	Net Credit	Gross credit	Provisions (audited) (euro in millions)	Net Credit
Non-performing loans ...	455	(197)	258	423	(176)	247
Troubled loans	354	(60)	294	376	(51)	325
Loans in the course of restructuring.....	-	-	-	-	-	-
Restructured loans.....	32	(3)	29	15	(3)	12
Unsecured loans subject to country risk	-	-	-	-	-	-
Performing loans	25,526	(101)	25,425	24,268	(97)	24,171
Total commercial loans outstanding	<u>26,367</u>	<u>(361)</u>	<u>26,006</u>	<u>25,082</u>	<u>(327)</u>	<u>24,755</u>

MANAGEMENT AND EMPLOYEES

Banca Lombarda's management is divided among the Board of Directors and the Executive Committee (*Comitato Esecutivo*), the Managing Director and the General Manager who manages the day-to-day operations of the Group. In addition, pursuant to the Italian Civil Code, Banca Lombarda has a supervisory body, the Statutory Board of Auditors.

BOARD OF DIRECTORS

Pursuant to the by-laws, Banca Lombarda's Board of Directors is elected by the shareholders at the general meeting. On 29 April 2005, the following persons were appointed as members of the Board of Directors with a term of office until the shareholders' meeting relating to the approval of the financial statements for the year ending 31 December 2007:

<u>Name</u>	<u>Position</u>	<u>Principal Outside Interests</u>
Gino Trombi (*)	Chairman	Director of Banca Intesa S.p.A. Director of Risparmio e Previdenza S.p.A
Alberto Folonari	Deputy Vice Chairman	Director of Banco di Brescia S.p.A.
Giovanni Bazoli	Vice Chairman	Director of Banco di Brescia S.p.A. Chairman of Banca Intesa S.p.A. Chairman of Mittel S.p.A.
Corrado Faissola	Managing Director	Director and Member of the Executive Committee of Banco di Brescia S.p.A. Deputy Vice Chairman of Banca Regionale Europea S.p.A. Director and member of the Executive Committee of Banca di San Giorgio S.p.A.
Mario Cattaneo	Director	Chairman and member of the Executive Committee of CBI Factor S.p.A. Director of Unicredito Italiano S.p.A.
Piero Bertolotto	Director	Chairman of Banca Regionale Europea S.p.A. Director of Banca Lombarda International S.A.
Luigi Bellini	Director	Not Applicable
Giuseppe Camadini	Director	Director of Banco di Brescia S.p.A., Director of Banca di Valle Camonica S.p.A., Director of Banca Regionale Europea S.p.A. Chairman of Società Cattolica di Assicurazione S.c.a.r.l.
Mario Cera	Director	Vice Chairman of Banca Regionale Europea S.p.A. Chairman of Grifogest S.p.A.
Virginio Fidanza	Director	Not Applicable
Pietro Gussalli Beretta	Director	Chairman of SBS Leasing S.p.A.
Giuseppe Lucchini	Director	Not Applicable
Felice Martinelli	Director	Chairman of Lombarda Vita S.p.A. Director of Società Cattolica di Assicurazione S.c.a.r.l., Director of Credito Artigiano S.p.A.
Giovanni Minelli	Director	Vice Chairman S.B.I.M. S.p.A.
Luigi Nocivelli	Director	Not Applicable
Pierfrancesco Rampinelli Rota	Director	Chairman of Corporation Financière Européenne S.A
Adriano Rodella	Director	Chairman of ZGZ S.p.A. Chairman of Pompea S.p.A.
Romain Zaleski	Director	Chairman of Metalcam S.p.A. Chairman of Energia e Servizi Srl Chairman of Carlo Tassara Finanziaria S.p.A. Managing Director of Carlo Tassara S.p.A. Vice Chairman of Mittel S.p.A.
Sergio Borlenghi	Director	Chairman of La Difesa – Compagnia di Assicurazioni S.p.A.
Federico Manzoni	Director	Chairman of Intesa Leasing S.p.A. Chairman of Intesa Renting S.p.A.
Matteo Viglietta	Director	Not Applicable

The business address of each of the Directors is Via Cefalonia, 74, 25124 Brescia, Italy.

Potential conflicts of interest may exist between certain Directors' duties to the Issuer and their private interests, as certain Directors are local entrepreneurs who may wish to enter into business transactions with the Issuer (for example, borrowing funds from the Issuer). In case of such a conflict of interest, pursuant to Article 2391 of the Italian Civil Code, the Director is required to disclose any interest, personal or on behalf of a third party, in a specific transaction involving the Issuer to the other members of the Board of Directors and to the audit committee. The Director is required to identify the nature, origin and extent of his private interest.

Furthermore, pursuant to Article 136 of the Italian Banking Act, any person who is vested with managerial/controlling powers in a bank may not assume any obligation or enter into purchase/sale agreements with such bank unless such transaction has been approved by the board of directors of the bank through a resolution passed unanimously and in accordance with Article 2391 of the Italian Civil Code. Such resolution must also be approved by all the statutory auditors except for any auditor involved in the transaction. Similar restrictions also apply to any person vested with managing/controlling powers in companies belonging to the banking group in relation to transactions entered into with companies of the group.

Save as noted above, no potential conflicts of interest exist in relation to the above mentioned persons and their duties/obligations towards Banca Lombarda and their private interests and/or other duties.

Directors are elected by a majority vote of the voting shareholders and hold office for a period of three years.

Directors may be re-elected for consecutive terms. Their office may be revoked at any time by a resolution of the shareholders' meeting. However, if removed without cause, a Director may have a claim against Banca Lombarda for damages. Directors may resign at any time by giving written notice to the Board of Directors and the Chairman of the Board of Statutory Auditors. Vacancies may be filled by resolution of the remaining Directors (with the approval of the Board of Statutory Auditors) until the next shareholders' meeting, at which time the appointment may be confirmed by the shareholders.

The Board of Directors elects the Chairman of the Board of Directors, the Vice Chairman and the Deputy Vice Chairman. The Board of Directors appoints the members of the Executive Committee (which shall be composed of between five and eight members), comprising the Chairman of the Board, Vice Chairman, Deputy Vice Chairman, Chief Executive Officer and other Directors. Their appointment or removal must be approved by a majority of the Directors present. The Chairman of the Board convenes Board meetings and supervises the execution of the Board resolutions and Banca Lombarda's general administration. In the event of the absence of the Chairman or his inability to act, the Chairman is replaced by the Deputy Vice Chairman and, in the event of the Deputy Vice Chairman's absence or inability to act, he is replaced by the Vice Chairman. The Board of Directors meets regularly, at least once a month, and must meet at any time it is convened by the Chairman or his substitute or at any time the Chairman is requested to convene a meeting by at least three of the Directors and in the other cases provided by law. Banca Lombarda's shareholders determine, on an annual basis, Directors' remuneration. The Directors may receive additional compensation as set by the Board of Directors, with the prior approval of the Board of Statutory Auditors, for particular additional responsibilities. The Board of Directors may, from time to time, confer powers to perform specified acts on one or more of its members, the Managing Directors or on other persons. For matters involving lending and day-to-day management, decision-making power can also be granted to Company employees within the limits of their respective functions. The Chairman of the Board, or his substitute, is Banca Lombarda's legal representative. In addition, each of the Executive Managers and the Chairman, or their substitutes, represents Banca Lombarda in tax collection and treasury management. The Chairman of the Board and his delegates represent Banca Lombarda in legal proceedings.

As at 31 December 2004, the Group had outstanding an aggregate of approximately euro 405.9 million in loans granted and guarantees given to members of the Board of Directors. Such loans and mortgages were made at market conditions and in compliance with Italian banking law. The by-laws provide that the Board of Directors may delegate its powers to the Executive Committee and a Director who takes on the role of Managing Director. The Chairman and his substitute are the legal representatives of Banca Lombarda vis-à-vis third parties.

EXECUTIVE COMMITTEE

The Executive Committee is appointed by the Board of Directors and may have between five and eight members.

On 29 April 2005, the Board of Directors appointed the following members of the Executive Committee:

<u>Name</u>	<u>Position</u>
Gino Trombi	Chairman
Alberto Folonari.....	Deputy Vice Chairman
Giovanni Bazoli.....	Vice Chairman
Corrado Faissola	Member
Piero Bertolotto.....	Member
Giuseppe Camadini	Member
Mario Cattaneo.....	Member
Mario Cera	Member

The current Executive Committee has been delegated the power to authorise, within limits imposed by the Board of Directors, financial, credit and real estate operations, recruitment, and promotion or dismissal of employees (excluding managers).

GENERAL MANAGER

The General Manager is responsible for Banca Lombarda's day-to-day management in compliance with the direction of the Board of Directors and has a general supervisory role in relation to all of the Issuer's activities. Currently Victor Massiah is the General Manager. The General Manager is also charged with the task of implementing resolutions of the Board of Directors, the Executive Committee and the Managing Director unless otherwise determined. The General Manager may participate in meetings of the Board of Directors and may express his opinion but does not vote on matters discussed therein.

BOARD OF STATUTORY AUDITORS

Banca Lombarda's Board of Statutory Auditors reports to shareholders and has a duty to Banca Lombarda shareholders and creditors. Pursuant to Italian law, as amended by the Financial Services Act, the Board of Statutory Auditors must oversee Banca Lombarda's compliance with the law and its by-laws, its proper administration, the adequacy of internal controls and accounting reporting systems as well as the adequacy of provisions concerning the supply of information by Banca Lombarda's subsidiaries. The Board of Statutory Auditors must promptly report any irregularities to CONSOB and is also required to report specific matters to the shareholders and to the court. Banca Lombarda's Directors are obliged to inform the Board of Statutory Auditors promptly, in accordance with the provisions of its by-laws, and, at least quarterly, regarding material activities and transactions carried out by the Group. Any member of the Board of Statutory Auditors may request information directly from Banca Lombarda, may request information on the management of Banca Lombarda from the Directors, may carry out inspections and make enquiries at Banca Lombarda and exchange information with the Company's external auditor. The members of the Board of Statutory Auditors are required to be present at meetings of the Board of Directors and shareholders. In addition, the Board of Directors is required to report to the Statutory Auditors at least quarterly. Pursuant to Banca Lombarda's by-laws, the Board of Statutory Auditors is composed of three standing members and two alternate members.

Statutory Auditors are appointed at the shareholders' general meeting for a three-year term and may be re-elected for subsequent terms. The general shareholders' meeting also determines the Statutory Auditors' remuneration for their entire term.

Current members of the Board of Statutory Auditors, who were appointed at the shareholders' meeting of Banca Lombarda on 29 April 2005 and who will remain in office until the shareholders' meeting to approve the financial statements for the year ending 31 December 2007, are as follows:

<u>Name</u>	<u>Position</u>
Sergio Pivato	Chairman
Angelo Coen	Standing member
Filippo Rovetta	Standing member
Vincenzo Broli.....	Alternate Member
Marco Confalonieri.....	Alternate Member

EMPLOYEES

The following table shows the number of the Group's employees by category as at 31 December 2003 and 2004 and 30 June 2005, respectively:

	<u>As at 31 December (2003)</u>	<u>As at 31 December (2004)</u>	<u>As at 30 June (2005)</u>
Managers	186	193	200
Officers	2,093	2,137	2,232
Other employees	5,196	5,198	5,172
Total	7,475	7,528	7,604

Management believes that its relations with its employees are satisfactory. The Group has occasionally experienced work stoppages related to national strikes and to a lesser extent banking industry strikes related to the renegotiation of national labour contracts.

Taxation

The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership and the disposition of the Notes. They apply to a holder of Notes only if such holder purchases its Notes under this Prospectus. It is a general summary that does not apply to certain categories of investors, does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and it does not discuss every aspect of Italian taxation that may be relevant to a holder of Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law. This summary also assumes that the Issuer is organised and that the Issuer's business will be conducted in the manner outlined in this prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which the Issuer conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to Notes is at arm's length.

Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. With regard to certain innovative or structured financial instruments there is currently neither case law nor comments of the Italian tax authorities as to the tax treatment of such financial instruments. Accordingly, it cannot be excluded that the Italian tax authorities and courts or Italian paying agents may adopt a view different from that outlined below.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

REPUBLIC OF ITALY

INTEREST AND OTHER PROCEEDS

1. Notes that qualify as "Obbligazioni" or "Titoli Similari alle Obbligazioni"

1.1 Notes with a maturity of at least 18 months

Legislative Decree No. 239 of 1 April 1996 ("Decree 239") regulates the tax regime of interest, premium and other income (including the difference between the Redemption Amount and the issue price, hereinafter collectively referred to as the "Interest") from notes issued, *inter alia* by Italian banks. The provisions of Decree 239 only apply to those Notes issued by the Issuer with a maturity of eighteen months or more which qualify as bonds ("*obbligazioni*") or securities similar to bonds ("*titoli similari alle obbligazioni*") pursuant to the provisions set forth by Presidential Decree No. 917 of 22 December 1986, as amended.

For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and that do not allow any direct or indirect participation to the management of the Issuer.

A. Italian Resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are effectively connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when the Interest is paid by the Issuer, or when payment therefore is obtained by the

Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered by the Noteholder as a deduction from the income tax due.

In case the Notes are held by an investor engaged in an entrepreneurial activity and are effectively connected with same entrepreneurial activity, the Interest will be subject to the *imposta sostitutiva* as a provisional tax and will be included in the relevant income tax return. As a consequence, the Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (“SIMs”), *società di gestione del risparmio* (“SGRs”) fiduciary companies, exchange agents and other entities identified by Decree of Ministry of Finance (each an “Intermediary”).

An Intermediary (i) must be (a) resident in Italy or (b) a permanent establishment in Italy of an intermediary resident outside Italy or (c) an organisation or company non-resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear and Clearstream, Luxembourg) having appointed an Italian representative for the purposes of Decree 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

In order to apply *imposta sostitutiva*, an Intermediary opens an account (the “single account”) to which it credits *imposta sostitutiva* in proportion to Interest accrued. In the event that more than one Intermediary participates in an investment transaction, the *imposta sostitutiva* in respect of the transaction is credited to or debited from the single account of the Intermediary having the deposit or investment management relationship with the investor.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian intermediary paying interest to a Noteholder.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in a discretionary investment portfolio managed by an authorised intermediary pursuant to the so-called discretionary investment portfolio regime (“*Risparmio Gestito*” regime as described under the paragraph “Capital Gains”, below). In such a case, Interest will not be subject to *imposta sostitutiva* but will contribute to determine the annual net accrued result of the portfolio, which is subject to an ad-hoc substitutive tax of 12.5 per cent.

The *imposta sostitutiva* also does not apply to the following subjects, to the extent that the Notes and the relevant Coupons are deposited in a timely manner, directly or indirectly, with an Intermediary:

- (i) Corporate investors – Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), Interest accrued on the Notes must be included in: (i) the relevant Noteholder’s yearly taxable income for corporate income tax purposes (“IRES”), applying at 33 per cent. rate; and (ii) in certain circumstances, depending on the “status” of the Noteholder, also in its net value of production for the purposes of regional tax on productive activities (“IRAP”), generally applying at the rate of 4.25 per cent. Said Interest is therefore subject to general Italian corporate taxation according to the ordinary rules;
- (ii) Investment funds – Italian investment funds (which includes *Fondo Comune d’Investimento*, or SICAV), as well as Luxembourg investment funds regulated by article 11-bis of Law Decree No. 512 of 30 September 1983 (collectively, the “Funds”) are subject to a 12.5 per cent. substitutive tax on their annual net accrued result. Interest will be included in the calculation of said annual net accrued result.
- (iii) Pension funds – Pension funds (subject to the tax regime set forth by articles 14, 14-ter e 14-quarter(1) of Legislative Decree No. 124 of 21 April 1993, the “Pension Funds”) are subject to

11 per cent. substitutive tax on their annual net accrued result. Interest will be included in the calculation of said annual net accrued result; and

- (iv) Real estate investment funds – Where an Italian resident Noteholder is an Italian real estate fund established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the “Real Estate Investment Fund”), interest, premium and other income relating to the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Investment Fund.

B. Non-Italian Noteholders

An exemption from *imposta sostitutiva* is provided with respect to certain beneficial owners of the Notes resident outside of Italy. In particular, pursuant to the Decree 239, as amended, the aforesaid exemption will apply to any beneficial owner of an Interest payment relating to the Notes who (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy (ii) is an international body or entity set up in accordance with international agreements which have entered into force in Italy, (iii) is the Central Bank or an entity also authorised to manage the official reserves of a state, or (iv) is an institutional investor which is established in a country which allows for a satisfactory exchange of information even if it does not possess the status of taxpayer in its own country of establishment.

For the purpose of the application of the above mentioned exemption, the countries which allow for a satisfactory exchange of information with the Republic of Italy are those listed in Ministerial Decree dated 4 September 1996, as amended from time to time.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. (or at the reduced rate provided for by the applicable tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with the Republic of Italy.

The exemption procedure for Noteholders who are non-resident in Italy and are resident in qualifying countries identifies two categories of intermediaries:

- (i) an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the “First Level Bank”), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below) and
- (ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depository or sub-depository of the Notes appointed to maintain direct relationships, via telematic link, with the Italian tax authorities (the “Second Level Bank”). Organisations and companies non-resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear and Clearstream, Luxembourg) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM or a central depository of financial instruments pursuant to article 80 of Legislative Decree no. 58 of 24 February 1998) for the purpose of the application of Decree 239.

In the event that a non-Italian resident Noteholder deposits Notes directly with a Second Level Bank, the latter shall be treated both as First Level Bank and Second Level Bank.

The exemption of Noteholders who are non-resident in Italy from the *imposta sostitutiva* is conditional upon:

- (i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank and
- (ii) the submission to the First Level Bank or the Second Level Bank of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares that it is eligible to

benefit from the exemption from *imposta sostitutiva*. Such statement must comply with the requirements set forth by a Ministerial Decree dated 12 December 2001, is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for the same or equivalent uses was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy or Central Banks or entities also authorised to manage the official reserves of a State.

The First Level Bank is obliged to send the above statement to the Second Level Bank within 15 days from receipt, together with any necessary affidavit in the event that other intermediaries intervene between the Noteholder and the First Level Bank.

The Second Level Banks file the data relating to the non-resident Noteholder together with data relating to the First Level Bank and of the transactions carried out, via telematic link, to the Italian tax authorities within the first transmission period after receipt of such data. Transmission periods are two-week periods per month during which the Second Level Banks transmit to the Italian tax authorities data relating to bond transactions carried out during the preceding month. The Italian tax authorities monitor and control such data and any discrepancies thereof.

Failure to comply with the above exemption procedure will result in the application of *imposta sostitutiva* on proceeds payable to non-resident Noteholders pursuant to the ordinary rules applicable for the payment of *imposta sostitutiva* by Italian resident investors.

For Noteholders non-resident in Italy, the Second Level Bank acts as the Intermediary responsible for assessing the applicability of *imposta sostitutiva* and, consequently, for levying and paying it to the Italian tax authorities in accordance with the procedure described above.

The 12.5 per cent. *imposta sostitutiva* may be reduced (generally to 10 per cent.) or eliminated under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of the required documentation.

C. Early Redemption

Without prejudice to the regime described above, if the Notes with an original maturity of 18 months or more are subject to an early redemption within 18 months from the issue date an additional tax is payable by the Issuer at the rate of 20 per cent. in respect of Interest accrued thereon up to the date of early redemption, pursuant to Article 26, 1 paragraph, of Presidential Decree No. 600 of 29 September 1973, as amended. According to one interpretation of Italian tax law, the above 20 per cent. additional tax may also be due in the event of any purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the issue date.

1.2 Notes with a maturity of less than 18 months

Pursuant to Article 26, 1 paragraph, of Presidential Decree No. 600 of 29 September 1973, as amended, Interest payments relating to Notes issued with a maturity of less than 18 months are subject to a withholding tax, levied at the rate of 27 per cent.

Where an Italian resident Noteholder is (i) an individual carrying out an entrepreneurial activity, to which the Notes are effectively connected (ii) corporation or a similar Italian commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), (iii) a commercial partnership, or (iv) a commercial private or public institution, such withholding tax is an advance withholding tax. In all other cases, the withholding tax is a final withholding tax.

In the case of non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, the above mentioned withholding tax rate may be reduced (generally to 10 per cent.) or eliminated under certain applicable tax treaties entered into by Italy, if more favourable, subject to timely filing of the required documentation.

2. Notes that qualify as atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) are subject to a withholding tax, levied at the rate of 27 per cent.

Where the Noteholder is (i) a non-Italian resident person, (ii) an Italian resident individual not holding the Notes for the purpose of carrying out an entrepreneurial activity, (iii) an Italian resident non-commercial partnership, (iv) an Italian resident non-commercial private or public institution, (v) a Fund, (vi) a Real Estate Investment Fund, (vii) a Pension Fund, (viii) an Italian resident investor exempt from Italian corporate income taxation, such withholding tax is a final withholding tax.

Where the Noteholder is (i) an Italian resident individual carrying out an entrepreneurial activity to which the Notes are effectively connected, (ii) an Italian resident corporation or a similar Italian commercial entity, (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), such withholding tax is an advance withholding tax.

In the case of non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, the above mentioned withholding tax rate may be reduced (generally to 10 per cent.) or eliminated under certain applicable tax treaties entered into by Italy, if more favourable, subject to timely filing of the required documentation.

CAPITAL GAINS

1. Italian resident Noteholders

Where an Italian resident Noteholder is an individual (not engaged in an entrepreneurial activity to which the Notes are effectively connected) any capital gain realised by such Noteholder from the sale or redemption of the Notes is subject to a capital gains tax ("CGT"), levied at the current rate of 12.5 per cent, regardless of whether same Notes are held outside of Italy.

For the purposes of determining the taxable capital gain, any Interest on the Notes accrued and unpaid up to the time of, respectively, the purchase and the sale of the Notes must be deducted both from the purchase price and the sale price.

Should the Notes qualify as atypical securities, based on a very restrictive interpretation, the aforesaid capital gains would be subject to the 27 per cent. final withholding tax mentioned under the paragraph "Notes that qualify as atypical securities", above.

In respect of the application of the CGT, taxpayers may opt for one of the three regimes described below:

- (a) Tax return regime ("*Regime della Dichiarazione*"): the Noteholder will have to assess the overall capital gains realised in a certain fiscal year, net of any incurred capital losses, in his annual income tax return and pay the CGT so assessed together with the income tax due for the same fiscal year. Losses exceeding gains can be carried forward in the following fiscal years up to the fourth. As such regime constitutes the ordinary regime, the taxpayer must apply it whenever it does not opt for any of the two other regimes;
- (b) Non-discretionary investment portfolio regime ("*Risparmio Amministrato*"): the Noteholder may elect to pay the CGT separately on capital gains realised on each sale, transfer or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs or other authorised intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being made in writing by the relevant Noteholder. The *Risparmio Amministrato* lasts for the entire fiscal year and unless revoked prior to the end of such year will be deemed valid also for the subsequent one. The intermediary is responsible for accounting for the CGT in respect of capital gains realised on each sale, transfer or redemption of the Notes, as well as in respect of capital gains realised at the revocation of its mandate. The intermediary is required to pay the relevant amount to the Italian tax authorities by the 16th day of the second month following the month in which the CGT is applied, by deducting a corresponding amount from the proceeds to be credited to the Noteholder. Where a particular sale, transfer or redemption of the Notes results in

a net loss, the intermediary is entitled to deduct such loss from gains subsequently realised on assets held by the Noteholder with the same intermediary and within the same deposit relationship, in the same fiscal year or in the following fiscal years up to the fourth. Under such regime the Noteholder is not required to declare the gains in its annual income tax return; and

- (c) Discretionary investment portfolio regime (“*Risparmio Gestito*”): if the Notes are part of a portfolio managed by an Italian asset management company, capital gains will not be subject to the CGT, but will contribute to determine the annual net accrued result of the portfolio. Said annual net accrued result of the portfolio, even if not realised, is subject to an ad-hoc 12.5 per cent. substitutive tax, required to be applied on behalf of the Noteholder by the asset management company. Any losses of the investment portfolio accrued at year end may be carried forward against net profits accrued in each of the following fiscal year, up to the fourth. Under such regime the Noteholder is not required to declare the gains in its annual income tax return.

The aforementioned regime does not apply to the following subjects:

- (A) Corporate investors (including banks and insurance companies): capital gains realised by Italian resident corporate entities (including a permanent establishment on Italy of a foreign entity to which the Notes are effectively connected) on the disposal or redemption of the Notes will form part of their taxable income for IRES purposes. In certain cases, capital gains may also be included in the taxable net value of production of Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) for IRAP purposes. The capital gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years both for IRES and for IRAP purposes.
- (B) Funds – Capital gains realised by the Funds on the Notes will contribute to determine the annual net accrued result of same Funds, which is subject to a 12.5 per cent. substitutive tax (see under the paragraph “*Interest and other proceeds, section 1.1.A Italian Resident Noteholders*”, above).
- (C) Pension Funds – Capital gains realised by Pension Funds on the Notes will contribute to determine the annual net accrued result of same Pension Funds, which is subject to an 11 per cent. substitutive tax (see under the paragraph “*Interest and other proceeds, section 1.1.A Italian Resident Noteholders*”, above).
- (D) Real Estate Investment Funds - Capital gains realised by Italian Real Estate Investment Funds on the Notes are not taxable at the level of same Real Estate Investment Funds (see under the paragraph “*Interest and other proceeds, section 1.1.A Italian Resident Noteholders*”, above).

2. Non-Italian resident Noteholders

Capital gains realised by non-resident Noteholders not having a permanent establishment in Italy to which Notes are effectively connected on disposal or redemption of the Notes are not subject to tax in Italy, regardless of whether the Notes are held in Italy, subject to the condition that the Notes are listed in a regulated market (e.g., Luxembourg Stock Exchange).

TRANSFER TAXES

General

Pursuant to Royal Decree No. 3278 of 30 December 1923, Legislative Decree No. 435 of 21 November 1997 and Ministerial Circular No 106/E of 21 December 2001, the transfer of the Notes (either (a) by or between Italian residents or (b) by or between non-Italian residents) may be subject to the transfer tax regime described below (*tassa sui contratti di borsa*):

- (i) contracts entered into directly between private parties or with the participation of entities other than banks and persons who are authorised to perform investment services pursuant to Legislative Decree No. 58 of 24 February 1998, or stockbrokers (hereinafter referred as the “*Authorised Intermediaries*”) are subject to a transfer tax of €0.0083 for every €51.65, or part of €51.65, of the price of the Notes.

- (ii) contracts between private parties, with the participation of Authorised Intermediaries or between private parties and Authorised Intermediaries as well as contracts between Authorised Intermediaries, are subject to a transfer tax of €0.00465 for every €51.65, or part of €51.65, of the price of the Notes;

However, in the case of paragraphs under (ii) above the amount of transfer tax payable cannot exceed €929.62 for each transaction.

Exemptions

The transfer tax is not levied *inter alia* in the following cases:

- (i) contracts entered into on regulated markets (e.g. Luxembourg Stock Exchange);
- (ii) contracts relating to securities which are admitted to listing in the regulated markets and finalised outside such markets and entered into:
 - (a) between Authorised Intermediaries
 - (b) between Authorised Intermediaries on the one hand and non-residents on the other hand
 - (c) between Authorised Intermediaries, also non-resident, on the one hand and undertakings for collective investments in transferable securities on the other hand;
- (iii) contracts relating to public offers for the admission to listing in regulated markets (*offerta pubblica di vendita*) or relating to securities already admitted to listing on said markets;
- (iv) Contracts having a consideration not higher than Euro 206.58;
- (v) Securities lending transactions and any contracts having the same economic purpose.

INHERITANCE AND GIFT TAX

Italian inheritance tax was abolished by Law No. 383 of 18 October 2001 in respect of gifts made or succession proceedings started after 25 October 2001. Transfers of the Notes by reason of gift to persons other than the spouse, siblings or relatives within the fourth degree will be subject to transfer taxes ordinarily applicable for transfers for consideration, provided that the value of the gift received by each person exceeds €180,759.91 (€516,456.90 in certain specific cases) and limited to the excess thereof.

TAX MONITORING

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended, individuals resident in Italy who, at the end of the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose to the Italian tax authorities the aforesaid and related transactions in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return). Such obligation is not provided, *inter alia*, in cases where each of the overall value of the foreign investments or financial activities held at the end of the fiscal year, and the overall value of the related transfers carried out during the relevant fiscal year, does not exceed €12,500.

EUROPEAN DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under EU Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States (e.g. Jersey, Guernsey, Isle of Man, Netherlands Antilles, British Virgin

Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla and Aruba), have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Italy has implemented the directive with Legislative Decree No. 84 of 18 April 2005 (“Decree No. 84”). Decree No. 84 applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State or in a dependent or associated territory under the relevant international agreement. Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid from 1 July 2005 (including interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State (or the territories referred to above), Italian paying agents (that is, banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner, namely: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner or, otherwise, information on the debt claim giving rise to the interest payment and amount of interest paid.

Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner by 30 June of the fiscal year following the fiscal year in which the interest payment is made. Companies, similar entities subject to taxation on business profits, entities passported under EU Council Directive No. 85/611/EEC of 20 December 1985 as well as entities not passported that have elected to be treated like passported, are excluded from the application of Decree No. 84.

Interest on the Notes would constitute “payments of interest” under Article 6 of the Directive and, as far as Italy is concerned, Article 2 of the Decree No. 84.

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

LUXEMBOURG

The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposition of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

WITHHOLDING TAX

Luxembourg non-residents

Under Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the “Laws”) implementing the European Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”) and several agreements concluded between Luxembourg and certain dependent territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident Noteholders. There is also no Luxembourg withholding tax, subject to the application of the Laws, upon repayment of principal or upon redemption, repurchase or exchange of the Notes.

Under the Savings Directive, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals resident in certain dependent territories.

The withholding tax rate is initially 15 per cent., increasing steadily to 20 per cent. and to 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Luxembourg residents

A 10% withholding tax has been introduced, as from 1 January, 2006 on interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents. Only interest accrued after 1 July, 2005 falls within the scope of this withholding tax. Income (other than interest) from investment funds and from current accounts provided that the interest rate is not higher than 0,75 per cent. are exempt from the withholding tax. Furthermore, interest which is accrued once a year on savings accounts (short and long term) and which does not exceed 250 per person and per paying agent is exempted from the withholding tax.

INCOME TAXATION ON PRINCIPAL, INTEREST, GAINS ON SALES OR REDEMPTION

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed base of business in Luxembourg with which the holding of the Notes is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realised upon disposal or repayment of the Notes.

Noteholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding execution, performance, delivery, exchange and/or enforcement of the Notes.

Luxembourg resident corporate Noteholders, or Noteholders who have a permanent establishment in Luxembourg with which the holding of the Notes is connected, must for income tax purposes include any interest receivable in their taxable income and will be subject to net wealth tax. They will not be liable for any Luxembourg income tax on repayment of principal.

Interest received by an individual resident in Luxembourg is subject to withholding tax (see above “**Withholding Tax**” – Luxembourg residents). This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposition of the Notes, unless the disposition of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon a redemption of the Notes, individual Luxembourg resident Noteholders must however include the portion of the redemption price corresponding to accrued but unpaid interest in their taxable income.

Luxembourg resident corporate Noteholders which are companies benefiting from a special tax regime (such as holding companies subject to the law of 31 July 1929 and undertakings for collective investment subject to the law of 20 December 2002) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e. corporate income tax, municipal business tax and net wealth tax) other than the subscription tax calculated on their share capital or net asset value.

Luxembourg net wealth tax will not be levied on a corporate Noteholder, unless (i) such Noteholder is a Luxembourg resident or (ii) the Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment.

Luxembourg net wealth tax has been abolished for individuals Noteholder as from the year 2006.

OTHER TAXES

No stamp, value, issue, registration, transfer or similar taxes or duties will be payable in Luxembourg by Noteholders in connection with the issue of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Notes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

Taxation

Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Noteholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Notes.

Subscription and Sale

SUMMARY OF DEALER AGREEMENT

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 8 March 2006 as amended and/or supplemented from time to time (the “Dealer Agreement”) between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

SELLING RESTRICTIONS

United States

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

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented, warranted and agreed, and each further Dealer appointment under the Programme will be required to represent and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes to the public (where the Notes have a denomination of less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes)) in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- 1. in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- 2. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- 3. it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borsa* (“CONSOB”) (the Italian securities and exchange commission) pursuant to the Italian securities legislation and, accordingly the Notes cannot be offered, sold or distributed nor any copies of this Prospectus or any other document relating to the Notes can be distributed in the Republic of Italy (“Italy”) in a solicitation to the public at large (*sollecitazione all’investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24 February 1998 (the “Financial Services Act”), unless an exemption applies. Accordingly, the Notes in Italy:

- (i) shall only be offered or sold to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No 11522 of 1 July 1998 (the “Regulation No 11522”), as amended, and effected in compliance with the terms and procedures provided therein; or

Subscription and Sale

- (ii) shall only be offered or sold in circumstances which are exempted from the rules of solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No 11971 of 14 May 1999,
- (iii) and in any event, the offer or sale of the Notes in Italy shall be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Moreover and subject to the foregoing, the Notes may not be offered, sold or delivered and neither this Prospectus nor any other material relating to the Notes may be distributed or made available in Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Prospectus or any other material relating to the Notes in Italy is:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No 385 of 1 September, 1993 (the “Italian Banking Act”), the Regulation No. 11522 and any other applicable laws and regulations; and
- (b) in compliance with Article 129 of the Italian Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities (e.g. Notes) in Italy is subject to prior and subsequent notification to the Bank of Italy, unless an exemption, depending *inter alia* on the amount of the issue and the characteristics of the securities, applies; and
- (c) in compliance with the banking transparency requirements set forth in the Italian Banking Act and the implementing regulations and decrees; and
- (d) in compliance with any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing laws.

France

Each of the Dealers and the Issuer has represented and agreed that, in connection with their initial distribution, (i) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and (ii) offers of sales of Notes will be made in the Republic of France only to qualified investors as defined and in accordance with Articles L.411-2 and D.411-1 of the French Code *monétaire et financier*.

This prospectus has not been submitted to the clearance procedure of the *Autorité des marchés financiers*.

In addition, each of the Dealers and the Issuer has represented, warranted and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, this Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the Republic of France may be made as described above.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Netherlands

Each Dealer has represented and agreed that the Notes (including rights representing an interest in a global Note) may not be offered, sold, transferred or delivered, have not been offered, sold, transferred and delivered and will not be offered, sold, transferred or delivered, directly or indirectly, in the Netherlands other than to persons who trade or invest in securities in the conduct of their profession or business and who qualify as professional market parties (“PMPs”) as defined in the Dutch Banking Act Exemption Regulation (*Vrijstellingsregeling Wtk 1992*), being:

- (a) professional investors as referred to in section 1a, subsection 3, of the Exemption Regulation pursuant to the Act on the Supervision of the Securities Trade 1995 (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*);
- (b) enterprises or entities with total assets of at least EUR 500,000,000 according to their balance sheet at the end of the financial year preceding the issue date of the Notes;
- (c) enterprises, entities or persons with a net equity (*eigen vermogen*) of at least EUR 10,000,000 at the end of the financial year preceding the date they purchase the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- (d) subsidiaries of the professional market parties as referred to under paragraph (a) above provided such subsidiaries are subject to supervision on a consolidated basis;
- (e) enterprises or entities which have a credit rating from a rating agency which in the opinion of the Dutch Central Bank is an expert or which issue securities with a credit rating from a rating agency which in the opinion of the Dutch Central Bank is an expert.

The above restrictions shall not apply with respect to Notes having a denomination or being traded in packages that will continue to represent a nominal value of at least EUR 100,000 provided that (a) at the time of issue of the Notes the Issuer is not reasonably able to identify the holders thereof, and (b) the notes are either (i) held at the time of issuance through a clearing system that is established in a Member State of the European Union, the United States, Japan, Australia, Canada or Switzerland in which securities can only be held through a licensed bank or securities firm, or (ii) are initially issued to PMPs that can be reasonably expected to re-sell the Notes exclusively to PMPs.

Each Dealer has furthermore represented and agreed that zero coupon Notes in definitive form and other Notes in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the “SCA”) may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside the Netherlands and are not immediately thereafter distributed in The Netherlands.

Each Dealer has furthermore represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Notes with a maturity of less than 12 months which qualify as money market instruments will only be offered, directly or indirectly, in or from the Netherlands, (i) if they each have a minimum denomination (or minimum aggregate purchase price) of €50,000 or the equivalent thereof in another currency; or (ii) solely to persons who trade or invest in securities in the conduct of their profession or business (which includes banks, securities firms, investment institutions, insurance companies, pension funds, other institutional investors, and finance companies and large enterprises which as an ancillary activity regularly invest in securities); or (iii) in circumstances where another exception to or exemption or dispensation from the prohibition of section 3 subsection 4 of the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*) applies.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

Form of Final Terms

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]
Banca Lombarda e Piemontese S.p.A.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the 6,000,000,000 *Euro Medium Term Note Programme*

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange at www.bourse.lu and copies may be obtained from [address].]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [original date] and [current date] and the supplemental Prospectuses dated [●] and [●]. [The Prospectus [and the supplemental Prospectuses] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange of www.bourse.lu and copies may be obtained from [address].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When completing final terms or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|---|--|------------------------------------|
| 1 | Issuer: | Banca Lombarda e Piemontese S.p.A. |
| 2 | (i) [Series Number:] | [●] |
| | (ii) [Tranche Number:] | [●] |
| | [(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)] | [●] |
| 3 | Specified Currency or Currencies: | [●] |

Form of Final Terms

- 4 Aggregate Nominal Amount of Notes admitted to trading: [●]
(i) [Series:] [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*] (in the case of fungible issues only, if applicable)]
(ii) [Tranche:] [●] (*Required only for listed issues*)
- 5 Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*] [if applicable]]
- 6 Specified Denominations¹ [●]
- 7 (i) [Issue Date:] [●]
(ii) Interest Commencement Date: [●]
- 8 Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
- 9 Interest Basis: [●] per cent. Fixed Rate]
[[specify reference rate] +/- [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (*specify*)]
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]

[(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Put]
[Call]
[(further particulars specified below)]
- 13 Status of the Notes: [Senior/[Dated/Perpetual]²/Subordinated]
- 14 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(if not applicable, delete the remaining subparagraphs of this paragraph)

(1) Notes in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

(2) Please add appropriate provisions to terms and conditions if included.

Form of Final Terms

- (i) Rate[s] of Interest: per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): in each year
- (iii) Fixed Coupon Amount[(s)]: per in nominal amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*
- (v) Day Count Fraction (Condition 5(j)):
(Day count fraction should be Actual/Actual – ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless the Issuer requests otherwise)
- (vi) Determination Date(s) (Condition 5(j)): in each year *[insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon³]*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- 16 Floating Rate Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s):
- (ii) Specified Interest Payment Dates:
- (iii) Interest Period Date
[(Not applicable unless different from Interest Payment Date)]
- (iv) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
- (v) Additional Business Centre(s) (Condition 5(j)):
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (*give details*)]
- (vii) Party responsible for calculating the Rate(s) of interest and Interest Amount(s) (if not the Calculation Agent):
- (viii) Screen Rate Determination (Condition 5(b)(iii)(B)):
– Reference Rate:
– Interest Determination Date(s):
– Relevant Screen Page:
- (ix) ISDA Determination (Condition 5(b)(iii)(A)):
– Floating Rate Option:
– Designated Maturity:
– Reset Date:
- (x) Margin(s): [+/-] per cent. per annum

(3) Only to be completed for an issue where Day Count Fraction is Actual/Actual – ICMA.

Form of Final Terms

- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction (Condition 5(j)): [●]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
- 17 Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [●] per cent. per annum
- (ii) Any other formula/basis of determining amount payable: [●]
- 18 Index-Linked Interest Note/other variable-linked interest Note Provisions: [Applicable/Not Applicable]
(if not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [●]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable: [●]
- (iv) Interest Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Interest Period(s): [●]
- (vii) Specified Interest Payment Dates: [●]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (ix) Additional Business Centre(s) (Condition 5(j)): [●]
- (x) Minimum Rate of Interest: [●] per cent. per annum
- (xi) Maximum Rate of Interest: [●] per cent. per annum
- (xii) Day Count Fraction: [●]
- 19 Dual Currency Note Provision: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]

- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

20 Call Option: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] specified denomination
- (iii) If redeemable in part: [●]
 - (a) Minimum nominal amount to be redeemed: [●]
 - (b) Maximum nominal amount to be redeemed: [●]
- (iv) Notice period: [●]

21 Put Option: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] Specified Denomination
- (iii) Notice period⁴: [●]

22 Final Redemption Amount of each Note: [●] per Note of [●] specified denomination/Other/See Appendix]

In cases where the Final Redemption Amount is Index Linked or other variable-linked: *[If the Final Redemption Amount is linked to an underlying reference or security, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply.]*

- (i) Index/Formula/variable: [●]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]

(4) If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the issuer and its fiscal agent.

Form of Final Terms

- (iv) Determination Date(s):
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Payment Date:
- (vii) Minimum Final Redemption Amount:
- (viii) Maximum Final Redemption Amount:
- 23 Early Redemption Amount
- Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or an event of default (Condition 10) or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):
- Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)): [Yes/No]
- Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 7(f)): [Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 Form of Notes: [Bearer Notes/Exchangeable Bearer Notes/Registered Notes]
 [Delete as appropriate]
 [temporary Global Note/Certificate exchangeable for a permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates on days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
 [temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on days' notice]
 [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
 [Registered Notes]
- 25 Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: [Not Applicable/Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(v) and 18(ix) relate]
- 26 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

Form of Final Terms

- 27 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
- 28 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
- 29 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
- 30 Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
- 31 Other terms or special conditions: [Not Applicable/*give details*]
- (when adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)

DISTRIBUTION

- 32 (i) If syndicated, names of Managers: [Not Applicable/*give names*]
(ii) Stabilising Manager (if any): [Not Applicable/*give name*]
If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 33 Additional selling restrictions: [Not Applicable/*give details*]

GENERAL

- 35 Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition [11(a)]: [Not Applicable/*give details*]
- 36 The aggregate principal amount of Notes issued has been translated into euro at the rate of [●], producing a sum of (for Notes not denominated in euro): [Not Applicable/euro [●]]

[LISTING AND ADMISSION TO TRADING APPLICATION

This Final Terms comprises the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the 6,000,000,000 Euro Medium Term Note Programme of Banca Lombarda e Piemontese S.p.A.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: _____

Duly authorised

PART B - OTHER INFORMATION

1 Listing

- (i) Listing: [Luxembourg/other (*specify*)/none]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●]]/[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 Ratings

[S&P: [●]]
[Moody's: [●]]
[[Other]: [●]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 [Notification

The *Commission de Surveillance du Secteur Financier* has provided the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with Luxembourg Law of 10 July 2005 (*Loi relative aux prospects pour valeurs mobilières*) which implements the Prospectus Directive.]

4 [Interests of Natural and Legal Persons Involved in the [Issue/Offer]]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

5 [Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- (i) Reasons for the offer: [●]
(See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)
- (ii) Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- (iii) Estimated total expenses: [●] [*Include breakdown of expenses.*]
(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

6 [Fixed Rate Notes only – YIELD

- Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 [Index Linked or Other Variable-Linked Notes Only – Performance of Index/Formula/Other Variable and Other Information Concerning the Underlying

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

8 [Dual Currency Notes Only – Performance of Rate[s] of Exchange

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

9 Operational Information

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme and the relevant address(es) and identification number(s): [Not Applicable/give name(s) and number(s) [and address(es)]]

Delivery Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]

10 General

Tradeable Amount: [●]

So long as the Notes are represented by a temporary Global Note or permanent Global Note or Global Certificate and the relevant clearing system(s), the Notes will be tradeable only in principal amounts of at least the Specified Denomination (or, if more than the Specified Denomination, the lowest Specified Denomination) and integral multiples of the Tradeable Amount in excess thereof.

Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]

General Information

GENERAL INFORMATION

- 1 The Luxembourg Stock Exchange has allocated the number 12201 to the Programme for listing purposes.
- 2 The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Italy in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors passed on 14 April 1999, and the update of the Programme was authorised by a resolution of the Board of Directors passed on 9 November 2005. The Issuer has obtained and will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue of the Notes.
- 3 There has been no significant change in the financial or trading position of the Group since 31 December 2004 and no material adverse change in the prospects of the Issuer since 31 December 2004.
- 4 Except as disclosed in this Prospectus, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
- 5 Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- 6 The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions.
- 7 Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.
- 8 For a period of 12 months following the date of the approval of this Prospectus, the following documents will be available (together with English translations if necessary), during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of each of the Paying Agents and, in relation to the documents listed in items (d), (e), (f) and (g), will be obtainable from the specified office of the Paying Agent in Luxembourg:
 - (a) the Amended and Restated Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
 - (b) the Amended and Restated Dealer Agreement;
 - (c) the Amended and Restated Deed of Covenant;
 - (d) the By-Laws (*Statuto*) of the Issuer;
 - (e) the audited consolidated financial statements of the issuer for the financial years ended 31 December 2003 and 31 December 2004, respectively together with the audit report thereon and the unaudited consolidated interim financial statements for the nine months ended 30 September 2005;
 - (f) each Final Terms for Notes that are listed on and admitted to trading on the regulated market of the Luxembourg Stock Exchange or any other stock exchange;

General Information

- (g) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
- (h) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Luxembourg Stock Exchange.

In addition, this Prospectus is and, in the case of Notes to be listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the relevant Final Terms will be, available at the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

- 9 Reconta Ernst & Young S.p.A., Corso Magenta, 29, 25121 Brescia, Italy, (authorised and regulated by CONSOB and a member of the *ASSIREVI – Associazione Nazionale Revisori Contabili*) have audited, and rendered an unqualified audit report on, the financial statements of the Issuer for the year ended 31 December 2004. Deloitte & Touche S.p.A., via Tortona 25, 20144 Milan, Italy (authorised and regulated by CONSOB and a member of the *ASSIREVI – Associazione Nazionale Revisori Contabili*) have audited, and rendered an unqualified audit report on the financial statements of the Issuer for the year ended 31 December 2003.

REGISTERED OFFICE OF THE ISSUER

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Italy

DEALERS

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London EC2M 4AA

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Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Mediobanca - Banca di Credito Finanziario S.p.A.
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Italy

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London EC2Y 5AJ

Morgan Stanley & Co. International Limited
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75007 Paris
France

Nomura International plc
Nomura House
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London EC1A 4NP

Société Générale
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UniCredit Banca Mobiliare S.p.A
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20122 Milan
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FISCAL AGENT, PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Citibank, N.A.
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Canary Wharf
London E14 5LB

PAYING AND TRANSFER AGENT AND LUXEMBOURG LISTING AGENT

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CALCULATION AGENT

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ARRANGER

UBS Limited
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00187 Rome

To the Dealers

In respect of English law

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In respect of Italian law

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